

UMPQUA HOLDINGS CORP
Form 11-K
June 25, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31, 2008

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 000-25597

Umpqua Bank 401(k) and Profit Sharing Plan
(Full title of the Plan)

Umpqua Holdings Corporation
(Name of the issuer of the securities held pursuant to the Plan)

Umpqua Bank Plaza
One SW Columbia Street, Suite 1200
Portland, OR 97258
(address of principal executive office of the issuer)

REQUIRED INFORMATION

1. Not Applicable
 2. Not Applicable
 3. Not Applicable
 4. The Umpqua Bank 401(k) and Profit Sharing Plan (the Plan) is subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Furnished herewith are the financial statements and schedules of the Plan for the fiscal year ended December 31, 2008, prepared in accordance with the financial reporting requirements of ERISA.
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**UMPQUA BANK
401(k) AND PROFIT SHARING PLAN**

**REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM
AND
FINANCIAL STATEMENTS
WITH
SUPPLEMENTAL SCHEDULE**

DECEMBER 31, 2008 AND 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees

Umpqua Bank 401(k) and Profit Sharing Plan

We have audited the accompanying statements of net assets available for benefits of the Umpqua Bank 401(k) and Profit Sharing Plan (the Plan) as of December 31, 2008 and 2007, and the related statement of changes in net assets available for benefits for the year ended December 31, 2008. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in its net assets available for benefits for the year ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of assets held (at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Portland, Oregon

June 25, 2009

UMPQUA BANK 401(k) AND PROFIT SHARING PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

| | December 31, | |
|--|----------------------|----------------------|
| | 2008 | 2007 |
| ASSETS | | |
| Investments, at fair value: | | |
| Mutual funds | \$ 43,841,689 | \$ 56,748,237 |
| Common stock | 7,947,821 | 8,007,802 |
| Individually directed accounts | 1,591,044 | 2,339,210 |
| Participant loans | 1,207,190 | 977,083 |
| Total investment assets | 54,587,744 | 68,072,332 |
| Receivables: | | |
| Plan merger assets (Note 6) | - | 4,030,693 |
| Accrued earnings | 27,463 | 99,241 |
| Employer contributions | 1,122,080 | 908,541 |
| Employee contributions | 195,640 | 14,124 |
| Due from broker for securities sold | 32,764 | 16,541 |
| Total receivables | 1,377,947 | 5,069,140 |
| Cash | 64,473 | 749,925 |
| TOTAL ASSETS | 56,030,164 | 73,891,397 |
| LIABILITIES | | |
| Due to broker for securities purchased | 268,774 | 696,761 |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 55,761,390 | \$ 73,194,636 |

See accompanying notes.

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UMPQUA BANK 401(k) AND PROFIT SHARING PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2008

ADDITIONS TO (DEDUCTIONS FROM) NET ASSETS ATTRIBUTED TO:

| | | |
|---|----|--------------|
| Investment income (loss): | | |
| Net depreciation in fair value of investments | \$ | (19,419,266) |
| Dividends | | 369,645 |
| Interest | | 253,190 |
| Participant loan interest | | 84,292 |
| | | (18,712,139) |
| Less investment expenses | | (20,087) |
| | | |
| Net investment loss | | (18,732,226) |
| | | |
| Contributions: | | |
| Employer | | 2,559,994 |
| Participant | | 5,894,549 |
| Rollovers | | 362,839 |
| | | 8,817,382 |
| | | |
| Total additions (deductions) | | (9,914,844) |

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

| | | |
|-------------------------------|--|-----------|
| Benefits paid to participants | | 7,244,694 |
| Deemed distributions | | 137,205 |
| Administrative expenses | | 136,503 |
| | | |
| Total deductions | | 7,518,402 |

CHANGE IN NET ASSETS (17,433,246)

NET ASSETS AVAILABLE FOR BENEFITS:

| | | |
|-------------------|----|------------|
| Beginning of year | | 73,194,636 |
| | | |
| End of year | \$ | 55,761,390 |

UMPQUA BANK 401(k) AND PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF PLAN

The following description of the Umpqua Bank 401(k) and Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan Agreement, as amended, for a more complete description of Plan provisions.

General The Plan is a 401(k) salary deferral and profit sharing plan covering substantially all employees of Umpqua Holdings Corporation and Subsidiaries (the Company), and is subject to provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Company is the Plan's sponsor and serves as plan administrator.

Eligibility Employees of the Company are eligible to participate in the Plan upon reaching age 18 and after completing one hour of service.

