FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
SEC Accession No. 0001012870-01-501465

FILER

PACIFIC CONTINENTAL CORP
CIK:**1084717**| IRS No.: **930606433** | State of Incorp.:**OR** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-30106** | Film No.: **1697065**
SIC: **6770** Blank checks

Mailing Address
111 WEST 7TH ST
EUGENE OR 97401

Business Address
111 WEST 7TH ST
EUGENE OR 97401
5416868685

As Filed with the Securities & Exchange Commission on August 3, 2001

SECURITIES & EXCHANGE COMMISSION

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2001.

[_] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from ______________ to _______________

SEC File Number: 0-30106

PACIFIC CONTINENTAL CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

OREGON	93-1269184
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

111 West 7th Avenue
Eugene, Oregon 97401
(address of Principal Executive Offices) (Zip Code)

(541) 686-8685
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Common Stock, $1.00 par value, outstanding as of August 3, 2001: 4,605,394

PACIFIC CONTINENTAL CORPORATION
FORM 10-Q
QUARTERLY REPORT
TABLE OF CONTENTS

<TABLE>
<CAPTION>

PART I	FINANCIAL INFORMATION	Page
<S>		<C>
Item 1.	Financial Statements	
	Consolidated Statements of Income: Six months ended June 30, 2001, and June 30, 2000	3
	Consolidated Statements of Comprehensive Income Six months ended June 30, 2001 and June 30, 2000	4

	Consolidated Balance sheets: June 30, 2001, December 31, 2000 and June 30, 2000	5
	Consolidated Statements of Cash Flows: Six months ended June 30, 2001 and June 30, 2000	6
	Notes to Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3.	Market Risk and Balance Sheet Management	12
PART II	OTHER INFORMATION	
Item 1.	Legal Proceedings	none
Item 2.	Changes in Securities	none
Item 3.	Defaults Upon Senior Securities	none
Item 4.	Submission of Matters to a Vote of Security Holders	15
Item 5.	Other Information	none
Item 6.	Exhibits and Reports on Form 8-K	15
SIGNATURES		16

</TABLE>

PART I
Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF INCOME
Amounts in $1,000's
(Unaudited)

<TABLE>
<CAPTION>

	Quarter ended June 30, 2001	Quarter ended June 30, 2000	Year to date June 30, 2001	Year to date June 30, 2000
<S>	<C>	<C>	<C>	<C>
Interest income				
Loans	$5,839	$5,919	$11,627	$11,532
Securities	608	517	1,241	1,068
Dividends on Federal Home Loan Bank stock	41	35	78	70
Federal funds sold	11	9	19	19
	6,499	6,480	12,965	12,689
Interest expense				
Deposits	1,478	1,944	3,263	3,655
Federal Home Loan Bank borrowings	259	199	450	391
Federal funds purchased	71	161	184	289
	1,808	2,303	3,897	4,335
Net interest income	4,691	4,177	9,068	8,354
Provision for loan losses	225	550	470	700

Net interest income after provision	4,446	3,639	8,598	7,666
Noninterest income				
Service charges on deposit accounts	300	256	570	501
Other fee income, principally bankcard	494	412	1,008	792
Loan servicing fees	125	76	225	120
Mortgage banking income and gains on loan sales	134	84	380	180
Gain (loss) on sale of securities	(27)	(17)	27	(24)
Other noninterest income	54	68	126	141
	1,080	879	2,336	1,710
Noninterest expense				
Salaries and employee benefits	1,623	1,464	3,338	2,928
Premises and equipment	303	283	626	578
Bankcard processing	391	343	790	656
Business development	243	311	405	514
Other noninterest expense	604	773	1,104	1,226
	3,164	3,173	6,263	5,901
Income before income taxes	2,382	1,334	4,671	3,463
Provision for income taxes	927	541	1,793	1,363
Net income	$1,455	$ 793	$ 2,878	$ 2,099

</TABLE>

Earnings per share				
Basic	$ 0.32	$ 0.17	$ 0.63	$ 0.46
Diluted	$ 0.32	$ 0.17	$ 0.63	$ 0.46
Weighted average shares outstanding				
Basic	4,562	4,535	4,549	4,556
Common stock equivalents attributable to stock options	30	14	28	22
Diluted	4,592	4,549	4,577	4,578

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Amounts in $1,000's
(Unaudited)

<TABLE>
<CAPTION>

	Quarter ended June 30,		Year to date June 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Net income	$ 1,455	$ 793	$ 2,878	$ 2,099
Unrealized gains (losses) on Investment Securities				
Unrealized gains (losses) arising during the period	(59)	(219)	671	(333)
Reclassification for (gains) losses included in				

statement of income	27	17	(27)	24
	(32)	(202)	644	(309)
Income tax (expense) benefit	12	78	248	119
Net unrealized gains (losses) on securities available for sale	(20)	(124)	396	(190)
Comprehensive Income	$ 1,435	$ 669	$ 3,274	$ 1,909

</TABLE>

CONSOLIDATED BALANCE SHEETS
Amounts in $1,000's
(Unaudited)

<TABLE>
<CAPTION>

<S>	June 30, 2001 <C>	December, 31, 2000 <C>	June 30, 2000 <C>
Assets			
Cash and due from banks	$ 15,585	$ 15,145	$ 15,533
Federal funds sold	1,190	615	826
Total cash and cash equivalents	16,775	15,760	16,359
Securities available-for-sale	32,819	38,115	29,172
Loans held for sale	1,230	814	2,770
Loans, less allowance for loan losses	236,574	221,631	230,152
Interest receivable	1,610	1,714	1,554
Federal home loan bank stock	2,376	2,299	2,191
Property, net of accumulated depreciation	13,386	12,978	12,346
Deferred income taxes	-	-	713
Other assets	491	813	753
Total assets	305,261	294,124	296,010
Liabilities and stockholders' equity			
Deposits			
Noninterest-bearing demand	73,198	69,549	67,637
Savings and interest-bearing checking	120,122	126,770	111,610
Time $100,000 and over	25,186	27,476	38,832
Other time	22,590	26,308	31,077
	241,096	250,103	249,156
Federal funds purchased	2,900	900	5,000
Federal Home Loan Bank term advances	26,000	11,500	13,000
Accrued interest and other liabilities	1,680	1,251	1,337
Total liabilities	271,676	263,754	268,493
Stockholders' equity			
Common stock	4,605	4,536	4,536
Surplus	14,618	14,056	14,042
Retained earnings	13,975	11,787	9,623
Accumulated other comprehensive loss	387	(9)	(684)
Total stockholders' equity	33,585	30,370	27,517
	$305,261	$ 294,124	$296,010

</TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS
Amounts in $1,000's
(Unaudited)

