

UMPQUA HOLDINGS CORP
Form PRE 14A
February 26, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant To Section 14(a) of The
Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Umpqua Holdings Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- Fee not required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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(3) Filing Party:

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 14, 2009

Umpqua Shareholders:

The annual meeting of shareholders of Umpqua Holdings Corporation will be held at the RiverPlace Hotel, 1510 SW Harbor Way, Portland, Oregon, at 6 p.m., local time, on April 14, 2009 to take action on the following business:

- 1. Election of Directors.** To elect eleven members of Umpqua's board of directors, who shall hold office until the next annual meeting of shareholders and until their successors are duly elected and qualified.
- 2. Ratification of Auditor Appointment.** To ratify the Audit and Compliance Committee's appointment of Moss Adams LLP as the Company's independent auditor for the fiscal year ending December 31, 2009.
- 3. Shareholder Advisory (Non-Binding) Vote on Executive Compensation.** To consider and approve the following advisory (non-binding) proposal: RESOLVED, that the shareholders approve the compensation of executive officers as described in the Compensation Discussion and Analysis and the tabular disclosure regarding named executive officer compensation (together with the accompanying narrative disclosure) in this Proxy Statement.
- 4. Other Business.** To consider and act upon such other business and matters or proposals as may properly come before the annual meeting or any adjournments or postponements thereof. As of the date of this notice, the board of directors knows of no other matters to be brought before the shareholders at the meeting.

The items of business listed above are more fully described in the Proxy Statement accompanying this notice. If you were a shareholder of record of Umpqua common stock as of the close of business on February 6, 2009, you are entitled to receive this notice and vote at the annual meeting, and any adjournments or postponements thereof.

A *Notice of Internet Availability of Proxy Materials*, commonly called a Notice and Access Card will be mailed to shareholders on or before March 5, 2009. You have the right to receive proxy materials by mail or e-mail if you request them and you continue to have the right to vote by mail as well as by telephone and on the internet.

You will find our proxy statement, Form 10-K and other important information at our website: www.umpquaholdingscorp.com. When you visit our site, you can also subscribe to e-mail alerts that will notify you when we file documents with the SEC and issue press releases.

Your vote is important. Whether or not you expect to attend the annual meeting, it is important that your shares be represented and voted at the meeting.

Please mark, sign, date and promptly return your proxy by following the instructions for voting by mail, or submit your proxy by following the instructions for voting by phone or on the Internet. Thank you.

By Order of the Board of Directors,

Steven L. Philpott

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EVP/General Counsel/Secretary

February 27, 2009

Parent Company for Umpqua Bank and Strand, Atkinson, Williams & York, Inc.

Phone 503 727-4100 Fax 971-544-3750 One SW Columbia Street, Suite 1200, Portland, OR 97258

www.umpquaholdingscorp.com

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QUESTIONS AND ANSWERS ABOUT VOTING AND THE SHAREHOLDER MEETING

Q: What are Umpqua shareholders being asked to vote on at the annual shareholder meeting?

A: Umpqua shareholders will vote on:

Item 1: The election of eleven directors to serve until the next annual meeting of shareholders;

Item 2: Ratification of the selection of Moss Adams LLP as Umpqua's independent auditor for 2009;

Item 3: Advisory vote on executive compensation.

The board of directors recommends that you vote FOR all of the nominees, FOR the ratification proposal and FOR the advisory vote on executive compensation.

Q: Why did I receive a Notice of Internet Availability of Proxy Materials (Notice and Access Card)?

A: We are pleased to offer to our shareholders the benefits and convenience of electronic delivery of annual meeting materials. This will help us reduce the mailing of paper copies of our proxy materials and annual report. Our proxy materials are available on the Internet, so that you can review the materials and vote online. The Notice tells you how you can access those materials online. You also have the right to receive a paper or e-mail copy of these materials by asking for them as instructed in the Notice.

Q: What does the Notice and Access Card look like?

A: It will come in one of two forms. If you hold your shares in street name through a bank or broker, you will get a document titled Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting from Broadridge Financial Solutions. If you are a registered shareholder, you will get a document titled Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting from our transfer agent, BNY Mellon Shareowner Services.

Q: Can I vote my shares by filling out and returning the Notice and Access Card?

A: No, the Notice and Access Card will have instructions on how to vote on the Internet, by phone or requesting and returning a paper proxy card, or by submitting a paper ballot in person at the annual meeting.

Q: What do I need to do now?

A: First, carefully read this document in its entirety. Then, vote your shares by following the instructions from your broker, if your shares are held in street name, or by one of the following methods:

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If you received these printed materials by mail, mark, sign, date and return your proxy card in the enclosed return envelope as soon as possible;

call the toll-free number on the proxy card and follow the directions provided;

go to the web site listed on the proxy card and follow the instructions provided; or

attend the shareholder meeting and submit a properly executed proxy or ballot. If a broker holds your shares in street name, you will need to get a legal proxy from your broker to vote in person at the meeting.

Voting by phone or on the Internet has the same effect as submitting a properly executed proxy card.

Q: What are my choices when voting?

A: When you cast your vote on:

Item 1: You may vote in favor of electing the nominees as directors or withhold your vote from one or more nominees.

Item 2: You may cast your vote in favor of or against the proposal, or you may elect to abstain from voting your shares.

Item 3: You may cast your vote in favor of or against the proposal, or you may elect to abstain from voting your shares.

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Q: What if I abstain from voting?

A: If your shares are represented at the annual meeting, in person or by proxy, but you abstain from voting on a matter, or include instructions in your proxy to abstain from voting on a matter, your shares will be counted for the purpose of determining if a quorum is present, but will not be counted as either an affirmative vote or a negative vote with respect to that matter. With respect to the three items scheduled to be voted on at the meeting, abstentions will have no effect on the outcome of the vote on those proposals, assuming a quorum is present.

Q: Who is eligible to vote?

A: Holders of record of Umpqua common stock at the close of business on February 6, 2009 are eligible to vote at Umpqua's annual meeting of shareholders. As of that date, there were 60,179,760 shares of Umpqua common stock outstanding held by 5,103 holders of record, a number that does not include beneficial owners who hold shares in street name.

Q: How many shares are owned by Umpqua's directors and executive officers?

A: On February 6, 2009, Umpqua's directors and executive officers beneficially owned 1,777,530 shares entitled to vote at the annual meeting, constituting approximately 2.95% of the total shares outstanding and entitled to vote at the meeting.

Q: Can I vote if I hold shares of Umpqua common stock in the Umpqua Bank 401(k) and Profit Sharing Plan?

A: If you are a participant in the Umpqua 401(k) and Profit Sharing Plan you will receive separate voting instructions for shares of Umpqua common stock allocated to your account as a participant or beneficiary under the Plan. These voting instructions will appoint the trustee of the Umpqua 401(k) and Profit Sharing Plan to vote shares in accordance with the instructions noted on the card. Please follow the instructions that accompany the card.

Q: Can I change my vote after I have mailed my signed proxy card or voted by telephone or electronically?

A: Yes. If you have not voted through your broker, you can do this by:

calling the toll-free number on the Notice and Access Card or proxy card at least 24 hours before the meeting and following the directions provided;

going to the web site listed on the Notice and Access Card or proxy card at least 24 hours before the meeting and following the instructions provided;

submitting a properly executed proxy prior to the meeting bearing a later date than your previous proxy;

notifying Umpqua's corporate Secretary, in writing, of the revocation of your proxy before the meeting; or

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voting in person at the meeting, but simply attending the meeting will not, in and of itself, revoke a proxy. If you voted through your broker, please contact your broker to change or revoke your vote.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Yes, but only if you give your broker instructions. If your shares are held by your broker (or other nominee), you should receive this document and an instruction card from your broker. Your broker will vote your shares if you provide instructions on how to vote. If you do not tell your broker how to vote, your broker may vote your shares in favor of the election of directors and ratification of the auditor appointment, but your broker will need instructions for the advisory vote on executive compensation. However, your broker is not required to vote your shares in this manner if you do not provide instructions.

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Q: Can I attend the shareholder meeting even if I vote by proxy?

