

CHOICEONE FINANCIAL SERVICES INC
Form DEF 14A
March 31, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. __)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

CHOICEONE FINANCIAL SERVICES, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

Amount previously paid:

(1)

Form, Schedule or Registration Statement No.:

(2)

(3) Filing party:

(4) Date filed:

**109 East Division
Sparta, Michigan 49345**

March 31, 2014

To our Shareholders:

We invite you to attend the Annual Meeting of Shareholders of ChoiceOne Financial Services, Inc. to be held at:

**Moss Ridge Golf Club
13545 Apple Avenue
Ravenna, Michigan
April 30, 2014**

11:00 a.m. Annual Meeting; social period to immediately follow

The purpose of the meeting is to elect directors and to consider the other matters described in this proxy statement.

Please plan to join us for an informal social period immediately following the conclusion of the business portion of the Annual Meeting, which starts at 11:00 a.m. Desserts and hors d'oeuvres will be served during the social period. Shareholders holding stock in single ownership form are invited to bring a guest.

The following proxy statement and enclosed proxy are being furnished to holders of ChoiceOne Financial Services, Inc. common stock on and after March 31, 2014. **Please be sure to sign, date and return the enclosed proxy promptly whether or not you plan to attend the meeting.** A proxy may be revoked at any time before it is exercised and shareholders who are present at the meeting may withdraw their proxy and vote in person if they wish to do so. All owners should sign proxies as their names appear on the proxy.

We hope you will join us at the 2014 Annual Meeting. We look forward to seeing you there.

Sincerely,

James A. Bosserd
President and Chief Executive Officer

109 East Division Sparta, Michigan 49345

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders of ChoiceOne Financial Services, Inc. will be held at Moss Ridge Golf Club, 13545 Apple Avenue, Ravenna, Michigan, on Wednesday, April 30, 2014, at 11:00 a.m. local time, for the following purposes:

1. To elect four directors from among the nominees named in this proxy statement.
2. Advisory approval of the Company's executive compensation (the "say-on-pay" vote).
3. Ratification of the selection of Plante & Moran, PLLC as our registered independent public accounting firm for the current fiscal year.
4. To transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on March 3, 2014, are entitled to notice of and to vote at the meeting and any adjournment of the meeting.

important NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE MEETING OF SHAREHOLDERS TO BE HELD ON April 30, 2014: A complete set of proxy materials relating to our annual meeting is available on the Internet at: www.choiceone.com/proxymaterials.

By Order of the Board of Directors,

Mary J. Johnson
Secretary

March 31, 2014

It is important that your shares be represented at the meeting. Even if you expect to attend the meeting,

PLEASE SIGN, DATE AND RETURN YOUR PROXY PROMPTLY.

CHOICEONE FINANCIAL SERVICES, INC.

109 East Division
Sparta, Michigan 49345

ANNUAL MEETING OF SHAREHOLDERS
April 30, 2014

PROXY STATEMENT

Meeting Information

Time and Place of Meeting

You are invited to attend the annual meeting of shareholders of ChoiceOne Financial Services, Inc. that will be held on Wednesday, April 30, 2014, at Moss Ridge Golf Club, 13545 Apple Avenue, Ravenna, Michigan, at 11:00 a.m. local time.

This proxy statement and the enclosed proxy are being furnished to you on and after March 31, 2014, in connection with the solicitation of proxies by ChoiceOne's Board of Directors for use at the annual meeting. In this proxy statement, "we," "us," "our," "ChoiceOne" and the "Company" refer to ChoiceOne Financial Services, Inc. and "you" and "yours" refer to ChoiceOne shareholders.

Purpose of Meeting

The purpose of the annual meeting is to consider and vote upon the election of directors, advisory approval of the compensation of the Company's named executive officers as disclosed in this proxy statement, and the ratification of the selection of Plante & Moran, PLLC as our registered independent public accounting firm for the current fiscal year. ***Your Board of Directors recommends that you vote FOR each of the nominees discussed in this proxy statement, FOR approval of the compensation of the Company's named executive officers, and FOR the proposed appointment of auditors.***

How to Vote Your Shares

You may vote at the meeting if you were a shareholder of record of ChoiceOne common stock on March 3, 2014. You are entitled to one vote per share of ChoiceOne common stock that you own on each matter presented at the annual meeting.

As of March 3, 2014, there were 3,296,573 shares of ChoiceOne common stock issued and outstanding.

Your shares will be voted at the annual meeting if you properly sign and return to us the enclosed proxy. If you specify a choice, your proxy will be voted as specified. If you do not specify a choice, your shares will be voted "FOR" each nominee named in this proxy statement, "FOR" approval of the compensation of the Company's named executive officers, and "FOR" the proposed appointment of auditors. If other matters are presented at the annual meeting, the individuals named in the enclosed proxy will vote your shares on those matters in their discretion. As of the date of this proxy statement, we do not know of any other matters to be considered at the annual meeting.

You may revoke your proxy at any time before it is exercised by:

- delivering written notice to the Secretary of ChoiceOne; or
- attending and voting at the annual meeting.

Who Will Solicit Proxies

Directors, officers and employees of ChoiceOne and ChoiceOne Bank (referred to as the "Bank") will initially solicit proxies by mail. They also may solicit proxies in person, by telephone or by other means, but they will not receive any additional compensation for these efforts. Nominees, trustees and other fiduciaries who hold stock on behalf of beneficial owners of ChoiceOne common stock may communicate with the beneficial owners by mail or otherwise and may forward proxy materials to and solicit proxies from the beneficial owners. ChoiceOne will pay all expenses related to soliciting proxies.

Required Vote and Quorum

Election of Directors. A plurality of the shares voting at the annual meeting is required to elect directors. This means that if there are more nominees than director positions to be filled, the nominees for whom the most votes are cast will be elected. In counting votes on the election of directors, abstentions, broker non-votes and other shares not voted will not be counted as voted, and the number of shares of which a plurality is required will be reduced by the number of shares not voted.

Say on Pay. The advisory vote on executive compensation (the “Say on Pay” vote) will be approved on an advisory basis if a majority of the shares that are voted on the proposal at the meeting are voted in favor of approval. Abstentions, broker non-votes and other shares that are not voted on the proposal in person or by proxy will not be included in the vote count to determine if a majority of shares voted on this proposal voted in favor of approval.

Ratification of Independent Auditors. The ratification of the selection of Plante & Moran PLLC as our independent auditors for the current fiscal year will be approved if a majority of the shares that are voted on the proposal at the meeting are voted in favor of ratification. Abstentions, broker non-votes and other shares that are not voted on the proposal in person or by proxy will not be included in the vote count to determine if a majority of shares voted in favor of this proposal.

A majority of the shares entitled to vote at the annual meeting must be present or represented at the meeting to constitute a quorum. If you submit a proxy or attend the meeting in person, your shares will be counted towards the quorum, even if you abstain from voting on some or all of the matters introduced at the meeting. Broker non-votes also count for quorum purposes.

Election of Directors

The Board of Directors presently consists of 11 individuals divided into three classes. Each class of directors is as nearly equal in number as possible and serves for a three-year term of office. The term of office of one class of directors expires at the annual meeting each year. An individual may not continue to serve on the Board of Directors after he or she becomes 70 years old.

The Board of Directors proposes that the following nominees be elected as directors for terms expiring at the annual meeting of shareholders to be held in 2017:

Jerome B. Arends

K. Timothy Bull

Jack G. Hendon

Dennis Nelson

Each proposed nominee currently serves as a director of ChoiceOne. The persons named in the enclosed proxy intend to vote for the election of the four nominees listed. The proposed nominees are willing to be elected and serve as directors. If a nominee is unable to serve or is otherwise unavailable for election – which we do not anticipate – the incumbent Board of Directors may or may not select a substitute nominee. If a substitute nominee is selected, your proxy will be voted for the person so selected. If a substitute nominee is not selected, your proxy will be voted for the election of the remaining nominees. No proxy will be voted for a greater number of persons than the number of nominees named.

ChoiceOne's Board of Directors and Executive Officers

Biographical information is presented below concerning the nominees for director, current directors whose term of office will continue after the annual meeting and ChoiceOne's executive officers. The biographical information for each nominee and director includes the experiences, qualifications, attributes or skills that caused the Corporate Governance Committee and the Board to determine that the person should continue to serve as a director for the Company. All of the directors of ChoiceOne also serve as directors of the Bank. Except as otherwise indicated, each nominee, current director and executive officer has had the same principal employment for over five years.

Nominees for Election as Directors with Terms Expiring in 2017

Jerome B. Arends (age 69) has been a director of ChoiceOne and the Bank since the Merger and, prior to that, was a director of Valley Ridge and Valley Ridge Bank and/or Kent City since 1987. Mr. Arends was Chief Executive Officer and President of Ravenna Farm Equipment, Inc., a distributor of farm implements and equipment, until early 1999. Mr. Arends was Store Manager and a salesman for Kent Power Equipment, Inc., a distributor of farm equipment, from 1999 until his retirement in 2000. Mr. Arends' qualifications as a continuing director include 26 years of experience as a bank and bank holding company director and extensive experience as a business executive in the markets that we serve.

K. Timothy Bull (age 66) has been a director of ChoiceOne and the Bank since the Merger and, prior to that, was a director of Valley Ridge and Valley Ridge Bank and/or Kent City since 1993 and was also a director of Valley Ridge and Kent City from 1988 until 1991. Mr. Bull is President and sole shareholder of Moon Lake Orchards, Inc., a producer of fruit. Mr. Bull has over 23 years of experience as a director of a bank or bank holding company. Mr. Bull is qualified to continue to serve as a director of ChoiceOne by virtue of his substantial entrepreneurial, agricultural, and executive experience.

Jack G. Hendon (age 58) is a Certified Public Accountant, Co-Founder, and Partner with H&S Companies, PC, an independently owned accounting and consulting firm. Mr. Hendon is also a partner in HSC Group LLC, H&S Plaza LLC, and H&S Land Company LLC. Mr. Hendon has been a director of ChoiceOne and the Bank since August 2013. Mr. Hendon is a director and former audit committee member of Fremont Michigan Insuracorp. Mr. Hendon is well qualified for service as a continuing director by virtue of his substantial accounting and finance expertise and experience.

Dennis Nelson (age 65) has been a director of ChoiceOne and the Bank since the Merger and was a director of Valley Ridge Bank after the consolidation of Kent City and The Grant State Bank (“Grant”) to form Valley Ridge Bank (the “Consolidation”), a director of Valley Ridge since it merged with Community Bank Corporation (“Community”) on July 1, 1996 (the “Valley Ridge/Community Merger”) and a director of Community and/or Grant, the subsidiary bank of Community, from 1985 until the Valley Ridge/Community Merger and the Consolidation. Mr. Nelson is president of Nelson & Nelson DDS, PLC, owner of Nelson Enterprises and NAR Properties, and is a dentist practicing in Newaygo Family Dental Care. Mr. Nelson’s qualifications include 28 years of experience as a director of a community bank or bank holding company in West Michigan, as well as the fact that he is a business owner and has substantial experience with and knowledge of finance and accounting.

Your Board of Directors recommends that you

vote FOR the election of all nominees as directors.

Continuing Directors with Terms Expiring in 2016

Frank G. Berris (age 66) is Chief Executive Officer and majority owner of American Gas & Oil, Inc., a distributor of petroleum products and operator of gas stations. Mr. Berris is also a member of the Michigan Petroleum Association/Michigan Association of Convenience Stores. Mr. Berris has been a director of ChoiceOne and the Bank since August 1991. Mr. Berris’ qualifications as a continuing director of ChoiceOne include his record of executive leadership, history with the Bank, and familiarity with the markets and customers that we serve.

Gary Gust (age 69) has been a director of ChoiceOne and the Bank since the merger (the “Merger”) of Valley Ridge Financial Corp. (“Valley Ridge”) with and into ChoiceOne and, prior to that, was a director of Valley Ridge and Valley Ridge Bank and/or Kent City State Bank (“Kent City”) since 1991. Mr. Gust is the former President and sole shareholder of Gust Construction Company, a general contractor. Mr. Gust is also a partner in Tuffy Enterprises. Mr. Gust is well qualified to serve as a continuing director of ChoiceOne due to his 22 years of experience as a director of the Company and community banks in West Michigan, his entrepreneurial experience, and his knowledge of the customers and markets that we serve.

Nels Nyblad (age 60) owns Nels Nyblad Family Farm LLC. Mr. Nyblad is also a director of Nyblad Orchards, Inc., Cherry Growers Inc., Rossroy Enterprises, Nyblad Properties Grand Traverse, LLC, Nyblad Farms, and Michigan Agricultural Commodities Marketing Assn. Mr. Nyblad has been a director of ChoiceOne and the Bank since June 2008. Mr. Nyblad’s qualifications as a continuing director include substantial business, agricultural, and entrepreneurial experience and experience as a director of several Michigan businesses.

Continuing Directors with Terms Expiring in 2015

James A. Bosserd (age 64) has been a director of ChoiceOne and the Bank since he was appointed to those boards in April 2001. Mr. Bosserd has been President and Chief Executive Officer of ChoiceOne and the Bank since April 2001. Mr. Bosserd has also been President of ChoiceOne Insurance Agencies, Inc. since April 2001 and President of ChoiceOne Mortgage Company of Michigan from January 2002 until December 2008. Prior to joining ChoiceOne and the Bank, Mr. Bosserd was Senior Vice President-Retail Group Manager with Huntington National Bank, a commercial bank, since October 1997 and Senior Vice President-Private Banking Manager with Huntington National Bank since April 1999. Mr. Bosserd also served as President and Chief Executive Officer of FMB State Savings Bank, a commercial bank in Lowell, Michigan, from 1992 through 1997. Mr. Bosserd has also been a director of West Shore Computer Services, Inc., a data processing company in which the Bank owns a 25% interest, since February 2002. Mr. Bosserd is a director of the Sparta Downtown Development Authority, Wolverine World Wide YMCA, Meadowlark Advisory Board, Community Bankers of Michigan (CBM, formerly MACB), Michigan FFA Foundation, Sparta United Methodist Church Board, and United Methodist Finance Authority. Mr. Bosserd also serves on CBM’s audit and compensation committees and Sparta United Methodist Church’s audit committee. He is a former director of the MACB Service Corporation and Michigan Bankers Association, and Sparta United Methodist Church compensation committee member. Mr. Bosserd has over 21 years of experience serving in senior executive positions at West Michigan banks, including service as ChoiceOne’s President and Chief Executive Officer for the past twelve years. Mr. Bosserd therefore has extensive knowledge and expertise regarding ChoiceOne’s markets, competitors, customers, employees, business operations and strategies, and is uniquely qualified for service as a continuing director.