<TABLE>
<CAPTION>

	For six months ended June 30, 2001	2000
<S>	<C>	<C>
Cash flows from operating activity:		
Net income	$ 2,878	$ 2,099
Adjustments to reconcile net income to net cash provided By operating activities		
Depreciation	364	360
Amortization	76	77
Provision for loan losses	470	700
Deferred income taxes	(66)	(42)
Origination of loans held for sale	(17,556)	(8,724)
Proceeds from sale of loans held for sale	17,244	8,721
Gain on sales of loans	(104)	--
(Gain) loss on sales of securities	(27)	24
Stock dividends from federal home loan bank	(78)	(70)
Change in interest receivable and other assets	427	(186)
Change in payables and other liabilities	430	335
Other adjustments	472	(145)
Net cash provided by operating activities	4,530	3,149
Cash flows from investing activities		
Proceeds from sales and maturities of securities	11,682	6,204
Purchase of securities	(6,464)	(593)
Loans made net of principal collections	(15,413)	(24,086)
Purchase of property	(752)	(944)
Net cash used in investing activities	(10,947)	(19,419)
Cash flows from financing activities		
Net increase (decrease) in deposits	(9,008)	24,981
Increase (decrease) in fed funds purchased	2,000	(800)
Increase in Federal Home Loan Bank borrowings	14,500	--
Repurchase of shares	--	(987)
Proceeds from stock options exercised	630	164
Dividends paid, net of reinvestment	(691)	(681)
Net cash provided by financing activities	7,432	22,677
Net increase in cash and cash equivalents	1,015	6,407
Cash and cash equivalents, beginning of period	15,760	9,952
Cash and cash equivalents, end of period	$ 16,775	$ 16,359

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

A complete set of Notes to Consolidated Financial Statements is a part of the Bank's Annual Report to Shareholders for the period ended December 31, 2000, included as exhibit 13 within the Bank's Form 10-K filed March 15, 2001. The notes below are included because of material changes in the financial statements or to provide the reader with additional information not otherwise available.

1. Basis of Presentation

The accompanying interim condensed consolidated financial statements include the accounts of Pacific Continental Corporation (the "Company"), a bank holding company, and its wholly-owned subsidiary, Pacific Continental Bank (the "Bank") and the Bank's wholly owned subsidiaries, PCB Services Corporation (which owns and operates bank-related real estate) and PCB Loan Services Corporation (presently inactive). All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying condensed consolidated financial statements have been prepared by the Company without audit and in conformity with generally accepted accounting principles in the United States of America for interim financial information. The financial statements include all adjustments and normal accruals, which the Company considers necessary for a fair presentation of the results of operations for such interim periods. In preparing the condensed consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, as of the date of the balance sheets and income and expenses for the periods. Actual results could differ from those estimates.

The balance sheet data as of December 31, 2000 was derived from audited financial statements, but does not include all disclosures contained in the Company's 2000 Annual Report to Shareholders.

The interim condensed consolidated financial statements should be read in conjunction with the December 31, 2000 consolidated financial statements, including the notes thereto, included in the Company's 2000 Annual Report to Shareholders.

2. Federal Home Loan Bank Term Advances

The Bank is a member of the Federal Home Loan Bank (FHLB), which provides a secured line of credit of $45,000 that may be accessed for short or long-term borrowings given sufficient qualifying collateral. At June 30, 2001 the Bank had a total of $26,000 in borrowings outstanding from FHLB, consisting of 11 advances with maturities ranging from July 2001 through June 2005 bearing a weighted average interest rate of 5.46%. At December 31, 2000, the Bank had a total of $11,500 in borrowings outstanding from the FHLB bearing a weighted average interest rate of 6.71%. At June 30, 1999, the Bank had a total of $13,000 in borrowings outstanding from the FHLB bearing a weighted average interest rate of 6.27%.

3. Adoption of New Accounting Standards

In September 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as a replacement for SFAS No. 125. SFAS No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral, but it carries over most of the provisions of SFAS No. 125 without change.
SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The statement is effective for recognition and reclassification of collateral

for fiscal years ending after December 15, 2000. Adoption of SFAS No. 140 did not have a material effect on the Company's financial position or results of operation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion contains a review of Pacific Continental Corporation and its wholly owned subsidiary Pacific Continental Bank operating results and financial condition for the second quarter of 2001. When warranted, comparisons are made to the same period in 2000 and to the previous year ended December 31, 2000. The discussion should be read in conjunction with the financial statements (unaudited) contained elsewhere in this report. The reader is assumed to have access to the Company's Form 10-K and portions of the Annual Report to Shareholders incorporated into the 10-K for the previous year ended December 31, 2000, which contains additional statistics and explanations. All numbers, except per share data, are expressed in thousands of dollars.

In addition to historical information, this report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). This statement is included for the express purpose of availing Pacific Continental Corporation of the protections of the safe harbor provisions of the PSLRA. The forward-looking statements contained in this report are subject to factors, risks, and uncertainties that may cause actual results to differ materially from those projected. Important factors that might cause such material differences include, but are not limited to, those discussed in this section of the report. In addition, the following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this report: general economic conditions, including their impact on capital expenditures; business conditions in the banking industry; the regulatory environment; new legislation; vendor quality and efficiency; employee retention factors; rapidly changing technology and evolving banking industry standards; competitive standards; competitive factors, including increased competition with community, regional, and national financial institutions; fluctuating interest rate environments; and similar matters. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of the statement. Pacific Continental Corporation undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this report. Readers should carefully review the risk factors described in this and other documents we file from time to time with the Securities and Exchange Commission.

Six Month Highlights

- Operating revenue up 13% over last year.
- Second quarter net interest margin as a percentage of earning assets 6.99%.
- One of only ten businesses in the state of Oregon to be recognized by Families in Good Company with the Quality Seal signifying dedication to families in the workplace and the community.
- Named one of the Top 100 businesses to work for in the state of Oregon by the Oregon Business Magazine.
- Pacific Continental Bank recognized as SBA Lender of the Year in Oregon for the third consecutive year.
- Financial profile remains strong with return on assets and return on equity of 1.96% and 17.96%, respectively, through six months of 2001.

Net income in the second quarter 2001 was $1,455 an increase of 83% from second quarter 2000 income of $793. Return on average assets and return on average equity in the current quarter were 1.96% and 17.61% respectively as compared to 1.11% and 11.40% in the same quarter one year ago. The improvement in quarterly earnings resulted from a 14% increase in operating revenues (net interest income

plus noninterest income), lower loan loss provision and successful expense control when compared to last year.

For the first six months of 2001 the Company earned $2,878 a 37% increase from six month 2000 earnings of $2,099. Per share earnings on a diluted basis for the first six months of 2001 and 2000 were $0.63 and $0.46, respectively, also an increase of 37%. Average shares outstanding for the first six months of 2000 were 4,561,607 compared to 4,548,833 for the same period one-year ago. The increase in average shares outstanding resulted from stock options exercised during the current quarter. Comparing the first six months of 2001 to the same period in 2000, return on average assets was 1.96% and 1.50%, while return on average equity improved to 17.96% from 15.19%.

At June 30, 2001 total assets were $305,261 or 4% more than December 31, 2000 and 3% more than June 30, 2000.

Results of Operations

Net Interest Income

Net interest income is the primary source of the Company's revenue. Net interest income is the difference between interest income derived from earnings assets, principally loans, and the interest expense associated with interest bearing liabilities, principally deposits. The volume and mix of earnings assets and funding sources, market rates of interest, demand for loans, and the availability of deposits affect net interest income.

Net interest income prior to the provision for loan loss, in the second quarter of 2001 increased $514, or 12%, over same period in 2000. This increase resulted from growth of earning assets and improved net interest margin. Average earning assets in the current quarter increased 6% when compared to the first quarter of 2000. Net interest margin as a percentage of earning assets improved by 0.55% from 6.44% in second quarter 2000 to 6.99% in second quarter 2001.

