

UMPQUA HOLDINGS CORP

Form 424B3

May 26, 2004

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Filed Pursuant to Rule 424(b)(3)

Registration No. 333-114566

MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT

The boards of directors of Umpqua Holdings Corporation (Umpqua) and Humboldt Bancorp (Humboldt) have approved an Agreement and Plan of Reorganization pursuant to which Humboldt would merge with and into Umpqua. We are sending you this joint proxy statement-prospectus to ask you to vote in favor of the merger proposal.

Upon completion of the merger, Humboldt shareholders will be entitled to receive one share of Umpqua common stock for each share of Humboldt common stock that they own.

The implied value per share of Humboldt common stock converted in the merger at the exchange ratio noted above is equal to \$18.64, the market value of Umpqua common stock on May 14, 2004, the most recent practicable date prior to the printing of this document.

After careful consideration, each of the boards of directors of Umpqua and Humboldt determined the merger to be fair to its shareholders and in its shareholders' best interests, and approved the merger agreement.

Your vote is very important. We cannot complete the merger unless the shareholders of Umpqua and Humboldt approve the merger. The boards of directors of Umpqua and Humboldt are soliciting proxies from shareholders to vote at the special shareholder meetings. You do not need to attend the meeting to vote your shares, although you are invited to do so. Whether or not you choose to attend, please complete, sign, date and return the enclosed proxy or follow the instructions on the proxy for telephone or Internet voting.

This joint proxy statement-prospectus gives you detailed information about the merger and the special shareholder meetings. Before sending in your proxy or voting your shares, you should read this entire document, particularly the information under Risk Factors beginning on page 12.

You should rely only on the information in this document or in other documents to which we refer you, concerning Umpqua, Humboldt and the proposed merger. We have not authorized anyone to provide you with information that is different.

This document is dated May 17, 2004, and is being mailed to you on or about May 24, 2004.

Raymond P. Davis
President and Chief Executive Officer
Umpqua Holdings Corporation

Robert M. Daugherty
President and Chief Executive Officer
Humboldt Bancorp

Neither the Securities and Exchange Commission, the Oregon Department of Consumer and Business Services, the California Department of Financial Institutions, nor any other state securities commission has approved or disapproved of the terms of the merger agreement or passed upon the adequacy or accuracy of this joint document. Any representation to the contrary is a criminal offense.

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WHERE YOU CAN FIND MORE INFORMATION

This joint proxy statement-prospectus incorporates important business and financial information about Umpqua and Humboldt from documents that are not included in or delivered with this document. See **Incorporation of Documents by Reference** on page 70. This information is available without charge to you upon written or oral request. If you request any incorporated documents, we will mail the documents and all exhibits specifically incorporated by reference in the requested documents to you by first class mail, or other equally prompt means.

For documents relating to Umpqua, direct requests to:

Umpqua Holdings Corporation
200 SW Market Street, Suite 1900
Portland, OR 97201
Attn: Steve Bellas, Investor Relations
(503) 546-2495
Email: stevebellas@umpquabank.com

For documents relating to Humboldt, direct requests to:

Humboldt Bancorp
2998 Douglas Boulevard, Suite 330
Roseville, CA 95661
Attn: Patrick Rusnak, Executive Vice President and Chief Financial Officer
(916) 783-2812
Email: prusnak@humboldtbankcorp.com

To obtain timely delivery before the shareholder meetings, you must request the information no later than June 24, 2004. These documents can also be reviewed and copied from various free web sites including the Securities and Exchange Commission's web site listed below.

Umpqua and Humboldt file annual, quarterly and periodic reports, proxy statements and other information with the SEC. You may obtain copies of these documents by mail from the public reference room of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-732-0330 for information on the operation of the public reference room. In addition, Umpqua and Humboldt file reports and other information with the SEC electronically, and the SEC maintains a web site located at <http://www.sec.gov> containing this information. Each of Umpqua and Humboldt post their SEC filings on their respective web sites at www.umpquaholdingscorp.com and www.humboldtbankcorp.com.

