

STERLING FINANCIAL CORP /WA/

Form 8-K

June 20, 2006

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 8 - K**  
**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**  
**Date of Report (Date of earliest event reported) June 14, 2006**

**STERLING FINANCIAL CORPORATION**  
(Exact name of registrant as specified in its charter)

**Washington**  
(State or other jurisdiction of  
incorporation or organization)

**0-20800**  
(Commission File Number)

**91-1572822**  
(I.R.S. Employer  
Identification No.)

**111 North Wall Street, Spokane, Washington 99201**  
(Address of principal executive offices) (Zip Code)  
**(509) 458-3711**  
(Registrant's telephone number, including area code)

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

**INFORMATION TO BE INCLUDED IN THE REPORT**

**Item 1.01 Entry into a Material Definitive Agreement.**

The information set forth below under Item 2.03 is hereby incorporated by reference into this Item 1.01.

**Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

On June 14, 2006, Sterling Financial Corporation ( Sterling ) completed a private placement of an aggregate amount of \$55 million in trust preferred securities (the Preferred Securities ) through a newly formed, wholly owned subsidiary, Sterling Capital Statutory Trust VII (the Trust ), as part of a pooled transaction. In connection with the issuance of the Preferred Securities, on June 14, 2006, Sterling entered into an Indenture (the Indenture ) by and between Sterling and Wilmington Trust Company, as trustee, and an Amended and Restated Declaration of Trust (the Trust Agreement ) among Sterling, as sponsor, Wilmington Trust Company, as Delaware and institutional trustee, and the administrative trustees of the Trust.

The Preferred Securities mature on June 15, 2036 and are redeemable beginning in 2011, but may be redeemed earlier on the occurrence of certain events. The Preferred Securities bear an initial rate of 6.852%. The rate will be adjusted quarterly at the 90-day LIBOR plus 1.52% and mature in 30 years. The Preferred Securities are part of larger pooled offerings, are subordinate to other borrowings and qualify as capital for regulatory purposes. The Trustee or the holders of at least 25% of the aggregate principal amount of the Preferred Securities outstanding may declare the entire principal of the Preferred Securities and the interest accrued thereon, if any, to be due and payable immediately upon the occurrence of certain events, including defaults in payment by Sterling, or the commencement of a bankruptcy, insolvency or reorganization action by or against Sterling. The Preferred Securities have not been registered and are not expected to be registered under the Securities Act of 1933, as amended, and may not be sold in the absence of registration or an exemption from applicable registration requirements. The proceeds are expected to be used for general corporate purposes.

The foregoing description of the Preferred Securities is qualified in its entirety by reference to the text of the Indenture, a copy of which is attached as Exhibit 10.1 to this report and incorporated by reference herein.

On June 15, 2006, Sterling issued a press release announcing the issuance of the Preferred Securities. The text of the press release is attached as Exhibit 99.1 to this report.

**Item 8.01. Other Events**

On June 15, 2006, Sterling issued a press release announcing that the shareholders of Lynnwood Financial Group, Inc. ( Lynnwood ), the parent company of Golf Savings Bank, had approved the proposed merger with Sterling at a special meeting of shareholders held Wednesday, June 14, 2006. The text of the press release is attached as Exhibit 99.2 to this report.

**Item 9.01. Financial Statements and Exhibits.**

(c) The following exhibits are filed herewith:

Exhibit No.	Exhibit Description
10.1	Indenture by and between Sterling Financial Corporation and Wilmington Trust Company dated June 14, 2006.
99.1	Press release text of Sterling Financial Corporation dated June 15, 2006.
99.2	Press release text of Sterling Financial Corporation dated June 15, 2006.

**S I G N A T U R E**

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.

**STERLING FINANCIAL CORPORATION**

(Registrant)

June 15, 2006

By: /s/ William R. Basom

Date

**William R. Basom**

Vice President, Treasurer and Principal

Accounting Officer

3

---

**EXHIBIT INDEX**

Exhibit No.	Exhibit Description
10.1	Indenture by and between Sterling Financial Corporation and Wilmington Trust Company dated June 14, 2006.
99.1	Press release text of Sterling Financial Corporation dated June 15, 2006.
99.2	Press release text of Sterling Financial Corporation dated June 15, 2006.