On three occasions during the first quarter of 2001, the Federal Reserve lowered market interest rates, which resulted in a 1.50% drop in the prime-lending rate. The Federal Reserve followed with three more rate drops during the second quarter resulting in another 1.25% decline in the prime lending rate. The rate decline in the current quarter resulted in the continued decline in the cost of liabilities. Total liability costs in the current quarter dropped 0.36% from 3.01% in the first three months of the year to 2.65% in the second quarter. While liability costs fell during the second quarter, earning asset yields were relatively stable in spite of the decline in the prime-lending rate. Earning asset yields were 9.64% in the current quarter compared to 9.67% in the first quarter of this year The decline in yield on earning assets was mitigated by the activation of interest rate floors on variable rate loans, most of which went into effect at the end of February 2001.

Net interest income for the first six months showed results similar to the quarter-to-quarter comparison. For the first six months of 2001, net interest income, prior to the provision for loan loss, totaled $9,068, an increase of 9% over $8,354 for the same period in 2000. Year-to-date average earning assets increased 5% as compared to the same period in 2000, while net interest income as a percent of earning assets improved from 6.59% in 2000 to 6.82% in 2001. The increase in margin resulted from rates on interest bearing liabilities falling faster than loan yields. A detailed rate and volume analysis shows that the interest income component grew by $276, a $581 improvement due to higher volumes offset by $305 decline due to lower rates. The interest expense component fell by $438 entirely due to lower rates.

Provision for Loan Losses

Below is a summary of the Company's allowance for loan losses for the first six months of 2001.

	2001
Balance, December 31, 2000	$ 2,149
Provision charged to income	470
Loans charged off	115
Recoveries credited to allowance	47
Balance, June 30, 2001	$ 2,551

The second quarter 2001 provision for loan losses was $225 compared to $550 for the same quarter last year. Year-to-date June 30, 2001 loan loss provision was $470 compared to $700 for the same period in 2000. The decrease in the provision during 2001 was due to due to lower loan losses and improvement in general loan quality. Through the first six months of the current year, net charge offs were $68. That compares to net charge offs of $1,139 for the same time period in 2000. The allowance for loan losses at June 30, 2001 was 1.06% compared to 0.86% at June 30, 2000.

The Company continued to experience significant improvement in the level of nonperforming assets. Total nonperforming assets at June 30, 2001 are down nearly $1,000 from June 30, 2000. During the first six months of the current year, the Company has not experienced any material increase in the level of nonperforming assets.

Below is a summary of nonperforming assets at June 30, 2001 compared to prior periods. Nonperforming assets consist of nonaccrual loans, loans past due 90 days or more and still accruing interest, and other real estate owned. Nonaccrual loans and loans 90 days past due and still accruing interest consist of 19 individual loans, the largest of which represents exposure of $135.

<TABLE>
<CAPTION>

<S>	June 30, 2001 <C>	December 31, 2000 <C>	June 30, 2000 <C>
Nonaccrual loans	$ 898	$ 490	$ 1,609
90 days past due and accruing interest	$ 238	$ 155	$ 79
Repossessed assets	$ 0	$ 385	$ 445
Total nonperforming assets	$ 1,136	$ 1,030	$ 2,133
Nonperforming loans guaranteed by government	$ (479)	$ (184)	$(1,179)
Total nonperforming assets, net of guarantee	$ 639	$ 846	$ 954

</TABLE>

Noninterest Income

Year-to-date June 30, 2001 noninterest income of $2,336 was up $626 or 37% from 2000 noninterest income for the same time period. All categories of noninterest income improved during the current year when compared to last year. The majority of growth in noninterest income was attributable to four categories. Service charges on deposit accounts were up $69 or 14% due to an increase in the number of clients. Merchant bankcard fees grew by $216 or 27% due to increased volumes of clients and transactions. Loan servicing fees of $225 were up $105 or 88%, which resulted from an increase of $11,000 in the loan-servicing portfolio from loan sales during the last half of 2000 and during the first three months of 2001. In addition, last year's loan servicing income was negatively impacted by a $52 write down of a servicing asset due to a prepayment during the first six months of the year. Finally, mortgage banking income and gains on the sales of loans increased from $180 in 2000 to $380 in 2001, an improvement of $200 or 111%. Mortgage banking revenues were up $127 or 85% over last year due to higher levels of refinancing and home sales resulting from a lower interest rate environment. Gains on the sales of loans improved by $73 or 237%. During the first quarter of the current year, the Company sold approximately $2,900 of loans guaranteed by the government, which resulted in gains of $104. No loans were sold during the first six months of 2000.

Noninterest Expense

Year-to-date June 30, 2001 noninterest expense increased $362 or 6% from the same period in 2000. Merchant bankcard processing expense accounted for $134 of the increase and related directly to the revenue increase discussed above. Excluding the merchant processing fees, total noninterest expense increased only 4% over last year. Total personnel expense during the first six months increased $410, primarily due to increased benefits costs and commissions paid on mortgage loan originations. Offsetting the increase in merchant processing and personnel expense were declines in business development expense of $109 and in other expense of $122. Business development expenses during the first six months of

2000 had significant one time costs to promote the Company's on line banking product and the opening of its West 11th office. The decline in other expense resulted from a reduction in repossession, collection, and other real estate expense from last year of approximately $100.

Liquidity

Liquidity is the term used to define the Company's ability to meet its financial commitments. The Company maintains sufficient liquidity to ensure funds are available for both lending needs and the withdrawal of deposit funds. The Company derives liquidity primarily through core deposit growth, the maturity of investment securities, and loan payments. Core deposits include demand, interest checking, money market, savings and local time deposits. Additional liquidity is provided through sales of loans, access to national CD markets, public deposits and both secured and unsecured borrowings. Because of seasonal construction and economic activity and client payment of various tax obligations, the Company traditionally experiences slower growth of core deposits during the first half of each year typically resulting in funding and liquidity pressures. This was evidenced by the fact that average core deposits for the month of June 2001 are unchanged from December 2000. As a percentage of total deposits, core deposits were 95% at June 30, 2001 compared to 93% at December 31, 2000. Asset growth of approximately $10,000 in the first six months of the current was funded primarily with long term borrowings from the Federal Home Loan Bank of Seattle and unsecured borrowings. Over the course of the last twelve months, the Company has intentionally allowed national time deposits and public funds to mature and alternatively used short term borrowing lines in order to take advantage of falling market interest rates. The decline of outstanding deposits from June 30, 2000 to June 30, 2001 of $8,000 was entirely attributable to the run off of these deposits. At June 30, 2001, the Bank had secured and unsecured overnight and term borrowing capacity of approximately $78,000 of which $28,900 was used.

Capital Resources

Capital is the shareholder's investment in the Company. Capital grows through the retention of earnings and the issuance of new stock through the exercise of incentive options and decreases through the payment of dividends and share repurchase programs. Capital formation allows the Company to grow assets and provides flexibility in times of adversity.

Banking regulations require the Company to maintain minimum levels of capital. The Company manages its capital to maintain a "well capitalized" designation (the FDIC's highest rating). At June 30, 2001, the Company's total capital to risk weighted assets was 13.50%, compared to 12.13% at June 30, 2000.

Below is a summary of share activity during the first six months of 2001 and shares outstanding at June 30, 2001.

Outstanding shares January 1, 2001	4,535,752
New shares issued through stock options	69,042
Outstanding shares June 30, 2001	4,604,794

The Company projects that earnings retention and existing capital will be sufficient to fund anticipated asset growth while maintaining a well-capitalized designation from the FDIC.