A: Yes. All shareholders are welcome to attend and we encourage you to do so.

Q: Why did I receive more than one Notice and Access Card or multiple proxy cards?

A: You may receive multiple cards if you hold your shares in different ways (e.g. joint tenancy, in trust, custodial accounts). You should vote on each card that you receive.

Q: How do you determine a quorum?

A: Umpqua must have a quorum to conduct any business at the annual meeting. Shareholders holding at least a majority of the outstanding shares of Umpqua common stock as of the record date must attend the meeting in person or by proxy to have a quorum. Umpqua shareholders who attend the meeting or submit a proxy but abstain from voting on a given matter will have their shares counted as present for determining a quorum. Broker non-votes will also be counted as present for establishing a quorum.

Q: How do you count votes?

A: Each share is entitled to one vote. The named proxies will vote shares as instructed on the proxies. In the election of directors, each share is entitled to one vote for each director position to be filled, and shareholders may not cumulate votes. A representative of BNY Mellon Shareowner Services, our transfer agent, will count the votes and serve as our inspector of elections.

Item 1 requires a plurality of the votes cast to elect a director. The eleven director positions to be filled at the annual meeting will be filled by the nominees who receive the highest number of votes. However, we have adopted a majority voting policy that requires any director who receives more withhold votes than for votes to offer to resign from the board.

Item 2 does not require shareholder approval, but the Audit and Compliance Committee and the board are submitting the selection of Moss Adams LLP for ratification to obtain the views of our shareholders. The ratification of the appointment of Moss Adams LLP as the Company's independent auditors requires the affirmative vote of a majority of the shares present at the meeting in person or by proxy and entitled to vote.

Item 3 is an advisory vote that is not binding on our board of directors. Approval of the proposed resolution requires the affirmative vote of a majority of the shares present at the meeting and entitled to vote.

If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote in favor of each director nominee and in favor of Proposal 2 and Proposal 3.

Q: Who pays the cost of proxy solicitation?

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- A: Umpqua pays the cost of soliciting proxies. We have hired The Altman Group, Inc. to solicit proxies for this meeting and we will pay their fees, estimated to be \$5,000 plus costs. Proxies will be solicited by mail, telephone, facsimile, e-mail and personal contact. We may reimburse brokers and other nominee holders, for their expenses in sending proxy material and obtaining proxies. In addition to solicitation of proxies by mail, our officers and employees may solicit proxies in person or by telephone, fax, or letter, without extra compensation.

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Q: Where do I get more information?

A: If you have questions about the meeting or submitting your proxy, or if you need additional copies of this document or the proxy card, you should contact one of the following:

Steven Philpott
Executive Vice President, General Counsel & Secretary General Counsel
and Secretary

Umpqua Holdings Corporation
Legal Department
675 Oak Street, Suite 200
P.O. Box 1560
Eugene, OR 97440
(541) 434-2997 (voice)
(541) 342-1425 (fax)
stevenphilpott@umpquabank.com

Michelle Bressman
Vice President Shareholder

Relations Officer
Umpqua Holdings Corporation
Finance Department
One SW Columbia Street, Suite 1400
Portland, OR 97258
(503) 727-4109 (voice)
(503) 727-4233 (fax)
michellebressman@umpquabank.com

Important Notice About the Availability of Proxy Materials for the Annual Meeting of Shareholders

to be held April 14, 2009:

This proxy statement and the company's annual report to shareholders are available at:

www.umpquaholdingscorp.com

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ANNUAL MEETING BUSINESS

Item 1. Election of Directors

Umpqua's articles of incorporation and bylaws provide that directors are elected to serve a one-year term of office, expiring at the next annual meeting of shareholders. Our articles of incorporation establish the number of directors at between six and nineteen, with the exact number to be fixed from time to time by resolution of the board of directors. The number of directors is currently set at eleven.

Directors are elected by a plurality of votes, which means that the nominees receiving the most votes will be elected, regardless of the number of votes each nominee receives. Shareholders are not entitled to cumulate votes in the election of directors. However, in an uncontested election, our majority voting policy requires that any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election shall promptly tender his or her resignation to the board chair following certification of shareholder vote. In determining the votes cast for the election of a director, abstentions and broker non-votes are excluded. The Nominating Committee considers the offer of resignation and recommend to the board whether to accept it. The policy requires the board to act on the Nominating Committee's recommendation within 90 days following the shareholder meeting. Board action on the matter requires the approval of a majority of the independent directors.

The board of directors has nominated the following directors for election to one-year terms that will expire at the 2010 annual meeting:

Ronald F. Angell

Raymond P. Davis

Allyn C. Ford

David B. Frohnmayer

Stephen M. Gambee

Dan Giustina

Jose Hermocillo

William A. Lansing

Diane D. Miller

Bryan L. Timm

Frank R. J. Whittaker

Each of the nominees, except Mr. Hermocillo and Mr. Whittaker, currently serves as a director of Umpqua and of Umpqua Bank. The individuals appointed as proxies intend to vote **FOR** the election of the nominees listed above. If any nominee is not available for election, the individuals named in the proxy intend to vote for such substitute nominee as the board of directors may designate. Each nominee has agreed to serve on the board and we have no reason to believe any nominee will be unavailable.

Board Recommendation

The board of directors recommends a vote **FOR the election of all nominees.**

Item 2. Ratification of Auditor Appointment

The Audit and Compliance Committee has selected the firm of Moss Adams LLP (Moss Adams), the Company's independent auditors for the year ended December 31, 2008, to act in such capacity for the fiscal year ending December 31, 2009, and recommends that shareholders vote in

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favor of ratification of such appointment. There are no affiliations between the Company and Moss Adams, its partners, associates or employees, other than those which pertain to the engagement of Moss Adams in the previous year (i) as independent auditors for the Company and (ii) for certain tax advice and tax planning services. Moss Adams has served as the Company's independent auditors since 2005.

Shareholder approval of the selection of Moss Adams as our independent auditors is not required by law, by our bylaws or otherwise. The Sarbanes-Oxley Act of 2002 requires the Audit and Compliance Committee to be directly responsible for the appointment, compensation and oversight of the audit work and the independent

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auditors. The Committee will consider the results of the shareholder vote on this proposal and, in the event of a negative vote, will reconsider its selection of Moss Adams. However, the Audit and Compliance Committee is not bound by the shareholder vote.

Even if Moss Adams' appointment is ratified by the shareholders, the Audit and Compliance Committee may, in its discretion, appoint a new independent registered public accounting firm at any time if it determines that such a change would be in the best interests of the Company and its shareholders. A representative of Moss Adams is expected to attend the annual meeting and that representative will have the opportunity to make a statement, if they desire to do so, and to answer appropriate questions.

Board Recommendation

The board of directors recommends a vote FOR the ratification of Moss Adams as independent auditor.

Item 3. Advisory (Non-Binding) Vote on Executive Compensation

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 into law. The Act includes a provision, commonly referred to as "Say-on-Pay," that amends existing law and requires a TARP recipient to: permit a separate shareholder vote to approve the compensation of executives, as disclosed pursuant to the compensation disclosure rules of the Commission (which disclosure shall include the compensation discussion and analysis, the compensation tables, and any related material). We are a TARP recipient because of our participation in the U.S. Department of the Treasury's Capital Purchase Program, pursuant to which we issued preferred stock and warrants to purchase our common stock to the Treasury. See section titled *Capital Purchase Program- Executive Compensation Requirements*.

We are providing you the opportunity, as a shareholder, to endorse or not endorse our executive pay program and policies through the following resolution:

RESOLVED, that the shareholders approve the compensation of executive officers as described in the Compensation Discussion and Analysis and the tabular disclosure regarding named executive officer compensation (together with the accompanying narrative disclosure) in this Proxy Statement.

As provided in the Act, the vote is not binding on the board of directors and may not be construed as overruling a decision by the board of directors, nor creating or implying any additional fiduciary duty by the board of directors, nor be construed to restrict or limit the ability of shareholders to make proposals for inclusion in proxy materials related to executive compensation.