William F. Cutler, Jr. (age 66) is the former Vice President of the H. H. Cutler Company, an apparel manufacturer. Mr. Cutler joined the H. H. Cutler Company in 1970 and served in various management and executive capacities until January 1994. The H. H. Cutler Company was sold to VF (Vanity Fair) Corporation in January 1994. Mr. Cutler has been a director of ChoiceOne and the Bank since October 1993. Mr. Cutler served as a director of Spartan Distributors

until December 2009. Mr. Cutler is a partner in Reds Associates LLC and former Managing Partner and General Manager of Reds on the River LLC. Mr. Cutler's qualifications as a director include over two decades of business management experience, including service on the board of ChoiceOne and the Bank for 20 years. Mr. Cutler is experienced and knowledgeable with regard to finance and accounting matters.

Paul L. Johnson (age 64) is the owner and retired President of Falcon Resources, Inc. in Belmont, Michigan, a sales, engineering and design firm for the automotive and furniture industries. Mr. Johnson was appointed as Chairman of the Board of Directors of ChoiceOne and the Bank in December 2013, served as Vice Chairman from July 2013 until December 2013, and has been a director of ChoiceOne and the Bank since July 1999. Mr. Johnson has been a director of ChoiceOne Insurance Agencies, Inc. since November 2000 through December 2006. Mr. Johnson is well qualified for service as a continuing director by virtue of his extensive business and entrepreneurial experience and skills, including fourteen years of experience as a director of ChoiceOne and the Bank. Mr. Johnson has significant knowledge of and experience with the markets and customers that we serve.

Roxanne M. Page (age 44) is a Certified Public Accountant and Partner with Beene Garter, LLP, an independently owned accounting and consulting firm. Ms. Page was appointed as Vice Chairman of the Board of Directors of ChoiceOne and the Bank in December 2013 and has been a director of ChoiceOne and the Bank since August 2010. Ms. Page served as a director for the Wolverine World Wide YMCA Advisory Board until 2013 and is a former partner in S&R Properties, LLC. Ms. Page is well qualified for service as a continuing director by virtue of her substantial accounting and finance expertise and experience.

Executive Officers who are not Directors

Lee A. Bradford (age 53) has been a Senior Vice President since January 2012 and a Vice President of the Bank in Business Development since September 2001 serving in various capacities, currently as Chief Credit Officer, and an executive officer since January 2011. Mr. Bradford was also employed by the Bank from 1980 to 1997. Mr. Bradford serves on the board of the Sparta Community Foundation and previously served as its chairman.

Sheila Clark (age 58) has been a Senior Vice President of the Bank since January 2007, was a Vice President of the Bank since the Merger and, prior to that, was a Vice President of Valley Ridge Bank since June 1999. Ms. Clark has been employed by either the Bank or Valley Ridge Bank since July of 1982 serving in various management and executive capacities. Ms. Clark was employed by Sparta State Bank (now the Bank) from Fall 1973 to Spring 1979. Ms. Clark also serves as a director of Sparta Rotary and Mid-Michigan Banking Group, previously as its President.

Mary J. Johnson (age 50) has been a Senior Vice President and Cashier of the Bank since December 2010 and a Vice President of the Bank since September 1998. Prior to that, Ms. Johnson was employed by the Bank in April 1985, serving in various management and executive capacities since April 1993. Ms. Johnson was appointed Secretary of ChoiceOne and the Bank in April 2011 and has been a director of ChoiceOne Insurance Agencies, Inc. since January 2011. Ms. Johnson serves as an officer of Johnson & Johnson Builders, Inc., a construction company. Ms. Johnson also serves as a director of the Sparta Chamber of Commerce.

Louis D. Knooihuizen (age 64) has been Senior Vice President, Senior Lending Officer of the Bank since December 2001. Mr. Knooihuizen was elected an officer of ChoiceOne Mortgage Company of Michigan from 2003 until December 2008. Prior to his employment with ChoiceOne, Mr. Knooihuizen was employed by Bank West, a commercial bank in Grand Rapids, Michigan, as Senior Vice President, Commercial Loans from 1999 to 2001 and by National City Bank, a commercial bank, as Vice President, Commercial Loans from 1995 to 1999. Mr. Knooihuizen also serves as a director of Sparta Rotary and Michigan Bankers Title and is a former director of Mid-Michigan Banking Group. Mr. Knooihuizen is owner of Tiehere, LLC.

Thomas L. Lampen (age 58), a Certified Public Accountant, has been a Senior Vice President of the Bank since December 2011, Chief Financial Officer of the Bank since January 1992 and Treasurer of ChoiceOne since April 1987. Mr. Lampen has been the Treasurer of ChoiceOne Insurance Agencies, Inc. since January 1996 and the Treasurer of ChoiceOne Mortgage Company of Michigan from January 2002 until December 2008. Prior to his employment with ChoiceOne, Mr. Lampen was employed by Grant Thornton, a national accounting firm.

Kelly Potes (age 52) has been Senior Vice President and General Manager of ChoiceOne Insurance Agencies, Inc. since January 2001 and Senior Vice President of the Bank since January 2011. Prior to that, Mr. Potes was President of Kent-Ottawa Financial Advisors, Inc., a financial consulting firm, from 1998 to 2001 and Vice President, Retail Services of the Bank from 1984 to 1998. Mr. Potes has been a director of ChoiceOne Insurance Agencies, Inc. since January 2001. Mr. Potes formerly served as a Trustee of the Sparta Board of Education.

Advisory Approval of Executive Compensation

In accordance with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”), Shareholders may cast an advisory vote on the compensation of the Company’s named executive officers as disclosed in this proxy statement pursuant to the SEC’s compensation disclosure rules. The Company has designed its executive compensation programs to attract, motivate, reward and retain the senior management talent to manage the Company to achieve our corporate objectives and increase shareholder value through long-term profitable growth. The Personnel and Benefits Committee, which consists entirely of independent directors, oversees the compensation of the Company’s named executive officers. The Committee believes that the Company’s compensation programs are appropriate for the Company taking into account such factors as the size of the Company and the Bank, the market for executive talent in which we compete, and the Company’s short-term and long-term strategic objectives. The Committee believes that the Company’s compensation programs strike an appropriate balance between incentivizing growth while not encouraging excessive risk-taking.

For these reasons, we are asking our shareholders to vote “FOR” the adoption of the following resolution:

“RESOLVED, that the shareholders of ChoiceOne Financial Services, Inc. (the “Company”) approve, on an advisory basis, the compensation of the Company’s named executive officers, as disclosed in the Company’s proxy statement for the 2014 Annual Meeting of Shareholders under the heading entitled “Executive Compensation.”

This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy and programs described in this proxy statement.

The vote is not binding on the Company, the Board of Directors or the Personnel and Benefits Committee. However, the Board of Directors and Personnel and Benefits Committee value the opinions of our shareholders and will take the results of the vote into consideration when making future decisions regarding executive compensation.

Your Board of Directors recommends that you

vote FOR the approval of the compensation of the Company’s Named Executive Officers.

Ratification of Selection of Independent Registered Public Accounting Firm

ChoiceOne's Audit and Compliance/CRA Committee ("Audit Committee") has approved the selection of Plante & Moran PLLC as the Company's independent registered public accounting firm to audit the financial statements of ChoiceOne and its subsidiaries for 2014, and to perform such other appropriate accounting services as may be approved by the Audit Committee. The Audit Committee and the Board of Directors propose and recommend that shareholders ratify the selection of Plante & Moran PLLC to serve as the Company's independent auditors for the year ending December 31, 2014.

More information concerning the relationship of the Company with its independent auditors appears below under the headings "Audit Committee," "Independent Registered Public Accounting Firm," and "Audit Committee Report."

If the shareholders do not ratify the selection of Plante & Moran PLLC, the Audit Committee will consider a change in auditors for the next year.

Your Board of Directors and Audit Committee, which consists entirely of independent directors, recommend that you vote FOR ratification of the selection of Plante & Moran PLLC as our independent auditors for 2014.

Corporate Governance

Independence

The Board of Directors has determined that the following 10 of its 11 directors meet the applicable Nasdaq Stock Market (“Nasdaq”) standards for independence (including the heightened independence criteria applicable to audit committee members under the Nasdaq and Securities and Exchange Commission (“SEC”) independence standards), have no material relationship with ChoiceOne, and therefore are independent:

Jerome B. Arends

Frank G. Berris

K. Timothy Bull

William F. Cutler, Jr.

Gary Gust

Jack G. Hendon

Paul L. Johnson

Dennis Nelson

Nels W. Nyblad

Roxanne M. Page

In making this determination, the Board of Directors considered the performance of maintenance services for the Bank by Mr. Arends, construction services provided by a company formerly owned by Mr. Gust, and rental payments to and purchases from companies owned by Mr. Berris. In all such cases, the amounts paid by the Bank were below the materiality thresholds set by Nasdaq rules.

Committees of the Board of Directors

The Board of Directors has established the following five standing committees:

- Audit and Compliance/CRA Committee
- Executive and Loan Review Committee
- Governance and Nominating Committee
- Personnel and Benefits Committee
- Asset/Liability and Risk Committee

Audit and Compliance/CRA Committee. The Audit and Compliance/CRA Committee (“Audit Committee”) was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 and is directly responsible for the appointment, compensation, retention and oversight of the work of the independent public accountants. The Audit Committee oversees the financial reporting and accounting processes of ChoiceOne. The Audit Committee reviews their fees for audit and non-audit services and the scope and results of audits performed by them. The Audit Committee also reviews ChoiceOne’s internal accounting controls, the proposed form of its financial statements, the results of internal audits and compliance programs, and the results of the examinations received from regulatory authorities. The Audit Committee operates pursuant to a written charter, which was adopted by the Board of Directors. A current copy of the Audit Committee charter can be found in the Investor Relations section of ChoiceOne’s website at www.choiceone.com. As of the date of this proxy statement, Roxanne M. Page (Chairperson), K. Timothy Bull, Jack Hendon and Paul Johnson serve on the Audit Committee. ChoiceOne has designated Ms. Page as its audit committee financial expert as defined by the SEC. All of the members of the Audit Committee are “independent” directors as defined by the rules of the SEC and the Nasdaq Marketplace Rules. The Audit Committee met five times during 2013.

Executive and Loan Review Committee. The Executive and Loan Review Committee reviews all aspects of the Bank’s loan activity, including new loans of \$25,000 or more, problem or other loans identified by examiners, loans 60 days or more past due and non-accrual loans. The Executive and Loan Review Committee also approves loan charge-offs and extensions of credit of up to 15% of the capital and surplus of the Bank. The Executive and Loan Review Committee may also act in other capacities if the Board of Directors so authorizes. As of the date of this proxy statement, Jerome Arends (Chairman), Frank Berris, James A. Bosserd, William F. Cutler, Jr., Gary Gust, Paul Johnson and Nels Nyblad serve on the Executive and Loan Review Committee. There are no requirements that members of this committee be “independent.” The Executive and Loan Review Committee met 19 times during 2013.

Governance and Nominating Committee. The Governance and Nominating Committee administers the process of nominations for directorships and coordinates ChoiceOne's corporate governance initiatives and policies. The Governance and Nominating Committee operates pursuant to a written charter, which was adopted by the Board of Directors. A current copy of the Governance and Nominating Committee charter can be found in the Investor Relations section of ChoiceOne's website at www.choiceone.com. As of the date of this proxy statement, William F. Cutler, Jr. (Chairman), K. Timothy Bull, Jack Hendon, and Dennis Nelson serve on the Governance and Nominating Committee. All of the members of the Governance and Nominating Committee are "independent" directors as defined by Nasdaq Marketplace Rules. The Governance and Nominating Committee met four times during 2013.

Personnel and Benefits Committee. The Personnel and Benefits Committee performs the functions of a compensation committee. The Personnel and Benefits Committee:

- Reviews from time to time the personnel policies and programs of ChoiceOne, and submits recommendations to the Board of Directors;
- Administers the equity plans of ChoiceOne that are approved by the Board of Directors;
- Reviews the administration of and proposed changes to the retirement and welfare benefit plans of ChoiceOne that are approved by the Board of Directors;
- Makes recommendations to the Board of Directors with respect to incentive compensation plans and equity-based plans;
- Makes any determinations and approvals relating to incentive-based compensation (with the ratification of the Board of Directors) as required to comply with applicable tax laws;
- While meeting outside of the presence of the Chief Executive Officer, reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluates the performance of the Chief Executive Officer in light of those corporate goals and objectives, and determines the compensation of the Chief Executive Officer based on the evaluation; and
- While meeting outside of the presence of the Chief Executive Officer, determines the long-term incentive component of the compensation of the Chief Executive Officer, taking into consideration ChoiceOne's performance and relative shareholder return, the value of similar incentive awards to chief executive officers at comparable companies, and the awards given to ChoiceOne's Chief Executive Officer in past years.

The Personnel and Benefits Committee operates pursuant to a written charter, which was adopted by the Board of Directors. A current copy of the Personnel and Benefits Committee charter can be found in the Investor Relations Section of ChoiceOne's website at www.choiceone.com. All of the members of the Personnel and Benefits Committee are "independent" directors as defined by Nasdaq Marketplace Rules. As of the date of this proxy statement Roxanne Page (Chairman), Jack Hendon, and Dennis Nelson serve on the Personnel and Benefits Committee. James A. Bosserd attends meetings but is not a member of this committee. The Personnel and Benefits Committee met four times during 2013.