Item 3. Market Risk and Balance Sheet Management

The Company's results of operations are largely dependent upon its ability to manage market risks. Changes in interest rates can have significant effects on the Company's financial condition and results of operations. Other types of market risk such as foreign currency exchange rate risk and commodity price risk do not arise in the normal course of the Company's business activities. The Company does not use derivatives such as forward and futures contracts, options, or interest rate swaps to manage interest rate risk.

Interest rate risk generally arises when the maturity or repricing structure of the Company's assets and liabilities differ significantly. Asset and liability management, which among other things, addresses such risk, is the process of developing, testing and implementing strategies that seek to maximize net interest income while maintaining sufficient liquidity. This process includes monitoring contractual maturity and prepayment expectations together with expected repricing of assets and liabilities under different interest rate scenarios. Generally the Company seeks a structure that insulates net interest income from large deviations attributable to changes in market rates by balancing the repricing characteristics of assets and liabilities.

Interest rate risk is managed through the monitoring of the Company's balance sheet by subjecting various asset and liability categories to interest rate shocks and gradual interest rate movements over a one-year period of time. Interest rate shocks use an instantaneous adjustment in market rates of large magnitudes on a static balance sheet to determine the effect such a change in interest rates would have on the Company's net interest income and capital for the succeeding twelve-month period. Such an extreme change in interest rates and the assumption that management would take no steps to restructure the balance sheet does limit the usefulness of this type of analysis. This type of analysis tends to provide a best case or worst-case scenario. A more reasonable approach utilizes gradual interest rate movements over a one-year period of time to determine the effect on the Company's net interest income.

The Company utilizes the services of The Federal Home Loan Bank's asset/liability modeling software to determine the effect of a simultaneous shift in interest rates. Interest rate shock scenarios are modeled in 1 percent increments (plus or minus) in the federal funds rate. The more realistic forecast assumes a gradual interest rate movement of plus or minus 2.40 percent change in the federal funds rate over a one-year period of time with rates moving up or down 0.60 percent each quarter. The model used is based on the concept that all rates do not move by the same amount. Although certain assets and liabilities may have similar repricing characteristics, they may not react correspondingly to changes in market interest rates. In the event of a change in interest rates, prepayment of loans and early withdrawal of time deposits would likely deviate from those previously assumed. Increases in market rates may also affect the ability of certain borrowers to make scheduled principal payments.

The model attempts to account for such limitations by imposing weights on the differences between repricing assets and repricing liabilities within each time segment. These weights are based on the ratio between the amount of rate change of each category of asset or liability, and the amount of change in the federal funds rate. Certain non-maturing liabilities such as checking accounts and money market deposit accounts are allocated among the various repricing time segments to meet local competitive conditions and management's strategies

The Company strives to manage the balance sheet so that net interest income is not negatively impacted more than 15 percent given a change in interest rates of plus or minus 2 percent. Current evaluations show the Bank is within its established guidelines, and interest rate risk profile at June 30, 2001. The current quarter's analysis would suggest that the bank's net interest income is negatively impacted by both rising and falling rates over a one-year period. However, the impact in either scenario is not materially different from the base case.

The following table shows the estimated impact of the various interest rate scenarios used in the software modeling based on data provided by the Company to the Federal Home Loan Bank at June 30, 2001. The table shows estimates of changes in net interest income. For illustrative purposes the base figure of $18,286 used in the interest rate shock analysis is the annualized actual net interest income for the first six months of 2001. Due to the various assumptions used for this modeling, no assurance can be given that projections will reflect actual results.

Interest Rate Shock Analysis
Net Interest Income and Market Value Performance
(dollars in thousands)

<TABLE>
<CAPTION>

Projected Interest Rate Change	Net Interest Income Estimated Value	$ Change from Base	% Change from Base
<S>	<C>	<C>	<C>
+200	18,138	(148)	(0.81)%
+100	18,255	(31)	(0.17)%
Base	18,286	0	0.00%
-100	17,961	(325)	(1.78)%
-200	17,619	(667)	(3.65)%

</TABLE>

Gradual Interest Rate Movement Forecast
Net Interest Income and Market Value Performance
(dollars, in thousands)

<TABLE>
<CAPTION>

Projected Interest Rate Change	Net Interest Income Estimated Value	$ Change from Base	% Change from Base
<S>	<C>	<C>	<C>
Rising 2.40%	18,123	(163)	(0.89)%
Base	18,286	0	0.00%
Declining 2.40%	18,173	(113)	(0.62)%

</TABLE>

PART II. OTHER INFORMATION

Item 4. Submissions of Matters to a Vote of Security Holders

(a) Pacific Continental Corporation's Annual Shareholders' Meeting was held on April 24, 2001

(b) Not Applicable

(c) A brief description of each matter voted upon at the Annual Meeting and number of votes cast for, against or withheld, including a separate tabulation with respect to each nominee to serve on the Board is presented below:

(1) Election of (3) three Directors for terms expiring in 2004 or until their successors have been elected and qualified.

Directors:

Larry G. Campbell -
Votes Cast For: 3,804,764
Votes Withheld: 46,622

James W. Putney -
Votes Cast For: 3,812,348
Votes Withheld: 39,038

J. Bruce Riddle -
Votes Cast For: 3,804,197
Votes Withheld: 47,189

(d) None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

10.6 Form of Executive Severance Agreements for Messrs. Riddle and Brown

(b) Reports on Form 8-K
None

SIGNATURES

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

PACIFIC CONTINENTAL CORPORATION
(Registrant)

Dated	August 3 , 2001	/s/ J. Bruce Riddle
		J. Bruce Riddle President and Chief Executive Officer
Dated	August 3, 2001	/s/ Michael A. Reynolds
		Michael A. Reynolds Vice President and Controller

Exhibit 10.6

PACIFIC CONTINENTAL BANK
EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), signed as of April 24, 2001 (the "Effective Date"), is entered into between PACIFIC CONTINENTAL BANK ("Bank"), PACIFIC CONTINENTAL CORPORATION ("Corporation") and J. BRUCE RIDDLE ("Executive").

RECITALS

A. Executive currently serves as President and Chief Executive Officer of the Bank and Corporation.

B. Corporation and Bank desire Executive to continue his employment at the Bank and Corporation under the terms and conditions of this Agreement.

C. Executive desires to continue his employment at the Bank and Corporation under the terms and conditions of this Agreement.

D. This Agreement supercedes any and all other severance or similar agreements that may currently be in effect for Executive with either the Bank or the Corporation.

AGREEMENT

In consideration of the promises set forth in this Agreement, the parties agree as follows.

1. Employment. The Bank and Corporation agree to employ Executive, and Executive accepts employment by the Bank and Corporation on the terms and conditions set forth in this Agreement. Executive's title will be President and Chief Executive Officer of both the Bank and Corporation. During the Term of this Agreement, Executive will serve as a director of both the Bank and Corporation.

2. Term. The term of this Agreement ("Term") is three years. Notwithstanding any termination or expiration of this Agreement, so long as Executive is employed by the Corporation or any of its subsidiaries, the provisions of Section 10 shall survive until such time as the Corporation's Board of Directors specifically terminates Section 10.

3. Duties. The Bank and Corporation will employ Executive as its President and Chief Executive Officer. Executive will faithfully and diligently perform his assigned duties, which are as follows:

a. Bank Performance. Executive will be responsible for all aspects of the Bank's performance, including without limitation, directing that daily operational and managerial matters are performed in a manner consistent with Corporation's and the Bank's policies.

b. Development and Preservation of Business. Executive will be responsible for the development and preservation of banking relationships and other business development efforts (including appropriate civic and community activities) in the Bank's market area.

c. Report to Board. Executive will report directly to the Bank's and the Corporation's boards of directors.