We believe that our compensation policies and procedures are strongly aligned with the long-term interests of our shareholders. Because your vote is advisory, it will not be binding upon the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

Board Recommendation

The board of directors unanimously recommends a vote FOR approval of the compensation of executive officers as described in the compensation discussion and analysis and the tabular disclosure regarding named executive officer compensation (together with the accompanying narrative disclosure) in this proxy statement.

Other Business

The board of directors knows of no other matters to be brought before the shareholders at the meeting. In the event other matters are presented for a vote at the meeting, the proxy holders will vote shares represented by properly executed proxies at their discretion in accordance with their judgment on such matters. At the meeting, management will report on our business and shareholders will have the opportunity to ask questions.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document contains forward-looking statements about Umpqua that are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. These statements may include statements regarding business strategies, management plans and objectives for future operations. All statements other than statements of historical fact are forward-looking statements. You can find many of these statements by looking for words such as anticipates, expects, believes, estimates and intends and words or phrases of similar meaning. Forward-looking statements involve substantial risks and uncertainties, many of which are difficult to predict and are generally beyond the control of Umpqua. Risks and uncertainties include, but are not limited to:

Competitive market pricing factors for compensation and benefits;

Changes in legal or regulatory requirements; and

The ability to recruit and retain certain key management and staff.

There are many factors that could cause actual results to differ materially from those contemplated by these forward-looking statements. For a more detailed discussion of some of the risk factors, see the section entitled *Risk Factors* in Umpqua's 10-K and other filings with the SEC that are incorporated by reference into this document. Umpqua does not intend to update these forward-looking statements. You should consider any written or oral forward-looking statements in light of this explanation, and we caution you about relying on forward-looking statements.

INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS

Directors and Nominees

The age (as of March 1, 2009) and business experience of each of the directors currently serving and of nominees who are not currently serving are as follows:

Ronald F. Angell, age 66, was appointed to the board in July 2004 and was elected in 2005. He served as a director of Humboldt Bancorp from 1996 until it was acquired by the Company in 2004. He served as a director of Humboldt Bank from 1989 to the date of the merger. Mr. Angell is a retired attorney and was a partner in the Eureka, California firm of Roberts, Hill, Bragg, Angell & Perlman. He currently serves as a director of the Sunriver Service District.

Scott D. Chambers, age 49, has served as a director since 1999 and his service as a director will be completed when his term expires at the 2009 annual meeting. Mr. Chambers is President of Chambers Communications Corp. of Eugene, Oregon, a media company that owns and operates a cable television system, network broadcast television stations, and a film and video production company. Mr. Chambers has more than 25 years of management experience with Chambers Communications.

Raymond P. Davis, age 59, serves as director, President and Chief Executive Officer of Umpqua, positions he has held since the Company's formation in 1999. Mr. Davis has served as a director of Umpqua Bank since June 1994. He has served as Chief Executive Officer of Umpqua Bank from June 1994 to December 2000 and from November 2002 to the present. He has also served as President of Umpqua Bank from June 1994 to December 2000 and from March 2003 to the present. Prior to joining Umpqua Bank in 1994, he was President of US Banking Alliance in Atlanta, Georgia, a bank consulting firm. He has over 30 years experience in banking and related industries.

Allyn C. Ford, age 67, serves as Chairman of the board of directors and has served as a director since the Company's formation in 1999 and as a director of Umpqua Bank for 30 years. Mr. Ford is President of Roseburg Forest Products, a fully integrated wood products manufacturer located in Roseburg, Oregon. Mr. Ford has over 30 years of management experience with Roseburg Forest Products. He also serves as a director of the Ford Family Foundation, the Doernbecher Hospital Foundation and the World Forestry Center.

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David B. Frohnmayer, age 68, has served as a director since the Company's formation in 1999 and as a director of Umpqua Bank since 1996. Mr. Frohnmayer is the President of the University of Oregon in Eugene, and has served in that capacity since 1994. He is the former Dean of the University of Oregon School of Law and former Attorney General of the State of Oregon. Until December 2003, he served on the board of Tax-Free Trust of Oregon.

Stephen M. Gambee, age 45, was appointed to the board in July 2005 and was elected in 2006. He is the President and CEO and a shareholder of Rogue Valley Properties, Inc. and a Managing Member of Rogue Waste Systems LLC, solid waste collection and disposal businesses. Prior to assuming the duties of the family businesses, Mr. Gambee was employed by Robert Charles Lesser & Co. /Hobson & Associates as the Pacific Northwest Director of Consulting. He is a director and secretary of the St. Mary's School Community Foundation.

Dan Giustina, age 59, serves as Vice-Chair of Umpqua's board and has served as a director since the Centennial Bancorp merger in November 2002. He served as a director of Centennial Bancorp and Centennial Bank from 1995 to 2002. Mr. Giustina is managing partner of Giustina Resources, which owns and manages timberland, and a member and manager of G Group LLC, which owns and manages residential and commercial real estate. Mr. Giustina is the past Chairman of the University of Oregon Foundation and is a board member of the Oregon Forest Industries Council.

Jose Hermocillo, age 54, has been nominated for election to the board at the 2009 annual meeting. Since 1998, Mr. Hermocillo has served as Senior Vice President and Managing Director of APCO Worldwide's office in Sacramento, California. APCO Worldwide, Inc. is a global communication consultancy. Prior to joining APCO in 1996, Mr. Hermocillo was a partner in a political consulting and public affairs firm and has worked as a practicing attorney, labor union lobbyist and policy committee consultant in the California State Senate.

William A. Lansing, age 63, has served as a director since December 2001. He previously served as a director of Independent Financial Network, Inc. from 1991 until its merger with Umpqua in December 2001. Mr. Lansing is the retired President and Chief Executive Officer of Menasha Forest Products Corporation in North Bend, Oregon, and has over 38 years of experience in the forest products industry. Mr. Lansing serves as a director of Lone Rock Timber Company, Southwestern Oregon Community College Foundation, the World Forestry Center, the Eugene Council of the Boy Scouts of America and the Coos County Salmon and Trout Enhancement Program.

Theodore S. Mason, age 66, has served on the board since July 2004 and his service as a director will be completed when his term expires at the 2009 annual meeting. Mr. Mason is retired and he was the President and Chief Executive Officer of Humboldt Bancorp from January 1996 to April 2002 and of Humboldt Bank from 1989 to 2000. He served as a director of Humboldt Bancorp from 1996 to 2004 and as a director of Humboldt Bank from 1989 to 2004.

Diane D. Miller, age 55, was appointed to the board in July 2004 and elected in May 2005. She has been President of Wilcox, Miller & Nelson an executive search and outplacement firm since August 1986. Ms. Miller served as a director of Humboldt Bancorp and Humboldt Bank from January to July 2004 and she currently serves on the boards of the California Chamber of Commerce and the Northern California Chapter of the National Association of Corporate Directors and as a Regent of the University of the Pacific.

Bryan L. Timm, age 45, was appointed to the board in December 2004 and elected in May 2005. Mr. Timm joined Columbia Sportswear Company in June 1997 as Corporate Controller and was named Chief Financial Officer in July 2002. In 2003, Mr. Timm was named Vice President, Chief Financial Officer and Treasurer. In May 2008 he was promoted to Chief Operating Officer and named Executive Vice President in October 2008. Prior to joining Columbia, Mr. Timm held various financial positions with Oregon Steel Mills from 1991 to 1997, rising to Divisional Controller for CF&I Steel, Oregon Steel Mills' largest division. From 1986 to 1991,

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Mr. Timm was an accountant with KPMG LLP. Mr. Timm is a member of the board of directors of Doernbecher Children's Hospital Foundation. He is also a member of the College of Business and Economics Advisory Board for the University of Idaho.

Frank R. J. Whittaker, age 58, has been nominated for election to the board at the 2009 annual meeting. Mr. Whittaker has been Vice President of Operations for The McClatchy Company (NYSE: MNI) since September 1, 1997. From 1985 to 1997, Mr. Whittaker was President and General Manager of McClatchy's flagship paper, The Sacramento Bee. In his current role, he oversees McClatchy's California operations (five newspapers), Florida operations (three newspapers) and Kentucky operations (one newspaper). He is active in the Sacramento community, including serving as the Chairman of capital campaigns for institutions such as Sutter Hospital, River Oaks Center for Children and Neighborhood Housing Services. In the newspaper industry, Mr. Whittaker currently serves as a Board member for the Audit Bureau of Circulations, is a past president of the California Newspaper Publishers Association and the past president of the California Newspaper Carrier Foundation.