Asset/Liability and Risk Committee. The Asset/Liability and Risk Committee oversees and assesses the adequacy of the Company's management of key risks including credit risk, asset/liability risk, liquidity risk, and operational risk. The Committee is also responsible for monitoring the Company's risk management profile and obtaining reasonable

assurance of adherence to the Company's risk management policies. The Committee reviews and approves the Company's policies, plans and programs relating to risk management, and monitors the effectiveness of the Company's risk management programs. The Risk Committee operates pursuant to a written charter, which was adopted by the Board of Directors. A current copy of the Risk Committee charter can be found in the Investor Relations section of ChoiceOne's website at www.choiceone.com. As of the date of this proxy statement, K. Timothy Bull (Chairman), Jerome Arends, Dennis Nelson, and Roxanne Page serve on the Asset/Liability and Risk Committee. All of the members of the Asset/Liability and Risk Committee are "independent" directors as defined by Nasdaq Marketplace Rules. The Risk Committee met four times during 2013.

Board Leadership Structure and Role in Risk Oversight

The Board of Directors has determined that having an independent director serve as Chairman of the Board is in the best interest of shareholders at this time. The structure ensures a greater role for the independent directors in the oversight of the Company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of the Board. We believe that this leadership structure is preferred by a significant number of the Company's shareholders.

The Board is actively involved in oversight of risks that could affect the Company. This oversight is conducted primarily through the Asset/Liability and Risk Committee and the Audit and Compliance/CRA Committee, but the full Board has retained responsibility for general oversight of risks. The Board satisfies this responsibility through reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within the Company.

Shareholder Nominations

The Governance and Nominating Committee will consider director candidates recommended by shareholders, directors, officers, third party search firms and other sources. Shareholders may recommend individual nominees for consideration by the Governance and Nominating Committee by communicating with the committee as described under the heading "Communicating with the Board of Directors." The Governance and Nominating Committee will ultimately determine whether a shareholder recommendation will result in a nomination under this process. In considering potential nominees, the committee will review all candidates in the same manner, regardless of the source of the recommendation. In evaluating the skills and characteristics required of board members, the committee considers various factors and believes that each candidate should:

- be chosen without regard to sex, race, religion or national origin;
- be an individual of the highest character and integrity and have an inquiring mind, vision and the ability to work well with others;
- be free of any conflict of interest that would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director;
- possess substantial and significant experience that would be of particular importance to ChoiceOne in the performance of the duties of a director;
- have sufficient time available to devote to the affairs of ChoiceOne in order to carry out the responsibilities of a director; and
- have the capacity and desire to represent the balanced, best interests of the shareholders as a whole.

To make a direct shareholder nomination, you must send a notice to the Secretary of ChoiceOne that sets forth with respect to each proposed nominee:

- the name, age, business address and residence address of the nominee;
- the principal occupation or employment of the nominee;
- the number of shares of common stock of ChoiceOne that the nominee beneficially owns;
- a statement that the nominee is willing to be nominated and to serve; and
- such other information concerning the nominee as would be required under the rules of the SEC to be included in a proxy statement soliciting proxies for the election of the nominee.

You must send this notice to the Secretary not less than 120 days prior to the date of notice of an annual meeting and not more than seven days following the date of notice of a special meeting called for election of directors.

Board Meetings and Attendance

During 2013, the ChoiceOne Board of Directors held 12 regular meetings and one special meeting. All directors attended at least 75% of the aggregate number of meetings of the Board of Directors and meetings of committees on which they served during the year during the periods that they served.

Annual Meeting Attendance

ChoiceOne expects all of its directors to attend the annual meeting. In 2013, all directors attended the annual meeting.

Communicating with the Board of Directors

Shareholders and interested parties may communicate with members of ChoiceOne's Board of Directors by sending correspondence addressed to the board as a whole, a specific committee, or a specific board member c/o Mary J. Johnson, Secretary, ChoiceOne Financial Services, Inc., 109 East Division, Sparta, Michigan 49345. All correspondence will be forwarded directly to the applicable members of the Board of Directors.

Ownership of ChoiceOne Common Stock

Ownership of ChoiceOne Stock by Directors and Executive Officers

The following table sets forth information concerning the number of shares of ChoiceOne common stock held as of December 31, 2013, by each of ChoiceOne's directors and nominees for director, each of the named executive officers and all of ChoiceOne's directors, nominees for director and executive officers as a group:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock (1)				Percent of Class
	Sole Voting and Dispositive Power	Shared Voting or Dispositive Power (2)	Shares Underlying Unexercised Options	Total Beneficial Ownership	
Jerome B. Arends	37,717	24,619		62,336	1.9 %
Frank G. Berris	26,034			26,034	*
James A. Bosserd	7,255	8,980	14,275	30,510	*
K. Timothy Bull	63,825	4,102		67,927	2.1 %
William F. Cutler, Jr.		53,876		53,876	1.6 %
Lewis G. Emmons	16,047			16,047	*
Stuart Goodfellow	55,880	15,640		71,520	2.2 %
Gary Gust	58,021			58,021	1.8 %
Jack G. Hendon	3,000	185		3,185	*
Paul Johnson	2,960	41,525		44,485	1.3 %
Dennis Nelson	5,202			5,202	*
Nels Nyblad	10,590	15,752		26,342	*
Roxanne M. Page	1,300			1,300	*
Donald VanSingel	3,980	12,231		16,211	*
Louis Knooihuizen	5,567		5,325	10,892	*
Kelly Potes	2,591	8,321	3,550	14,462	*
All directors, nominees for director and executive officers as a group (3)	307,590	330,752	33,300	671,642	20.4 %

* Less than 1%.

(1) The numbers of shares stated are based on information furnished by each person listed and include shares personally owned of record by that person and shares that under applicable regulations are considered to be otherwise beneficially owned by that person.

(2) These numbers include shares as to which the listed person is legally entitled to share voting or dispositive power by reason of joint ownership, trust or other contract or property right, and shares held by spouses, certain relatives and minor children over whom the listed person may have influence by reason of relationship.

(3) Total beneficial ownership includes 124,217 shares of ChoiceOne common stock held by the ChoiceOne Bank 401(k) and Employee Stock Ownership Plan in the accounts of employees, of which executive officers of ChoiceOne are administrators. Of the 124,217 shares of ChoiceOne common stock in this plan, the directors and executive officers have included 8,500 shares in this table as beneficially owned with sole voting and dispositive power. The remaining 115,717 shares are reported as beneficially owned with shared voting or dispositive power and the officers and directors disclaim beneficial ownership of such shares.

Five Percent Shareholders

No person or group is known to ChoiceOne to be a beneficial owner of 5% or more of ChoiceOne's outstanding shares of common stock as of March 3, 2014.

Executive Compensation

Summary of Executive Compensation

The following table shows certain information concerning the compensation earned by the Chief Executive Officer and each of ChoiceOne's two most highly compensated executive officers who served in positions other than Chief Executive Officer (together, the "named executive officers") during the fiscal year ended December 31, 2013.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (1)	All Other Compensation	Total
James A. Bosserd President and Chief Executive Officer of ChoiceOne and Bank	2013	\$258,764	\$8,865	\$267,629
	2012	\$277,506	\$9,084	\$286,590
Louis Knooihuizen Senior Vice President of ChoiceOne and Bank	2013	\$126,919	\$5,392	\$132,311
	2012	\$134,387	\$5,615	\$140,002
Kelly Potes Senior Vice President of Bank and Insurance	2013	\$139,203	\$4,728	\$143,931
	2012	\$158,080	\$5,091	\$163,171

(1)The amount reported includes directors' fees paid to Mr. Bosserd totaling \$16,050 in 2013 and \$12,900 in 2012.

Employment Contracts

As an inducement for Mr. Bosserd's agreement to serve as a director and President and Chief Executive Officer of ChoiceOne and the Bank, ChoiceOne entered into a three-year employment agreement with Mr. Bosserd in 2007 that extends each year for one additional year, unless either ChoiceOne or Mr. Bosserd provides notice of termination. Under this agreement, ChoiceOne agreed to:

- pay Mr. Bosserd a salary of \$160,000 per year as may be adjusted, less taxes and withholdings, plus possible bonuses;
- pay Mr. Bosserd the regular director's fee for attending Board meetings;
- provide Mr. Bosserd with an automobile allowance of \$600 per month;
- reimburse Mr. Bosserd for all documented business expenses;
- continue to pay Mr. Bosserd his base salary for the remainder of the term if Mr. Bosserd is terminated, without cause, or quits for "good reason" following a change in control of ChoiceOne;
- provide Mr. Bosserd with thirty sick and personal days per year; and
- provide Mr. Bosserd with the same health and other employee benefits provided to other executive employees of ChoiceOne and the Bank.

Mr. Bosserd agreed not to compete with ChoiceOne or the Bank during the term of his employment agreement unless his employment is terminated by the Company without cause or by Mr. Bosserd for "good reason" after a change in control.

401(k) Plan

The ChoiceOne Bank 401(k) and Employee Stock Ownership Plan is qualified under Section 401(a) of the Internal Revenue Code of 1986 (the "Code").

The purpose of the 401(k) plan is to permit Bank employees, including the named executive officers, to save for retirement on a pre-tax basis. In addition to an employee's pre-tax contributions, the Bank may contribute discretionary matching and/or employee stock ownership plan payments to the 401(k) plan. If the Bank contributes matching and/or employee stock ownership plan payments to the 401(k) plan, those contributions will become fully vested after six years of a participant's vesting service. The Bank has generally made a contribution to the 401(k) plan each year; a discretionary match was made for 2013.

The employee stock ownership plan provisions provide that the 401(k) plan, in part, is designed to invest primarily in stock of ChoiceOne.

Termination and Change in Control Provisions

Mr. Bosserd's employment agreement provides that after a "change in control," in the event that Mr. Bosserd's employment is terminated without cause or Mr. Bosserd terminates his employment for "good reason," then Mr. Bosserd will be entitled to continuation of his salary and benefits through the term of his employment agreement. Good reason is defined in the agreement to include, among other things, a material demotion, assignment of duties inconsistent with Mr. Bosserd's status as President and Chief Executive Officer, a relocation of Mr. Bosserd, failure of ChoiceOne to elect Mr. Bosserd as Chief Executive Officer of ChoiceOne or the Bank, or a material breach by ChoiceOne of any provision of the agreement. Under Mr. Bosserd's agreement, a change in control is deemed to have occurred as of the first day that there is a change in the ownership, the effective control, or the ownership of a substantial portion of ChoiceOne's assets. The Personnel and Benefits Committee believes the "double trigger" of requiring both a change in control and termination of employment provides an appropriate balance of protection for both ChoiceOne and Mr. Bosserd.

ChoiceOne has granted certain stock options pursuant to the Executive Stock Incentive Plan that are subject to accelerated full vesting upon a change in control of ChoiceOne. Because all of the stock options outstanding at the end of 2013 were fully vested, a change in control would have no effect on those options.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information concerning unexercised options for each named executive officer outstanding as of December 31, 2013.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards Number of Underlying Securities Unexercised Options Exercisable	Number of Securities Underlying Options Unexercisable	Option Exercise Price	Option Expiration Date
James A. Bosserd	2,625	—	\$ 16.31	1/21/14
	3,150		21.43	1/19/15
	2,500		18.85	1/18/16
	3,000		17.95	1/17/17
	3,000		13.50	1/23/18
Louis Knooihuizen	787	—	\$ 16.31	1/21/14
	788		21.43	1/19/15
	750		18.85	1/18/16
	1,500		17.95	1/17/17
	1,500		13.50	1/23/18
Kelly Potes	525	—	\$ 16.31	1/21/14
	525		21.43	1/19/15
	500		18.85	1/18/16
	1,000		17.95	1/17/17
	1,000		13.50	1/23/18

(1) As of December 31, 2013, all of the options granted to the named executive officers were vested and exercisable.

Option Exercises

On January 11, 2013, Mr. Potes and Mr. Knooihuizen each exercised an option to purchase 525 shares of common stock for \$13.70 per share.

Pension Benefits

ChoiceOne's named executive officers do not participate in a defined benefit pension plan.

Director Compensation

The following table provides information concerning the compensation of directors for ChoiceOne's last completed fiscal year.

DIRECTOR COMPENSATION

Name	Fees		Total
	Earned or Paid in Cash	All Other Compensation	
Jerome B. Arends	\$22,350	\$ —	\$22,350
Frank G. Berris	19,350	—	19,350
K. Timothy Bull (1)	17,575	—	17,575
William F. Cutler, Jr. (1)	20,850	—	20,850
Lewis G. Emmons	16,950	—	16,950
Stuart Goodfellow (1)	19,650	—	19,650
Gary Gust	19,950	—	19,950
Jack G. Hendon (1)	6,250	—	6,250
Paul L. Johnson	20,625	—	20,625
Dennis Nelson	18,300	—	18,300
Nels W. Nyblad (1)	19,800	—	19,800
Roxanne M. Page	19,050	—	19,050
Donald VanSingel	13,050	—	13,050

- (1) Directors may elect to use fees otherwise payable in cash to instead receive stock awards pursuant to the Directors Stock Purchase Plan described in the narrative below. For 2013, Messrs. Cutler, Goodfellow, and Nyblad each elected to receive 100% of their fees in the form of ChoiceOne stock. Mr. Hendon received 50% and Mr. Bull received 12% of his fees in the form of ChoiceOne stock.

Directors who were not employees of ChoiceOne or the Bank received compensation for any committee of the Board of Directors on which they served at a rate of \$300 per meeting when attended in person or \$225 per meeting via phone participation, except that interim loan committee meetings were compensated at a rate of \$150 per meeting. During 2013, Bank directors received compensation at the rate of \$800 per meeting when attended in person or \$600 per meeting via phone participation up to a maximum 3 times per year. During 2013, the Bank compensated its directors with a retainer rate of \$5,000 per director, \$5,000 for the President, and \$6,500 for the Chairman while ChoiceOne compensated its directors with a retainer rate of \$1,000 per director, \$1,600 for the President, and \$1,600 for the Chairman.

Under ChoiceOne's Directors' Stock Purchase Plan, a director may elect to receive payment of 25%, 50%, 75% or 100% of his or her director fees in the form of ChoiceOne common stock. On each quarterly payment date, a director participating in this plan receives a number of shares of ChoiceOne common stock (rounded to the nearest whole share) determined by dividing the dollar amount of fees payable that the director has elected to receive as ChoiceOne common stock by the market value of ChoiceOne common stock determined by a poll of ChoiceOne's market makers on the last day of the month preceding the quarterly payment date.