4. Extent of Services. Executive will devote all of his working time, attention and skill to the duties and responsibilities set forth in Section 3. To the extent that such activities do not interfere with his duties under Section 3, Executive may participate in other businesses as a passive investor, but (a) Executive may not actively participate in the operation or management of those businesses, and (b) Executive may not, without the Bank's or the Corporation's prior written consent, make or maintain any investment in a business with which the Bank and/or Corporation has an existing competitive or commercial relationship.

5. Salary. In addition to normal fees as a member of the Boards of Directors of the Bank and the Corporation, Executive will initially receive an annual base salary of $222,500, to be paid in accordance with the Bank's regular payroll schedule. Subsequent salary increases are subject to the Bank's and Corporation's annual review of Executive's compensation and performance.

6. Incentive Compensation. Each year during the Term, the Bank's board of directors will determine the amount of bonus to be paid by the Bank to Executive for that year. Such bonus shall be determined in accordance with the Bank's 401(k)/bonus formula, as such formula is in effect as of the date of this Agreement and as it may be modified with Executive's prior approval. This bonus will be paid to Executive no later than January 31 of the year following the year in which the bonus is earned by Executive.

7. Income Deferral. Executive will be eligible to participate in any program available to the Bank's and Corporation's senior management for income deferral, for the purpose of deferring receipt of any or all of the compensation he may become entitled to under this Agreement.

8. Vacation and Benefits.

a. Vacation and Holidays. Executive will receive six (6) weeks of paid vacation each year. Each year, Executive may carry over up to three (3) weeks of unused vacation to the following year. Any unused vacation time in excess of three (3) weeks will not accumulate or carry over from one calendar year to the next.

b. Benefits. Executive will be entitled to participate in any group life insurance, disability, health and accident insurance plans, profit sharing and pension plans and in other employee fringe benefit programs the Bank or Corporation may have in effect from time to time for its similarly situated employees, in

accordance with and subject to any policies adopted by the Bank's or Corporation's board of directors with respect to the plans or programs, including without limitation, any incentive or employee stock option plan, deferred compensation plan, 401(k) plan (including matching or profit plan), and Supplemental Executive Retirement Plan (SERP). Neither the Bank nor Corporation through this Agreement obligates itself to make any particular benefits available to its employees. During the Term and consistent with past practice, Executive will also receive (1) the use of a Bank automobile, (2) an annual membership at the Downtown Athletic Club or a comparable health club, and (3) payment of his annual dues at the Eugene Country Club.

c. Business Expenses. The Bank will reimburse Executive for ordinary and necessary expenses which are consistent with past practice at the Bank (including, without limitation, travel, entertainment, and similar expenses) and which are incurred in performing and promoting the Bank's business. Executive will present on a monthly basis itemized accounts of these expenses, subject to any limits of Bank policy or the rules and regulations of the Internal Revenue Service.

9. Termination of Employment.

a. Termination By Bank for Cause. If, during the Term, the Bank terminates Executive's employment for Cause (defined below), the Bank will pay Executive the salary earned and expenses reimbursable under this Agreement incurred through the date of his termination. Executive will have no right to receive compensation or other benefits for any period after termination under this Section 9.

b. Other Termination By Bank. If, during the Term, the Bank terminates Executive's employment without Cause, or Executive terminates his employment for Good Reason (defined below), the Bank will pay Executive the compensation (including the bonus described in Section 6) and other benefits he would have been entitled to if his employment had not terminated (the "Termination Payment"), for a period of twelve months. In the event of a termination related to a Change in Control pursuant to Section 10, the provisions of Section 10 shall supersede this section.

c. Death or Disability. This Agreement terminates (1) if Executive dies or (2) if Executive is unable to perform his duties and obligations under this Agreement for a period of 90 days as a result of a physical or mental disability (such inability being, a "Disability"), unless with reasonable accommodation Executive could continue to perform his duties under this Agreement and making these accommodations would not pose an undue hardship on the Bank. If termination occurs under this Section 9(c), Executive or his estate will be entitled to receive

all compensation and benefits earned and expenses reimbursable through the date Executive's employment terminated.

d. Return of Bank Property. If and when Executive ceases, for any reason, to be employed by the Bank or the Corporation, Executive must return to the Bank all keys, pass cards, identification cards and any other property of the Bank or Corporation. At the same time, Executive also must return to the Bank all originals and copies (whether in hard copy, electronic or other form) of any documents, drawings, notes, memoranda, designs, devices, diskettes, tapes, manuals, and specifications which constitute proprietary information or material of the Bank or Corporation. The obligations in this paragraph include the return of documents and other materials which may be in his desk at work, in his car, in place of residence, or in any other location under his control.

e. Cause. "Cause" means any one or more of the following:

-----

(1) Willful misfeasance or gross negligence in the performance of Executive's duties;

(2) Conviction of a crime in connection with his duties; or

(3) Conduct demonstrably and significantly harmful to the Bank, as reasonably determined on the advice of legal counsel by the Bank's board of directors.

f. Good Reason. "Good Reason" means only any one or more of the

----

following:

(1) Reduction of Executive's salary or reduction or elimination of any significant compensation or benefit plan benefiting Executive, unless the reduction or elimination is generally applicable to substantially all Bank employees (or employees of a successor or controlling entity of the Bank) formerly benefited;

(2) The assignment to Executive without his consent of any authority or duties materially inconsistent with Executive's position as of the date of this Agreement; or

(3) A relocation or transfer of Executive's principal place of employment that would require Executive to commute on a regular basis more than 50 miles each way from his present place of employment.

g. Change in Control. "Change in Control" means a change "in the

----

ownership or effective control" or "in the ownership of a substantial portion of the assets" of the Bank, within the meaning of section 280G of the Internal Revenue Code.

10. Payment Related to a Change in Control.

a. Payment Triggers Upon the occurrence of any of the following, each of which is a "Triggering Event," Executive will be entitled to receive the payment and benefits described in Section 10(b):

(1) A Change in Control of the Bank and/or the Corporation is consummated while Executive is employed by the Bank, and Executive is not offered a Comparable Position (as defined below) with the acquiring company;

(2) Within one year after accepting a Comparable Position with the acquiring company, Executive's employment ceases for any reason other than termination for Cause; or

(3) The Bank terminates Executive's employment without Cause or Executive resigns for Good Reason, and within one year thereafter the Bank and/or the Corporation enters into an agreement for a Change in Control or any party announces or is required by law to announce a prospective Change in Control of the Bank and/or the Corporation.