Umpqua has filed a registration statement on Form S-4 to register with the SEC up to 16,512,308 shares of Umpqua common stock. This document is a part of that registration statement. As permitted by SEC rules, this document does not contain all of the information included in the registration statement or in the exhibits or schedules to the registration statement. You may read and copy the registration statement, including any amendments, schedules and exhibits at the address set forth above. Statements contained in this document as to the contents of any contract or other document referred to in this document are not necessarily complete. In each case, you should refer to the copy of the applicable contract or other document filed as an exhibit to the registration statement.

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May 17, 2004

Dear Shareholder:

As you know, Humboldt Bancorp has entered into an agreement to merge with Umpqua Holdings Corporation. This proposed merger will bring together two premier banks in the West, with more resources, more locations to serve our customers, and an unwavering commitment to community banking. All regulatory filings have been made and we anticipate completion of the merger upon receipt of shareholder approval.

This last, important step is the reason we're writing to you today. Enclosed is your invitation to the special meeting of shareholders of Umpqua Holdings Corporation and Humboldt Bancorp. We hope you can attend the appropriate meeting. We also encourage you to carefully review the enclosed joint proxy statement prospectus, which gives you detailed information about the merger and the special shareholder meetings, before sending in your proxy card or voting your shares.

Humboldt Bancorp
Special Meeting of Shareholders
July 7, 2004 at 9:00am
Humboldt Bank Plaza
2440 Sixth Street
Eureka, California 95501

Umpqua Holdings Corporation
Special Meeting of Shareholders
July 7, 2004 at 6:00pm
Umpqua University and Support Center
1740 NW Garden Valley Boulevard
Roseburg, Oregon 97470

The Boards of Directors of both Umpqua Holdings Corporation and Humboldt Bancorp have approved the merger agreement and recommend that you vote FOR approval of the merger proposal.

Regardless of the number of shares you own or your availability to attend the special meeting, it is important that your shares be represented and voted at the meeting. A failure to vote, either by not returning the enclosed proxy card or by checking the Abstain box thereon, will have the same effect as a vote *against* approval of the merger proposal.

On behalf of the Boards of Directors of Umpqua Holdings Corporation and Humboldt Bancorp, we thank you for your support and encourage you to vote FOR approval of the merger proposal.

Best regards,

Raymond P. Davis
President and CEO
Umpqua Holdings Corporation

Robert M. Daugherty
President and CEO
Humboldt Bancorp

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Umpqua Shareholders:

A special meeting of shareholders of Umpqua Holdings Corporation will be held at the Umpqua Bank University and Support Center, 1740 NW Garden Valley Blvd., Roseburg, Oregon, at 6 p.m., local time, on July 7, 2004 for the following purposes:

To vote on a proposal to approve the Agreement and Plan of Reorganization and the accompanying Plan of Merger providing for the merger of Humboldt Bancorp with and into Umpqua Holdings Corporation; and

To transact other business that may properly come before the meeting, including, if necessary, any proposal to adjourn the special meeting to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal.

If you were a shareholder of record of Umpqua common stock as of the close of business on May 7, 2004, you are entitled to receive this notice and vote at the special meeting, and any adjournment or postponement thereof.

Your vote is important. Holders of a majority of the shares of Umpqua common stock outstanding on May 7, 2004 must vote in favor of the proposal for the merger to be completed. Whether or not you expect to attend the special meeting in person, please mark, sign, date and promptly return your proxy in the enclosed envelope, or follow the instructions for voting by phone or on the Internet.

After careful consideration, Umpqua's board of directors has determined that the merger agreement and the merger are in the best interest of Umpqua and its shareholders. The board has adopted the merger agreement and unanimously recommends that Umpqua shareholders vote **FOR** approval of the merger agreement.

By Order of the Board of Directors,

STEVEN L. PHILPOTT, *Secretary*

May 17, 2004

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**2998 Douglas Boulevard, Suite 330
Roseville, California 95661**

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Humboldt Shareholders:

A special meeting of shareholders of Humboldt Bancorp will be held at Humboldt Bank Plaza, 2440 Sixth Street, Eureka, California at 9:00 a.m., local time, on July 7, 2004, for the following purposes:

To vote on a proposal to approve the Agreement and Plan of Reorganization and the accompanying Plan of Merger providing for the merger of Humboldt Bancorp with and into Umpqua Holdings Corporation.

To transact other business that may properly come before the meeting, including, if necessary, any proposal to adjourn the special meeting to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal.

