

STERLING FINANCIAL CORP /WA/  
Form 4  
July 31, 2006

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2005  
Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

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 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
**BASOM WILLIAM R**

2. Issuer Name and Ticker or Trading Symbol  
**STERLING FINANCIAL CORP /WA/ [STSA]**

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
**111 N. WALL STREET**  
  
(Street)

3. Date of Earliest Transaction (Month/Day/Year)  
**07/28/2006**

\_\_\_\_ Director  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
**Vice President, Treasurer Ster**

**SPOKANE, WA 99201**

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	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)		
			Code	V	Amount	(A) or (D)	Price		
Common Stock	07/28/2006	07/28/2006	J <sup>(1)</sup>		3,000	A	\$ 10.1467	10,215	D
Common Stock	07/28/2006	07/28/2006	J <sup>(1)</sup>		3,000	A	\$ 19.84	13,215	D
Common Stock	07/28/2006	07/28/2006	J <sup>(1)</sup>		3,000	A	\$ 25.71	16,215	D
Common Stock	07/28/2006	07/28/2006	J <sup>(1)</sup>		4,500	A	\$ 26.7133	20,715	D
Common Stock	07/28/2006	07/28/2006	S		19,500	D	\$ 31.7156	1,215	D

Common Stock 2,585 I 401-K Program

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. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Security (Instr. 3 and 4)	Amount or Number of Shares	
						Date Exercisable	Expiration Date	Title		
						Code	V	(A)	(D)	
Non-Statutory Stock Option	\$ 0	07/28/2006	07/28/2006	J <sup>(1)</sup>	4,500	12/21/2004	02/28/2009	Common Stock	4,500	
Option	\$ 0	07/28/2006	07/28/2006	J <sup>(1)</sup>	3,000	12/17/2003	12/17/2012	Common Stock	3,000	
Stock Option	\$ 0	07/28/2006	07/28/2006	J <sup>(1)</sup>	3,000	12/16/2004	12/16/2013	Common Stock	3,000	
Stock Option	\$ 25.71	07/28/2006	07/28/2006	J <sup>(1)</sup>	3,000	12/19/2005	02/28/2010	Common Stock	3,000	

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BASOM WILLIAM R 111 N. WALL STREET SPOKANE, WA 99201			Vice President, Treasurer	Ster

## Signatures

E. Marie Hirsch 07/28/2006  
 \*\*Signature of Reporting Person Date

## 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) Cash purchase transaction

(2) Breakout of the disposed shares is as follows: 1,268 (Incentive stock options), 3,232 (Nonqualified stock options). Shares allocated based on 100K Rule.

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

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