Contributions Participants may elect to contribute up to 100% of eligible compensation to the Plan each year. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The Plan includes a discretionary Company contribution match of up to 6% of the employee's contribution. The Company makes a discretionary profit sharing contribution to be allocated to all eligible employees based on the percentage of each employee's eligible compensation to total eligible compensation. The profit sharing contribution is based on the Company's performance, at the discretion of the Board of Directors, and if awarded is allocated to eligible employees once per year.

Contributions are subject to regulatory limitations.

Participant accounts Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and (b) Plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. Participants may direct the investment of their account balances into various investment options offered by the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting Participants are fully vested at all times in that portion of their accounts attributable to their own contributions and earnings or losses thereon. A participant vests in the Company's matching and profit sharing contributions and earnings/losses thereon pursuant to the following vesting schedule.

| <u>Years of Service</u> | <u>Percentage</u> |
|-------------------------|-------------------|
| Less than 1 year | 0% |
| 1 year but less than 2 | 20% |
| 2 years but less than 3 | 40% |
| 3 years but less than 4 | 60% |
| 4 years but less than 5 | 80% |
| 5 years or more | 100% |

UMPQUA BANK 401(k) AND PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF PLAN (continued)

Participant loans Participants may borrow from their accounts a minimum of \$1,000 up to 50% of participants' vested accounts, but not in excess of \$50,000. Loans are secured by the balance of the participant's account and bear fixed, reasonable rates of interest, as determined by the plan administrator. The maximum loan term is five years unless the loan term qualifies as a home loan. Principal and interest are paid ratably through payroll deductions. As of December 31, 2008, the rates of interest on outstanding loans ranged from 4.25% to 10.25% with various maturities through March 2023.

Payment of benefits On termination of service due to death, disability, or retirement, a participant may elect to receive a lump-sum amount equal to the value of the participant's account balance. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

Forfeitures Forfeitures are the nonvested portion of a participant's account that are lost upon termination of employment. Forfeitures are retained in the Plan and will be used to reduce future Company contributions. During 2008, \$96,496 in forfeitures was used to reduce employer contributions. As of December 31, 2008 and 2007, respectively, forfeited nonvested accounts totaled \$125,958 and \$307,690.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the accrual method of accounting.

Use of estimates The preparation of financial statements requires the use of estimates and assumptions that may affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investment valuation The Plan adopted the provisions of Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157) effective January 1, 2008. Under SFAS No. 157, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

As a result of the adoption of SFAS No. 157, the Plan classified its investments as of December 31, 2008 based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value (see Note 4). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

Basis of Fair Value Measurement

- Level 1** Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2** Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly;
- Level 3** Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

UMPQUA BANK 401(k) AND PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments are stated at fair value. If available, quoted market prices are used to value investments.

Loans to participants are not actively traded and significant other observable inputs are not available. Thus, the fair value of participant loans is equal to the amortized cost of the loans because the loans are secured by each respective participant's account balance.

Income recognition Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. The net depreciation in fair value of investments consists of both the realized gains or losses and unrealized appreciation and depreciation of those investments.

Payment of benefits Benefits are recorded when paid.

Expenses Administrative expenses such as legal and accounting fees are paid by the Company. Transaction fees and investment management fees are paid by the Plan.

NOTE 3 INVESTMENTS

Investments Investments representing 5% or more of net assets available for benefits consist of the following as of December 31:

| | 2008 | 2007 |
|---|--------------|--------------|
| Goldman Sachs Financial Square Prime Fund | \$ 9,216,679 | \$ 8,459,577 |
| Umqua Holdings Corporation Common Stock | \$ 7,976,761 | \$ 8,038,482 |
| PIMCO Total Return Fund | \$ 6,850,644 | \$ 4,962,487 |
| Growth Fund of America | \$ 5,452,033 | \$ 8,170,492 |
| Dodge & Cox Stock Fund | \$ 4,268,416 | \$ 7,358,671 |
| Van Kampen Equity and Income Fund | \$ 2,886,942 | NA |
| ING International Value Fund | NA | \$ 5,287,705 |
| Alger MidCap Growth Fund | NA | \$ 3,760,357 |

During 2008, the Plan's investments (including investments purchased, sold as well as held during the year) depreciated in fair value as follows:

| | |
|---|-----------------|
| Mutual funds | \$ (18,226,463) |
| Common stock | (409,099) |
| Individually directed accounts | (783,704) |
| Net depreciation in fair value of investments | \$ (19,419,266) |

UMPQUA BANK 401(k) AND PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 4 FAIR VALUE MEASUREMENTS

The following table discloses by level the SFAS No. 157 fair value hierarchy discussed in Note 2.