Director Independence

The board of directors has determined that all directors except Mr. Davis are independent, as defined in the NASDAQ listing standards. In determining the independence of directors, the board considered the responses to Director & Officer Questionnaires that indicated no transactions with directors other than banking transactions with Umpqua Bank and arrangements under which Umpqua Bank leases certain facilities from entities in which directors have indirect material interests. The board also considered the lack of any other reported transactions or arrangements; directors are required to report conflicts of interest and transactions with the Company pursuant to our Corporate Governance Principles and Code of Ethics. See the section below entitled *Related Party Transactions* for additional information.

Executive Officers

The age (as of March 1, 2009), business experience, and position of our executive officers other than Raymond P. Davis, about whom information is provided above, are as follows:

Barbara J. Baker, age 59, serves as Executive Vice President - Cultural Enhancement at Umpqua and Umpqua Bank, positions she has held since September 2002. Ms. Baker served as Oregon site executive for IBM's server division (formerly Sequent Computer Systems, Inc.), where she managed human resources services and programs as well as corporate communications and community relations. Prior to joining Sequent, Ms. Baker served as Vice President of Human Resources for First Interstate Bank (now Wells Fargo).

Brad F. Copeland, age 60, serves as Senior Executive Vice President and Chief Credit Officer of Umpqua and Umpqua Bank. He has served as Chief Credit Officer since December 1, 2000. Mr. Copeland served as Executive Vice President and Credit Administrator of VRB Bancorp and Valley of the Rogue Bank from January 1996 until their merger with Umpqua in December 2000.

David M. Edson, age 59, serves as Executive Vice President of Umpqua and as President-Commercial Banking, positions he has held since joining Umpqua in October 2002. Prior to that time, he served as President of Bank of America, Idaho. Mr. Edson has over 25 years of experience in banking in the Pacific Northwest including as Executive Vice President for First Interstate Bank and as Chairman, CEO and President of First Interstate Bank of Idaho. Mr. Edson has announced that he will retire from the bank in March 2009.

Ronald L. Farnsworth, age 38, serves as Executive Vice President/Chief Financial Officer of Umpqua, a position he has held since January 2008 and Principal Financial Officer of Umpqua, a position he has held since May 2007. From March 2005 to May 2007, Mr. Farnsworth served as Umpqua's Principal Accounting Officer. From January 2002 to September 2004, Mr. Farnsworth served as Vice President - Finance of Umpqua.

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Mr. Farnsworth served as Chief Financial Officer of Independent Financial Network, Inc. (IFN) and its subsidiary Security Bank from July 1998 to the time of IFN 's acquisition by Umpqua in December 2001.

Neal T. McLaughlin, age 40, serves as Executive Vice President/Treasurer of Umpqua, a position he has held since February 2008 and Principal Accounting Officer, a position he has held since May 2007. From February 2005 to February 2008, he served as Senior Vice President and Controller of Umpqua. From 2002 until joining Umpqua, Mr. McLaughlin served as Senior Vice President and Chief Financial Officer of Albina Community Bancorp and before that was Executive Vice President and Chief Financial Officer at Centennial Bancorp and Columbia Bancorp.

Steven L. Philpott, age 57, serves as Executive Vice President and General Counsel of Umpqua and Umpqua Bank, positions he has held since November 2002. He has served as Corporate Secretary of Umpqua and Umpqua Bank since 2004. Mr. Philpott served as General Counsel for Centennial Bancorp from October 1995 until its merger with Umpqua in November 2002. Prior to that time, he was in private practice in Eugene, Oregon.

Daniel A. Sullivan, age 57, serves as Executive Vice President/Strategic Initiatives of Umpqua and Umpqua Bank. He served as Chief Financial Officer of the Company from 1997 to 2007 and served as Chief Information Officer in 2008. Prior to that time, Mr. Sullivan served as Vice President of Finance for Instromedix of Hillsboro, Oregon and worked as Senior Vice President and Controller for US Bancorp in Portland, Oregon.

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The following table sets forth the shares of common stock beneficially owned as of February 6, 2009, by each director and each Named Executive Officer, the directors and executive officers as a group and those persons known to beneficially own more than 5% of Umpqua's common stock.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class
*	Raymond P. Davis	536,154(2,3)	**
*	Allyn C. Ford	200,960	**
*	Theodore S. Mason	147,309(4)	**
*	Daniel A. Sullivan	139,108(5)	**
*	Ronald F. Angell	135,012	**
*	Dan Giustina	120,624(6)	**
*	Brad F. Copeland	97,553(2,7)	**
*	David M. Edson	88,667(8)	**
*	William A. Lansing	60,858(2)	**
*	Ronald L. Farnsworth	30,678(2,9)	**
*	Stephen M. Gambee	19,621	**
*	David B. Frohnmayer	19,158(2)	**
*	Scott D. Chambers	18,858	**
*	Bryan L. Timm	18,254	**
*	Diane D. Miller	12,399(2)	**
	<u>All directors and executive officers as a group (18 persons)</u>	1,777,530(2-10)	2.95%
	<u>Name and Address of Beneficial Owner</u>		
*	Barclay's Global Investors, N.A./Barclay's Global Investors, LTD/ Barclay's Global Fund Advisors (combined) 400 Howard Street, San Francisco, CA 94105	6,563,604(11)	10.91%
*	Dimensional Fund Advisors LP Palisades West, Building One, 6300 Bee Cave Road Austin, TX 78746	3,924,463(12)	6.52%

* No par value common stock.

** Less than 1.0%.

(1) Shares held directly with sole voting and investment power, unless otherwise indicated. Shares held in the Dividend Reinvestment Plan have been rounded down to the nearest whole share. Includes shares held indirectly in Director Deferred Compensation Plans, 401(k) Plans and IRAs.

(2) Includes shares held with or by his/her spouse.

- (3) Includes 340,000 shares covered by options exercisable within 60 days.
- (4) Includes 27,588 shares covered by options exercisable within 60 days.
- (5) Includes 45,000 shares covered by options exercisable within 60 days.
- (6) Includes 3,639 shares covered by options exercisable within 60 days.
- (7) Includes 69,000 shares covered by options exercisable within 60 days.
- (8) Includes 73,000 shares covered by options exercisable within 60 days.
- (9) Includes 14,382 shares covered by options exercisable within 60 days.
- (10) Includes 627,127 shares covered by options exercisable within 60 days.
- (11) This information is taken from a Schedule 13G filed February 5, 2009 with respect to holdings as of December 31, 2008. The reporting person reports that the shares are held in trust for the economic benefit of the account beneficiaries.
- (12) This information is taken from a Schedule 13G filed February 9, 2009 with respect to holdings as of December 31, 2008. The reporting person reports that the shares are held by various investment companies, trusts and accounts and the reporting person disclaims beneficial ownership.

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CORPORATE GOVERNANCE OVERVIEW

Our board of directors believes that its primary role is to ensure that we maximize shareholder value in a manner consistent with legal requirements and the highest standards of integrity. The board has adopted and adheres to a Statement of Governance Principles, which the board and senior management believe promote this purpose, are sound and represent the best practices for our Company. We regularly review these governance principles and practices in light of Oregon law, Securities Exchange Commission (SEC) regulations, the rules and listing standards of the National Association of Securities Dealers (NASD) and best practices suggested by recognized governance authorities.

Statement of Governance Principles and Charters

Our Statement of Governance Principles and the charter of each of our board committees can be viewed on our website at www.umpquaholdingscorp.com. This Statement is also available in print to any shareholder who requests it. Each board committee operates under a written charter.

Employee Code Of Conduct

The Company has adopted a code of conduct, referred to as the Business Ethics and Conflict of Interest Code. We require all employees to adhere to this code in addressing legal and ethical issues that they encounter in the course of doing their work. This code requires our employees to avoid conflicts of interest, comply with all laws and regulations, conduct business in an honest and ethical manner and otherwise act with integrity and in the Company's best interest. All newly hired employees are required to certify that they have reviewed and understand this code. In addition, each year all other employees are reminded of, and asked to affirmatively acknowledge, their obligation to follow the code.

