

Klamath First merges with Sterling Financial

Sterling Financial Corporation and Klamath First Bancorp, Inc., announced July 15, that they have signed a definitive agreement for the merger of Klamath First Bancorp, Inc., with and into Sterling Financial Corporation.

The transaction, which is valued at approximately \$147 million, is expected to close in the first quarter of 2004, pending shareholder and regulatory approval, and to be accretive to Sterling's earning per share in 2004.

Under the terms of the merger agreement, which has been unanimously approved by the Boards of Directors of both companies, each share of Klamath common stock will be converted into 0.77 share of Sterling common stock subject to certain conditions. Based upon the closing price for Sterling on July 14 of \$26.55 per share, the consideration is equivalent to \$20.44 per share of Klamath common stock. The parties have agreed to pay termination fees in the event the merger agreement is terminated under certain conditions. The exchange of shares is expected to be tax-free to the Klamath shareholders.

Based upon balance sheet data as March 31, 2003, the combined company will have approximately \$5.3 billion in total assets, deposits of approximately \$3.4 billion, and shareholders' equity of approximately \$338 million. Based on July 14's closing price, the combined company will have a market capitalization of approximately \$535 million.

Sterling's Chairman and Chief Executive Officer, Harold B. Gilkey, commented, "We are very pleased to welcome the employees, customers and investors of Klamath into the Sterling family. The merger is consistent with our previously stated growth plans to become the leading community bank in the region."

With the increase to approximately 143 branches serving Oregon, Washington, Idaho and Montana, Sterling strengthens its positions as a leading regional community bank and gives it the ability to extend its "Hometown

Helpful" philosophy throughout communities in the region.

"The merger with Klamath is a perfect fit for Sterling," said Gilkey. "In addition to the financial aspects, Sterling and Klamath match up very well culturally. As a leading regional community bank we'll be able to build a bank for all of Oregon, a bank that offers the same products and services of a large bank while retaining the feel of a hometown bank."

According to Kermit K. Houser, President and CEO of Klamath, "This combination of companies is positive in every way. It accelerates our mutual desire to provide extensive coverage in the Northwest, as our existing geographic footprints are a perfect fit. Klamath's strong deposit base supports Sterling's strong loan growth and the combined banking products and offices add additional business options and customer convenience. The larger organization also provides numerous opportunities for Klamath First employees and our shareholders are receiving a premium over our stock price today and will have an opportunity for future growth with the larger company."

According to Gilkey, "Sterling plans to form an Oregon-area advisory board comprised of current Klamath board members to facilitate Sterling's further expansion in Oregon. In addition, Sterling will be adding one board position at the holding company and two seats on the Sterling Savings Bank board. Klamath board members will be asked to fill these positions."

Sterling and Klamath held a conference call for investors, analysts and other interested parties on July 15. Replay of the conference call will be available from now until Aug. 15, at 8 p.m. The replay number is (402) 998-0787. If needed the password is "STERLING". In addition, Sterling has prepared an Investor Presentation to accompany the audio call. The presentation is available via the Internet at

www.sterlingsavingsbank.com. The Investor Relations site contains the investor presentation, as well as the link to the audio webcast of the conference call.

Sterling Financial Corporation of Spokane, WA, is a unitary saving and loan holding company, which owns Sterling Savings Bank. Sterling Savings Bank is a Washington State-chartered, federally insured stock savings association, which opened in April 1983. Sterling Savings Bank, based in Spokane, WA, has branches throughout Washington, Idaho, Oregon and western Montana. Through Sterling's wholly owned subsidiaries Action Mortgage Company and INTERVEST-Mortgage Investment Company, it operates loan production offices in Washington, Idaho, Oregon and western Montana. Sterling's subsidiary Harbor Financial Services provides non-bank investments, including mutual funds, variable annuities and tax-deferred annuities, through regional representatives throughout Sterling Saving's branch network.

Klamath First Bancorp, Inc. is the holding company for Klamath First Federal Savings and Loan Associations (Klamath First Federal), organized in 1934. Klamath First Federal is a progressive, community-oriented financial institution that focuses on serving customers within its primary market area. Accordingly, Klamath First Federal is primarily engaged in attracting deposits from the general public through its offices and using those and other available sources of funds to originate permanent residential one-to-four-family real estate loans within its market area, as well as commercial real estate and multi-family residential loans, loans to consumers and loans for commercial purposes. Upon the acquisitions of 13 branches from Washington Mutual in September 2001, Klamath First Federal has a presence in 26 of Oregon's 36 counties and had two in-store branches in the State of Washington.

