

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). ► Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2009 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009	
A This return/report is for:	<input type="checkbox"/> a multiemployer plan; <input checked="" type="checkbox"/> a single-employer plan; <input type="checkbox"/> a multiple-employer plan; or <input type="checkbox"/> a DFE (specify) ____
B This return/report is:	<input type="checkbox"/> the first return/report; <input type="checkbox"/> the final return/report; <input type="checkbox"/> an amended return/report; <input type="checkbox"/> a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	<input type="checkbox"/>
D Check box if filing under:	<input checked="" type="checkbox"/> Form 5558; <input type="checkbox"/> automatic extension; <input type="checkbox"/> the DFVC program; <input type="checkbox"/> special extension (enter description)

Part II	Basic Plan Information —enter all requested information						
1a Name of plan NORTH CASCADES BANCSHARES INC 401(K) PLAN	<table border="1"> <tr> <td>1b Three-digit plan number (PN) ►</td> <td>001</td> </tr> <tr> <td>1c Effective date of plan</td> <td>01/01/1991</td> </tr> </table>	1b Three-digit plan number (PN) ►	001	1c Effective date of plan	01/01/1991		
1b Three-digit plan number (PN) ►	001						
1c Effective date of plan	01/01/1991						
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) NORTH CASCADES BANCSHARES, INC. POB 1648 CHELAN, WA 98816 220 JOHNSON AVENUE CHELAN, WA 98816	<table border="1"> <tr> <td>2b Employer Identification Number (EIN)</td> <td>91-1541637</td> </tr> <tr> <td>2c Sponsor's telephone number</td> <td>509-682-4502</td> </tr> <tr> <td>2d Business code (see instructions)</td> <td>522110</td> </tr> </table>	2b Employer Identification Number (EIN)	91-1541637	2c Sponsor's telephone number	509-682-4502	2d Business code (see instructions)	522110
2b Employer Identification Number (EIN)	91-1541637						
2c Sponsor's telephone number	509-682-4502						
2d Business code (see instructions)	522110						

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/12/2010	MICHELE BIRD
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") NORTH CASCADES BANCSHARES, INC. POB 1648 CHELAN, WA 98816	3b Administrator's EIN 91-1541637 3c Administrator's telephone number 509-682-4502
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
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5 Total number of participants at the beginning of the plan year	5	149
6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	95
b Retired or separated participants receiving benefits.....	6b	0
c Other retired or separated participants entitled to future benefits.....	6c	35
d Subtotal. Add lines 6a , 6b , and 6c	6d	130
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	0
f Total. Add lines 6d and 6e	6f	130
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	124
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	1
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
 2J 2K 2F 2G 3D 2E 2S

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) <input checked="" type="checkbox"/> Insurance (2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts (3) <input checked="" type="checkbox"/> Trust (4) <input type="checkbox"/> General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) <input checked="" type="checkbox"/> Insurance (2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts (3) <input checked="" type="checkbox"/> Trust (4) <input type="checkbox"/> General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules (1) <input checked="" type="checkbox"/> R (Retirement Plan Information) (2) <input type="checkbox"/> MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) <input type="checkbox"/> SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) <input checked="" type="checkbox"/> H (Financial Information) (2) <input type="checkbox"/> I (Financial Information – Small Plan) (3) <input checked="" type="checkbox"/> <u>1</u> A (Insurance Information) (4) <input type="checkbox"/> C (Service Provider Information) (5) <input checked="" type="checkbox"/> D (DFE/Participating Plan Information) (6) <input type="checkbox"/> G (Financial Transaction Schedules)
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SCHEDULE A (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Insurance Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500. ▶ Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).	OMB No. 1210-0110 2009 This Form is Open to Public Inspection
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For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009	
A Name of plan NORTH CASCADES BANCSHARES INC 401(K) PLAN	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500. NORTH CASCADES BANCSHARES, INC.	D Employer Identification Number (EIN) 91-1541637

Part I	Information Concerning Insurance Contract Coverage, Fees, and Commissions Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A.
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1 Coverage Information:

(a) Name of insurance carrier JOHN HANCOCK LIFE INSURANCE COMPANY

(b) EIN	(c) NAIC code	(d) Contract or identification number	(e) Approximate number of persons covered at end of policy or contract year	Policy or contract year	
				(f) From	(g) To
01-0233346	65838	45309	88	01/01/2009	12/31/2009

2 Insurance fee and commission information. Enter the total fees and total commissions paid. List in item 3 the agents, brokers, and other persons in descending order of the amount paid.