This code provides that our employees may report confidential and anonymous complaints to an ethics hotline maintained by an independent vendor. These complaints may be made online or by calling a toll-free phone number. Complaints relating to financial matters are routed to our Chief Auditor, who reports those complaints, if any, directly to our Audit and Compliance Committee of the board. Other complaints, such as those dealing with employee issues, are routed to another appropriate executive manager for review. Employees are encouraged to report any conduct that they believe in good faith to be an actual or apparent violation of law or a violation of our Business Ethics and Conflict of Interest Code.

In addition, the Company has adopted a Code of Ethics for Financial Officers, which applies to our chief executive officer, our chief financial officer, our principal accounting officer, our treasurer and all other officers serving in a finance, accounting, tax or investor relations role. This code for financial officers supplements our Business Ethics and Conflict of Interest Code and is intended to promote honest and ethical conduct, full and accurate financial reporting and to maintain confidentiality of the Company's proprietary and customer information.

Our Business Ethics and Conflict of Interest Code and Code of Ethics for Financial Officers are available in the Corporate Governance section of our website, www.umpquaholdingscorp.com.

Nomination Procedures

Our Statement of Governance Principles describes the qualifications that the Company looks for in its nominees to the board of directors. Directors should possess the highest personal and professional ethics, integrity and values and should be committed to representing the long-term interests of our shareholders. The board will consider the policy-making experience of the candidate in the major business activities of the Company and its subsidiaries. The board will also consider whether the nominee is representative of the major markets in which the Company operates. Directors must be willing to devote sufficient time to effectively carry

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out their duties and responsibilities. Nominees should not serve on more than three boards of public companies in addition to the Company's board. The board's policy provides that no person shall be eligible for election or reelection as a director if that person will reach the age of 70 at the time of that person's election or reelection, provided that a director who reaches age 70 during his or her term, shall complete the term for which that director was elected.

A shareholder may recommend a candidate for nomination to the board and that recommendation will be reviewed and evaluated by our Nominating Committee. Our Committee will use the same procedures and criteria for evaluating nominees recommended by shareholders as it does for nominees selected by the board. Shareholder recommendations for board candidates should be submitted to the Company's corporate Secretary, Steven Philpott at Umpqua Holdings Corporation's Legal Department, P.O. Box 1560, Eugene, OR 97440.

In 2008, we received no nominations of board candidates from our shareholders.

Changes in Nomination Procedures

There have been no material changes to the procedures by which shareholders may recommend nominees to our board of directors since our procedures were disclosed in the proxy statement for the 2008 annual meeting.

Shareholder Communications

Our directors are active in their respective communities and they receive comments, suggestions, recommendations and questions from shareholders, customers and other interested parties on an ongoing basis. Our directors are encouraged to share those questions, comments and concerns with other directors and with our CEO. Comments and questions may be directed to our board by submitting them in writing to the Company's corporate Secretary, Steven Philpott at Umpqua Holdings Corporation's Legal Department, P.O. Box 1560, Eugene, OR 97440. These comments or summaries of the comments will be communicated to the board at its next regular meeting. No communications of this type were received from shareholders in 2008. The Company has no formal policy regarding the attendance of directors at the annual meeting of shareholders. Beginning April 2007, the Company scheduled the annual meeting each year in Portland, Oregon on the day before a scheduled regular meeting of the board. Eight directors attended the 2008 annual meeting.

Board Evaluations

Each year, our board evaluates the performance of its committees and its members. This evaluation process occurs in two stages. Each board member answers a questionnaire designed to rate, on a scale of one to five, the performance of each board committee on which that director serves, with respect to a number of components relevant to that committee's functions. The answers and comments are compiled anonymously and reviewed by the committee as a whole, and reported to the full board. The Executive/Governance Committee then reviews those results and recommends changes in committee structure and function to the full board.

As a general rule, board members also fill out a confidential self evaluation of their own performance, which is delivered to the board chair. The board chair then reviews that information with the board member and solicits input from each committee chair with respect to the board member's performance. The Nominating Committee considers this information when recommending a slate of candidates to be nominated by the full board.

Succession Planning

Succession planning for the CEO and other named executive officer positions is one of the board's most important duties. Each year, the CEO presents his written succession plan to the Nominating Committee, which is accompanied by his review of up to three internal candidates who should be considered to replace him and his

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recommendation as to which, if any, internal candidate should be considered to replace him in the event he cannot serve. Under the current plan, any internal candidate selected on an interim basis will have the opportunity to compete for the position with other candidates that come forward in an internal and external search. Each of the other named executive officers has a written succession plan that is reviewed with the CEO annually.

Meetings and Committees of the Board of Directors

The board of directors met seven times during 2008, including one special meeting, an exit meeting with examiners and a three-day strategic planning retreat. At the retreat, the board and executive management focused on how to best sustain and enhance shareholder value, the Company's growth strategy and financial performance while maintaining Umpqua's unique culture and commitment to community banking. All board committees have regularly scheduled meetings except the Nominating Committee, which meets as appropriate, upon the call of its chairperson. Board committee chairs call for additional regular and special meetings of their committees, as they deem appropriate. In 2008, each director attended at least 75% of the board meetings, as well as meetings of committees on which the director served.

The board and each of our board committees regularly meet in executive session. Our CEO, who sits on the board and on four board committees, attends some executive sessions and is excused from others.

At December 31, 2008, the board of directors had seven active board committees: The Audit and Compliance Committee, the Budget Committee, the Compensation Committee, the Executive/Governance Committee, the Financial Services Committee, the Loan and Investment Committee, and the Nominating Committee.

The table below shows current membership information for each board committee as of December 31, 2008:

	C Chairperson		V Vice Chair		Member		
	Audit and Compliance	Budget	Compensation	Executive/ Governance	Financial Services	Loan and Investment	Nominating
Ronald F. Angell						C	
Scott D. Chambers					C		
Raymond P. Davis							
Allyn C. Ford				C			C
David B. Frohnmayer					V		
Stephen M. Gambee						V	
Dan Giustina	C						
William A. Lansing		C	C				
Theodore S. Mason							
Diane D. Miller				V			
Bryan L. Timm	V	V					

Allyn Ford serves as Chair of the boards of Umpqua and Umpqua Bank and Dan Giustina serves as Vice Chair of the boards.

Audit and Compliance Committee

The board of directors has a standing Audit and Compliance Committee that meets with our independent registered public accounting firm to plan for and review the annual audit reports. The Committee meets at least four times per year and is responsible for overseeing our internal controls and the financial reporting process. As of January 1, 2009, the members of the Committee were directors Giustina (Chair), Angell, Mason, Miller and Timm (Vice Chair). Each member of the Committee is independent, as independence is defined under Rule

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4200(a)(15) of the listing standards of the NASD. The board of directors has adopted an Audit and Compliance Committee Charter, a copy of which is available on our web site in the Corporate Governance section at www.umpquaholdingscorp.com. The charter provides that only independent directors may serve on the Committee. The charter further provides that at least one member shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The board of directors has determined that Bryan L. Timm meets the SEC criteria for an audit committee financial expert. The board of directors believes that each of the current members of the Committee has education and/or employment experience that provides them with appropriate financial sophistication to serve on the Committee. In 2008, the Audit and Compliance Committee met eight times. In addition to these formal meetings, the Committee previews earnings releases and periodic reports to be filed with the SEC and it usually meets by telephone conference to discuss those documents.

Budget Committee

The Budget Committee reviews and oversees our budgeting process, including the annual operating budget and the capital expenditure budget. It also oversees dividend planning and our stock repurchase programs. Effective January 1, 2009, the members of the Committee were directors Lansing (Chair), Davis, Gambee, Mason, Miller and Timm (Vice Chair). The Committee meets at least quarterly. In 2008, the Budget Committee met four times.

Compensation Committee

See *Roles and Responsibilities* in the section entitled, *Executive Compensation Discussion and Analysis*.