Garden Club to meet

The Heppner Garden Club will meet, Monday, Aug. 4, at St. Pat's Senior Center, at 7 p.m.

This month's host is Bebe Munkers. The topic for the meeting will be the Fair Booth and Flower Show.

The public is welcome to join in the meeting.

Harvest Time reaches Morrow County



A combine moves through the wheat fields working to finish this year's harvest. According to Morrow County Grain Growers, farmers have been yielding six-30 bushels per acre, which is still a below average yield.

Ione Class of '53 to hold reunion

The Ione Class of 1953 is having their 50th reunion, Saturday, Aug. 2.

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WHY PAY MORE?

BEO Mortgage Division holds open house



Newly promoted Bank of Eastern Oregon VP, Melissa Lindsay (left), with Heppner resident, Barbara Gilbert, enjoy cake at the BEO Mortgage Division Open House, held July 25.

Yard of the Month



The Heppner Garden Club announced Bob and Jan MacDonald's yard at 825 Lakeview as the July Yard of the Month.

DA's Report

Luanne Flanagan was convicted of Theft-1, a Class-C felony. Flanagan was sentenced to two years probation, 60 days in jail, 80 hours of community service and payment of \$6521 in restitution and fees.

William Elmer Mabe was convicted of Private

Indecency, a Class-A misdemeanor. Mabe was sentenced to 365 suspended days in jail, two years bench probation, 40 hours of community service and payment of \$874 in fines and fees.

PROPERTY & HOMES FOR SALE



BUILDING LOT WITH GREAT VIEW OF WILLOW CREEK LAKE. Near Heppner. Ready to build on. \$22,900.

MOUNTAIN PROPERTY. One acre (approx.) in the mountains. Water and electricity to the property. Leveled spot. Ready to build on. Located at Blakes Ranch, 15 miles from Heppner. \$12,900.



WELL KEPT SPLIT LEVEL. Large fenced yard with flower beds. 10x16 storage shed in back yard. Large family room in basement. Living room with fireplace. \$120,000.

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Boardman son receives Letter of Commendation

Navy Petty office 1st Class Justin M. Lewis, son of David J. Lewis of Boardman, recently received a Letter of Commendation while assigned with Strike Fighter Squadron 25, Naval Air Station, Lemoore, CA.

Lewis was recognized for his superior performance of duty. Displaying remarkable dedication and initiative, Lewis consistently performed his demanding duties in an exemplary and highly professional manner.

Lewis is a 1988 graduate of Forest Grove High School of Forest Grove. He joined the Navy in June 1988.

St. Patrick's Senior Center news

The St. Patrick's Senior Center bus is scheduled for the road again on Thursday, July 31, to Condon for a noon meal at the Condon Hotel. The bus will load at 10:30 a.m., by the Main Street entrance of St. Patrick's Senior Center. A call to the Senior Center office, 676-9030, will reserve a seat.

On Monday, the following week, Aug. 4, a bus trip is scheduled for Pendleton. Loading time is 10:30 a.m. The noon meal is at the Pendleton Senior Center, and afterwards there will be time for shopping and other interesting visits close by.

Volunteers for the Wednesday, Aug. 6 meal at St. Pat's are from Hope, All Saints, and Valby Ecumenical Parish.

A comment about Bud Lundell seems appropriate. Several days before his death, I was at the center on an errand. He was sitting in the common room, facing Main Street. I stopped to greet him and asked, "Are you keeping track of Main Street doings?" His simple reply was, "I am musing, simply musing; sitting here, just musing; so many things go through my mind about the past, and then some one drops in that I haven't thought of for a long time; its very enjoyable, just to muse." My thought was to return for a leisurely visit, when Bud would share some of his musings with me, and with the readers. That meeting did not happen. The memory of this man who was completely at peace with himself remains.

Marriage Licenses

July 24: Floyd Barty Hess, 72, Heppner and Mitzi Adele Grimes, 57, Hermiston.

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Shawna and Jim King
Wedding Reception
Saturday, August 2nd at 5 p.m.
Barbecue provided at the Jim King residence
Highway 74, Ione