

Sterling Financial Corporation Board of Directors

MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE CHARTER January 17, 2006 – Revised & Approved

Committee Member Qualifications

The Management Development and Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Sterling Financial Corporation (the “Corporation”) shall be comprised of members with the following qualifications:

1. The Committee shall consist of outside Directors of the Board.
2. The requisite number of the members of the Committee shall also satisfy, in the judgment of the Board, the applicable independence requirements.
3. Each member shall be free of any relationship that, in the judgment of the Board from time to time, would interfere with the exercise of his or her independent judgment.
4. Members shall be appointed by the Board [based on nominations by the Corporation’s Corporate Governance and Nominating Committee]. Members shall serve at the pleasure of the Board for such term or terms as the Board may determine.

Committee Purpose

The purpose of the Management Development and Compensation Committee is to:

1. Establish the Corporation’s compensation philosophy and to monitor compensation programs, benefits and related practices for conformity with that philosophy.
2. Oversee the policies of the Corporation relating to compensation of the Corporation’s executives and make recommendations to the Board with respect to such policies.
3. Produce a report on executive compensation for inclusion in the Corporation’s proxy statement, in accordance with applicable rules and regulations.
4. Monitor the development and implementation of succession plans for the Chief Executive Officer (“CEO”) and other key executives, and make recommendations to the Board with respect to such plans.

Committee Responsibilities

In addition to the purposes set forth above, the primary responsibilities of the Committee shall be to:

1. Ensure that the Corporation’s executive compensation programs are designed to enable it to recruit, retain and motivate a large group of talented and diverse senior leaders and executives.

2. Ensure that Corporation's executive compensation programs are appropriately competitive, support organizational strategies and shareholder interests, and ensure a pay for performance linkage in all components of compensation, base pay, short-term and long-term progress.
3. Review and report to the Board for its consideration any cash incentive compensation plans, option plans, or other equity based plans that provide for payment in the Corporation's stock or are based on the value of the Corporation's stock, subject to any approvals required by the shareholders of the Corporation. This includes a report to shareholders explaining the factors and criteria on which the compensation for the CEO and other named executive officers was based.
4. Oversee the design, financing and administration of all employee benefit plans and programs of the Corporation, its subsidiaries and divisions, including the authority to (i) adopt, amend and terminate such plans and programs (unless approval by the Board or shareholders of the Corporation is required by law) and (ii) name and monitor the fiduciaries of the Corporation's employee benefit plans that are subject to the Employee Retirement Income Security Act (ERISA).
5. Review and approve annual corporate goals and objectives relevant to the CEO's compensation; evaluate the CEO's performance in light of those goals and objectives; and recommend for approval by the independent members of the Board, the CEO's compensation level based on this evaluation.
6. Meet at least annually with the CEO to discuss corporate goals and performance results.
7. Recommend for Board approval, CEO and key executives' succession plans, including plans in the event of an emergency or retirement of the CEO.
8. Undertake such other responsibilities or tasks as the Board may delegate or assign to the Committee from time to time.
9. Annually assess and report to the Board on the performance and effectiveness of the Committee.
10. Review this Charter on an annual basis, update it as appropriate, and submit it for the approval of the Board when updated.

General

1. The Chairperson shall be appointed by the Board.
2. The Committee shall meet at least four (4) times each year, or more frequently as circumstances require.
3. The timing of the meetings shall be determined by the Committee.
4. The Committee may form subcommittees comprised of Committee members as the Committee may deem appropriate in its sole discretion. The role of a

subcommittee is to support the work of the Committee, and it may invite officers of the Corporation to work with it in an advisory capacity.

5. A majority of the total number of members shall constitute a quorum of the Committee.
6. A majority of the members of the Committee shall be empowered to act on behalf of the Committee.
7. The Committee may seek the assistance and counsel of independent outside consultants, and shall have sole authority to retain and terminate such consulting firm, and to approve such firm's fees and other retention terms at the Corporation's expense, as the Committee determines is appropriate.
8. Minutes shall be kept of each meeting of the Committee, and the Committee shall regularly provide reports of its actions to the Board.