(a) Total amount of commissions paid	(b) Total amount of fees paid
0	7253

3 Persons receiving commissions and fees. (Complete as many entries as needed to report all persons).

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid
NRP FINANCIAL, INC. 33272 VALLE ROAD, SUITE 100 SAN JUAN CAPISTRANO, CA 92675

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	
	3391	BROKER COMMISSION	3

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid
RANDALL & HURLEY, INC. 601 W RIVERSIDE, SUITE 1600 SPOKANE, WA 99201

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	
	3862	TPA FEE	5

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

Part II Investment and Annuity Contract Information

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

4 Current value of plan's interest under this contract in the general account at year end	4	
5 Current value of plan's interest under this contract in separate accounts at year end	5	
6 Contracts With Allocated Funds:		
a State the basis of premium rates ▶		
b Premiums paid to carrier	6b	
c Premiums due but unpaid at the end of the year	6c	
d If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount. Specify nature of costs ▶	6d	
e Type of contract: (1) <input type="checkbox"/> individual policies (2) <input type="checkbox"/> group deferred annuity (3) <input type="checkbox"/> other (specify) ▶		
f If contract purchased, in whole or in part, to distribute benefits from a terminating plan check here ▶ <input type="checkbox"/>		
7 Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)		
a Type of contract: (1) <input type="checkbox"/> deposit administration (2) <input type="checkbox"/> immediate participation guarantee (3) <input type="checkbox"/> guaranteed investment (4) <input type="checkbox"/> other ▶		
b Balance at the end of the previous year	7b	
c Additions: (1) Contributions deposited during the year	7c(1)	
(2) Dividends and credits	7c(2)	
(3) Interest credited during the year	7c(3)	
(4) Transferred from separate account	7c(4)	
(5) Other (specify below)	7c(5)	
(6) Total additions	7c(6)	
d Total of balance and additions (add b and c(6)).	7d	
e Deductions:		
(1) Disbursed from fund to pay benefits or purchase annuities during year	7e(1)	
(2) Administration charge made by carrier	7e(2)	
(3) Transferred to separate account	7e(3)	
(4) Other (specify below)	7e(4)	
(5) Total deductions	7e(5)	
f Balance at the end of the current year (subtract e(5) from d)	7f	

Part III Welfare Benefit Contract Information

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organization(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

8 Benefit and contract type (check all applicable boxes)

- a** ☐ Health (other than dental or vision)
 b ☐ Dental
 c ☐ Vision
 d ☐ Life insurance
e ☐ Temporary disability (accident and sickness)
 f ☐ Long-term disability
 g ☐ Supplemental unemployment
 h ☐ Prescription drug
i ☐ Stop loss (large deductible)
 j ☐ HMO contract
 k ☐ PPO contract
 l ☐ Indemnity contract
m ☐ Other (specify) ▶

9 Experience-rated contracts:

a Premiums: (1) Amount received.....	9a(1)		
(2) Increase (decrease) in amount due but unpaid.....	9a(2)		
(3) Increase (decrease) in unearned premium reserve.....	9a(3)		
(4) Earned ((1) + (2) - (3)).....		9a(4)	
b Benefit charges (1) Claims paid.....	9b(1)		
(2) Increase (decrease) in claim reserves.....	9b(2)		
(3) Incurred claims (add (1) and (2)).....		9b(3)	
(4) Claims charged.....		9b(4)	
c Remainder of premium: (1) Retention charges (on an accrual basis) --			
(A) Commissions.....	9c(1)(A)		
(B) Administrative service or other fees.....	9c(1)(B)		
(C) Other specific acquisition costs.....	9c(1)(C)		
(D) Other expenses.....	9c(1)(D)		
(E) Taxes.....	9c(1)(E)		
(F) Charges for risks or other contingencies.....	9c(1)(F)		
(G) Other retention charges.....	9c(1)(G)		
(H) Total retention.....		9c(1)(H)	
(2) Dividends or retroactive rate refunds. (These amounts were <input type="checkbox"/> paid in cash, or <input type="checkbox"/> credited.).....		9c(2)	
d Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement.....		9d(1)	
(2) Claim reserves.....		9d(2)	
(3) Other reserves.....		9d(3)	
e Dividends or retroactive rate refunds due. (Do not include amount entered in c(2).).....		9e	