If you were a shareholder of record of Humboldt common stock as of the close of business on May 10, 2004, you are entitled to receive this notice and vote at the special meeting, or any adjournment or postponement thereof.

Your vote is important. Holders of a majority of the shares of Humboldt common stock outstanding on May 10, 2004, must vote in favor of the merger agreement for the merger to be completed. Whether or not you expect to attend the special meeting in person, please mark, sign, date and promptly return your proxy in the enclosed envelope or follow the instructions for voting by phone or on the Internet.

After careful consideration, Humboldt's board of directors has determined that the merger agreement and the merger are in the best interest of Humboldt and its shareholders. The board has adopted the merger agreement and recommends that Humboldt shareholders vote **FOR** approval of the merger agreement.

In connection with the proposed merger, you may exercise dissenters' rights as provided in the California General Corporation Law. If you meet all the requirements under California law and follow all of its required procedures, you may receive cash in the amount equal to the fair market value (as determined by mutual agreement between you and Humboldt Bancorp, or if there is no agreement, by a court) of your shares of Humboldt Bancorp common stock as of the day before the first announcement of the terms of the merger. The procedure for exercising your dissenters' rights is summarized under the heading *Dissenters' Rights* in the attached joint proxy statement-prospectus. The relevant provisions of the California General Corporation Law on dissenters' rights are attached to this document as Appendix E.

By Order of the Board of Directors,

PATRICK J. RUSNAK, *Secretary*

May 17, 2004

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QUESTIONS AND ANSWERS ABOUT VOTING AND THE SHAREHOLDER MEETINGS

Q: What are shareholders being asked to vote on at the shareholder meetings?

A: Umpqua shareholders will vote on a proposal to approve the principal terms of the merger, including the issuance of shares of Umpqua common stock in exchange for outstanding shares of Humboldt common stock, in accordance with the merger agreement.

Humboldt shareholders will vote on a proposal to approve the principal terms of the merger.

Q: Who is eligible to vote?

A: Holders of Umpqua common stock are eligible to vote at the Umpqua special meeting of shareholders if they were holders of record of those shares at the close of business on May 7, 2004.

Holders of Humboldt common stock are eligible to vote at the Humboldt special meeting of shareholders if they were holders of record of those shares at the close of business on May 10, 2004.

Q: What vote is required to approve the merger agreement?

A: The merger agreement will be approved if the holders of a majority of the shares of both Humboldt and Umpqua vote in favor of the merger. Accordingly, a failure to vote or an abstention will have the same effect as a vote against the merger.

Q: Are there dissenters appraisal rights?

A: Under California law, Humboldt shareholders may exercise dissenters' rights as provided in the California General Corporation Law. If you meet all the requirements under California law and follow all of its required procedures, you may receive cash in the amount equal to the fair market value (as determined by mutual agreement between you and Humboldt Bancorp, or if there is no agreement, by a court) of your shares of Humboldt Bancorp common stock as of the day before the first announcement of the terms of the merger. The procedure for exercising your dissenters' rights is summarized under the heading "Dissenters' Appraisal Rights - Humboldt". The relevant provisions of the California General Corporation Law on dissenters' rights are attached to this document as Appendix E.

Umpqua is an Oregon corporation and under applicable Oregon law, Umpqua's shareholders do not have dissenters' appraisal rights.

Q: Have Humboldt's and Umpqua's boards of directors approved the merger?

A: Yes. After careful consideration, the board of directors of each of the companies determined the merger to be fair to its shareholders and in its shareholders' best interests, approved the merger agreement and recommended that their respective shareholders vote in favor of the merger agreement.

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 Bank 401(k) and Profit Sharing Plan you will receive with this document separate voting instruction cards for shares of Umpqua common stock allocated to your account as a participant or beneficiary under the Umpqua Bank 401(k) and Profit Sharing Plan. These voting instruction cards will appoint the trustee of the Umpqua Plan your proxy to vote your shares in accordance with the directions you give on the card. Please follow the instructions that accompany the card. See "Umpqua Special Meeting - Participants in the Umpqua Bank 401(k) and Profit Sharing Plan."

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Q: Can I vote if I hold shares of Humboldt common stock in the Humboldt Bancorp Retirement Savings Plan?

