#### STERLING FINANCIAL CORP /WA/

Form 4

August 17, 2006

## FORM 4

Check this box

if no longer

subject to

Section 16.

Form 4 or

obligations

may continue.

See Instruction

Form 5

## UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

OMB Number:

3235-0287

Expires:

5. Relationship of Reporting Person(s) to

(Check all applicable)

Issuer

82.5

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January 31, 2005

0.5

Estimated average burden hours per

**OMB APPROVAL** 

response...

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section

**SECURITIES** 

30(h) of the Investment Company Act of 1940

2. Issuer Name and Ticker or Trading

STERLING FINANCIAL CORP

Symbol

1(b).

Stock

(Print or Type Responses)

WALLACE DAVID O

1. Name and Address of Reporting Person \*

		/	/WA/ [S	TSA]				(Спеск ан аррисаоте)		
(Last) 111 N. WAI	(First) (M	(Middle) 3. Date of Earliest Transaction (Month/Day/Year) 08/17/2006				X Director Officer (give below)	title 07% Owner Other (specify below)			
	(Street)			· ·	ate Origina	ıl		6. Individual or Joint/Group Filing(Check		
SPOKANE,	WA 99201	ŀ	Filed(Mon	th/Day/Yea	r)			Applicable Line) _X_ Form filed by C Form filed by M Person		
(City)	(State)	(Zip)	Table	e I - Non-l	Derivative	Secui	rities Acqu	ired, Disposed of	, or Beneficial	ly Owned
1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deeme Execution I any (Month/Day	Date, if	3. Transactic Code (Instr. 8)	4. Securi on(A) or Di (Instr. 3,	spose	d of (D)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	08/17/2006	08/17/200	06	<u>J(1)</u>	3,000	A	\$ 4.3933	12,551.5	D	
Common Stock	08/17/2006	08/17/200	06	J <u>(1)</u>	3,000	A	\$ 4.6	15,551.5	D	
Common Stock	08/17/2006	08/17/200	06	J <u>(1)</u>	3,000	A	\$ 5.9067	18,551.5	D	
Common Stock	08/17/2006	08/17/200	06	<u>J(1)</u>	9,000	D	\$ 33.257	9,551.5	D	
Common								82.5	I	Spouse

**IRA** 

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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. 5. Number Transaction Derivative Code Securities (Instr. 8) Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amoun Underlying Securiti (Instr. 3 and 4)	
				Code V	(A) (D)	Date Exercisable	Expiration Date	Title	Amor or Numl of Share
Non-Statutory Stock Option	\$ 6.6933 (2)	08/17/2006	08/17/2006	J <u>(1)</u>	3,000	07/25/2001	07/24/2010	Common Stock	3,00
Non-Statutory Stock Option	\$ 7.0133 (2)	08/17/2006	08/17/2006	<u>J(1)</u>	3,000	12/14/2000	12/13/2009	Common Stock	3,00
Non-Statutory Stock Option	\$ 9 (2)	08/17/2006	08/17/2006	J <u>(1)</u>	3,000	05/24/2000	05/23/2009	Common Stock	3,00

# **Reporting Owners**

Reporting Owner Name / Address	Relationships					
	Director	10% Owner	Officer	Other		
WALLACE DAVID O 111 N. WALL STREET SPOKANE, WA 99201	X					

# **Signatures**

E. Marie Hirsch 08/17/2006

\*\*Signature of Person Date

\*\*Reporting Person

## **Explanation of Responses:**

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Exercise/Same Day Sale Transaction
- (2) Price not adjusted for the 3-for-2 stock split on 8/31/05

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Reporting Owners 2

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