Potential Payments Upon Termination or Change in Control

The following table summarizes the potential payments and benefits payable to each of ChoiceOne's named executive officers upon termination of employment in connection with each of the triggering events set forth in the table below, assuming, in each situation, that the termination of employment took place on December 31, 2013.

Triggering Event and Payments/Benefits	James A. Bosserd	Louis Knooihuizen	Kelly Potes
Change in Control (1)(2)	\$725,715	\$ —	\$—
Termination (3)	—	—	—
Death (4)	\$242,714	\$ 126,919	\$139,203

- (1) The payments and benefits are triggered after certain terminations of employment following a change in control of ChoiceOne, which are discussed under the heading “Termination and Change in Control Provisions.”
- (2) The payments to Mr. Bosserd under his employment agreement after a change in control are limited by Section 280G of the Code. The amount shown in the table for Mr. Bosserd reflects this limitation.
- (3) Assumes termination does not follow a change in control.
- (4) The Bank obtained Bank Owned Life Insurance on key executives and, if the executive dies while still working for the Bank, the estate will receive one full year of compensation.

Audit Committee Report

The Audit and Compliance/CRA Committee (Audit Committee) reviews and supervises ChoiceOne’s procedures for recording and reporting the financial results of its operations on behalf of the Board of Directors. ChoiceOne’s management has primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its supervisory duties, the Audit Committee has reviewed ChoiceOne’s audited financial statements for the year ended December 31, 2013 included in the 2013 Annual Report to Shareholders and has discussed those financial statements with ChoiceOne’s management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.

The Audit Committee has also reviewed with ChoiceOne’s independent auditors – who are responsible for expressing an opinion on the conformity of those financial statements with generally accepted accounting principles – the judgments of the independent auditors concerning the quality, not just the acceptability, of the accounting principles and such other matters that are required under generally accepted auditing standards to be discussed with the independent auditors. In addition, the Audit Committee has received from the independent auditors the written disclosures required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the Audit Committee concerning independence, has discussed with them their independence from ChoiceOne’s management and ChoiceOne, and has considered the compatibility of nonaudit services with their independence.

After and in reliance on the reviews and discussions described above, the Audit Committee recommended to ChoiceOne’s Board of Directors that the audited financial statements for the year ended December 31, 2013 be included in ChoiceOne’s Annual Report on Form 10-K for the year then ended to be filed with the SEC.

Respectfully submitted,

Roxanne M. Page (Chair)

K. Timothy Bull

Jack Hendon

Paul Johnson

15

Related Matters

Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires directors and officers of ChoiceOne and persons who beneficially own more than 10% of the outstanding shares of its common stock to file reports of beneficial ownership and changes in beneficial ownership of shares of common stock with the SEC. SEC regulations require such persons to furnish ChoiceOne with copies of all Section 16(a) reports they file. Based solely on our review of the copies of such reports received by us or written representations from certain reporting persons that no Forms 5 were required for those persons, we believe that all applicable Section 16(a) reporting and filing requirements were satisfied by such persons from January 1, 2013 through December 31, 2013, except that one report on Form 4 covering one transaction was filed late for Mr. Cutler, one report on Form 4 covering one transaction was filed late for Mr. Goodfellow, one report on Form 4 covering one transaction was filed late for Mr. Hendon, one report on Form 4 covering one transaction was filed late for Mr. Nyblad, and one report on Form 4 covering one transaction was filed late for Ms. Page.

Transactions with Related Persons

Directors, nominees for director and executive officers of ChoiceOne and members of their immediate families were customers of and had transactions with the Bank in the ordinary course of business between January 1, 2013, and December 31, 2013. We anticipate that such transactions will take place in the future in the ordinary course of business. All loans and commitments included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features.

Frank G. Berris, a director of ChoiceOne and the Bank, owns all of the equity interest of JFB Real Estate, LLC (“JFB”). In 2004, the Bank entered into a lease with JFB for the portion of a building housing the Bank’s Appletree Branch for a period of three years, with options to extend the lease for five additional three-year terms. The Bank exercised its option to extend the lease in 2007, 2010, and 2013. The current term of the lease will expire on September 30, 2016 unless the Bank exercises its option to extend. The Bank is obligated to make lease payments of \$147,276 in the aggregate for the period beginning on October 1, 2013 and ending on September 30, 2016.

Independent Registered Public Accounting Firm

Plante & Moran, PLLC (“Plante Moran”), has been selected to serve as ChoiceOne’s principal accountant for 2014. Plante Moran also served as ChoiceOne’s principal accountant for 2013.

Representatives of Plante Moran are not expected to attend the annual meeting. If a representative of Plante Moran attends the meeting, the representative will have an opportunity to make a statement if he or she desires to do so and will be expected to be available to respond to appropriate questions. In accordance with SEC rules, ChoiceOne’s Audit Committee has adopted a Pre-Approval Policy. Under the Pre-Approval Policy, all audit and non-audit services need to be pre-approved by the Audit Committee.

The Pre-Approval Policy permits the Audit Committee to delegate to one or more of its members pre-approval decisions. The member or members to whom such authority is delegated shall report, for informational purposes, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

The Audit Committee has identified certain services that do not impair the independence of the independent auditors and granted general pre-approval for those services. All services that do not have general pre-approval must be specifically pre-approved by the Audit Committee. The Audit Committee will periodically set pre-approval fee levels for all services to be provided by the independent auditors. Any proposed services exceeding these levels require specific pre-approval by the Audit Committee.

The Pre-Approval Policy requires the independent auditors to provide detailed back-up documentation, which will be provided to the Audit Committee, regarding specific services to be provided.

Requests or applications to provide services that require separate pre-approval by the Audit Committee will be submitted to the Audit Committee by both the independent auditors and the Chief Executive Officer or Chief Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC’s rules on auditor independence. All fees paid to Plante Moran for services performed in 2012 and 2013 were pre-approved pursuant to this policy.

Audit Fees. ChoiceOne paid to Plante Moran \$96,600 during 2013 and \$94,800 during 2012 for the audit of ChoiceOne's annual financial statements and review of financial statements included in ChoiceOne's quarterly reports on Form 10-Q, or services that are normally provided by the auditors in connection with statutory and regulatory filings.

Audit-Related Fees. ChoiceOne paid to Plante Moran \$12,000 during 2013 and \$17,500 during 2012 for assurance and related services that were reasonably related to the performance of the audit or review of ChoiceOne's financial statements and are not reported under "Audit Fees" above.

Tax Fees. ChoiceOne paid to Plante Moran \$12,250 during 2013 and \$13,200 during 2012 for tax compliance, tax advice and tax planning. Tax services included preparing ChoiceOne's federal and state tax returns.

All Other Fees. ChoiceOne paid to Plante Moran \$5,000 in 2013 for consultation regarding an assessment of the internal audit function.

Shareholder Proposals

If you would like a proposal to be presented at the 2015 annual meeting of shareholders and if you would like your proposal to be considered for inclusion in ChoiceOne's proxy statement and form of proxy relating to that meeting, you must submit the proposal to ChoiceOne in accordance with Securities and Exchange Commission Rule 14a-8. ChoiceOne must receive your proposal by December 1, 2014 for your proposal to be eligible for inclusion in the proxy statement and form of proxy relating to that meeting. To be considered timely, any other proposal that you intend to present at the 2015 annual meeting of shareholders must similarly be received by ChoiceOne by December 1, 2014.

Form 10-K Report Available

ChoiceOne's Form 10-K Annual Report to the Securities and Exchange Commission, including financial statements and financial statement schedules, will be provided to you without charge upon written request. Please direct your requests to Mr. Thomas L. Lampen, Treasurer, ChoiceOne Financial Services, Inc., 109 East Division, Sparta, Michigan 49345.

CHOICEONE FINANCIAL SERVICES, INC.

109 East Division

P R O X Y Sparta, Michigan 49345

P R O X Y

Annual Meeting of Shareholders – April 30, 2014

The undersigned shareholder appoints Paul Johnson, Roxanne Page, and Mary J. Johnson, or any of them, each with the power to appoint his or her substitute, attorneys and proxies to represent the shareholder and to vote and act with respect to all shares that the shareholder would be entitled to vote at the annual meeting of shareholders of ChoiceOne Financial Services, Inc. referred to above and any adjournment of that meeting, on all matters that come before the meeting.

1. Election of Directors.

FOR all nominees listed below WITHHOLD AUTHORITY
(except as indicated below) to vote for all nominees listed below

Jerome B. Arends K. Timothy Bull Jack G. Hendon Dennis Nelson

(Instruction: To withhold authority to vote for any individual nominee, strike out that nominee's name in the list above.)

Your Board of Directors recommends that you vote FOR all nominees

Proposal to approve on an advisory basis the compensation of the
2. Corporation's named executive officers as disclosed in the proxy statement.

FOR AGAINST ABSTAIN

Your Board of Directors recommends that you vote FOR this Proposal.

3. Proposal to ratify the appointment of Plante & Moran PLLC as the independent registered public accounting firm for the current fiscal year.

FOR AGAINST ABSTAIN

Your Board of Directors recommends that you vote FOR this Proposal.

This proxy is solicited by the Board of Directors. If this proxy is properly executed and delivered, the shares represented by this proxy will be voted as specified. If no specification is made, the shares will be voted for election of all nominees named on this proxy and for approval of the proposals identified in this proxy. The shares represented by this proxy will be voted in the discretion of the proxies on any other matters that may come before the meeting or any adjournment of the meeting.

Dated: _____, Please sign exactly as your name(s) appear(s) on this proxy. If signing for estates, trusts or corporations, title or capacity should be stated. **If shares are held jointly, each holder should sign.**
2014

Signature

Signature if held jointly

IMPORTANT — Please Mark, Sign, Date and Return Promptly in the Enclosed Envelope

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met with the internal and independent auditors, with and without management present, to discuss the results of their examinations, the evaluations of Columbia's internal controls, and the overall quality of Columbia's financial reporting.

The members of the Audit Committee are not full-time employees of the Company and are not performing the functions of auditors or accountants. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards. Members of the Audit Committee necessarily rely on the information provided to them by management and the independent accountants. Accordingly, the Audit Committee's considerations and discussions referred to above do not assure that the audits of the Company's financial statements and internal control over financial

reporting have been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that the Company's auditors are in fact "independent."

Based on the review and discussions referred to in items (1) through (5) above, the Audit Committee has recommended to the Board that the audited financial statements be included in Columbia's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for filing with the SEC.

Audit Committee Members
David A. Dietzler, Chairman
Ford Elsaesser
John P. Folsom
Thomas M. Hulbert
Randal Lund
S. Mae Fujita Numata

Table of Contents

PROPOSAL NO. 4

ADVISORY (NON-BINDING) VOTE ON APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte currently serves as our independent registered public accounting firm, and that firm conducted the audits of our financial statements since the fiscal year ended December 31, 1997. The Audit Committee has appointed Deloitte to serve as the Company's independent registered public accounting firm to conduct an audit of the financial statements for fiscal year 2018.

Appointment of the Company's independent registered public accounting firm is not required to be submitted to a vote of our shareholders for approval or ratification. However, upon the recommendation of the Audit Committee, the Board has determined to submit the selection of auditors to our shareholders for an advisory (non-binding) vote. In the event our shareholders do not vote for the appointment, the Audit Committee may reconsider whether to retain Deloitte, and may retain Deloitte or another firm without re-submitting the matter to our shareholders. Even if the appointment is approved, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the Company's and its shareholders' best interest.

Representatives of Deloitte are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so. It is also expected that they will be available to respond to appropriate questions.

The Board unanimously recommends that you vote "FOR" the appointment of Deloitte to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers to send reports of their ownership of our stock to the SEC. We believe that all Section 16(a) filing requirements that apply to our directors and executive officers were complied with for the fiscal year ended December 31, 2017. In making this disclosure we have relied solely on written representations of our directors and executive officers, and copies of the reports that they have filed with the SEC.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions between Columbia or its affiliates and related persons (including directors and executive officers of Columbia and Columbia Bank, or their immediate family) must generally be approved by the Audit Committee, in accordance with the policies and procedures set forth in the Related Persons Transactions Policy adopted by the Board. Under the Related Persons Transaction Policy, a transaction between a "related person" will be consummated only if the Audit Committee, or a majority of the disinterested independent members of the Board, approves or ratifies such transaction in accordance with the guidelines set forth in the policy and if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party.

During 2017, certain directors and executive officers of Columbia and Columbia Bank, and their immediate family members, were customers of Columbia Bank, and it is anticipated that such individuals will continue to be customers of Columbia Bank in the future. All transactions between Columbia Bank and its executive officers and directors, and their associates, were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons not related to the Company, and, in the opinion of management, did not involve more than the normal risk of collectability or present other unfavorable features.

Table of Contents

ANNUAL REPORT TO SHAREHOLDERS AND FORM 10-K

Columbia's 2017 Annual Report and Form 10-K for the year ended December 31, 2017 (which is not a part of Columbia's proxy soliciting materials) have been filed with the SEC and are also available on our website. Copies of the 2017 Annual Report and Form 10-K will be furnished to shareholders upon request to:

Investor Relations

P. O. Box 2156, MS 3100

Tacoma, WA 98401-2156

Email: investorrelations@columbiabank.com

(253) 305-1921

Delivery of Documents to Shareholders Sharing an Address

In some cases, only one copy of the proxy statement or Notice, as applicable, is being delivered to multiple shareholders sharing an address unless we have received contrary instructions from one or more of the shareholders. We will deliver promptly, upon written or oral request, a separate copy of the proxy statement or Notice, as applicable, to a shareholder at a shared address to which a single copy of the document was delivered. To request a separate delivery of these materials now or in the future, a shareholder may submit a written or oral request to the Corporate Secretary at the address and number written above. Additionally, any shareholders who are presently sharing an address and receiving multiple copies of the proxy statement, annual reports or the Notice and who would rather receive a single copy of such materials may instruct us accordingly by directing their request to us in the manner provided above.