A: In accordance with the terms of the Humboldt Bancorp Retirement Savings Plan, the plan's Administrative Committee will direct the plan's trustee how to vote the shares in the plan's trust. See Humboldt Special Meeting Shares in the Humboldt Bancorp Retirement Savings Plan.

Q: Can I vote if I hold shares of Humboldt common stock in the California Independent Bancorp 401(k) Plan?

A: If you hold shares in an account under the California Independent Bancorp 401(k) Plan, you will receive with this document separate voting instruction cards for shares of Humboldt common stock allocated to your account as a participant or beneficiary under this plan. These voting instruction cards will direct the plan's trustee to vote shares allocated to your account in accordance with the instructions noted on the card. You should return this voting instruction card to Illinois Stock Transfer Company, as indicated in the instructions that accompany the card. Shares of Humboldt common stock for which proper voting instructions have not been received or properly completed will be voted by the plan's trustee in the same proportion as those shares of Humboldt common stock for which properly completed voting instructions have been received. See Humboldt Special Meeting California Independent Bancorp 401(k) Plan Account Holders.

Q: Can I vote if I hold shares of Humboldt common stock in the California Independent Bancorp Employee Stock Ownership Plan?

A: If you hold shares in an account under the California Independent Bancorp Employee Stock Ownership Plan, you will receive with this document separate voting instruction cards for shares of Humboldt common stock allocated to your account as a participant or beneficiary under this plan. These voting instruction cards will direct the plan's trustee to vote shares allocated to your account in accordance with the instructions noted on the card. You should return this voting instruction card to Illinois Stock Transfer Company, as indicated in the instructions that accompany the card. Shares of Humboldt common stock for which proper voting instructions have not been received or properly completed will not be voted. See Humboldt Special Meeting California Independent Bancorp Employee Stock Ownership Plan Account Holders.

Q: What do I need to do now?

A: First, carefully read this document in its entirety. Then, vote your shares by one of the following methods:

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

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 change your vote at any time before your shares are voted at the special meeting. You can do this by:

calling the toll-free number on the proxy card and following the directions provided;

going to the web site listed on the proxy card and following the instructions provided;

submitting a properly executed proxy bearing a later date;

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notifying Humboldt's or Umpqua's corporate secretary, as the case may be, in writing of the revocation of your proxy; or voting in person at the special meeting, but simply attending the meeting will not, of itself, revoke a proxy.

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

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

Q: What if I do not vote or I abstain?

A: If you fail to respond or mark your proxy abstain, it will have the same effect as a vote against the merger proposal.

If you submit your proxy but do not indicate how you want to vote, your proxy will be voted in favor of the merger proposal.

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

A: No. 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 only if you provide instructions on how to vote. If you do not tell your broker how to vote, your broker cannot vote your shares. This will have the same effect as a vote against the merger.

Q: Should Humboldt shareholders send stock certificates at this time?

A: **No, please do not send in your certificates until you receive instructions to do so.** If you do not know where your stock certificates are located, you may want to find them now so you do not experience delays receiving your merger consideration. If you have lost or misplaced your Humboldt stock certificates, contact Humboldt's transfer agent Illinois Stock Transfer Company, 209 West Jackson Blvd., Suite 903, Chicago, IL 60606, or call Illinois Stock Transfer at (800) 757-5755 or (312) 427-2953. Promptly after completion of the merger, you will receive instructions for exchanging your Humboldt stock certificates for Umpqua stock certificates.

Q: Where do I get more information?

A: If you have questions about the merger or submitting your proxy, or if you need additional copies of this document, the proxy card or any documents incorporated by reference, you should contact one of the following:

Steven Philpott, Executive Vice President,
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

Patrick J. Rusnak, Executive Vice President,
Chief Financial Officer and Secretary
Humboldt Bancorp
2998 Douglas Boulevard, Suite 330
Roseville, CA 95661
(916) 783-2812 (voice)
(916) 677-5751 (fax)
prusnak@humboldtbancorp.com

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What will Humboldt shareholders receive in the merger?

A: Humboldt shareholders will receive one share of Umpqua common stock in exchange for each share of Humboldt common stock.

Q: Will the exchange ratio of one share of Umpqua common stock for one share of Humboldt common stock adjust under any circumstances?

A. No.

Q: Have the parties' financial advisors reviewed the merger?