10 Nonexperience-rated contracts:

a Total premiums or subscription charges paid to carrier.....	10a	
b If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, item 2 above, report amount.	10b	

Specify nature of costs ▶

Part IV Provision of Information

11 Did the insurance company fail to provide any information necessary to complete Schedule A? ☐ Yes ☐ No

12 If the answer to line 11 is "Yes," specify the information not provided. ▶

SCHEDULE D (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small>	DFE/Participating Plan Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2009 This Form is Open to Public Inspection.
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For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan <u>NORTH CASCADES BANCSHARES INC 401(K) PLAN</u>	B Three-digit plan number (PN) ► <u>001</u>
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 <u>NORTH CASCADES BANCSHARES, INC.</u>	D Employer Identification Number (EIN) <u>91-1541637</u>

Part I	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)
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a Name of MTIA, CCT, PSA, or 103-12 IE: <u>JOHN HANCOCK LIFESTYLE CONSERVATIVE</u>			
b Name of sponsor of entity listed in (a): <u>JH</u>			
c EIN-PN <u>01-0233346-001</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>46142</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>JH LIFESTYLE BALANCED</u>			
b Name of sponsor of entity listed in (a): <u>JH</u>			
c EIN-PN <u>01-0233346-001</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>561039</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>JH LIFESTYLE GROWTH</u>			
b Name of sponsor of entity listed in (a): <u>JH</u>			
c EIN-PN <u>01-0233346-001</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>631626</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>JH LIFESTYLE AGGRESSIVE</u>			
b Name of sponsor of entity listed in (a): <u>JH</u>			
c EIN-PN <u>01-0233346-001</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>97983</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PIMCO GLOBAL BOND</u>			
b Name of sponsor of entity listed in (a): <u>JH</u>			
c EIN-PN <u>01-0233346-001</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>5998</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PIMCO TOTAL RETURN</u>			
b Name of sponsor of entity listed in (a): <u>JH</u>			
c EIN-PN <u>01-0233346-001</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>141</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>OPPENHEIMER GLOBAL</u>			
b Name of sponsor of entity listed in (a): <u>JH</u>			
c EIN-PN <u>01-0233346-001</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>16500</u>	

a Name of MTIA, CCT, PSA, or 103-12 IE: JH LIFESTYLE MODERATE**b** Name of sponsor of entity listed in (a): JH

c EIN-PN 01-0233346-001	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 131273
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a Name of MTIA, CCT, PSA, or 103-12 IE: DAVIS NEW YORK VENTURE**b** Name of sponsor of entity listed in (a): JH

c EIN-PN 01-0233346-001	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 1066
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a Name of MTIA, CCT, PSA, or 103-12 IE: RIVERSOURCE MID CAP VALUE**b** Name of sponsor of entity listed in (a): JH

c EIN-PN 01-0233346-001	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 148409
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a Name of MTIA, CCT, PSA, or 103-12 IE: JH MUTUAL DISCOVER**b** Name of sponsor of entity listed in (a): JH

c EIN-PN 01-0233346-001	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 12043
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a Name of MTIA, CCT, PSA, or 103-12 IE: AMERICAN CENTURY VISTA**b** Name of sponsor of entity listed in (a): JH

c EIN-PN 01-0233346-001	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 3621
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a Name of MTIA, CCT, PSA, or 103-12 IE: REAL EST SECURITIES FUND**b** Name of sponsor of entity listed in (a): JH

c EIN-PN 01-0233346-001	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 950
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a Name of MTIA, CCT, PSA, or 103-12 IE: SMALL CAP GROWTH INDEX**b** Name of sponsor of entity listed in (a): JH

c EIN-PN 01-0233346-001	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 983
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a Name of MTIA, CCT, PSA, or 103-12 IE: OPPENHEIMER DEVELOPING MKT**b** Name of sponsor of entity listed in (a): JH