WE URGE YOU TO VOTE VIA THE INTERNET OR TELEPHONE ACCORDING TO THE INSTRUCTIONS ON THE NOTICE OR REQUEST A PROXY CARD AND SIGN AND RETURN IT WHEN RECEIVED AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON. IF YOU DO ATTEND THE ANNUAL MEETING, YOU MAY THEN WITHDRAW YOUR PROXY. THE PROXY MAY BE REVOKED AT ANY TIME PRIOR TO ITS EXERCISE.

Table of Contents

Appendix A

Non-GAAP Financial Measures

The Company considers its core noninterest expense and its ratio to average assets to be important measurements as they more closely reflect the ongoing operating leverage of the Company. Additionally, presentation of this measure and ratio allows readers to compare certain aspects of the Company's noninterest expense to other organizations. Despite the importance of these measures to the Company, there are no standardized definitions for them and, as a result, the Company's calculations may not be comparable with other organizations. The Company encourages readers to consider its consolidated financial statements in their entirety and not to rely on any single financial measure.

The following tables reconcile the Company's calculation of the core noninterest expense and its ratio to average assets:

	Twelve Months Ended December 31,			
	2017		2016	
Noninterest expense (numerator A)	\$	291,017	\$	261,142
Adjustments to arrive at core noninterest expense:				
Acquisition-related expenses	(17,196)	(2,727)
Termination of FDIC loss share agreements charge	(2,409)	-	
Net cost of operation of OREO and Other Personal Property Owned (OPPO)	(466)	(544)
FDIC clawback liability recovery (expense)	54		(280)
Core noninterest expense (numerator B)	\$	271,000	\$	257,591
Average assets (denominator)	\$	10,134,306	\$	9,311,621
Noninterest expense to average assets (numerator A / denominator)	2.87	%	2.80	%
Core noninterest expense to average assets (numerator B / denominator)	2.67	%	2.77	%

A-1

Table of Contents

The Company also considers its core return and its ratio to average assets and average tangible common equity to be important measurements as they more closely reflect the ongoing operating leverage of the Company. Additionally, presentation of these measures and ratios allow readers to compare certain aspects of the Company's return to other organizations. Despite the importance of these measures to the Company, there are no standardized definitions for them and, as a result, the Company's calculations may not be comparable with other organizations. The Company encourages readers to consider its consolidated financial statements in their entirety and not to rely on any single financial measure.

The following table reconciles the Company's calculation of the core return on average assets:

	Twelve Months Ended December 31, 2017	
Net income	\$ 112,828	
Adjustments to arrive at core return:		
Acquisition-related expenses	17,196	
Gain on sale of merchant card services portfolio	(14,000)
Estimated 2 quarter reduction in merchant services profit	1,688	
Tax impact of above adjustments at 35%	(1,710)
Deferred tax asset re-measurement charge	12,210	
Core return (numerator)	\$ 128,212	
Average assets (denominator)	\$ 10,134,306	
Core return on average assets (numerator / denominator)	1.27	%

The following table reconciles the Company's calculation of the core return on average tangible common equity:

	Twelve Months Ended December 31, 2017	
Net income	\$ 112,828	
Adjustments to arrive at core return:		
Amortization of intangibles	6,333	
Acquisition-related expenses	17,196	
Gain on sale of merchant card services portfolio	(14,000)
Estimated 2 quarter reduction in merchant services profit	1,688	
Tax impact of above adjustments at 35%	(1,710)
Deferred tax asset re-measurement charge	12,210	
Core return (numerator)	\$ 132,328	
Average shareholder equity	\$ 1,410,056	
Average preferred equity	(67)
Average intangibles	(465,044)
Average tangible common equity (denominator)	\$ 944,945	
Tangible core return on average tangible common equity (numerator / denominator)	14.00	%

Table of Contents

Appendix B

2018 EQUITY INCENTIVE PLAN OF

COLUMBIA BANKING SYSTEM, INC.

1. Purpose of the Plan

The purpose of the Plan is to attract and retain the most talented employees and directors available to serve in positions of responsibility with Columbia Banking System, Inc. and its subsidiaries, to provide them with both rewards for exceptional performance and long-term incentives for future so contributions to it and its subsidiaries, and to align their interests with those of its shareholders that they will exert maximum efforts to promote its growth and success for the ultimate benefit of all its shareholders.

The Plan replaces the 2014 Stock Option and Equity Compensation Plan, which was approved by the Company's stockholders at the 2014 Annual Stockholder Meeting and effective on April 23, 2014, (the "Prior Plan"), for awards granted on or after the date the Plan is approved by the Company's stockholders (the "Effective Date"). Awards may not be granted under the Prior Plan beginning on the Effective Date, but the Plan will not affect the terms and conditions of any equity award grants under the Prior Plan (or any predecessor plans) granted prior to the Effective Date. Awards granted prior to the Effective Date shall be governed by the terms applicable to such awards and as in effect prior to the Effective Date. The terms of the Plan are not intended to affect the interpretation of the terms of the Prior Plan for Awards granted prior to the Effective Date. In the event that the Plan is not approved by the Company's stockholders, the Plan shall be null and void and of no force or effect, but the Prior Plan and the Awards granted thereunder (or under any predecessor plan) on or prior to the Effective Date shall remain in full force and effect.

2. Definitions

As used herein, the following definitions shall apply:

- a. "Award" means a grant of an Option, Restricted Stock, Restricted Stock Unit (which may or may not include a Dividend Equivalent), Stock Appreciation Right or Cash Award under the Plan.
- b. "Award Agreement" means a written agreement entered into by and between a Grantee and the Company setting forth terms and conditions relating to an Award granted to such Grantee. The agreement shall take such form, and contain such terms and conditions, as shall be determined from time to time by the Committee in its sole discretion.
- c. "Cash Award" means an Award granted as described in Section 7 herein.
- d. "Board" means the board of directors of the Company.
- e. "Cause" means (i) with respect to a Grantee employed pursuant to a written employment, change in control or similar agreement that includes a definition of "Cause," "Cause" as defined in that agreement or (ii) with respect to any other Grantee, any of the following: (A) dishonesty in performing one's duties to the Company or a Subsidiary, (B) willful misconduct, or a willful failure to act, with the intent of injuring, or having the effect of injuring, the reputation, business or business relationships of the Company or a Subsidiary, or any of their officers, directors or employees (C) conviction of a felony or of any crime involving fraud, dishonesty or moral turpitude or that reflects unfavorably on the Company or a Subsidiary (D) willful or prolonged absence from work or failure for any reason to perform duties as an Employee or Director, unless excused by the Company or a Subsidiary, whichever is the entity for which services are performed (E) breach of any material terms of an employment or service agreement with the

Company or a Subsidiary, including an Award Agreement; or (F) disqualification or bar by any governmental or self-regulatory authority from serving in the capacity required by his or her job description or loss of any governmental or self-regulatory license that is reasonably necessary for such Grantee to perform his or her duties or responsibilities.

f. “Change in Control” means the first to occur of the following events:

B-1

Table of Contents

i. Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets from the Company that have a total gross fair market value equal to or more than two-thirds (2/3) of the total gross fair market value of all of the assets of the Company immediately before such acquisitions or acquisitions

ii. One person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than two-thirds (2/3) of the total fair market value or total voting power of the stock of the Company; provided, however, that the event described in this paragraph (ii) will not be deemed to be a Change in Control by virtue of the ownership, or acquisition, of stock of the Company: (A) by the Company or its Subsidiaries, (B) by any employee benefit plan (or related trust) sponsored or maintained by the Company or its Subsidiaries, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities or (D) pursuant to a Non-Qualifying Transaction as defined in paragraph (iv) of this definition

iii. The date a majority of members of the Company's Directors is replaced during any 12-month period by persons whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election; provided, however, that the appointment or election of any individual initially elected or nominated as a Director as a result of an actual or publicly threatened election contest with respect to Directors or as a result of any other actual or publicly threatened solicitation of proxies by or on behalf of any person other than the Board will be deemed to be not endorsed by the Board or

iv. The consummation of a merger, consolidation, reorganization or similar corporate transaction of the Company, unless, following such transaction, (A) the shareholders of the Company immediately prior to such transaction own directly or indirectly immediately following such transaction more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the entity resulting from such transaction (or the ultimate parent entity that has beneficial ownership of at least 95% of the voting power of such resulting entity) (the "Surviving Entity") in substantially the same proportion as their voting power immediately prior to the transaction; (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity) is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities of the Surviving Entity and (C) at least a majority of the Surviving Entity's directors were the Company's Directors at the time the Board approved such transaction (any transaction that satisfies all of the criteria specified in (A), (B) and (C) of this paragraph is a "Non-Qualifying Transaction").

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

h. "Common Stock" means the no par value common stock of the Company.

i. "Committee" has the meaning given such term in Section 4.a.

j. "Company" means Columbia Banking System, Inc., a Washington corporation.

k. "Director" means a person elected or appointed as a member of the Board or the board of directors of a Subsidiary.

l. "Disability" has the meaning given to such term in Code Section 22(e)(3).

m. "Dividend Equivalent" means, with respect to Restricted Stock Units, an amount equal to the total dollar value of all dividends that would have been paid on the shares of Common Stock covered by the Award between the date of grant of the Restricted Stock Units and the date on which the Restricted Stock Units are settled if such shares of Common Stock had been delivered pursuant to such Award. A Restricted Stock Unit does not include a Dividend Equivalent unless the Award Agreement for the Restricted Stock Unit clearly specifies that it does. Further, a Grantee

B-2

Table of Contents

shall have no right to receive payment of a Dividend Equivalent unless and until the Restricted Stock Unit that includes it Vests and is settled as provided herein.

n. “Employee” means a person employed by the Company or a Subsidiary.

o. “Exchange Act” means the Securities Exchange Act of 1934, as amended.

p. “Fair Market Value” means, as of any date, the value of Common Stock determined as follows:

If the Common Stock is listed on any established stock exchange or a national market system, including without limitation The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the i. closing bid price, if no sales were reported) as quoted on such exchange or system for such date (or, if such pricing information is not published for such date, the last date prior to such date for which pricing information is published), as reported in The Wall Street Journal or such other source as the Committee deems reliable

If the Common Stock is regularly quoted by recognized securities dealers but selling prices are not reported, its Fair ii. Market Value shall be the mean of the closing bid and asked prices for such stock on such date, as reported in The Wall Street Journal or such other source as the Committee deems reliable or

In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good iii. faith by the Committee and by taking into account such criteria and information as is required to comply with Code Section 409A to the extent applicable.

q. “Good Reason” means (i) with respect to a Grantee employed pursuant to a written employment, change in control or similar agreement that includes a definition of “Good Reason,” “Good Reason” as defined in that agreement or (ii) with respect to any other Grantee, the occurrence of any of the following in the absence of the Grantee’s written consent: (A) any material and adverse change in the Grantee’s position or authority with the Company as in effect immediately before a Change in Control, other than an isolated and insubstantial action not taken in bad faith and which is remedied by the Company within 30 days after receipt of notice thereof given by the Grantee; (B) the transfer of the Grantee’s primary work site to a new primary work site that is more than 50 miles from the Grantee’s primary work site in effect immediately before a Change in Control; or (C) a diminution of the Grantee’s base salary in effect immediately before a Change in Control by more than 10%, unless such diminution applies to all similarly situated employees. If the Grantee does not deliver to the Company a written notice of termination within 60 days after the Grantee has knowledge that an event constituting Good Reason has occurred, the event will no longer constitute Good Reason. In addition, the Grantee must give the Company 30 days to cure the event constituting Good Reason.

r. “Grantee” means a person who has been granted an Award.

s. “Incentive Stock Option” means an Option that qualifies as an “incentive stock option,” as that term is defined in Code Section 422.

t. “Nonqualified Stock Option” means an Option, other than an Incentive Stock Option.

u. “Option” means a right granted under the Plan to purchase Common Stock. Options granted under this Plan may be either Incentive Stock Options or Nonqualified Stock Options, and the term means either or both, as the context requires. Each Award Agreement shall state whether an Option subject to the agreement is an Incentive Stock Option or a Nonqualified Stock Option.

v. “Plan” means this 2018 Equity Incentive Plan of Columbia Banking System, Inc., as amended from time to time.

w. “Restricted Stock” means a share of Common Stock, issued under the Plan that is subject to such restrictions and conditions as are set forth in the Plan and the related Award Agreement.

B-3

Table of Contents

- x. “Restricted Stock Unit” means a right granted under the Plan to receive a payment in cash or Common Stock, or a combination of both, as determined by the Committee, with a value equal to the sum of (i) the Fair Market Value, on the date of that the Restricted Stock Unit is settled, of one share of Common Stock per Restricted Stock Unit, and (ii) the Dividend Equivalent, if the Award Agreement for the Restricted Stock Unit clearly specifies that it includes a Dividend Equivalent. If the Committee determines to settle payment in Common Stock, then it may pay cash in lieu of fractional shares.
- y. “SEC” means the U.S. Securities and Exchange Commission.
- z. “Shareholder-Employee” means an Employee who owns, at the time an Incentive Stock Option is granted, stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or a Subsidiary. For this purpose, the attribution of stock ownership rules of Code Section 424(d) shall apply.
- aa. “Stock Appreciation Right” means a right granted under the Plan to receive a payment in cash or Common Stock, or a combination of both, as determined by the Committee, with a value equal to the excess of (i) the Fair Market Value, on the date of exercise of the right, of one share of Common Stock per Stock Appreciation Right, over (ii) the Fair Market Value, on the date of grant of the right, of such share of Common Stock. Such Fair Market Value shall not be increased or otherwise adjusted because of dividends or other distributions paid at any time on or with respect to shares of Common Stock. In addition, the following shall apply to Stock Appreciation Rights: (1) Amounts payable under the Stock Appreciation Right shall not be greater than the excess of the Fair Market Value of Common Stock (disregarding lapse restrictions as defined in Treasury Regulations §1.83-3(i)) on the date the Stock Appreciation Right is granted over the Fair Market Value of the Common Stock (disregarding lapse restrictions as defined in Treasury Regulations §1.83-3(i)) on the date the Stock Appreciation Right is exercised, with respect to the number of shares fixed on or before the date of grant of the Stock Appreciation Right (2) the Stock Appreciation Right exercise price shall never be less than the Fair Market Value of the underlying stock (disregarding lapse restrictions as defined in Treasury Regulations §1.83-3(i)) on the date the Stock Appreciation Right is granted; (3) the Stock Appreciation Right shall not include any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the Stock Appreciation Right, and (4) no Stock Appreciation Right shall be exercisable later than the 10th anniversary date of its grant.
- bb. “Subsidiary” means, (i) in the case of an Incentive Stock Option, a corporation having a relationship with the Company described in Code Section 424(f), and (ii) in the case of any other type of Award, a corporation with which the Company is considered a single employer under Code Section 414(b).
- cc. “Vest” means satisfaction in full of all conditions precedent, imposed by the Plan and the related Award Agreement, to a Grantee’s right to exercise an Option, to hold Restricted Stock free of any obligation to forfeit or retransfer the same to the Company or to receive payments under a Restricted Stock Unit, Stock Appreciation Right or Cash Award.