A: Yes. Wells Fargo Securities, LLC reviewed the merger and has issued an opinion as to the fairness, from a financial point of view, of the consideration to be offered by Umpqua to Humboldt shareholders.

Keefe Bruyette & Woods, Inc. reviewed the merger and has issued an opinion as to the fairness, from a financial point of view, of the exchange ratio to Humboldt shareholders.

Q: What are the tax consequences of the merger?

A: We have structured the merger so that Umpqua and Humboldt and our respective shareholders will not recognize any gain or loss for federal income tax purposes in the merger, except for taxes payable with respect to cash received by Humboldt shareholders who have properly exercised dissenter's rights.

Q: What risks should I consider before I vote on the merger?

A. We encourage you to read the detailed information about the merger in this document, including the Risk Factors section beginning on page 12.

Q: When do you expect the merger to be completed?

A: We are working to complete the merger as quickly as possible and we anticipate the merger will be completed in the third quarter of 2004. Because the merger is subject to shareholder and regulatory approval and other factors beyond our control, we cannot predict with accuracy the exact timing for completing the merger.

Q: What regulatory approvals are required to complete the merger?

A. Umpqua and Humboldt must obtain written approval from the Federal Deposit Insurance Corporation. We have received regulatory approvals or waivers from the Board of Governors of the Federal Reserve System, the Oregon Department of Consumer and Business Services acting through the Division of Finance and Corporate Services, and the California Commissioner of Financial Institutions.

Q: Who will manage the combined company?

A: Umpqua will be the surviving corporation in the merger and the executive officers of Umpqua immediately prior to the merger will be the executive officers of Umpqua until such time as their successors are duly elected and qualified.

Following the merger, the board of directors of Umpqua will consist of 13 directors, four of whom will be selected from among the current Humboldt directors. Nine of the current Umpqua directors, including Raymond P. Davis, will continue to serve following the merger.

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Raymond P. Davis, President and Chief Executive Officer of Umpqua, and Umpqua's other executive officers will continue in their respective positions with the combined company. Robert M. Daugherty, President and Chief Executive Officer of Humboldt will serve as President of Umpqua Bank's California

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Region. Patrick J. Rusnak, Executive Vice President and Chief Financial Officer of Humboldt, will serve as Executive Vice President and Chief Financial Officer of Umpqua Bank's California Region, and certain other senior officers of Humboldt are expected to continue with the combined company.

Q: How does the merger affect my outstanding options or warrants to purchase Humboldt common stock?

A: At the time the merger becomes effective, Umpqua will assume Humboldt's stock option plans and unexercised Humboldt options will be automatically converted into options to acquire shares of Umpqua common stock. Holders of warrants to purchase Humboldt common stock will receive from Humboldt instructions for the exercise of their warrants prior to the completion of the merger. At the time the merger becomes effective, all unexercised warrants to purchase Humboldt common stock will be cancelled in accordance with the terms of the warrant agreements.

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SUMMARY

*This brief summary includes information discussed in greater detail elsewhere in this document and does not contain all the information that may be important to you. You should carefully read this entire document and its appendices and the other documents to which this document refers you before deciding how to vote your shares. Each item in this summary contains a page reference directing you to a more complete description of that item. We incorporate by reference important business and financial information about Umpqua and Humboldt into this document. For a description of this information, see the section *Incorporation of Documents by Reference* on page 70. You may obtain the information incorporated by reference without charge by following the instructions in the section *Where You Can Find More Information* on the inside front cover of this document.*

The Companies (pages 53, 54)

Umpqua Holdings Corporation

200 SW Market Street, Suite 1900
Portland, OR 97201
(503) 546-2499

Umpqua Holdings Corporation, an Oregon corporation, is a financial holding company and the parent company of Umpqua Bank, an Oregon state-chartered bank recognized for its entrepreneurial approach, innovative use of technology, and distinctive banking solutions. Umpqua Bank, headquartered in Roseburg, Oregon, offers business and consumer banking products and services at 64 stores throughout Oregon and Southwest Washington. Umpqua also owns a retail brokerage subsidiary, Strand, Atkinson, Williams & York, Inc. which has 14 locations throughout Oregon and Southwest Washington and offers brokerage services within Umpqua Bank stores. Additionally, Umpqua's Private Client Services Division provides tailored financial services and products to individual customers. Umpqua Holdings Corporation is headquartered in Portland, Oregon.