c EIN-PN 01-0233346-001	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 8067
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a Name of MTIA, CCT, PSA, or 103-12 IE: ENERGY**b** Name of sponsor of entity listed in (a): JH

c EIN-PN 01-0233346-001	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 532
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a Name of MTIA, CCT, PSA, or 103-12 IE: MONEY MARKET FUND**b** Name of sponsor of entity listed in (a): JH

c EIN-PN 01-0233346-001	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 48406
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Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2009
		This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009		
A Name of plan NORTH CASCADES BANCSHARES INC 401(K) PLAN	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 NORTH CASCADES BANCSHARES, INC.	D Employer Identification Number (EIN) 91-1541637	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	43293	45309
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	31249	21198
(2) U.S. Government securities.....	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		9156
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)	1139249	1714779
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)	0	0
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	1352330	938407
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	2566121	2728849

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j	130	
k Total liabilities (add all amounts in lines 1g through 1j)	1k	130	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	2565991	2728849
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	45309	
(B) Participants	2a(1)(B)	306914	
(C) Others (including rollovers)	2a(1)(C)	1590	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		353813

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	235	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)	360	
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		595

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0

(3) Rents	2b(3)		
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(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)	-312802	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		-312802
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		417687
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		459293

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	279469	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		279469
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)	16966	
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		16966
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		296435

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		162858
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: FARRELL & CO., P.S.

(2) EIN: 91-1582493

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		3000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☐ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

5b(2) EIN(s)	5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2009
		This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan <u>NORTH CASCADES BANCSHARES INC 401(K) PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>NORTH CASCADES BANCSHARES, INC.</u>	D Employer Identification Number (EIN) <u>91-1541637</u>

Part I	Distributions
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All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>91-1492950</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
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4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A

Part III	Amendments
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9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box.....	<input type="checkbox"/> Increase	<input type="checkbox"/> Decrease	<input type="checkbox"/> Both	<input type="checkbox"/> No
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Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
11 a Does the ESOP hold any preferred stock?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	<input type="checkbox"/> Yes	<input type="checkbox"/> No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2009
v.092308.1

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

a Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

NORTH CASCADE BANCSHARES, INC.
401(K) PLAN

FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2009 AND 2008 AND FOR
THE YEAR ENDED DECEMBER 31, 2009
AND INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

North Cascades Bancshares, Inc.
401(k) Plan
Chelan, Washington

We were engaged to audit the accompanying statements of net assets available for benefits of North Cascades Bancshares, Inc. 401(k) Plan (the Plan) as of December 31, 2009 and 2008, the related statement of changes in net assets available for benefits for the year ended December 31, 2009 and the supplemental schedule of assets held for investment purposes as of December 31, 2009. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for reporting and disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in note 6, which was certified by John Hancock Life Insurance Company, the custodian of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the custodian held the Plan's investment assets and executes investment transactions. The plan administrator obtained certification from the custodian that the information as of December 31, 2009 and 2008 and for the year ended December 31, 2009, provided to the plan administrator by the custodian, is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and schedule, other than that derived from the information certified by the custodian of the Plan, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Farrell & Co., P.S.

Bellevue, Washington
October 8, 2010

NORTH CASCADES BANCSHARES, INC.

401(K) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2009 AND 2008

ASSETS:

	<u>2009</u>	<u>2008</u>
Cash	\$ 21,198	\$ 31,249
Investments, at fair value:		
Pooled Separate Accounts in Insurance Company	1,714,779	1,139,249
Sponsor Company Common Stock		
ESOP Shares (100% allocated to participants)	129,821	173,132
Participant Purchased Shares	<u>808,586</u>	<u>1,179,198</u>
	938,407	1,352,330
Participant Loans	<u>9,156</u>	<u>-</u>
Total Investments	2,662,342	2,491,579
Employer Contribution Receivable	<u>45,309</u>	<u>43,293</u>
Total Assets	2,728,849	2,566,121

LIABILITIES:

Liabilities	<u>-</u>	<u>130</u>
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NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE

<u>\$2,728,849</u>	<u>\$2,565,991</u>
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See accompanying notes to financial statements.

NORTH CASCADES BANCSHARES, INC.