Executive/Governance Committee

The Executive/Governance Committee may, subject to limitations in our Bylaws and under Oregon law, exercise all authority of the full board when the full board is not in session. This Committee is responsible for the review and oversight of the Company's strategic planning process, corporate governance, consideration of the Company's merger and acquisition opportunities and oversight of the board's structure. This Committee is comprised of the chairman of the board, the chair of each board committee and Umpqua's CEO. Effective January 1, 2009, the members of the Committee were directors Ford (Chair), Angell, Chambers, Davis, Giustina and Lansing. This Committee meets at least quarterly. In 2008, the Executive/Governance Committee met four times.

Financial Services Committee

The Financial Services Committee reviews and oversees the operations of Strand Atkinson Williams & York, Inc. and Umpqua Bank's Private Client Services division. This Committee serves as Strand's board of directors. Effective January 1, 2009, the members of the Committee were directors Chambers (Chair), Davis, Frohnmayer (Vice Chair) and Lansing. This Committee must meet at least quarterly and in 2008, the Committee met four times.

Loan and Investment Committee

The Loan and Investment Committee approves certain loans, approves charge-offs to the loan loss reserve, sets investment and liquidity policies and monitors compliance with those policies and reviews Umpqua's loan and investment portfolios. Effective January 1, 2009, members of the Committee were directors Angell (Chair), Chambers, Davis, Frohnmayer, Gambee (Vice Chair) and Giustina. The Loan and Investment Committee meets at least quarterly and in 2008 it met five times. In addition to these formal meetings, the Committee from time to time reviews and approves certain large extensions of credit and it usually meets by telephone conference to discuss those matters.

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Nominating Committee

The Nominating Committee proposes nominees for appointment or election to the board of directors and conducts searches to fill the positions of President and CEO. The Committee is comprised of the chairman of the board and the chair of each board committee. All of the directors serving on the Nominating Committee are independent, as defined in the NASD listing standards. Effective January 1, 2009, the members of the Committee were directors Ford (Chair), Angell, Chambers, Giustina and Lansing. The Nominating Committee meets as often as it deems appropriate and in 2008, the Committee met three times.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon our review of (i) Forms 3, 4 and 5 that we filed on behalf of directors and executive officers, or received from them with respect to the fiscal year ended December 31, 2008, and (ii) their written representations that no Form 5 is required, we believe that all reporting persons made all required Section 16 filings with respect to the 2008 fiscal year on a timely basis.

SHAREHOLDER PROPOSALS FOR THE 2010 ANNUAL MEETING OF SHAREHOLDERS

If any shareholder intends to present a proposal to be considered for inclusion in the Company's proxy material in connection with the 2010 annual meeting of shareholders, the proposal must be in proper form under SEC Regulation 14A, Rule 14a-8, *Shareholder Proposals*, and received by the Secretary of the Company on or before November 5, 2009. Shareholder proposals to be presented at the 2010 annual meeting of shareholders, which are not to be included in the Company's proxy materials must be received by the Company no later than December 5, 2009, in accordance with the Company's Bylaws.

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RELATED PARTY TRANSACTIONS

Transactions with Related Persons/Approval Process

Umpqua Bank leases certain facilities from entities in which certain directors have indirect material interests. These leases are not required to be disclosed under Item 404 of Regulation S-K.

We have a formal process with respect to the review and approval of loans extended by Umpqua Bank to related persons, as described below. In 2007, Umpqua adopted formal written procedures to review and approve transactions with related persons. In accordance with these procedures and Nasdaq Rule 4350(h), all transactions with related persons must be approved by disinterested members of Umpqua's Audit and Compliance Committee. In each instance where Umpqua Bank has a facility lease with a director, the lease was (i) entered into before the director became a related person with respect to Umpqua and/or (ii) Umpqua Bank assumed the lease in connection with an acquisition, so no prior approval by Umpqua was required or obtained. Nonetheless, the leases are believed to be on terms fair to the Bank and consistent with terms available from unrelated third parties. In 2008, the Audit and Compliance Committee approved Umpqua's issuance of a letter of credit to the Port of Coos Bay, Oregon that was to be supported by a letter of credit from another bank on behalf of Chairman Ford's company Roseburg Forest Products. The Company made no payment to and received no payment from Roseburg Forest Products or Mr. Ford in connection with this transaction. This letter of credit expired in November 2008, without any advance by the Bank.

Loans to Directors and Officers

Umpqua Holdings Corporation does not extend loans or credit to any officers or directors. However, many of our directors and officers, their immediate family members and businesses with which they are associated, borrow from and have deposits with Umpqua Bank. All such loans are made in the ordinary course of Umpqua Bank's business, and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the lender, Umpqua Bank. These loans did not and do not involve more than the normal risk of collection or present other unfavorable features to Umpqua Bank.

Loans by the bank to directors and designated executive officers are governed by Regulation O, 12 CFR Part 215. Under the bank's procedures, the Chief Credit Officer can approve individual credits subject to Regulation O up to a total credit exposure of \$100,000 and report those loans to our Loan and Investment Committee. All Regulation O credits with a total credit exposure in excess of \$100,000 must be approved by that Committee. Regulation O limits loans to executive officers to \$100,000 unless the loan is secured by a first lien on the officer's primary or secondary residence or unless the loan is made to finance the education of the officer's children. All of our named executive officers are designated as executive officers of Umpqua Bank under Regulation O.

As of December 31, 2008, the aggregate outstanding balance of all loans to Regulation O executive officers, directors, principal shareholders and their businesses was \$14,998,879, which represented approximately 1.01% of our consolidated shareholders' equity at that date. All such loans are currently in good standing and are being paid in accordance with their terms.

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DIRECTOR COMPENSATION

The Compensation Committee annually reviews its director compensation policy and in January 2008, the Committee adopted the following statement of philosophy with regard to director compensation:

Umpqua's director compensation is designed to align the board of directors with its shareholders, and to attract, motivate, and retain high performing members critical to our company's success. Our director compensation philosophy is simple: we pay our directors a competitive rate when compared to similar sized and performing financial services organizations.

Objectives Umpqua Bank is committed to providing competitive compensation to our directors. Within that context, our prime objectives are to:

Attract and retain highly qualified people that portray our company culture and values.

Link the interests of our directors to the values derived by our shareholders.

Align the interests of our directors, executives, and employees.

Conform to the highest levels of fairness, ethics, transparency, and sound governance practice.

Director Compensation On a regular basis the board will engage a third party professional to perform an evaluation to ensure director compensation is fair and competitive. Any change to director compensation is first reviewed by the Compensation Committee of the board prior to full board approval. Currently, it is the company's policy for director compensation to be paid in company stock, which may be taken as deferred compensation.¹

Director Training We are committed to the continuing education of our directors. Umpqua provides an annual allowance for our directors to obtain director-specific education. Directors receiving such education shall provide an educational synopsis to the board or appropriate board committee.

The Compensation Committee is charged with reviewing director compensation and recommending changes to the full board. The board of directors has adopted a Director Compensation Plan that sets forth the terms and manner in which non-employee directors will be compensated for their service on the board of directors and committees of Umpqua and its subsidiaries.

All director fees are payable in shares of Umpqua Holdings Corporation common stock, purchased periodically on the open market by a brokerage firm for the account of each director, with funds provided by the Company. The shares are purchased under a trading plan that complies with Rule 10b5-1(c)(2) of the Securities Exchange Act of 1934. Directors may choose to receive compensation on a deferred basis.

Under the plan, director fees are paid quarterly, in arrears, after review of attendance records. Directors may attend committee meetings by teleconference, but they are allowed to attend only one regular board meeting per year by teleconference and they must be personally present at all other regular board meetings. The plan also reiterates the directors' obligations under applicable securities laws and Umpqua's Insider Trading Policy, and obligates the directors, if requested to do so, to execute a lockup agreement in the event of a firmly underwritten public offering of our securities.