Humboldt Bancorp

2998 Douglas Boulevard, Suite 330
Roseville, California 95661
(916) 783-2812

Humboldt is a California corporation registered under the Bank Holding Company Act of 1956. Humboldt's principal operating subsidiary is Humboldt Bank, which was founded in 1989 and operates as a California state-chartered bank. Humboldt Bank also operates under the names Capitol Valley Bank, Feather River State Bank and Tehama Bank, which, in combination, offer business and consumer banking services at 27 locations throughout Northern California. Humboldt Bank's subsidiary Humboldt Investment Trust was formed as a real estate investment trust organized under the laws of the state of Maryland.

The Merger (page 20)

Upon shareholder approval and the satisfaction or waiver of the conditions to the merger, Humboldt will merge with and into Umpqua, immediately followed by the merger of Humboldt Bank into Umpqua Bank. Humboldt and Humboldt Bank will cease to exist as separate entities. The branches of Humboldt Bank will become stores of Umpqua Bank.

The merger agreement is the legal document that governs the merger of Humboldt with and into Umpqua and is attached to this document as Appendix A. Please read the agreement carefully.

Merger Consideration (page 37)

If the merger is completed, Humboldt shareholders will be entitled to receive one share of Umpqua common stock for each share of Humboldt common stock.

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Treatment of Humboldt Stock Awards (page 38)

At the time the merger becomes effective, Umpqua will assume Humboldt's stock incentive plans and unexercised Humboldt options will be converted into replacement options to acquire shares of Umpqua common stock and outstanding Humboldt stock bonus awards will be converted into the right to receive an equal number of shares of Umpqua common stock, subject to the same restrictions as the Humboldt stock bonus award. The terms and conditions of Humboldt awards will otherwise remain the same.

Market Price Information for Umpqua and Humboldt Common Stock (page 10)

Umpqua trades on the Nasdaq National Market under the symbol UMPQ. The closing price of Umpqua's common stock on March 12, 2004, the last trading day before public announcement of the merger was \$21.42. The closing price on May 14, 2004, the last practicable trading date before the date of this document was \$18.64.

Humboldt trades on the Nasdaq National Market under the symbol HBEK. The closing price of Humboldt's common stock on March 12, 2004, the last trading day before public announcement of the merger was \$18.00. The closing price on May 14, 2004, the last practicable trading date before the date of this document was \$18.80.

Opinion of Umpqua's Financial Advisor (page 24)

On March 12, 2004, Umpqua's financial advisor, Wells Fargo Securities, LLC, delivered its opinion to Umpqua's board of directors. The opinion stated that as of March 12, 2004, and subject to the qualifications in the opinion, the consideration to be offered by Umpqua is fair from a financial point of view to Umpqua shareholders. Wells Fargo Securities, LLC reconfirmed its opinion in writing on May 17, 2004. A copy of the opinion is attached as Appendix D to this document.

Opinion of Humboldt's Financial Advisor (page 32)

On May 17, 2004, Humboldt's financial advisor, Keefe, Bruyette & Woods, Inc. delivered its written opinion to Humboldt's board of directors. The opinion stated that as of May 17, 2004, and subject to the qualifications in the opinion, the exchange ratio to be received by Humboldt shareholders is fair from a financial point of view to Humboldt shareholders. A copy of the opinion is attached as Appendix C to this document.

Approval of the Merger

The merger agreement must be approved by the holders of a majority of the outstanding shares of common stock of each of Umpqua and Humboldt.

Recommendation of Boards of Directors (pages 21, 23)

After careful consideration, the board of directors of each of Umpqua and Humboldt determined that the merger is fair to and in the best interests of their respective shareholders. Based on the reasons for the merger described in this document, including the respective fairness opinions, each board recommends that you vote **FOR** the proposal to approve the merger.

Interests of Directors and Executive Officers (page 39)

On May 7, 2004, Umpqua's directors and executive officers beneficially owned 1,499,589 Umpqua shares, of which 1,108,162 are entitled to be voted at the meeting of Umpqua shareholders. Those shares constitute approximately 3.89% of the total shares outstanding and entitled to

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vote at the meeting. Each Umpqua director has agreed to vote his or her shares in favor of the merger agreement.