401(K) PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2008

ADDITIONS:

Contributions:	
Participant	\$ 308,504
Employer	<u>45,309</u>
Total contributions	353,813
Net investment gain (loss):	
Interest income	595
Net appreciation in fair value of investments in-	
Employer stock	(312,802)
Insurance company pooled separate accounts	<u>417,687</u>
Total net investment gain	<u>105,480</u>
Total additions	459,293

DEDUCTIONS:

Administrative expenses	16,966
Benefits paid to Plan participants	<u>279,469</u>
Total deductions	<u>296,435</u>

NET ADDITIONS 162,858

ASSETS AVAILABLE FOR BENEFITS:

Beginning of year	<u>2,565,991</u>
End of year	<u>\$2,728,849</u>

See accompanying notes to financial statements.

NORTH CASCADES BANCSHARES, INC.

401(K) PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1: THE PLAN

The following description of the North Cascades Bancshares, Inc. 410(k) Plan (the Plan) formerly North Cascades Bancshares, Inc. ESOP with 410(k) Provisions, provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

GENERAL: The Plan was established by North Cascades Bancshares, Inc. (the Company) effective January 1, 1991 as an employee stock ownership plan (ESOP) and was amended to add 401(k) provisions to the Plan and is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Plan was effectively restated January 1, 2009. The Plan covers all employees of the Company, North Cascades Financial Services, North Cascades National Bank and Mid State Bank, except union, certain nonresident aliens, who have no earned income from sources within the United States, and leased employees.

The ESOP is not leveraged and all ESOP shares in the Company are 100% allocated to the participants at December 31, 2009 and 2008.

The Pension Guarantee Corporation does not insure the Plan since it does not provide a fixed and determinable benefit.

ELIGIBILITY: Prior to January 1, 2010 each employee became eligible to participate in the Plan on the January 1st or July 1st coincident with or next following their first twelve months of service, provided that they completed 1,000 hours of service. If the employee was not credited with 1,000 hours of service by the end of their first twelve months of employment, they became eligible at the end of any following Plan year during which they were credited with 1,000 hours of service. A Plan year is the Plan's accounting year, which is the calendar year ending December 31.

Effective January 1, 2010 each employee becomes eligible to participate in the Plan on the January 1st or July 1st coincident with or next following the completion of 1,000 hours of service within their first 12 consecutive months of employment. If the employee does not complete this requirement, then they will have satisfied the service requirement if they complete 1,000 hours of service in any Plan year after completion of their first year of employment.

NORTH CASCADES BANCSHARES, INC.

401(K) PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

PARTICIPANT CONTRIBUTIONS: Participants are allowed up to maximum amounts of eligible compensation, not to exceed the maximum annual amount allowable by the Internal Revenue Service. Participants age 50 and over are allowed to make additional catch-up contributions in excess of the limits they would otherwise be limited to, which are also subject to statutory limitations.

Participants may also contribute amounts representing distributions from other defined benefit or contribution plans.

EMPLOYER CONTRIBUTIONS AND VESTING: The Company may make discretionary matching and profit sharing contributions as defined in the plan. To receive these discretionary contributions the employee must be employed on December 31 and have worked at least 1,000 hours of the Plan year.

The Company may make a matching contribution, which will be fully vested and allocated to each participant's account based on the participant's salary deferrals. The Company can also make discretionary profit sharing contribution which is vested 20% for each year of credited service.

FORFEITURES: Forfeitures will be used first to pay Plan administrative expenses and then to offset employer contributions. There were no significant forfeitures in 2009.

PARTICIPANT ACCOUNTS: Except for the common shares in the Company, each participant's account is credited daily with the participant's contributions and allocations of the Company's contribution. Each participant selects among the various investment alternatives offered and is allocated daily interest income, appreciation or depreciation on those selected investments and expenses of the plan. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Participants may change the investment of his or her existing account balance among the investment funds, except the Company common shares, on a daily basis. All investments, except the Company stock, are participant directed. Participants accounts in the common shares in the Company are transacted as directed in the Plan documents based upon the per share amount determined by a yearly independent appraisal. See the put option and diversification sections below for further discussion on Company share transactions. Common shares of the Company are generally voted by the Plan Trustees.