(4) A "Comparable Position" means the position of CEO of the acquiring company, on financial terms in the aggregate no less favorable than this Agreement.

b. Payment Amount. If a Triggering Event occurs, the Bank will pay Executive, upon the closing of the Change in Control or termination of Executive's employment, whichever is applicable, a single payment in an amount equal to two and one-half (2.5) times the highest compensation (as reportable on Executive's IRS W-2 form) received by Executive from the Bank and/or the Corporation during any of the most recent three (3) calendar years ending before, or simultaneously with, the date on which the Change in Control occurs or the termination of Executive's employment, as applicable, less the amount of any Termination Payments that may have been paid to Executive pursuant to Section 9(b). If Executive's employment is terminated pursuant to Section 10(a), the Bank will also maintain and provide for one-year following Executive's termination or the closing of the Change in Control, whichever is later, at no cost to Executive, the benefits described in Section 8(b) to which Executive is entitled (determined as of the day before the date of such termination); but if Executive's participation in any such benefit is thereafter barred or not feasible, or discontinued or materially reduced, the Bank will arrange to provide Executive with either benefits substantially similar to those benefits or a cash payment of substantially similar value in lieu of the benefits.

c. Limitations on Payments Related to Change in Control. The following apply notwithstanding any other provision of this Agreement:

(1) If the total of the payments and benefits described in Section 10(b) will be an amount that would cause them to be a "parachute payment" within

the meaning of Section 280G(b)(2)(A) of the Internal Revenue Code (a "Parachute Payment Amount"), then such payment(s) shall be reduced so that the total amount thereof is $1 less than the Parachute Payment Amount; and

(2) Executive's right to receive the payments and benefits described in Section 10(b) terminates immediately if before the Change in Control transaction closes, Executive terminates his employment without Good Reason or the Bank terminates Executive's employment for Cause.

d. Survival. The provisions of this Section 10 will survive any termination or expiration of this Agreement until such time as the Corporation's Board of Directors specifically terminates this Section 10.

11. Confidentiality. Executive will not, after the date this Agreement is signed, including during and after its Term, use for his own purposes or disclose to any other person or entity any confidential business information concerning the Bank or Corporation or their business operations, unless (1) the Bank or Corporation consents to the use or disclosure of their respective confidential information; (2) the use or disclosure is consistent with Executive's duties under this Agreement or (3) disclosure is required by law or court order. For purposes of this Agreement, confidential business information includes, without limitation, trade secrets, various confidential information concerning all aspects of current and future operations, nonpublic information on investment management practices, marketing plans, pricing structure and technology of either the Bank or Corporation. Executive will also treat the terms of this Agreement as confidential business information.

12. Nonsolicitation. For two years after Executive's employment under this Agreement terminates, Executive will not, directly or indirectly, persuade or entice, or attempt to persuade or entice, (i) any employee of the Bank or Corporation to terminate his/her employment with the Bank or Corporation, or (ii) any customer of the Bank or Corporation to terminate his/her relationship with the Bank or Corporation or to otherwise direct any portion of his/her business away from the Bank or Corporation.

13. Enforcement.

a. The Bank and Executive stipulate that, in light of all of the facts and circumstances of the relationship between Executive and the Bank, the agreements referred to in Sections 11 and 12 are fair and reasonably necessary for the protection of the Bank's and Corporation's confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, Executive and the Bank request the court to reform these provisions to restrict Executive's use of confidential information and Executive's ability to solicit employees to the maximum extent, in time and scope, the court finds enforceable.

b. Executive acknowledges the Bank and Corporation will suffer immediate and irreparable harm that will not be compensable by damages alone if Executive repudiates or breaches any of the provisions of Sections 11 or 12 or threatens or attempts to do so. For this reason, under these circumstances, the Bank, in addition to and without limitation of any other rights, remedies or damages available to it at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and the Bank will not be required to post a bond as a condition for the granting of this relief.

14. Covenants. Executive specifically acknowledges the receipt of adequate consideration for the covenants contained in Sections 11 and 12 and that the Bank is entitled to require him to comply with these Sections. These Sections will survive termination of this Agreement.

15. Arbitration.

a. Arbitration. At either party's request, the parties must submit any
----
dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement or any breach or alleged breach of this Agreement, to arbitration under the American Arbitration Association's

rules then in effect (or under any other form of arbitration mutually acceptable to the parties). A single arbitrator agreed on by the parties will conduct the arbitration. If the parties cannot agree on a single arbitrator, each party must select one arbitrator and those two arbitrators will select a third arbitrator. This third arbitrator will hear the dispute. The arbitrator's decision is final (except as otherwise specifically provided by law) and binds the parties, and either party may request any court having jurisdiction to enter a judgment and to enforce the arbitrator's decision. The arbitrator will provide the parties with a written decision naming the substantially prevailing party in the action. This prevailing party is entitled to reimbursement from the other party for its costs and expenses, including reasonable attorneys' fees.

b. Governing Law. All proceedings will be held at a place designated by
----
the arbitrator in Lane County, Oregon.

c. Exception to Arbitration. Notwithstanding the above, if Executive
----
violates Section 11 or 12, the Bank and/or Corporation will have the right to initiate the court proceedings described in Section 13b), in lieu of an arbitration proceeding under this Section 15.

16. Miscellaneous Provisions.

a. Entire Agreement. This Agreement constitutes the entire understanding
----
and agreement between the parties concerning its subject matter and supersedes all

prior agreements, correspondence, representations, or understandings between the parties relating to its subject matter.

b. Binding Effect. This Agreement will bind and inure to the benefit of
----
the Bank's, Corporation's and Executive's heirs, legal representatives, successors and assigns.

c. Litigation Expenses. If either party successfully seeks to enforce any
----
provision of this Agreement or to collect any amount claimed to be due under it, this party will be entitled to reimbursement from the other party for any and all of its out-of pocket expenses and costs

including, without limitation, reasonable attorneys' fees and costs incurred in connection with the enforcement or collection.

d. Waiver. Any waiver by a party of its rights under this Agreement must
------
be written and signed by the party waiving its rights. A party's waiver of the other party's breach of any provision of this Agreement will not operate as a waiver of any other breach by the breaching party.

e. Assignment. The services to be rendered by Executive under this
----
Agreement are unique and personal. Accordingly, Executive may not assign any of his rights or duties under this Agreement.

f. Amendment. This Agreement may be modified only through a written
----
instrument signed by both parties.

g. Severability. The provisions of this Agreement are severable. The
----
invalidity of any provision will not affect the validity of other provisions of this Agreement.

h. Governing Law and Venue. This Agreement will be governed by and
----
construed in accordance with Oregon law, except to the extent that certain matters may be governed by federal law. The parties must bring any legal proceeding arising out of this Agreement in Lane County, Oregon.

i. Counterparts. This Agreement may be executed in one or more
----
counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same document.

[signatures appear on following page]

Signed as of: April 24, 2001:

EXECUTIVE:

/s/ J. Bruce Riddle

J. Bruce Riddle

PACIFIC CONTINENTAL BANK:

By /s/ Robert Ballin

Robert Ballin
Its: Chairman of the Board

PACIFIC CONTINENTAL CORPORATION

By /s/ Robert Ballin

Robert Ballin
Its: Chairman of the Board

PACIFIC CONTINENTAL BANK
EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), signed as of April 24, 2001 (the "Effective Date"), is entered into between PACIFIC CONTINENTAL BANK ("Bank"), PACIFIC CONTINENTAL CORPORATION ("Corporation") and HAL M. BROWN ("Executive").

RECITALS

A. Executive currently serves as Executive Vice President and Chief Operating Officer of the Bank and Vice President and Secretary of the Corporation.

B. Corporation and Bank desire Executive to continue his employment at the Bank and Corporation under the terms and conditions of this Agreement.

C. Executive desires to continue his employment at the Bank and Corporation under the terms and conditions of this Agreement.

D. This Agreement supercedes any and all other severance or similar agreements that may currently be in effect for Executive with either the Bank or the Corporation.

AGREEMENT

In consideration of the promises set forth in this Agreement, the parties agree as follows.