3. Stock Subject to Plan and Maximum Awards

- a. General. Subject to the adjustments provided in Section 17, the number of shares of Common Stock that may be made subject to Awards of all types shall be Three Million, Fifty Thousand (3,050,000). The Company shall reserve such shares, to the extent that it deems appropriate from authorized but unissued shares of Common Stock and from shares of Common Stock that have been reacquired by it. Shares of Common Stock subject to Awards that are assumed, converted or substituted under the Plan as a result of the Company’s acquisition of another company (including by way of merger, combination or similar transaction) will not count against the number of shares that may be granted under the Plan. Available shares under a stockholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for Awards under the Plan and do not reduce the

maximum number of shares available for grant under the Plan, subject to applicable stock exchange requirements.

b. Share Counting. Shares of Common Stock that are made subject to an Award of Options, Restricted Stock, Restricted Stock Units (together with any Dividend Equivalent) or Stock Appreciation Rights that will or may be settled in stock shall be counted against the number of shares set forth in Section 3.a, unless and until the Grantee forfeits rights in the Award by failing to satisfy any condition to Vesting; and shares of Common Stock that are made subject to an Award of Restricted Stock Units (together with any Dividend Equivalent) shall not count against such number if, in either case, they are settled in cash. Any shares of Common Stock made subject to an Award shall again become available to be made subject to a new Award if the shares are not issued because the Award is forfeited or cancelled, but shares of

B-4

Table of Contents

Common Stock shall not again become available under Section 3.a to be made subject to an Award in the case of shares that are (i) used to satisfy a withholding obligation of the Grantee, (ii) tendered to the Company to pay the exercise price or consideration required to be paid with respect to an Award, and (iii) subject to a Stock Appreciation Right, to the extent the Stock Appreciation Right is exercised.

c. **Maximum Awards.** The maximum number of shares of Common Stock subject to Incentive Stock Options granted to any one Grantee (other than a non-employee Director) in a calendar year is 100,000.

d. **Non-Employee Director Awards.**

For the 12-month period following the first Board meeting after each annual meeting of the Company's stockholders (beginning after the Company's 2018 annual meeting of stockholders) (each such 12-month period, the "Annual Period"), each non-employee Director shall receive for service on the Board (1) an annual cash retainer of \$35,000, (2) an annual equity retainer of \$70,000 and (3) a per-meeting attendance fee of \$1,000, in each case increased by 5% per year beginning with the 2019-2020 Annual Period unless the Board determines in its discretion to defer and cumulate any increase (or portion).

For each Annual Period (beginning after the Company's 2018 annual meeting of stockholders), the Board may establish a retainer for each non-employee Director chairing or serving on any standing committee of the Board as determined in the discretion of the Board and not exceeding \$15,000 per committee, increased by 5% per year beginning with the 2019-2020 Annual Period unless the Board determines in its discretion to defer and cumulate any increase (or portion).

The Board may at any time provide any Director with a retainer or other fee for service in addition to that provided for in this Section 3.d., including for service as Chair of the Board, on a specific purpose committee or to any Subsidiary or for any other special service, in each case determined in the discretion of the Board.

Any retainer or fee pursuant to this Section 3.d. may be payable in the form of a Cash Award, Restricted Stock and/or Restricted Stock Unit Award, in such combination and on such terms and conditions as determined in the discretion of the Board. Unless the Board determines otherwise, (A) no fee or retainer shall be prorated for a partial year served except that a non-employee Director who joins the Board after the annual grant of Restricted Stock and/or Restricted Stock Unit Award to the Board for that year will receive a prorated Award for such year and any Award of Restricted Stock Units shall accrue Dividend Equivalents, which shall be paid in accordance with Section 6.a. of the Plan.

4. Administration of the Plan

a. **The Committee.** The power and authority to administer the Plan is vested in the Personnel and Compensation Committee of the Board and, with respect to Awards to non-employee Directors, the Corporate Governance and Nominating Committee of the Board (each such committee as the context requires is the "Committee"), each of which shall be selected by the Board and shall consist of at least two (2) Directors. Persons selected to the Committee shall satisfy applicable independence criteria of the stock exchange or quotation system on which the Common Stock may then be listed or quoted and be a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Exchange Act. If the Committee does not exist or the Board, for any reason determined by it desires to directly administer the Plan, then the Board may take any action under the Plan that would otherwise be the responsibility of the Committee. Once appointed, the Committee shall continue to serve until otherwise directed by the Board.

b. **Delegation of Responsibilities.** Except to the extent prohibited by applicable law or the applicable rules of a stock exchange or quotation system, the Committee may delegate all or some of its power and authority to administer the Plan to one or more of its members, or to any other person or persons selected by it. The Committee may revoke

such delegation at any time.

B-5

Table of Contents

c. Powers of the Committee. Subject to the terms and conditions explicitly set forth in the Plan, the Committee shall have the authority and discretion to do the following:

i. determine the persons to whom Awards are to be granted, the times of grant, and the number of shares of Common Stock subject to each Award

ii. subject to the terms of this Plan, determine the exercise price for shares of Common Stock to be issued pursuant to the exercise of an Option the purchase price, if any, of Restricted Stock the Fair Market Value of Common Stock used to determine the amount required to be paid under a Restricted Stock Unit (if applicable) or Stock Appreciation Right and whether a Restricted Stock Unit includes a Dividend Equivalent

iii. determine all other terms and conditions (which need not be identical between or among Grantees) of each Award

iv. modify or amend the terms of any Award previously granted, or grant substitute Options, subject to the provisions of Sections 15 and 20

v. cancel or suspend Awards, subject to the provisions of Section 20

vi. interpret the Plan and Awards

vii. authorize any person or persons to execute and deliver Award Agreements, or to take any other actions deemed by the Committee to be necessary or appropriate, to effectuate the grant of Awards

viii. waive any conditions to Vesting and

ix. make all other determinations, and take all other actions that the Committee deems necessary or appropriate, to administer the Plan in accordance with its terms and conditions.

All decisions, determinations and interpretations of the Committee relating to the Plan and Awards shall be final and binding upon all persons, including all Grantees and any other persons interested in any Awards, unless otherwise expressly determined by a vote of a majority of the entire Board. No member of the Committee or the Board, or any person to whom the Committee delegates its powers, responsibilities or duties in writing (each, a "Covered Person") shall be liable to any person (including any Grantee) for any action taken or omitted to be taken with respect to the Plan or any Awards. Each Covered Person shall be indemnified and held harmless by the Company against and from:

x. (any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement, in each case, in good faith; and

xi. any and all amounts paid by such Covered Person, with the Company's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person, provided that the Company will have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Company gives notice of its intent to assume the defense, the Company will have sole control over such defense with counsel of the Company's choice.

The foregoing right of indemnification will not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case, not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such

B-6

Table of Contents

Covered Person's bad faith, fraud or willful misconduct. The foregoing right of indemnification will not be exclusive of any other rights of indemnification or coverage to which Covered Persons may be entitled under the Company's articles of incorporation or bylaws or insurance policies, pursuant to any individual indemnification agreements between such Covered Person and the Company, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

d. Section 16(b) Compliance and Bifurcation of Plan. It is the intention of the Company that the Plan comply in all respects with Rule 16b-3 under the Exchange Act, and the Plan shall be construed in favor of its so complying. If any Plan provision is determined to not comply with such Rule 16b-3, the provision shall be deemed null and void. Notwithstanding any contrary provisions of the Plan, the Board, in its absolute discretion, may bifurcate the Plan so as to restrict, limit or condition the use of any provision of the Plan with respect to Grantees who are officers and directors subject to Section 16(b) of the Exchange Act, without so restricting, limiting, or conditioning the use of such provision of the Plan with respect to other Grantees.

5. Eligibility

All Employees and Directors are eligible to be selected to be granted an Award. Notwithstanding any contrary provisions of this Plan, a Director who is not also an Employee may not be selected to be granted an Incentive Stock Option.

6. Granting of Awards

a. General. Only Employees and Directors selected by the Committee, in its sole discretion, shall be granted Awards. An Award may consist solely of Incentive Stock Options, Nonqualified Stock Options, Restricted Stock, Restricted Stock Units (either including or not including a Dividend Equivalent), Stock Appreciation Rights, Cash Awards or any combination of the foregoing. All Awards are subject to the terms and conditions of the Plan. Notwithstanding any actions taken by the Company in connection with the grant of an Award to any person, such person shall have no rights to or under such Award prior to the time he first performs services as an Employee or Director. Any Restricted Stock Units that are granted with Dividend Equivalents shall accrue Dividend Equivalents at the time and at the same rate as dividends are paid on shares of Common Stock, which Dividend Equivalents shall be retained by the Company and shall be paid to the Grantee (without interest) if and to the extent that the Restricted Stock Units vest and shall be forfeited if for any reason the Restricted Stock Units are forfeited. For the avoidance of doubt, no dividends or Dividend Equivalents shall be paid on unvested Awards.

b. Award Agreement. Each Award shall be evidenced by an Award Agreement that sets forth the terms and conditions of the Award. A person who is granted an Award shall have no rights under the Award unless and until such person duly executes and delivers to the Company an Award Agreement. An Award shall expire, and the Company shall have no further obligations with respect thereto, if the person does not so execute and deliver an Award Agreement within any period of time prescribed by the Company.

c. Consideration. The Committee shall determine the form and amount, if any, of consideration required to be paid by a Grantee with respect to an Award. Such consideration may take the form of cash, property, shares of Common Stock or services.

d. Arrangements to Cancel Restricted Stock. The Company may make such arrangements as it deems necessary or appropriate to hold shares of Restricted Stock in escrow until Grantee satisfies all conditions to Vesting and to automatically cancel such shares if Grantee fails to satisfy such conditions.

7. Cash Awards

a. Grant of Cash Awards. Subject to the terms of this Plan, Cash Awards (including, without limitation, retainers and meeting-based fees for Directors) may be granted to Grantees in such amounts, and upon such terms, at any time and from time to time, as shall be determined by the Committee.

b. Value of Cash Awards. Each Cash Award shall have a value as may be determined by the Committee.

B-7

Table of Contents

c. Earning of Cash Awards. Each Cash Award shall be subject to such Vesting conditions (which may include performance goals) as determined by the Committee in its discretion.

d. Form and Timing of Cash Awards. Payment of earned Cash Awards shall be as determined by the Committee and as evidenced by the applicable Award Agreement, which shall in any event be no later than as may be required under Section 409A of the Code.

8. Vesting of Awards

a. The Committee may impose any terms and conditions on the Vesting of an Award that it determines to be appropriate, including requiring the Grantee to continue to provide services as an Employee or Director for a specified period of time or to meet performance goals established by the Committee. Such terms and conditions shall be set forth in an Award Agreement.

b. Unless otherwise provided in an Award, in the event of the death or Disability of a Grantee who at the time of his death or cessation of service due to Disability was an Employee or Director and who was an Employee or Director at all times since the date of grant of (i) a Restricted Stock Award, or (ii) a Restricted Stock Unit Award, then the target number of shares of Restricted Stock and/or Restricted Stock Units, as the case may be, shall Vest upon such death or cessation of services due to Disability.

9. Exercise and Settlement of Awards

a. Options. Grantee shall pay the full exercise price for shares of Common Stock purchased under an Option, at the time the Option is exercised, in cash or other consideration of comparable value deemed acceptable by the Committee (including by tendering, by either actual delivery of shares or by attestation, shares of Common Stock acceptable to the Committee and valued at Fair Market Value as of the date of exercise), or in any combination thereof, as determined by the Committee. The Committee may permit a Grantee to elect to pay the exercise price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Common Stock (or a portion of the shares of Common Stock sufficient to pay the exercise price) acquired upon exercise of the Option and remit to the Company the sale proceeds therefrom sufficient to pay the entire exercise price and any tax withholding resulting from such exercise.

b. Restricted Stock. The Company shall take such actions as it determines to be reasonably necessary to release Restricted Stock from forfeiture restrictions as soon as practicable after the Restricted Stock Vests.

c. Other Equity-Based Awards. The Company shall settle payment of any amounts due under a Restricted Stock Unit (together with any Dividend Equivalent that it includes) or Stock Appreciation Right upon exercise of such right by the Grantee provided, however, that notwithstanding any contrary provisions of the Plan, Restricted Stock Units (together with any Dividend Equivalent that it includes) that become Vested shall be settled by payment of amounts owed thereunder on or before the later of (i) the date that is two and one-half (2 1/2) months after the end of the Grantee's first taxable year in which such amounts are no longer subject to a substantial risk of forfeiture, or (ii) the date that is two and one-half (2 1/2) months after the end of the first taxable year of the person for whom the Grantee performed services in which such amounts are no longer subject to a substantial risk of forfeiture.

d. Cash Awards. Cash Awards shall be paid as described in Section 7 above.