PUT OPTION: Under Federal income tax regulations, the employer stock that is held by the Plan and its participants and is not readily tradable on an established market, or

NORTH CASCADES BANCSHARES, INC.

401(K) PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

is subject to trading limitations, includes a put option. The put option is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the fair market value of the stock. The Company can pay for the purchase with interest over a period of five years. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

DIVERSIFICATION: Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company stock into investments which are more diversified. Participants who are at least age 55 with at least 10 years of participation in the Plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a six-year period. In each of the first five years, a participant may diversify up to 25% of the number of post-1986 shares allocated to his or her account, less any shares previously diversified. In the sixth year, the percentage changes to 50%. Participants who elect to diversify their investment outside of the Plan receive a cash distribution.

RETIREMENT AGE, PAYMENT OF BENEFITS FOR RETIREMENT, DISABILITY, AND DEATH AND OTHER DISTRIBUTIONS: The normal retirement age is 65 and distributions for retirement, death and disability are made in the form of installment (only for Company stock) and lump sum distributions as provided in the Plan document. Other distributions are allowed due to termination prior to retirement in the form of lump sum or rollover distributions as provided in the Plan document.

PLAN ADMINISTRATION: The Plan is administered by the Company. Plan trustees consist of three individuals designated by the Company.

ADMINISTRATIVE EXPENSES: Certain administrative expenses of the Plan are at the option of the Company paid by the Company. Any expenses not reimbursed by the Company are paid by the Plan.

NORTH CASCADES BANCSHARES, INC.

401(K) PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DATE OF MANAGEMENT'S REVIEW: Subsequent events were evaluated through October 8, 2010 which is the date the financial statements were available to be issued.

BASIS OF ACCOUNTING: The financial statements of the Plan are prepared using the accrual method of accounting.

ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

INVESTMENTS: The Plan's investments are recorded at fair value. See Note 3 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes the plan's gains and losses on investments bought and sold as well as held during the year.

PAYMENT OF BENEFITS: Benefits are recorded when paid.

NOTE 3: FAIR VALUE MEASUREMENTS

The Plan's investments are reported at fair value in the accompanying statement of net assets available for benefits. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NORTH CASCADES BANCSHARES, INC.

401(K) PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
<u>December 31, 2009</u>				
Pooled Separate Accounts in Insurance Company	\$1,714,779	\$1,714,779		
North Cascades Bancshares, Inc. Common Stock	938,407			938,407
Participant Loans	<u>9,156</u>	<u>-</u>	<u>\$ -</u>	<u>9,156</u>
Total	<u>\$2,662,342</u>	<u>\$1,714,779</u>	<u>\$ -</u>	<u>\$947,563</u>

December 31, 2008

Pooled Separate Accounts in Insurance Company	\$1,139,249	\$1,139,249		
North Cascades Bancshares, Inc. Common Stock	<u>1,352,330</u>	<u>-</u>	<u>\$ -</u>	<u>\$1,352,330</u>
Total	<u>\$2,491,579</u>	<u>\$1,139,249</u>	<u>\$ -</u>	<u>\$1,352,330</u>

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

NORTH CASCADES BANCSHARES, INC.

401(K) PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

Level 1 Fair Value Measurements

The fair value of pooled separate accounts in insurance company is primarily based on quoted net asset values of the shares of the mutual funds held in the separate accounts held by the Plan at year-end.

Level 3 Fair Value Measurements

Participant loans are not actively traded and significant other observable inputs are not available and are valued at cost.

The fair value of the North Cascades Bancshares, Inc. common stock is determined by annual independent appraisals.

The following tables provide further details of the Level 3 fair value measurements.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Year Ended <u>December 31, 2009</u>	Company Common <u>Stock</u>	Participant <u>Loans</u>
Beginning Balance		\$1,352,330	\$ -
Total gains or losses (realized and unrealized) included in changes in net assets available for benefits		(312,802)	360
Purchases, sales, issuances, and settlements (net)		<u>(101,121)</u>	<u>8,796</u>
Ending Balance		<u>\$938,407</u>	<u>\$9,156</u>
	Year Ended <u>December 31, 2008</u>		
Beginning Balance		\$2,083,382	\$ 2,524
Total gains or losses (realized and unrealized) included in changes in net assets available for benefits		(91,150)	0
Purchases, sales, issuances, and settlements (net)		<u>(639,902)</u>	<u>(2,524)</u>
Ending Balance		<u>\$1,352,330</u>	<u>\$ -</u>

NORTH CASCADES BANCSHARES, INC.

