

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

STERLING FINANCIAL CORP /WA/

CIK:[891106](#) | IRS No.: [911572822](#) | State of Incorporation: **WA** | Fiscal Year End: **1231**
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SIC: **6036** Savings institutions, not federally chartered

Mailing Address

*111 NORTH WALL STREET
SPOKANE WA 99201*

Business Address

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SPOKANE WA 99201
509-227-5389*

**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: January 25, 2013

(Date of earliest event reported)

Sterling Financial Corporation

(Exact name of Registrant as Specified in its Charter)

Washington

(State or other jurisdiction
of incorporation or organization)

001-34696

(Commission File Number)

91-1572822

(I.R.S. Employer
Identification Number)

(509) 458-3711

(Registrant's Telephone Number, including Area Code)

Not Applicable

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

111 North Wall Street, Spokane, Washington 99201

(Address of Principal Executive Offices and Zip Code)

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))

Item 1.01 Entry into a Material Definitive Agreement.

On January 25, 2013, Sterling Financial Corporation ("Sterling") entered into an agreement (the "Agreement") with Leslie (Les) S. Biller, pursuant to which Mr. Biller has agreed to continue to serve as non-executive Chairman and a member of the Sterling Board of Directors (the "Board"). The Agreement sets Mr. Biller's compensation for the period beginning January 1, 2013 and ending on December 31, 2014 and reflects a reduction in the level of compensation provided under Mr. Biller's prior compensation agreement. Pursuant to the Agreement, Sterling is expected to pay Mr. Biller an annual director's fee of \$150,000, paid in accordance with Sterling's standard practice for director fees. In addition, during Mr. Biller's service as Chairman of the Compensation and Governance Committee, he will receive an annual retainer of \$10,000. Pursuant to the Agreement, for his service as non-executive Chairman of the Board Mr. Biller will also receive annual compensation of \$1,000,000, with 50% payable in cash and 50% payable in stock options. The cash portion will be payable in quarterly installments beginning March 31, 2013. The stock options will be granted on the date that is two business days following Sterling's release of earnings for the fourth quarter of 2012 at an exercise price equal to the then-fair market value of Sterling's common stock. The stock options will vest in 25% intervals beginning on June 30, 2013 and on each six-month interval thereafter, until such options are fully vested. The stock options will be non-qualified stock options and will be issued under and governed by the terms of Sterling's 2010 Long Term Incentive Plan, which was filed as Exhibit 99.1 to Sterling's Registration Statement on Form S-8 dated December 9, 2010.

The foregoing description of the Agreement does not purport to be complete and is qualified in its entirety by reference to the complete copy of the document attached hereto as Exhibit 10.1.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No. Description

10.1 Letter agreement by and between Sterling Financial Corporation and Leslie S. Biller.

SIGNATURE

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)

January 28, 2013
Date

By: /s/ Patrick J. Rusnak
Patrick J. Rusnak
Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Letter agreement by and between Sterling Financial Corporation and Leslie S. Biller.

January 25, 2013

Leslie S. Biller
1114 Sunset Avenue SW
Seattle, WA 98116

Dear Mr. Biller:

The Board of Directors (the "Board") of Sterling Financial Corporation ("Sterling") wishes to reappoint you as non-executive Chairman of the Board for a period beginning on January 1, 2013 and ending on December 31, 2014.

Following are the detailed terms of this appointment:

1. During your service as non-executive Chairman of the Board, you will receive an annual board retainer of \$150,000 in accordance with Sterling's standard practice for director fees. If you step down as non-executive Chairman of the Board, but remain a director of Sterling, your annual retainer will be reduced to the current amount paid other directors.
2. During your additional service as Chairman of the Compensation and Governance Committee of the Board, you will receive an annual cash retainer of \$10,000.
3. Reflecting the extent of your duties and time commitment as non-executive Chairman of the Board, you will receive additional annual compensation of \$1,000,000, with 50% of that amount payable in cash and 50% payable in stock options.

The cash portion shall be payable in quarterly installments beginning March 31, 2013.

The full number of stock options for the two year period shall be granted on the date that is two days following Sterling's release of earnings for the fourth quarter of 2012 at an exercise price equal to the then-fair market value of Sterling's common stock. The options shall become vested with respect to 25% (rounded down to the nearest whole share) of the shares beginning on June 30, 2013 and an additional 25% (rounded down to the nearest whole share) on each six-month interval thereafter, until such stock options are fully vested. The number of stock options granted will be based on the same Black Scholes valuation methodology and be for the same term as those anticipated to be granted to the senior management of Sterling for the 2012 performance year. The options shall be issued under Sterling's 2010 Long Term Incentive Plan and shall be governed thereunder.

4. If you cease to serve on the Board for any reason other than a termination for Cause (as defined in Sterling's Change in Control Plan) or your voluntary resignation, including following a Change in Control of Sterling (as defined in Sterling's Change in Control Plan) all remaining payments under this agreement shall remain due and payable to you and all stock options will become fully vested and exercisable. If you are terminated for Cause or you voluntarily resign from the Board, any amount not yet paid in cash or any stock options that remain unvested shall be forfeited.

As non-executive Chairman of the Board of Sterling, your duties will include:

- Leadership of the Board, including
 - Oversight of the Board committee process
 - Compensation/effectiveness of the Board
 - Ensuring the quality of management processes related to capital, asset quality, earnings and liquidity
- Within the next two years, ensure the desired high quality of management team is in place and stable, with a developing pool of strong successors
- Reaching agreement on the best long-term size and positioning strategies for Sterling and ensuring the right infrastructure is in place to achieve our goals
- Ensuring Risk Management processes are "industrial" strength
- Involvement in evaluating potential acquisition targets, when required
- Acting as Board interface for regulators

Please indicate your acceptance of the terms of this letter by signing below and returning it to Andrew Schultheis, Sterling's General Counsel.

Sincerely,

/s/ David A. Coulter

David A. Coulter
Director

Agreed and accepted:

/s/ Leslie S. Biller _____ 1/25/13
Leslie S. Biller Date