10. Terms Applicable to Options

a. Limit on Value of Options Granted. Subject to Section 3.c. above, any number of Options may be granted from time to time to a person eligible to receive the same hereunder, except that in the case of Incentive Stock Options

the aggregate Fair Market Value (determined as of the date each Option is granted) of all shares of Common Stock with respect to which Incentive Stock Options become exercisable for the first time by the Grantee in any one calendar year (under all incentive stock option plans of the Company and all Subsidiaries taken together) shall not exceed \$100,000.

b. Exercise Price. The exercise price for shares of Common Stock subject to an Option shall not be less than 100% of the Fair Market Value of a share of Common Stock as of the date of grant of the Option provided, however, that in the case of an Incentive Stock Option granted to an Employee who immediately before the grant of such Incentive

B-8

Table of Contents

Stock Option is a Shareholder-Employee, the Incentive Stock Option exercise price shall be at least 110% of the Fair Market Value of the Common Stock as of the date of grant of the Incentive Stock Option.

c. Term of Option. No Option granted under the Plan shall in any event be exercisable after the expiration of ten (10) years from the date such Option is granted provided, however, that in the case an Incentive Stock Option granted to an Employee who immediately before such Incentive Stock Option is granted is a Shareholder-Employee, the term of such Incentive Stock Option shall be for not more than five (5) years from the date such Option is granted. Subject to the foregoing and other applicable provisions of the Plan, the Committee shall determine the term of each Option in its sole discretion.

d. Exercise During Lifetime of Grantee. During the lifetime of a Grantee, only the Grantee may exercise such Option.

11. Termination of Employment or Directorship

a. Unvested Awards. Subject to the provisions of Section 8 above, a Grantee shall forfeit all rights in, to and under all Awards that have not Vested prior to the time the Grantee first ceases to be an Employee or Director. Such forfeiture shall occur without the need for further action by any person.

b. Vested Restricted Stock Units and Cash Awards. All Restricted Stock Units and Cash Awards that are Vested at the time a Grantee first ceases to be an Employee or Director shall be settled promptly following such event.

c. Vested Options and Stock Appreciation Rights. Options and Stock Appreciation Rights that are Vested at the time a Grantee first ceases to be an Employee or Director shall terminate on, if not exercised before, the earlier of (i) the same day of the third month after the date of termination of his status as an Employee or Director, or (ii) the expiration date of the Option or Stock Appreciation Right provided in the Award Agreement. Notwithstanding the immediately preceding sentence:

Upon the death of a Grantee who at the time of his death is an Employee or Director, and who has been an Employee or Director at all times since the date of grant of the Option or Stock Appreciation Right, all of such Grantee's Options and Stock Appreciation Rights that are Vested at the time of his death shall terminate, and may no longer be exercised, on the earlier of (a) one year after such date of death or at such later date as the Committee may set, in its sole discretion or (b) the expiration date of the Option or Stock Appreciation Right provided in the Award Agreement, except that if the expiration date should occur during the 90-day period immediately following the Grantee's death, then the Option or Stock Appreciation Right shall terminate, and may no longer be exercised, at the end of such 90-day period. The Option or Stock Appreciation Right shall be exercisable at any time prior to such termination by the Grantee's estate, or by any person or persons who acquire the right to exercise the Option or Stock Appreciation Right by bequest, inheritance or otherwise by reason of the death of the Grantee

If a Grantee ceases to be an Employee or Director at any time during the term of his or her Option or Stock Appreciation Right by reason of a Disability and the Grantee has been an Employee or Director at all times since the date of grant of the Option or Stock Appreciation Right, an Option or Stock Appreciation Right that is Vested at such time shall terminate, and may no longer be exercised, on the earlier of (i) one year after the date the Grantee ceases to be an Employee or Director, or (ii) the expiration date of the Option or Stock Appreciation Right provided in his or her Award Agreement

If a Grantee ceases to be an Employee or Director for Cause, then all Options and Stock Appreciation Rights that are Vested at such time shall terminate, and may no longer be exercised, immediately upon his or her ceasing to be an Employee or Director and

Nonqualified Stock Options and Stock Appreciation Rights granted to a person who is a Director but who ceases
iv. thereafter to be a Director (other than due to death or Disability or Cause) shall expire at such time as the
Committee shall determine, but in no event more than

B-9

Table of Contents

six (6) months after the person ceases to be a Director, and shall otherwise be exercisable on such terms and conditions as the Committee shall determine.

d. Permitted Absences From Work. A person shall not be treated as ceasing to be an Employee or Director if the interruption of his or her services as such is caused by military leave, sick leave or any other bona fide leave of absence approved by the Company or a Subsidiary, whichever is the entity for which the person primarily performs services provided, however, that in the case of Incentive Stock Options, the foregoing is subject to any restrictions of laws or regulations applicable to such Options.

12. Compliance with Applicable Law and Clawback Policies

a. Shares of Common Stock shall not be issued pursuant to the Plan or any Award granted hereunder, unless the issuance and delivery of the shares will not violate, and can otherwise be done in a manner that complies with, the provisions of applicable law (including, without limitation, the Securities Act of 1933, as amended, and the Exchange Act), and the rules regulations of any stock exchange or quotation system on which the Common Stock may then be listed or quoted. Issuance of shares of Common Stock is further subject to the approval of counsel for the Company with respect to such compliance. Notwithstanding anything to the contrary, the Company will not be required to make any payment or grant any Award under the Plan or any Award Agreement that would otherwise be a prohibited golden parachute payment within the meaning of Section 18(k) of the Federal Deposit Insurance Act.

b. If the Committee at any time determines that any consent is necessary or desirable as a condition of, or in connection with, the granting of any Award, the delivery of shares of Common Stock or the delivery of any cash, securities or other property under the Plan, or the taking of any other action thereunder (each such action a “Plan Action”), then, subject to Section 22 such Plan Action will not be taken, in whole or in part, unless and until such consent will have been effected or obtained to the full satisfaction of the Committee. The Committee may direct that any certificate evidencing shares of Common Stock delivered pursuant to the Plan will bear a legend setting forth such restrictions on transferability as the Committee may determine to be necessary or desirable, and may advise the transfer agent to place a stop transfer order against any legended shares. The term “consent” for this purpose shall include (i) any listings, registrations, qualifications, consents or approvals upon or by any securities exchange or governmental agency or regulatory body, (ii) other consents or authorizations required to comply with applicable law or (iii) any consents by the Grantee to any restrictions on the shares of Common Stock or other property delivered under the Plan. Nothing herein will require the Company to list, register or qualify the Shares on any securities exchange.

c. Awards under the Plan will be subject to any clawback or recapture policy that the Company may adopt from time to time to the extent provided in such policy and, in accordance with such policy, may be subject to the requirement that the Awards be repaid to the Company after they have been distributed to the Grantee.

13. Tax Compliance

The Company, in its sole discretion, may take any actions that it deems to be necessary or advisable to comply with all tax reporting and withholding requirements applicable to Awards under applicable law, including, but not limited to, withholding or causing to be withheld from any form of compensation or other amount due a Grantee such amounts as the Company determines is required to be withheld. Notwithstanding anything to the contrary contained herein, in no event will the Company be liable to a Grantee on account of an Award’s failure to (a) qualify for favorable United States or foreign tax treatment or (b) avoid adverse tax treatment under United States or foreign law, including, without limitation, Section 409A.

14. Non-Transferability

No Award or rights under an Award may be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner, other than by will or by the laws of descent or distribution if permitted herein. Shares of Restricted Stock may be sold, pledged, assigned, hypothecated, transferred, or disposed of only after such shares Vest and are released from forfeiture restrictions in accordance with Section 9.b. and only in compliance with the Company's policies as in effect from time to time.

B-10

Table of Contents

15. Change in Control

a. Except as otherwise provided in the Award Agreement, in the event of a Change in Control, then all Awards (including Awards subject to performance-vesting conditions) shall immediately Vest as of the date of the closing of such transaction, unless the Committee elects to Vest the Awards as of an earlier date. Notwithstanding the immediately preceding sentence, if the surviving, successor or acquiring corporation in the transaction (or its parent) agrees to replace Awards with rights to its equity that confer substantially the same benefits as those represented by the Awards, as determined by the Committee, then the Awards shall not Vest but shall be so replaced. The Committee shall notify each Grantee in writing of any action to Vest or replace Awards hereunder not less than twenty (20) days prior to the expected closing date of the transaction that prompts such action. Unless the Committee determines otherwise or as otherwise provided in the applicable Award Agreement, if a Grantee's Employment is terminated by the Company or any successor entity thereto without Cause, or the Grantee resigns his or her Employment for Good Reason, in either case, on or within two (2) years after a Change in Control, (i) each Award granted to such Grantee prior to such Change in Control will become fully vested (including the lapsing of all restrictions and conditions) and, as applicable, exercisable, and (ii) any Shares deliverable pursuant to Restricted Stock Units will be delivered promptly (but no later than 15 days) following such Grantee's termination of employment.

b. Unless the Committee determines otherwise, as of the Change in Control date, any outstanding Awards that are subject to performance-vesting conditions shall be deemed earned at the greater of the target level and the actual performance level as of the date of the Change in Control with respect to all open performance periods and will cease to be subject to any further performance conditions. Such Awards will continue to be subject to time-based vesting following the Change in Control in accordance with the original performance period except as provided in Section 15.a. or as determined by the Committee in accordance with Section 15.c.

c. In the event of a Change in Control, a Grantee's Award will be treated, to the extent determined by the Committee to be permitted under Section 409A, in accordance with one or more of the following methods as determined by the Committee in its sole discretion: (i) settle such Awards for an amount of cash or securities equal to their value, where in the case of stock options and stock appreciation rights, the value of such awards, if any, will be equal to their in-the-money spread value (if any), as determined in the sole discretion of the Committee; (ii) provide for the assumption of or the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected Awards previously granted under the Plan, as determined by the Committee in its sole discretion; (iii) modify the terms of such awards to add events, conditions or circumstances (including termination of Employment within a specified period after a Change in Control) upon which the vesting of such Awards or lapse of restrictions thereon will accelerate; or (iv) provide that for a period of at least 20 days prior to the Change in Control, any stock options or stock appreciation rights that would not otherwise become exercisable prior to the Change in Control will be exercisable as to all Shares subject thereto (but any such exercise will be contingent upon and subject to the occurrence of the Change in Control and if the Change in Control does not take place within a specified period after giving such notice for any reason whatsoever, the exercise will be null and void) and that any stock options or stock appreciation rights not exercised prior to the consummation of the Change in Control will terminate and be of no further force and effect as of the consummation of the Change in Control. In the event that the consideration paid in the Change in Control includes contingent value rights, earnout or indemnity payments or similar payments, then the Committee will determine if Awards settled under clause (i) above are (a) valued at closing taking into account such contingent consideration (with the value determined by the Committee in its sole discretion) or (b) entitled to a share of such contingent consideration. For the avoidance of doubt, in the event of a Change in Control where all Options and Stock Appreciation Rights are settled for an amount (as determined in the sole discretion of the Committee) of cash or securities, the Committee may, in its sole discretion, terminate any Stock Option or Stock Appreciation Right for which the exercise price is equal to or exceeds the per share value of the consideration to be paid in the Change in Control transaction without payment of consideration therefor. Similar actions to those specified in this Section 15 may be taken in the event of a merger or other corporate reorganization that does not constitute a Change in Control.

16. Rights as a Shareholder

No person shall have any rights as a shareholder by reason of an Award until and unless the Company actually issues and delivers shares of Common Stock to such person pursuant to the Award. In the case of Restricted Stock, the Grantee thereof shall have all the rights of a shareholder (including voting and liquidation rights) with respect to shares of Restricted Stock that are issued and delivered to the Grantee, until such shares are forfeited or reacquired by the Company in accordance with the terms of the Award. Notwithstanding the foregoing, all ordinary cash dividends or other ordinary distributions paid upon any share of Restricted Stock during the period of restriction shall be retained by

B-11

Table of Contents

the Company and shall be paid to the Grantee (without interest) if and to the extent that the Award of Restricted Stock vests and shall revert back to the Company if for any reason the share of Restricted Stock upon which such dividends or other distributions were paid reverts back to the Company. Any extraordinary dividends or other extraordinary distributions shall be treated in accordance with Section 17. If any such dividends or distributions are paid in Shares, such Shares shall automatically be subject to the same restrictions and conditions as the shares of Restricted Stock with respect to which they were paid.

17. Adjustments on Change in Capitalization

Subject to any required action by the shareholders of the Company, the number of shares of Common Stock subject to Awards, the number of shares of Common Stock available for grants under additional Awards, the exercise price for shares of Common Stock specified in each outstanding Option or Stock Appreciation Right, the value of Common Stock used to determine amounts required to be paid under Restricted Stock Units (together with any Dividend Equivalent that it includes) and Stock Appreciation Rights and the individual Grantee limitations set forth in Section 3.c. shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split or other subdivision or consolidation of shares, the payment of any extraordinary cash or stock dividend on the Common Stock or any other increase or decrease in the number of such shares of Common Stock effected without receipt of consideration by the Company provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been “effected without receipt of consideration.” The Committee shall make such adjustments and its determination in that respect shall be final, binding and conclusive. No Incentive Stock Option shall be adjusted by the Committee pursuant to this Section 17 in a manner that causes the Incentive Stock Option to fail to continue to qualify as an “incentive stock option” within the meaning of Code Section 422. Except as otherwise expressly provided in this Section 17, no Grantee shall have any rights by reason of any stock split or other subdivision or consolidation of shares, any payment of an extraordinary cash or stock dividend, or any other increase or decrease in the number of such shares of Common Stock. Except as otherwise expressly provided in this Section 17, any issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect the number of shares or price of Common Stock subject to any Award, and no adjustments in Awards shall be made by reason thereof. The grant of an Award shall not affect in any way the right or power of the Company to adjust, reclassify, reorganize or change its capital or business structure.

18. Term of the Plan

The Plan shall become effective on the earlier of the date it is (i) adopted by the Board or (ii) approved by the shareholders. Revisions and amendments to the Plan requiring the approval of shareholders of the Company, as described in Section 20, shall be effective when approved by the shareholders. Subject to Section 20, the Plan shall have a term of 10 years following the date of shareholder approval. In the event the Plan terminates or is terminated as provided in this Section 18 or Section 20, it shall remain in effect with respect to any Awards granted under it that are outstanding at the time of such termination.