401(K) PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

NOTE 4: INVESTMENTS

The following table presents the fair values of investments that represent 5% or more of the Plan's net assets at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
JH Lifestyle Balanced Account	\$ 561,039	\$ 302,925
JH Lifestyle Growth Account	631,626	488,820
North Cascade Bancshares, Inc. Common Stock	938,407	1,352,330

The estimated fair value of the Plan's investment's in North Cascade Bancshares, Inc. common shares at December 31, 2009 and 2008 are as follows:

	<u>ESOP</u>	<u>Participant Directed Shares</u>
<u>December 31, 2009</u>		
Number of shares	17,310	107,811
Estimated fair value per share	\$7.50	\$7.50
Estimated fair value	\$129,821	\$808,586
 <u>December 31, 2008</u>	 <u>ESOP</u>	 <u>Participant Directed Shares</u>
Number of shares	17,313	117,920
Estimated fair value per share	\$10.00	\$10.00
Estimated fair value	\$173,132	\$1,179,198

All shares are allocated to participants. The net loss on the ESOP shares, which are non-participant directed investments, was approximately \$43,000 during 2009.

NOTE 5: TAX STATUS

The Plan has received a letter of determination dated February 28, 2002, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

NORTH CASCADES BANCSHARES, INC.

401(K) PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

NOTE 6: INFORMATION CERTIFIED BY THE CUSTODIAN

The plan administrator has obtained certification from the custodian; John Hancock Insurance Company that the following information furnished and included in the Plan's financial statements is complete and accurate:

- Plan investment balances in the pooled separate accounts as of December 31, 2009 and 2008.
- Plan investment transactions in the pooled separate accounts for the year ended December 31, 2009.

NOTE 7: RELATED PARTY TRANSACTIONS

Certain Plan investments are shares of separate pooled accounts managed by John Hancock Insurance Company. John Hancock Insurance Company is the custodian, and therefore, these transactions qualify as party-in-interest transactions.

NOTE 8: PLAN TERMINATION

The Company reserves the right to terminate the Plan at any time, by giving written notice to the trustees and administrator. Upon termination all amounts credited to participant accounts become 100% vested.

NOTE 9: RISKS AND UNCERTAINTIES

The plan invests primarily in insurance company pooled separate accounts, which are invested primarily in registered investment companies (mutual funds) and the common stock of the sponsoring company. Investments in general, are exposed to various risks, such as significant world events, interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

NORTH CASCADES BANCSHARES, INC.
401(K) PLAN

Schedule H, Part 4, item 4(I) -Schedule of Assets Held for Investment Purposes

EIN: 91-1541637, Plan #001

Plan Year Ended December 31, 2009

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, and par or maturity value	(d) Cost	(e) Current Value
*	JH Lifestyle Conservative	John Hancock Pooled Sep Acct.		\$46,142
*	JH Lifestyle Balanced	John Hancock Pooled Sep Acct.		561,039
*	JH Lifestyle Growth	John Hancock Pooled Sep Acct.		631,626
*	JH Lifestyle Moderate	John Hancock Pooled Sep Acct.		131,273
*	JH Lifestyle Aggressive	John Hancock Pooled Sep Acct.		97,983
*	Pimco Global Bons	John Hancock Pooled Sep Acct.		5,998
*	Pimco Total Return	John Hancock Pooled Sep Acct.		141
*	JH Mutual Discover	John Hancock Pooled Sep Acct.		12,043
*	Davis New York Venture	John Hancock Pooled Sep Acct.		1,066
*	Riversource Mid Cap Value	John Hancock Pooled Sep Acct.		148,409
*	Oppenheimer Global	John Hancock Pooled Sep Acct.		16,500
*	Real Estate Securities Fund	John Hancock Pooled Sep Acct.		950
*	Energy	John Hancock Pooled Sep Acct.		532
*	American Century Vista	John Hancock Pooled Sep Acct.		3,621
*	Small Cap Growth Index	John Hancock Pooled Sep Acct.		983
*	Oppenheimer Developing Mkt	John Hancock Pooled Sep Acct.		8,067
*	JH Money Market Fund	John Hancock Pooled Sep Acct.		48,406
*	North Cascades Bancshares, Inc.	125,121 shares of common stock		938,407
	Participant Loans			9,156