1. Employment. The Bank and Corporation agree to employ Executive, and Executive accepts employment by the Bank and Corporation on the terms and conditions set forth in this Agreement. Executive's title will be Executive Vice President and Chief Operating Officer of the Bank and Vice President and Secretary of the Corporation.

2. Term. The term of this Agreement ("Term") is three years. Notwithstanding any termination or expiration of this Agreement, so long as Executive is employed by the Corporation or any of its subsidiaries, the provisions of Section 10 shall survive until such time as the Corporation's Board of Directors specifically terminates Section 10.

3. Duties. The Bank will employ Executive as its Executive Vice President and Chief Operating Officer. The Corporation will employ Executive as its Vice President and Secretary of the Corporation. Executive will faithfully and diligently perform the duties assigned to him from time to time by the Bank's and the Corporation's President. These duties will include, without limitation, the following:

    a. As a member of the Bank's and Corporation's senior management, the Executive will participate in the planning and strategic direction of the organizations. Executive will be responsible for the operating divisions of the company

including information systems, personnel, bank operations, financial reporting, and risk management.

    b. Development and Preservation of Business. Executive will be responsible for the development and preservation of banking relationships and other business development efforts (including appropriate civic and community activities) in the Bank's market area.

    c. Report to President. Executive will report directly to the Bank's and the Corporation's President.

4. Extent of Services. Executive will devote all of his working time, attention and skill to the duties and responsibilities set forth in Section 3. To the extent that such activities do not interfere with his duties under Section 3, Executive may participate in other businesses as a passive investor, but (a) Executive may not actively participate in the operation or management of those businesses, and (b) Executive may not, without the Bank's or the Corporation's prior written consent, make or maintain any investment in a business with which the Bank and/or Corporation has an existing competitive or commercial relationship.

5. Salary. Executive will initially receive an annual base salary of $131,250, to be paid in accordance with the Bank's regular payroll schedule. Subsequent salary increases are subject to the Bank's and Corporation's annual review of Executive's compensation and performance.

6. Incentive Compensation. Each year during the Term, the Bank's board of directors will determine the amount of bonus to be paid by the Bank to Executive for that year. Such bonus shall be determined in accordance with the Bank's 401(k)/bonus formula, as such formula is in effect as of the date of this Agreement and as it may be modified with Executive's prior approval. This bonus will be paid to Executive no later than January 31 of the year following the year in which the bonus is earned by Executive.

7. Income Deferral. Executive will be eligible to participate in any program available to the Bank's and Corporation's senior management for income deferral, for the purpose of deferring receipt of any or all of the compensation he may become entitled to under this Agreement.

8. Vacation and Benefits.

   a. Vacation and Holidays. Executive will receive five (5) weeks of paid
   ----
   vacation each year. Each year, Executive may carry over up to two (2) weeks of unused vacation to the following year. Any unused vacation time in excess of two (2) weeks will not accumulate or carry over from one calendar year to the next.

   b. Benefits. Executive will be entitled to participate in any group life
   ----
   insurance, disability, health and accident insurance plans, profit sharing and pension plans

and in other employee fringe benefit programs the Bank or Corporation may have in effect from time to time for its similarly situated employees, in accordance with and subject to any policies adopted by the Bank's or Corporation's board of directors with respect to the plans or programs, including without limitation, any incentive or employee stock option plan, deferred compensation plan, 401(k) plan (including matching or profit plan), and Supplemental Executive Retirement Plan (SERP). Neither the Bank nor Corporation through this Agreement obligates itself to make any particular benefits available to its employees. During the Term and consistent with past practice, Executive will also receive (1) the use of a Bank automobile, (2) an annual membership at the Downtown Athletic Club or a comparable health club.

c. Business Expenses. The Bank will reimburse Executive for ordinary and necessary expenses which are consistent with past practice at the Bank (including, without limitation, travel, entertainment, and similar expenses) and which are incurred in performing and promoting the Bank's business. Executive will present on a monthly basis itemized accounts of these expenses, subject to any limits of Bank policy or the rules and regulations of the Internal Revenue Service.

9. Termination of Employment.

a. Termination By Bank for Cause. If, during the Term, the Bank terminates Executive's employment for Cause (defined below), the Bank will pay Executive the salary earned and expenses reimbursable under this Agreement incurred through the date of his termination. Executive will have no right to receive compensation or other benefits for any period after termination under this Section 9.

b. Other Termination By Bank. If, during the Term, the Bank terminates Executive's employment without Cause, or Executive terminates his employment for Good Reason (defined below), the Bank will pay Executive the compensation (including the bonus described in Section 6) and other benefits he would have been entitled to if his employment had not terminated (the "Termination Payment"), for a period of twelve months. In the event of a termination related to a Change in Control pursuant to Section 10, the provisions of Section 10 shall supersede this section.

c. Death or Disability. This Agreement terminates (1) if Executive dies or (2) if Executive is unable to perform his duties and obligations under this Agreement for a period of 90 days as a result of a physical or mental disability (such inability being, a "Disability"), unless with reasonable accommodation Executive could continue to perform his duties under this Agreement and making these accommodations would not pose an undue hardship on the Bank. If termination occurs under this Section 9(c), Executive or his estate will be entitled to receive all compensation and benefits earned and expenses reimbursable through the date Executive's employment terminated.

d. Return of Bank Property. If and when Executive ceases, for any reason, to be employed by the Bank or the Corporation, Executive must return to the Bank all keys, pass cards, identification cards and any other property of the Bank or Corporation. At the same time, Executive also must return to the Bank all originals and copies (whether in hard copy, electronic or other form) of any documents, drawings, notes, memoranda, designs, devices, diskettes, tapes, manuals, and specifications which constitute proprietary information or material of the Bank or Corporation. The obligations in this paragraph include the return of documents and other materials which may be in his desk at work, in his car, in place of residence, or in any other location under his control.

e. Cause. "Cause" means any one or more of the following:

(1) Willful misfeasance or gross negligence in the performance of Executive's duties;

(2) Conviction of a crime in connection with his duties; or

(3) Conduct demonstrably and significantly harmful to the Bank, as reasonably determined on the advice of legal counsel by the Bank's board of directors.

f. Good Reason. "Good Reason" means only any one or more of the following:

(1) Reduction of Executive's salary or reduction or elimination of any significant compensation or benefit plan benefiting Executive, unless the reduction or elimination is generally applicable to substantially all Bank employees (or employees of a successor or controlling entity of the Bank) formerly benefited;

(2) The assignment to Executive without his consent of any authority or duties materially inconsistent with Executive's position as of the date of this Agreement; or

(3) A relocation or transfer of Executive's principal place of employment that would require Executive to commute on a regular basis more than 50 miles each way from his present place of

employment.

g. Change in Control. "Change in Control" means a change "in the ownership or effective control" or "in the ownership of a substantial portion of the assets" of the Bank, within the meaning of section 280G of the Internal Revenue Code.

10. Payment Related to a Change in Control.

a. Payment Triggers Upon the occurrence of any of the following, each of which is a "Triggering Event," Executive will be entitled to receive the payment and benefits described in Section 10(b):

(1) A Change in Control of the Bank and/or the Corporation is consummated while Executive is employed by the Bank, and Executive is not offered a Comparable Position (as defined below) with the acquiring company;

(2) Within one year after accepting a Comparable Position with the acquiring company, Executive's employment ceases for any reason other than termination for Cause; or

(3) The Bank terminates Executive's employment without Cause or Executive resigns for Good Reason, and within one year thereafter the Bank and/or the Corporation enters into an agreement for a Change in Control or any party announces or is required by law to announce a prospective Change in Control of the Bank and/or the Corporation.