19. No Right to Employment

Neither the adoption of the Plan nor the granting of an Award shall (i) confer upon any person a right to be employed by or to provide services to the Company or any Subsidiary, or to continue such employment or service or (ii) interfere in any way with the right of a person, or the right of the Company or a Subsidiary, to terminate such employment relationship or service at any time.

20. Amendment or Early Termination of the Plan

a. Amendment or Early Termination. The Board may terminate the Plan at any time. The Board may amend the Plan from time to time in such respects as the Board deems advisable, except that, without proper approval of the

shareholders of the Company, no such revision or amendment shall:

- i. increase the number of shares of Common Stock subject to the Plan, other than in connection with an adjustment under Section 17 or

B-12

Table of Contents

otherwise modify the Plan in a manner that would require shareholder approval under any applicable laws or ii. regulations or the rules of any stock exchange or quotation system on which the Common Stock may then be listed or quoted.

Subject to the foregoing, it is specifically intended that the Board or Committee may amend the Plan without shareholder approval to comply with legal, regulatory, and stock exchange or quotation system requirements and to avoid unanticipated consequences deemed by the Committee to be inconsistent with the purposes of the Plan or any Award Agreement.

b. **Modification and Amendment of Awards.** The Board or Committee may modify or amend outstanding Awards granted under the Plan; provided, however that the modification or amendment shall not, without the consent of the Grantee, materially impair or diminish any of the Grantee's rights or any of the obligations of the Company under such Award. Except as otherwise provided in this Plan, no outstanding Award shall be terminated without the consent of the Grantee. Unless the Grantee otherwise agrees, any changes or adjustments made to outstanding Incentive Stock Options granted under this Plan shall be prospective only and shall be made in a manner that will not constitute a "modification," as defined in Code Section 424(h), and will not cause such Incentive Stock Options to fail to qualify as "incentive stock options" under Code Section 422.

c. **Re-pricing or Repurchase of Options and Stock Appreciation Rights.** The exercise price of outstanding Options and Stock Appreciation Rights may not be changed, and the Company may not make an offer to purchase outstanding Options or Stock Appreciation Rights for cash or exchange outstanding Options or Stock Appreciation Rights for other securities, at a time when the exercise price of the outstanding Options or Stock Appreciation Rights exceeds the Fair Market Value of the Common Stock covered by the Options or Stock Appreciation Rights, except (i) with the approval of shareholders of the Company, or (ii) as otherwise required or permitted in the Plan.

21. Nature of Awards; Other Payments or Awards

All Awards are unfunded and unsecured obligations of the Company. Any bookkeeping entries maintained by the Company with respect to Awards are merely for the convenience of the Company. The Company is not required to segregate any assets that may at any time represent an Award and no Grantee or other person shall have any rights or interests in any particular assets of the Company by reason of an Award. A Grantee is a mere general unsecured creditor of the Company with respect to an Award. Nothing contained in the Plan will be deemed in any way to limit or restrict the Company from making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

22. IRC Section 409A

The provisions of this Plan are intended to comply with Section 409A of the Code, U.S. Treasury regulations issued thereunder, and related U.S. Internal Revenue Service guidance ("Section 409A"). Such provisions will be interpreted and applied in a manner consistent with Section 409A so that payments and benefits provided to Employee hereunder will not, to the greatest extent possible, be subject to taxation under such Section 409A. Notwithstanding any contrary provisions hereof, this Plan may be amended if and to the extent the Company determines that such amendment is necessary to comply with Section 409A. Without limiting the generality of this Section 22, with respect to any Award made under the Plan that is intended to be "deferred compensation" subject to Section 409A:

a. Any payment due upon a Grantee's termination of employment will be paid only upon such Grantee's separation from service from the Company within the meaning of Section 409A;

b. Any payment due upon a Change in Control of the Company will be paid only if such Change in Control constitutes a "change in ownership" or "change in effective control" within the meaning of Section 409A, and in the event

that such Change in Control does not constitute a “change in the ownership” or “change in the effective control” within the meaning of Section 409A, such Award will vest upon the Change in Control and any payment will be delayed until the first compliant date under Section 409A;

c. Any payment to be made with respect to such Award in connection with the Grantee’s separation from service from the Company within the meaning of Section 409A (and any other payment that would be subject to the

B-13

Table of Contents

limitations in Section 409A(a)(2)(B) of the Code) will be delayed until six months after the Grantee's separation from service (or earlier death) in accordance with the requirements of Section 409A;

d. To the extent necessary to comply with Section 409A, any other securities, other Awards or other property that the Company may deliver in lieu of Shares in respect of an Award will not have the effect of deferring delivery or payment beyond the date on which such delivery or payment would occur with respect to the Shares that would otherwise have been deliverable (unless the Committee elects a later date for this purpose in accordance with the requirements of Section 409A);

e. With respect to any required consent described in Section 12(b) or the applicable Award Agreement, if such consent has not been effected or obtained as of the latest date provided by such Award Agreement for payment in respect of such Award and further delay of payment is not permitted in accordance with the requirements of Section 409A, such Award or portion thereof, as applicable, will be forfeited and terminate notwithstanding any prior earning or vesting;

f. If the Award includes a "series of installment payments" (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), the Grantee's right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment;

g. If the Award includes Dividend Equivalents, the Grantee's right to the Dividend Equivalents will be treated separately from the right to other amounts under the Award; and

h. For purposes of determining whether the Grantee has experienced a separation from service from the Company within the meaning of Section 409A, "subsidiary" will mean a corporation or other entity in a chain of corporations or other entities in which each corporation or other entity, starting with the Company, has a controlling interest in another corporation or other entity in the chain, ending with such corporation or other entity. For purposes of the preceding sentence, the term "controlling interest" has the same meaning as provided in Section 1.414(c)-2(b)(2)(i) of the Treasury Regulations, provided that the language "at least 20 percent" is used instead of "at least 80 percent" each place it appears in Section 1.414(c)-2(b)(2)(i) of the Treasury Regulations.

23. Non-Uniform Determinations; Waiver of Claims; No Third-Party Beneficiaries

a. The Committee's determinations under the Plan and Award Agreements need not be uniform and any such determinations may be made by it selectively among persons who receive, or are eligible to receive, Awards under the Plan (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Committee will be entitled, among other things, to make non-uniform and selective determinations under Award Agreements, and to enter into non-uniform and selective Award Agreements, as to (a) the persons to receive Awards, (b) the terms and provisions of Awards and (c) whether a Grantee's employment has been terminated for purposes of the Plan.

b. Each Grantee of an Award recognizes and agrees that before being selected by the Committee to receive an Award the Grantee has no right to any benefits under the Plan. Accordingly, in consideration of the Grantee's receipt of any Award hereunder, the Grantee expressly waives any right to contest the amount of any Award, the terms of any Award Agreement, any determination, action or omission hereunder or under any Award Agreement by the Committee, the Company or the Board, or any amendment to the Plan or any Award Agreement (other than an amendment to the Plan or an Award Agreement to which his or her consent is expressly required by the Plan or the express terms of an Award Agreement). Nothing contained in the Plan, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between the Company and any Grantee. The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended.

c. Except as expressly provided in an Award Agreement, neither the Plan nor any Award Agreement will confer on any person other than the Company and the Grantee of any Award any rights or remedies thereunder. The exculpation and indemnification provisions of Section 4.c. will inure to the benefit of a Covered Person's estate and beneficiaries and legatees.

B-14

Table of Contents

24. Construction of Certain Terms

The term “Section” or “Sections,” as used herein, shall mean a Section or Sections of this Plan, unless otherwise required by the context. As required by the context (i) the masculine form of words shall include the feminine, and vice-versa, and (ii) the singular form of words shall include the plural form, and vice-versa.

25. Governing Law

This Plan and any agreements or other documents hereunder shall be interpreted and construed in accordance with the laws of the State of Washington and applicable Federal law. Any reference in this Plan or in any Award Agreement to a provision of law or to a rule or regulation shall be deemed to include any successor law, rule or regulation of similar effect or applicability.

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B-15

Table of Contents

CERTIFICATE OF ADOPTION

I certify that the foregoing Plan was duly adopted by the Board of Directors of Columbia Banking System, Inc. on March 28, 2018 and duly approved by the shareholders of Columbia Banking System, Inc. on May 23, 2018.

Cathleen Dent, Assistant Secretary

B-16

Table of Contents

Columbia Banking System, Inc c/o Broadridge PO Box 1342 Brentwood, NY 11717 VOTE BY INTERNET - www.proxyvote.com Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: KEEP THIS PORTION FOR YOUR RECORDS THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. DETACH AND RETURN THIS PORTION ONLY

The Board of Directors recommends you vote FOR the following: Election of Directors Nominees 1a David A. Dietzler 0 0 0 For Against Abstain 0 0 0 1a David A. Dietzler 0 0 0 1b Craig D. Eerkes 0 0 0 1c Ford Elsaesser 0 0 0 1d Mark A. Finkelstein 0 0 0 1e John P. Folsom 1f Eric Forrest 1g Thomas M. Hulbert 1h Michelle M. Lantow 1i Randal Lund 1j S. Mae Fujita Numata 0 0 0 1k Hadley S. Robbins 0 0 0 For Against Abstain 1l Elizabeth W. Seaton 0 0 0 1m Janine Terrano 0 0 0 1n William T. Weyerhaeuser 0 0 0 The Board of Directors recommends you vote FOR proposals 2, 3 and 4. For Against Abstain 2. To approve the 2018 Equity Incentive Plan. 0 0 0 3. To vote on an advisory (non-binding) resolution to approve the compensation of Columbia's named executive officers. 0 0 0 4. To vote on an advisory (non-binding) resolution to appoint Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year ending December 31, 2018. 0 0 0 Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date
Signature (Joint Owners) Date

Table of Contents

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice & Proxy Statement, AR/10K is/are available at www.proxyvote.com. COLUMBIA BANKING SYSTEM, INC. Annual Meeting of Shareholders May 23 2018 1:00 PM This proxy is solicited by the Board of Directors The undersigned shareholder of COLUMBIA BANKING SYSTEM, INC. ("Columbia") hereby nominates, constitutes and appoints William T. Weyerhaeuser and Hadley S. Robbins, and each of them (with full power to act alone), the true and lawful attorneys and proxies, each with full power of substitution, for me and in my name, place and stead, to act and to vote all of the common stock of Columbia standing in my name and on its books on March 26, 2018, at the Annual Meeting of Shareholders to be held at The Greater Tacoma Convention and Trade Center, 1500 Broadway, Tacoma, Washington, at 1:00 PM, and at any adjournment thereof, with all the powers the undersigned would possess if personally present, as shown on the reverse side. The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders for the May 23, 2018 Annual Meeting, and the accompanying documents forwarded therewith, and ratifies all lawful action taken by the above-named attorneys and proxies. THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS SPECIFIED ON THE REVERSE SIDE OR, IF NO CHOICE IS SPECIFIED, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES LISTED AND "FOR" PROPOSALS 2, 3 AND 4. Continued and to be signed on reverse side

Table of Contents

*** Exercise Your Right to Vote *** Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 23, 2018 COLUMBIA BANKING SYSTEM,INC. Columbia Banking System, Inc c/o Broadridge PO Box 1342 Brentwood, NY 11717 Meeting Information Meeting Type: Annual Meeting For holders as of: March 26, 2018 Date: May 23, 2018Time: 1:00 PM PDT Location:The Greater Tacoma Convention and Trade Center 1500 Broadway Tacoma, Washington You are receiving this communication because you hold shares in the above named company. This is not a ballot. You cannot use this notice to vote these shares. This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. You may view the proxy materials online at www.proxyvote.com or easily request a paper copy (see reverse side). We encourage you to access and review all of the important information contained in the proxy materials before voting. See the reverse side of this notice to obtain proxy materials and voting instructions.

Table of Contents

Before You Vote How to Access the Proxy Materials Proxy Materials Available to VIEW or RECEIVE: 1. Notice & Proxy Statement 2. AR/10K How to View Online: Have the information that is printed in the box marked by the arrow (located on the following page) and visit: www.proxyvote.com. How to Request and Receive a PAPER or E-MAIL Copy: If you want to receive a paper or e-mail copy of these documents, you must request one. There is NO charge for requesting a copy. Please choose one of the following methods to make your request: 1) BY INTERNET: www.proxyvote.com 2) BY TELEPHONE: 1-800-579-1639 3) BY E-MAIL*: sendmaterial@proxyvote.com * If requesting materials by e-mail, please send a blank e-mail with the information that is printed in the box marked by the arrow (located on the following page) in the subject line. 0000377689_2 R1.0.1.17 1. Notice & Proxy Statement 2. AR/10K Requests, instructions and other inquiries sent to this e-mail address will NOT be forwarded to your investment advisor. Please make the request as instructed above on or before May 09, 2018 to facilitate timely delivery. How To Vote Please Choose One of the Following Voting Methods Vote In Person: Many shareholder meetings have attendance requirements including, but not limited to, the possession of an attendance ticket issued by the entity holding the meeting. Please check the meeting materials for any special requirements for meeting attendance. At the meeting, you will need to request a ballot to vote these shares. Vote By Internet: To vote now by Internet, go to www.proxyvote.com. Have the information that is printed in the box marked by the arrow available and follow the instructions. Vote By Mail: You can vote by mail by requesting a paper copy of the materials, which will include a proxy card.

Table of Contents

Voting items The Board of Directors recommends you vote FOR the following: 1. Election of Directors Nominees 1a David A. Dietzler 1b Craig D. Eerkes 1c Ford Elsaesser 1d Mark A. Finkelstein 1e John P. Folsom 1f Eric Forrest 1g Thomas M. Hulbert 1h Michelle M. Lantow 1i Randal Lund 1j S. Mae Fujita Numata 1k Hadley S. Robbins 1l Elizabeth W. Seaton 1m Janine Terrano 1n William T. Weyerhaeuser The Board of Directors recommends you vote FOR proposals 2, 3 and 4. 2. To approve the 2018 Equity Incentive Plan. 3. To vote on an advisory (non-binding) resolution to approve the compensation of Columbia's named executive officers. 4. To vote on an advisory (non-binding) resolution to appoint Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year ending December 31, 2018. NOTE: Such other business as may properly come before the meeting or any adjournment thereof.
