

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

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

OMB Number: 3235-0287

Expires: January 31, 2005

Estimated average burden hours per response... 0.5

1. Name and Address of Reporting Person *
BYRNE DANIEL G

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)
01/31/2007

[illegible]

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	01/31/2007	01/31/2007	<u>A</u> ⁽¹⁾		10,000	A	\$ 0	32,989	D	
Common Stock								37,561	I	401(k) Plan
Common Stock								1,042	I	Spouse IRA

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

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SEC 1474
(9-02)

number.

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 Securities (Instr. 3 and 4)			
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option	\$ 33.17	01/31/2007	01/31/2007	A ⁽²⁾		10,000		01/31/2008	03/15/2017	Common Stock	10,000

Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
BYRNE DANIEL G 111 N. WALL STREET SPOKANE, WA 99201	Executive Vice President Sterl

Signatures

Daniel G. Byrne 02/02/2007

 **Signature of 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).

(2) Stock option vests over a 4 year period with 25% vesting each year over the next 4 years (2008, 2009, 2010 and 2011)

(1) Restricted Stock Award with the company dated January 31, 2007. This grant will vest over a 4 year period with 25% vesting each year over the next 4 years (2008, 2009, 2010 and 2011)

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

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