On May 10, 2004, Humboldt's directors and executive officers beneficially owned 1,538,443 Humboldt shares, of which 952,444 are entitled to be voted at the meeting of Humboldt shareholders. Those shares

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constitute approximately 6.21% of the total shares outstanding and entitled to be voted. Humboldt directors holding 4.29% of the total shares entitled to vote at the meeting have agreed to vote their shares in favor of the merger.

Humboldt executive officers have interests in the merger that are different from, or in addition to, the interests of other shareholders. When considering the recommendation of Humboldt's board of directors, you should be aware that Robert M. Daugherty, President and Chief Executive Officer, and Patrick J. Rusnak, Executive Vice President and Chief Financial Officer, have entered into employment agreements with Umpqua and will be entitled to a cash payment upon completion of the merger. These new Umpqua employment agreements incorporate certain of the payments and benefits that Mr. Daugherty and Mr. Rusnak would have been entitled to under their employment contracts with Humboldt in certain circumstances following a change in control. Mr. Daugherty will receive a cash payment of \$901,084 and the immediate grant of options to purchase 27,600 shares of common stock that, together with options on 60,000 shares previously granted, will be fully vested. Patrick Rusnak will receive a cash payment of \$525,000 and the immediate vesting of 2,000 stock bonus award shares.

Several Humboldt officers have existing agreements with Humboldt that provide for severance benefits in the event of a qualifying termination of employment within one year following the merger. The aggregate amount of cash severance payable under the existing Humboldt written agreements with the eight other Humboldt officers is estimated at \$1.35 million if qualifying terminations occur within one year following the merger.

Special Meeting of Umpqua Shareholders (page 13)

A special meeting of Umpqua shareholders will be held on Wednesday, July 7, 2004 at 6:00 p.m., local time, at the Umpqua Bank University and Support Center, 1740 NW Garden Valley Blvd., Roseburg, Oregon. At the meeting, shareholders will be asked to approve the merger, including the issuance of shares of Umpqua common stock pursuant to the merger.

Special Meeting of Humboldt Shareholders (page 16)

A special meeting of Humboldt shareholders will be held on Wednesday, July 7, 2004 at 9:00 a.m., local time, at Humboldt Bank Plaza, 2440 Sixth Street, Eureka, California. At the meeting, shareholders will be asked to approve the merger.

Humboldt Shareholders May Have Appraisal (Dissenters') Rights (page 44)

Under California law, as a Humboldt shareholder you may have the right to dissent from the merger and to have the appraised fair market value of your shares of Humboldt common stock paid to you in cash. You have the right to seek appraisal and be paid the appraised value of your shares if:

you deliver to Humboldt, before the vote is taken at the special meeting, a written demand for payment of your shares;

holders of at least 5% of the total number of shares (including you) of Humboldt common stock make the required written demand;

you vote against the merger; and

you comply with California law governing dissenters' rights.

If you dissent from the merger and the conditions outlined above are met, your only right will be to receive the appraised value of your shares in cash, which appraised value may be more or less than the merger consideration.

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Conditions to the Merger (page 49)

Completion of the merger depends upon a number of conditions being satisfied or, where legally possible, waived, including among others:

approval of the merger agreement by both Umpqua and Humboldt shareholders;

receipt of required regulatory approvals and waivers;

absence of an injunction or regulatory prohibition to completion of the merger;

accuracy of the respective representations and warranties of Umpqua and Humboldt, subject to exceptions that would not have a material adverse effect on Umpqua or Humboldt;

receipt by each party of an opinion of Umpqua's tax counsel that the merger will qualify as a tax-free reorganization; and

compliance in all material respects by Umpqua and Humboldt with their respective covenants in the merger agreement.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

No Solicitation (page 49)

The merger agreement contains provisions that prohibit Humboldt and its directors and officers from taking any action to solicit or encourage or engage in discussions or negotiations with any person or group with respect to an alternative acquisition proposal. Humboldt may not provide non-public information to any other person in connection with a possible alternative transaction, except to the extent specifically authorized by its board of directors in the good faith exercise of its fiduciary duties after consultation with legal counsel. Humboldt must notify Umpqua of any alternative acquisition proposal.