Umpqua also provides a nonqualified deferred compensation plan to its non-employee directors. Under this plan, each director may annually elect to place all or part of his or her director compensation for the coming year into the deferred plan. Under the plan, a director may choose to have distributions from the plan in a lump sum or in annual installments over three, five or ten year periods following the date that the director leaves the board. Umpqua pays director compensation in shares of its common stock and the shares are held by a trustee. The dividends paid on

those shares are credited to the director's account, but no interest or other compensation is paid by the Company with respect to the deferred account.

¹ Beginning in 2009, a director may elect to have up to 30% of his or her compensation paid in cash.

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The Compensation Committee's practice is to engage an outside consultant at least once every three years to review director compensation paid by a peer group of companies to ensure that the compensation we pay to our directors is competitive given Company performance, board performance and our community bank philosophy.

In December 2007, the board of directors, acting upon a recommendation from the Compensation Committee, decided to maintain 2008 board compensation at the levels set in 2006. The schedule of fees that has been in effect since April 2006 is set forth in the table, below. The board Chair receives a higher retainer and participation fee. Committee chairs receive a slightly higher participation fee for chairing their committee meetings.

Schedule of Directors Fees

	Quarterly Retainer(1)	Board Meeting Participation(2)	Committee Meeting Participation(3)
Board Chair	\$ 3,500	\$ 4,500	\$ 600
Committee Chair	\$ 3,000	\$ 4,000	\$ 600
Participating Director	\$ 3,000	\$ 4,000	\$ 500

- (1) Each director serves on the board of Umpqua Holdings Corporation and Umpqua Bank but receives only one Quarterly Retainer.
- (2) Each director receives one Participation Fee for board meetings actually attended, if both board meetings are scheduled to be held on the same day, either jointly or one following another.
- (3) The Audit and Compliance Committee Chair receives \$700 for each meeting chaired and all other committee chairs receive \$600 for each meeting chaired.

An internal peer group analysis of director compensation was performed in 2008. The Committee looked at two peer groups, the peer group used in the 2008 LTI Plan grant and the peer group used by Mercer Consulting in a director compensation report delivered to the Committee in 2006. At that time, the Committee reported to the board that total compensation paid to each director was below the median total compensation paid by the peer group of companies. The board approved modest increases to director compensation that are effective in January 2009.

Table of Contents**DIRECTOR COMPENSATION**

The following table summarizes the compensation paid by the Company to non-employee directors for the year ending December 31, 2008. Although each director ultimately receives fees in Umpqua stock, this table shows the cash contributed by the Company to the Director Compensation Plan to purchase that stock on the open market.

Name (a)(1)	Fees Earned or Paid in Cash (\$) (b)(2)	Stock Awards (\$) (c)	Option Awards (\$) (d)	Non-Equity Incentive Plan Compensation (\$) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) (f)	All Other Compensation (\$) (g)	Total (\$) (h)
	Angell, Ronald	\$ 44,500					
Chambers, Scott	\$ 43,400						\$ 43,400
Ford, Allyn	\$ 45,100						\$ 45,100
Frohnmayr, David	\$ 40,000						\$ 40,000
Gambee, Stephen	\$ 43,000						\$ 43,000
Giustina, Dan	\$ 46,400						\$ 46,400
Lansing, William	\$ 41,300						\$ 41,300
Mason, Theodore	\$ 43,500						\$ 43,500
Miller, Diane	\$ 44,000						\$ 44,000
Timm, Bryan	\$ 43,500						\$ 43,500

(1) Director Davis is omitted from this table because he is a named executive officer, he receives no separate compensation for service as a director and his compensation is fully reflected in the Summary Compensation Table.

(2) Amounts in column (b) are earned in cash and paid in Umpqua stock. The following table shows what each director earned for each component of director compensation.

Name	Retainer	Board Participation	Committee Participation	Total
Angell	\$ 12,000	\$ 24,000	\$ 8,500	\$ 44,500
Chambers	\$ 12,000	\$ 24,000	\$ 7,400	\$ 43,400
Ford	\$ 14,000	\$ 27,000	\$ 4,100	\$ 45,100
Frohnmayr	\$ 12,000	\$ 24,000	\$ 4,000	\$ 40,000
Gambee	\$ 12,000	\$ 24,000	\$ 7,000	\$ 43,000
Giustina	\$ 12,000	\$ 24,000	\$ 10,400	\$ 46,400
Lansing	\$ 12,000	\$ 20,000	\$ 9,300	\$ 41,300
Mason	\$ 12,000	\$ 24,000	\$ 7,500	\$ 43,500
Miller	\$ 12,000	\$ 24,000	\$ 8,000	\$ 44,000
Timm	\$ 12,000	\$ 24,000	\$ 7,500	\$ 43,500

We invite the spouses of our directors to attend our annual multi-day strategic planning session. We believe this event provides a valuable opportunity for our directors to strengthen relationships with senior executives, enhance leadership development and advance our business objectives. The participation of spouses in the meals and social functions at the planning session is a positive contributor to the process. The Company pays the spouses travel expenses, meals and activities that may be considered to provide a personal benefit in connection with this event. In 2008, these payments did not exceed \$5,000 in the aggregate and are not separately disclosed.

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Expenses associated with attending meetings, such as travel costs and meals, are considered integrally and directly related to the performance of their duties as directors, they are not considered to be personal benefits or perquisites and are not separately disclosed.

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EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

2008 Compensation Highlights

Our executive compensation program is designed to support Umpqua's vision and mission, which is to create a unique and memorable banking environment in which our customers perceive the company as an indispensable partner in achieving their financial goals; our people achieve unparalleled personal and professional success; our shareholders achieve the exceptional rewards of ownership; and our communities benefit from our involvement and investment in their future.

The Compensation Committee recognized that the management team was doing a very good job in a very difficult economic environment. Management recommended that base salaries for all officers be frozen for at least six months and that base salaries for executive officers be frozen for the entire year, except for those who were promoted. The Committee also recognized that it would be difficult for management to achieve the EPS target under the annual incentive plans and it issued stock option grants as a retention tool and to provide incentives to improve earnings growth and increase the stock price. The challenge for management and the board is to motivate key performers to work harder than ever in what is probably the most difficult banking environment we have ever experienced.

Compensation activity in 2008 was highlighted by the following:

2008 base salaries for our named executive officers were held at year-end 2007 levels after Umpqua Bank failed to achieve its earnings and growth objectives in 2007, primarily due to additions to our provision for loan losses and a deteriorating residential development environment in our Sacramento and Bend markets. See the section titled *Executive Compensation Decisions*.

No restricted stock units (RSUs) vested under the 2007 or 2008 grants under the 2007 Long Term Incentive Plan due to negative earnings growth in 2008. However, because the Company ranked 11th out of 18 and 8th out of 20 in EPS growth rate among the peer group for the 2007 and 2008 grants respectively, the Company began accruing for those grants. That accrual is reflected in the *Summary Compensation Table*. See the section titled *2007 Long Term Incentive Plan*.

The company did not meet its EPS target in 2008, so there was no payout of the primary component of annual incentives to any managers, including the named executive officers. See the section titled *2008 Incentive Compensation Earned by the Named Executive Officers*.

In April the Compensation Committee and CEO Davis agreed to amend his Supplemental Executive Retirement Plan to mitigate the effects of a 280G cutback by advancing the full vesting date. See the section titled *Retirement Plan for Mr. Davis*.

The company received a capital investment from the U.S. Treasury in November 2008 which requires us to meet certain executive compensation requirements. See the section titled *Capital Purchase Program - Executive Compensation Requirements*.

The board strengthened the ownership guidelines for directors and executive officers and instituted a hold to retirement policy with regard to equity awards to named executive officers. See the section titled *Long Term Incentive Compensation*.

Roles and Responsibilities

The Compensation Committee carries out the board's overall responsibilities with respect to executive compensation, director compensation and review of the CEO's performance. The Committee also oversees administration of the Company's employee benefit plans, including the Company's 401(k) and profit sharing plan. All Committee members are required to meet the NASD and SEC independence and experience requirements. Effective January 1, 2009, the members of the Committee were directors Lansing (Chair), Gambia, Miller (Vice Chair), Timm and Mason. The Compensation Committee must meet at least quarterly. In 2008, the Committee met seven times, including one special meeting.