NORTH CASCADES BANCSHARES, INC.
401(K) PLAN
Schedule H, Part 4, item 4(I) -Schedule of Assets Held for Investment Purposes
EIN: 91-1541637, Plan #001
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401(K) PLAN

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401(K) PLAN

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Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1510-0110 1510-0089 2009 This Form is Open to Public Inspection
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Part I Annual Report Identification Information For calendar plan year 2009 or fiscal plan year beginning <u>01/01/2009</u> and ending <u>12/31/2009</u>			
A This return/report is for:	<input type="checkbox"/> a multiemployer plan;	<input type="checkbox"/> a multiple-employer plan; or	
	<input checked="" type="checkbox"/> a single-employer plan;	<input type="checkbox"/> a DFE (specify) _____	
B This return/report is:	<input type="checkbox"/> the first return/report;	<input type="checkbox"/> the final return/report;	
	<input type="checkbox"/> an amended return/report;	<input type="checkbox"/> a short plan year return/report (less than 12 months).	
C If the plan is a collectively-bargained plan, check here: <input type="checkbox"/>			
D Check box if filing under:	<input checked="" type="checkbox"/> Form 5558;	<input type="checkbox"/> automatic extension;	<input type="checkbox"/> the DFVC program;
	<input type="checkbox"/> special extension (enter description) _____		

Part II Basic Plan Information—enter all requested information	
1a Name of plan <u>NORTH CASCADES BANCSHARES INC</u> <u>401 (k) PLAN</u>	1b Three-digit plan number (PN) ▶ <u>001</u> 1c Effective date of plan <u>01/01/1991</u>
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) <u>NORTH CASCADES BANCSHARES, INC.</u> <u>POB 1648</u> <u>CHELAN</u> <u>WA 98816</u> <u>220 JOHNSON AVENUE</u> <u>CHELAN</u> <u>WA 98816</u>	2b Employer Identification Number (EIN) <u>91-1541637</u> 2c Sponsor's telephone number <u>(509) 682-4502</u> 2d Business code (see instructions) <u>522110</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	<u>Michele J. Bird</u>	<u>10-12-10</u>	MICHELE BIRD
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	<u>Dinah E. Corrigan</u>	<u>10-12-10</u>	DINAH E. CORRIGAN
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2009)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") SAME		3b Administrator's EIN
		3c Administrator's telephone number
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name		4b EIN 4c PN
5 Total number of participants at the beginning of the plan year	5	149
6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a, 6b, 6c, and 6d).		
a Active participants.....	6a	95
b Retired or separated participants receiving benefits.....	6b	0
c Other retired or separated participants entitled to future benefits.....	6c	35
d Subtotal. Add lines 6a, 6b, and 6c.....	6d	130
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	0
f Total. Add lines 6d and 6e.....	6f	130
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	124
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	1
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)		7

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:

2J 2K 2F 2G 3D 2E 2S

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply)	9b Plan benefit arrangement (check all that apply)
(1) <input checked="" type="checkbox"/> Insurance	(1) <input checked="" type="checkbox"/> Insurance
(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts	(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts
(3) <input checked="" type="checkbox"/> Trust	(3) <input checked="" type="checkbox"/> Trust
(4) <input type="checkbox"/> General assets of the sponsor	(4) <input type="checkbox"/> General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules	b General Schedules
(1) <input checked="" type="checkbox"/> R (Retirement Plan Information)	(1) <input checked="" type="checkbox"/> H (Financial Information)
(2) <input type="checkbox"/> MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary	(2) <input type="checkbox"/> I (Financial Information - Small Plan)
(3) <input type="checkbox"/> SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	(3) <input checked="" type="checkbox"/> <u>1</u> A (Insurance Information)
	(4) <input type="checkbox"/> C (Service Provider Information)
	(5) <input checked="" type="checkbox"/> D (DFE/Participating Plan Information)
	(6) <input type="checkbox"/> G (Financial Transaction Schedules)