



COMPENSATION, NOMINATING & GOVERNANCE COMMITTEE CHARTER

MEMBERS: The committee shall consist of at least three solely independent directors, including a chair and such other independent directors as the Board of Pacific Financial Corporation ("Bank") shall appoint. An "independent director" is a director that meets the definition of independence under Rule 5605(a)(2) of the NASDAQ listing standards.

COMPENSATION PHILOSOPHY: The philosophy and objective of the Bank targets executive base salary compensation at competitive levels near the 50th percentile of peer banks. The company also offers performance based incentive compensation commensurate with its peer financial institutions based on achievement of annual and long-term performance objectives which align executives with shareholder interests and considers compensation practices.

PURPOSE, DUTIES AND RESPONSIBILITIES: The purpose of the Committee shall be to carry out the Board of Directors' overall responsibility relating to executive compensation and development of and succession plans for key management; nomination and compensation of directors and other such governance issues related to the Board and Bank.

1. To review and approve on an overall basis, the corporate goals and objectives with respect to the Chief Executive Officer. The Committee shall, at least annually, prepare a plan for the Board to evaluate the performance of the Chief Executive Officer in light of these established goals and objectives. Based on these evaluations, the Committee shall recommend to the Board the CEO's annual base salary and potential bonuses, including cash and equity compensation.
2. The Committee shall annually review the performance evaluations of the company's senior executive officers, as provided by the CEO, as well as their salary, bonuses and equity compensation, prior to consideration by the Board.
3. To periodically review the succession plan for key officers, including the CEO and make recommendations, when appropriate, to the Board.
4. To review compensation plans used to foster long-term retention of key officers and recommend changes to the Board, as warranted.
5. To propose for Board approval the slate of candidates to be voted upon at the Bank's annual shareholder's meeting.
6. To consider, interview and recommend to the Board candidates nominated for vacancies on the Board.

7. To annually review the compensation of directors and recommend to the Board changes in director compensation. The Committee shall consider compensation levels of a relevant peer group of competitive financial institutions and other such factors which may pertain.
8. The committee shall have authority to engage such outside compensation consultants, outside counsel, experts and other such advisors as it determines appropriate to assist in the performance of its duties.
9. The Committee shall report its actions and recommendations to the Board in a timely matter. The Committee shall annually review the adequacy of this charter and make recommendations for proposed changes to the Board for approval.