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The Compensation Committee operates under a written charter which is posted on our website at www.umpquaholdingscorp.com. The Committee annually reviews its charter and recommends changes to the full board. The Compensation Committee Chair sets the agenda and calendar for the Committee. As authorized by its charter, the Committee routinely hires attorneys and independent consultants for advice on compensation matters.

Mr. Davis, our CEO, is actively engaged in setting the compensation of our other named executive officers. At the end of each fiscal year, he reviews with the Committee the performance of each executive officer and he recommends the level of base and incentive compensation as well as equity grants for the ensuing year of individual executive officers reporting to him, including the executive officers covered by NASD Rule 4350. The Committee reviews those recommendations and compares them with market information to ensure that executive compensation is competitive and that the CEO is exercising his discretion appropriately. The Committee reviews, and ratifies or approves, all components of the compensation for executive officers covered by NASD Rule 4350, including salary, annual incentives, long-term incentive compensation and internal pay equity.

Our Executive Vice President/Cultural Enhancement works with our CEO, our business unit executives, General Counsel and outside counsel and consultants to recommend and design the structure of our incentive and benefit plans.

With respect to making compensation decisions, our Committee reviews compensation survey data or benchmarking data provided by recognized compensation consultants. The Committee uses this information to understand prevailing market practices and aggregate, as well as component, compensation packages provided by companies who are similar to Umpqua in size and scope. The Committee also considers company performance, individual performance and internal pay equity when making compensation decisions.

Identification of Named Executive Officers

We disclose the compensation paid to each of our named executive officers as required by Item 402 of Regulation S-K. In 2008*, those individuals were:

Name	Title	Designation
Raymond P. Davis	President and CEO	Principal Executive Officer
Brad F. Copeland	Senior Executive Vice President/Chief Credit Officer	
David M. Edson	Executive Vice President and President Umpqua Bank Commercial Lending	
Daniel A. Sullivan	Executive Vice President/Strategic Initiatives	
Ronald L. Farnsworth	Executive Vice President/Chief Financial Officer	Principal Financial Officer

* Mr. William Fike, who was a named executive officer in 2007, retired April 30, 2008.

Executive Compensation Philosophy

The Company has adopted the following written statement of its executive compensation philosophy, which is reviewed annually by the Compensation Committee:

Decisions regarding executives total compensation program design, as well as individual pay decisions, will be made in the context of this *Executive Compensation Philosophy* and our ability to pay, as defined by our financial success. Umpqua's executive compensation is designed to recognize superior operating

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performance thereby maximizing shareholder value, and to attract, motivate and retain the high performing executive team critical to our Company's success. Our executive compensation philosophy is simple: we pay competitive base salaries and we strongly reward performance.

Objectives Umpqua Bank is committed to providing competitive, performance-based total compensation opportunities to our executives who collectively have the responsibility for making our Company successful. Within that context, our prime objectives are to:

Attract and retain highly qualified executives that portray our Company culture and values

Motivate executives to provide excellent leadership and achieve Company goals

Provide substantial performance-related incentive compensation that is aligned to our business strategy and directly tied to meeting specific business objectives

Strongly link the interests of executives to the value derived by our shareholders from owning Company stock

Connect the interests of our executives and our employees

Be fair, ethical, transparent and accountable in setting and disclosing executive compensation.

Base Salary Base pay opportunities should be fully competitive with other relevant organizations within the markets in which we compete. Individual salary determinations involve consideration of incumbent qualifications, behaviors, cultural adherence, and performance.

Short-Term Incentives Consistent with competitive practices, executives should have a significant portion of their targeted annual total cash compensation at risk, contingent upon meeting company profitability goals and personal objectives.

Long-Term Incentives Executives who are critical to our long-term success should participate in long-term incentive opportunities that link a significant portion of their total compensation to increasing shareholder value.

Executive Benefits We offer executives competitive benefit programs, such as health insurance, 401(k) plan, vacation, and life insurance, of which similar programs are offered to our employees.

Communications & Training We are committed to sharing information with executives to enable them to fully understand our objectives for executive pay and each element of their total compensation package.

Executive Compensation Plan Design and Objectives

Base Salary

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The purpose of base salary is to create a secure base of cash compensation for executives that is competitive with the market. Executive salary increases do not necessarily follow a preset schedule or formula; however, the following are considered when determining appropriate salary levels and increases:

The individual's current and sustained performance results and the methods utilized to achieve those results;

Non-financial performance indicators to include strategic developments for which an executive has responsibility (such as product development, expansion of markets, increase in same-store loan or deposit growth and acquisitions) and managerial performance (such as service quality, sales objectives and regulatory compliance);

The Company's financial performance; and

Peer data and benchmarking reports.

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Individual and Company Performance

A significant component of compensation is related to performance. We believe that an employee's compensation should be tied to how well the employee's team and the Company perform against both financial and non-financial goals and objectives. The board annually establishes the financial goals for the incentive compensation program. Non-financial goals include satisfactory performance on all internal and external regulatory exams and audits and achievement of the business and personal goals assigned to each executive.

Short-Term and Long-Term Incentives

Incentive compensation balances short and long term performance. We try to focus all senior managers on achieving strong short-term or annual results in a manner that will ensure the Company's long-term viability and success. Therefore, to reinforce the importance of balancing these perspectives, senior management is regularly provided with both annual and long-term incentives. Participation in long-term incentive programs increases with higher levels of responsibility, as employees in these leadership roles have the greatest influence on the Company's strategic direction and results over time.

Annual Incentives

The purpose of annual incentive plans is to provide cash compensation on an annual basis that is at risk and contingent on the achievement of annual business and operating objectives, as well as personal goals and objectives.

At the beginning of each year we adopt an Incentive Plan that provides for incentive compensation to be awarded to the Chief Executive Officer and our other named executive officers upon achievement of individual performance objectives established by the board of directors or the Compensation Committee for Mr. Davis and individual performance objectives established by Mr. Davis for the other named executive officers.

Each executive is assigned a target incentive, which is a percentage of base salary. The overall target incentive is discretionary and subject to adjustment. Achievement of the target incentive is based on the success of the Company and the individual executive in certain performance areas, as more particularly discussed in the section entitled *Executive Compensation Decisions*.

The annual incentive plan for each named executive officer also includes a negative discretion component that allows the Committee to consider significant one time events that might affect, for example, earnings per share, and reduce the award that would otherwise be suggested by rote application of the formula in the plan.

Since 2004, the financial target component of the annual incentive has been based on operating earnings per share (EPS) targets. These targets are set by the board based upon the Budget Committee's recommendation. The Company does not offer guidance on our EPS or growth rate targets and we regard these internal targets as confidential. Our annual earnings per share targets are determined at the start of each year, based on our internal budget, as we close out the previous year. At the same time, analysts who follow our company are developing their forward earnings targets for the coming year. If we disclosed this information, one could compare our annual targets to the original analyst targets for the year, and interpolate our targets for the coming year. This would compromise our objective of not providing guidance on EPS targets.

Typically, the EPS target for 100% payout of the financial component is achievable, but requires better than expected performance. The maximum percentage payout ranges from 0% to 150% of base salary.

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The following table compares actual results against EPS targets and shows the percentage payment of the corporate financial target incentive for the years 2006-2008:

Year	EPS Target was:	Percentage Payout of Target Incentive
2006	Partially Achieved	75%
2007	Not Achieved	0 %
2008	Not Achieved	0 %

The annual incentive plans of all named executive officers require the executive to repay to the Company any incentives awarded based on earnings per share for a particular period if it is later determined that the earnings per share were materially inaccurate. This plan provision, often called a claw back, was implemented in 2007 and the provision has not been triggered.

Other Annual Compensation Benefits and Perquisites

We provide benefit programs to executive officers and to other employees. The following table identifies the benefit plans and identifies those employees who may be eligible to participate:

Benefit Plan	Named Executive Officers	Certain Managers	Full Time Employees
401(k) Plan			
Group Medical/Dental/Vision			
Group Life and Disability			
Annual Manager Incentive Plan			
Severance			
Change in Control			
Supplemental Retirement (Top Hat)			
Supplemental Executive Retirement(1)			
Deferred Compensation Plan(2)			