Termination (page 50)

Our boards of directors may agree to terminate the merger agreement at any time prior to completing the merger, even after shareholder approval. Either Umpqua or Humboldt may terminate the merger agreement if the merger has not been completed by October 31, 2004; if both Humboldt and Umpqua shareholders have not approved the merger agreement by September 30, 2004; or if the other party has made a material misrepresentation or materially breached the merger agreement which is not cured within 30 days after notice. Humboldt's board of directors may also terminate the merger agreement upon advice of legal counsel that the fiduciary duties of the directors so require.

Termination Fee (page 51)

If the merger agreement is terminated by either party because Humboldt's shareholders have not approved the merger agreement by September 30, 2004; by Umpqua because of an uncured material misrepresentation or material breach by Humboldt; or by Humboldt pursuant to fiduciary duties upon advice of legal counsel, then Humboldt will pay Umpqua its reasonable expenses up to \$500,000. If Umpqua terminates the merger agreement because of Humboldt's willful failure to comply with a material covenant, Humboldt will pay Umpqua an additional \$3,500,000.

If the merger agreement is terminated by either party because Umpqua's shareholders have not approved the merger agreement by September 30, 2004, or by Humboldt because of an uncured material misrepresentation or material breach by Umpqua, then Umpqua will pay Humboldt its reasonable expenses up to \$500,000. If Humboldt terminates the merger agreement because of Umpqua's willful failure to comply with a material covenant, Umpqua will pay Humboldt an additional \$3,500,000, which is Humboldt's sole remedy for termination.

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In addition, and subject to exceptions discussed in detail in this document, if Humboldt enters into or recommends to its shareholders any alternative acquisition transaction prior to December 31, 2005, Humboldt will pay \$10,000,000 (less any termination fee already paid) to Umpqua.

Stock Option Agreement (page 52)

Umpqua and Humboldt have entered into a stock option agreement under which Humboldt has granted to Umpqua an irrevocable option to purchase up to 3,022,666 authorized but unissued shares of Humboldt common stock. Umpqua cannot exercise the option unless the merger is not completed and specific triggering events occur relating to an alternative acquisition transaction involving Humboldt and a third party. The exercise price is \$18.00 per share. Umpqua may not exercise the option if it has elected to receive the \$10 million cash termination fee from Humboldt. The number of shares to which Umpqua is entitled under this stock option may be reduced so that the cash benefit from exercising the option together with any termination fee paid to Umpqua does not exceed \$13,400,000.

The option could have the effect of discouraging a third party from attempting to acquire Humboldt at this time.

Regulatory Matters

To complete the merger, Umpqua and Humboldt must obtain approval from the Federal Deposit Insurance Corporation. Umpqua submitted its application to the FDIC on April 19, 2004. On April 30, 2004, Umpqua received notification from the Board of Governors of the Federal Reserve System that, contingent upon FDIC approval, the Federal Reserve Board will not require filing of a formal application by Umpqua. On May 10, 2004, Umpqua received approval from the Oregon Department of Consumer and Business Services and an order of exemption from the California Commissioner of Financial Institutions.

Material United States Federal Income Tax Consideration (page 42)

In general, when you exchange your Humboldt common stock for shares of Umpqua common stock, you will not recognize any gain or loss for United States federal income tax purposes. There is no tax effect to current Umpqua shareholders as a result of the merger.

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The following selected consolidated financial data for Umpqua have been derived from, and are qualified by reference to, the audited consolidated financial statements and notes thereto contained in Umpqua's Annual Reports on Form 10-K for the three years ended December 31, 2003 and the unaudited consolidated financial statements and notes thereto contained in Umpqua's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004. See "Incorporation of Documents by Reference" on page 70 for information on where these documents are available. This information is only a summary and you should read it with the financial statements and notes thereto referenced to above.

Umpqua expects that it will incur merger and restructuring expenses as a result of the merger. Umpqua and Humboldt anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses and enhanced opportunities to earn more revenue. The historical information presented below does not reflect these financial expenses or benefits and does not attempt to predict or suggest future results.

	Three Months Ended March 31,		Year Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
	(Dollars in thousands except share data)						
Operating Results							
Interest income	\$36,907	\$35,317	\$142,132	\$100,325	\$88,038	\$82,068	\$68,268
Interest expense	7,392	7,738	28,860				