(4) A "Comparable Position" means the position of CFO of the acquiring company, on financial terms in the aggregate no less favorable than this Agreement.

b. Payment Amount. If a Triggering Event occurs, the Bank will pay Executive, upon the closing of the Change in Control or termination of Executive's employment, whichever is applicable, a single payment in an amount equal to two (2) times the highest compensation (as reportable on Executive's IRS W-2 form) received by Executive from the Bank and/or the Corporation during any of the most recent three (3) calendar years ending before, or simultaneously with, the date on which the Change in Control occurs or the termination of Executive's employment, as applicable, less the amount of any Termination Payments

----

that may have been paid to Executive pursuant to Section 9(b). If Executive's employment is terminated pursuant to Section 10(a), the Bank will also maintain and provide for one-year following Executive's termination or the closing of the Change in Control, whichever is later, at no cost to Executive, the benefits described in Section 8(b) to which Executive is entitled (determined as of the day before the date of such termination); but if Executive's participation in any such benefit is thereafter barred or not feasible, or discontinued or materially reduced, the Bank will arrange to provide Executive with either benefits substantially similar to those benefits or a cash payment of substantially similar value in lieu of the benefits.

c. Limitations on Payments Related to Change in Control. The following
----
apply notwithstanding any other provision of this Agreement:

(1) If the total of the payments and benefits described in Section 10(b) will be an amount that would cause them to be a "parachute payment" within the meaning of Section 280G(b)(2)(A) of the Internal Revenue Code (a "Parachute Payment Amount"), then such
----
payment(s) shall be reduced so that the total amount thereof is $1 less than the Parachute Payment Amount; and

(2) Executive's right to receive the payments and benefits described in Section 10(b) terminates immediately if before the Change in Control transaction closes, Executive terminates his employment without Good Reason or the Bank terminates Executive's employment for Cause.

d. Survival. The provisions of this Section 10 will survive any
----
termination or expiration of this Agreement until such time as the Corporation's Board of Directors specifically terminates this Section 10.

11. Confidentiality. Executive will not, after the date this Agreement is signed, including during and after its Term, use for his own purposes or disclose to any other person or entity any confidential business information concerning the Bank or Corporation or their business operations, unless (1) the Bank or Corporation consents to the use or disclosure of their respective confidential information; (2) the use or disclosure is consistent with Executive's duties under this Agreement or (3) disclosure is required by law or court order. For purposes of this Agreement, confidential business information includes, without limitation, trade secrets, various confidential information concerning all aspects of

current and future operations, nonpublic information on investment management practices, marketing plans, pricing structure and technology of either the Bank or Corporation. Executive will also treat the terms of this Agreement as confidential business information.

12. Nonsolicitation. For two years after Executive's employment under this Agreement terminates, Executive will not, directly or indirectly, persuade or entice, or attempt to persuade or entice, (i) any employee of the Bank or Corporation to terminate his/her employment with the Bank or Corporation, or (ii) any customer of the Bank or Corporation to terminate his/her relationship with the Bank or Corporation or to otherwise direct any portion of his/her business away from the Bank or Corporation.

13. Enforcement.

    a. The Bank and Executive stipulate that, in light of all of the facts and circumstances of the relationship between Executive and the Bank, the agreements referred to in Sections 11 and 12 are fair and reasonably necessary for the protection of the Bank's and Corporation's confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, Executive and the Bank request the court to reform these provisions to restrict Executive's use

of confidential information and Executive's ability to solicit employees to the maximum extent, in time and scope, the court finds enforceable.

    b. Executive acknowledges the Bank and Corporation will suffer immediate and irreparable harm that will not be compensable by damages alone if Executive repudiates or breaches any of the provisions of Sections 11 or 12 or threatens or attempts to do so. For this reason, under these circumstances, the Bank, in addition to and without limitation of any other rights, remedies or damages available to it at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and the Bank will not be required to post a bond as a condition for the granting of this relief.

14. Covenants. Executive specifically acknowledges the receipt of adequate consideration for the covenants contained in Sections 11 and 12 and that the Bank is entitled to require him to comply with these Sections. These Sections will survive termination of this Agreement.

15. Arbitration.

a. Arbitration. At either party's request, the parties must submit any
----
dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement or any breach or alleged breach of this Agreement, to arbitration under the American Arbitration Association's rules then in effect (or under any other form of arbitration mutually acceptable to the parties). A single arbitrator agreed on by the parties will conduct the arbitration. If the parties cannot agree on a single arbitrator, each party must select one arbitrator and those two arbitrators will select a third arbitrator. This third arbitrator will hear the dispute. The arbitrator's decision is final (except as otherwise specifically provided by law) and binds the parties, and either party may request any court having jurisdiction to enter a judgment and to enforce the arbitrator's decision. The arbitrator will provide the parties with a written decision naming the substantially prevailing party in the action. This prevailing party is entitled to reimbursement from the other party for its costs and expenses, including reasonable attorneys' fees.

b. Governing Law. All proceedings will be held at a place designated by
----
the arbitrator in Lane County, Oregon.

c. Exception to Arbitration. Notwithstanding the above, if Executive
----
violates Section 11 or 12, the Bank and/or Corporation will have the right to initiate the court proceedings described in Section 13b), in lieu of an arbitration proceeding under this Section 15.

16. Miscellaneous Provisions.

a. Entire Agreement. This Agreement constitutes the entire understanding
----
and agreement between the parties concerning its subject matter and supersedes all prior agreements, correspondence, representations, or understandings between the parties relating to its subject matter.

b. Binding Effect. This Agreement will bind and inure to the benefit of
----
the Bank's, Corporation's and Executive's heirs, legal representatives, successors and assigns.

c. Litigation Expenses. If either party successfully seeks to enforce any
----
provision of this Agreement or to collect any amount claimed to be due under it, this party will be entitled to reimbursement from the other party for any and all of its out-of-pocket expenses and costs

including, without limitation, reasonable attorneys' fees and costs incurred in connection with the enforcement or collection.

d. Waiver. Any waiver by a party of its rights under this Agreement must be written and signed by the party waiving its rights. A party's waiver of the other party's breach of any provision of this Agreement will not operate as a waiver of any other breach by the breaching party.

e. Assignment. The services to be rendered by Executive under this Agreement are unique and personal. Accordingly, Executive may not assign any of his rights or duties under this Agreement.

f. Amendment. This Agreement may be modified only through a written instrument signed by both parties.

g. Severability. The provisions of this Agreement are severable. The invalidity of any provision will not affect the validity of other provisions of this Agreement.

h. Governing Law and Venue. This Agreement will be governed by and construed in accordance with Oregon law, except to the extent that certain matters may be governed by federal law. The parties must bring any legal proceeding arising out of this Agreement in Lane County, Oregon.

i. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same document.

[signatures appear on following page]

Signed as of April 24, 2001:

EXECUTIVE:

/s/ Hal Brown

Hal M. Brown

PACIFIC CONTINENTAL BANK:

By /s/ Robert Ballin

Robert Ballin
Its: Chairman of the Board

PACIFIC CONTINENTAL CORPORATION

By /s/ Robert Ballin

Robert Ballin
Its: Chairman of the Board