| | Investment Assets at Fair Value as of December 31, 2008 | | | | Total |
|--------------------------------|---|---------|--------------|----|------------|
| | Level 1 | Level 2 | Level 3 | | |
| Mutual funds | \$ 43,841,689 | \$ - | \$ - | \$ | 43,841,689 |
| Common stock | 7,947,821 | - | - | | 7,947,821 |
| Individually directed accounts | 1,591,044 | - | - | | 1,591,044 |
| Participant loans | - | - | 1,207,190 | | 1,207,190 |
| | \$ 53,380,554 | \$ - | \$ 1,207,190 | \$ | 54,587,744 |

The following table discloses the summary of changes in the fair value of the Plan's level 3 investment assets:

| | Participant Loans |
|----------------------------|----------------------|
| Balance, beginning of year | \$ 977,083 |
| New loans | 801,213 |
| Repayments | (433,901) |
| Deemed distributions | (137,205) |
| Balance, end of year | \$ 1,207,190 |

NOTE 5 TAX STATUS

The Internal Revenue Service has determined and informed the Company by a letter dated April 8, 2005, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. No provision for income taxes has been included in the Plan's financial statements.

NOTE 6 PLAN MERGERS

On April 26, 2007, Umpqua Holdings Corporation acquired North Bay Bancorp. Assets were merged into the Plan from the former plan of North Bay Bancorp on December 31, 2007. As of December 31, 2007, merger assets receivable were \$4,030,693, including \$56,573 of participant loans. There were no assets merged for the 2008 Plan year.

UMPQUA BANK 401(k) AND PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 7 RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market volatility, and credit risk. It is reasonably possible that, given the level of risk associated with investment securities, changes in the near term could materially affect a participant's account balance and the amounts reported in the financial statements.

NOTE 8 PARTY-IN-INTEREST TRANSACTIONS

Plan investments include shares of the Umpqua Holdings Corporation Stock Fund which is comprised of common stock of the Company.

NOTE 9 PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right to terminate the Plan and discontinue its contributions at any time. If the Plan is terminated, amounts allocated to a participant's account become fully vested.

NOTE 10 RECONCILIATION TO FORM 5500

The following are reconciliations of net assets available for benefits between the financial statements and the Form 5500 as of December 31:

| | 2008 | 2007 |
|---|---------------|---------------|
| Net assets available for benefits per financial statements | \$ 55,761,390 | \$ 73,194,636 |
| Less benefits payable not included in the financial statements until paid | (2,658) | (71,128) |
| Net assets available for benefits per Form 5500 | \$ 55,758,732 | \$ 73,123,508 |

The following is a reconciliation of total deductions for the year ended December 31, 2008:

| | |
|--|--------------|
| Total deductions per financial statements | \$ 7,518,402 |
| Investment expenses per the financial statements | 20,087 |
| Benefit payments reported in 2007 but paid in 2008 | (71,128) |
| Benefit payments reported in 2008 but paid in 2009 | 2,658 |
| Total expenses per Form 5500 | \$ 7,470,019 |

SUPPLEMENTAL SCHEDULE



UMPQUA BANK 401(k) AND PROFIT SHARING PLAN**EIN: 93-0419143****PLAN NO. 001****SCHEDULE OF ASSETS (HELD AT END OF YEAR)****YEAR ENDED DECEMBER 31, 2008**

| (a) | (b) Identity of Issue, Borrower, Lessor or Similar Party | (c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | (d) Cost | (e) Current Value |
|-----|--|--|-------------|-------------------------|
| | Alger MidCap Growth Fund | Mutual fund | ** | \$ 1,863,643 |
| | Columbia Acorn Z Fund | Mutual fund | ** | 1,493,163 |
| | Davis NY Venture A Fund | Mutual fund | ** | 1,845,003 |
| | Dimensional Intenational Value Portfolio | Mutual fund | ** | 2,663,458 |
| | Dodge & Cox Stock Fund | Mutual fund | ** | 4,268,416 |
| | Dreyfus Mid Cap Index Fund | Mutual fund | ** | 893,749 |
| | American Funds Europacific Growth Fund | Mutual fund | ** | 1,674,412 |
| | Goldman Sachs Financial Square Prime Fund | Mutual fund | ** | 9,216,679 |
| | Growth Fund of America A Fund | Mutual fund | ** | 5,452,033 |
| | Riversource Mid Cap Value Fund | Mutual fund | ** | 17,081 |
| | PIMCO Total Return Fund | Mutual fund | ** | 6,850,644 |
| | Royce Low Priced Stock Fund | Mutual fund | ** | 1,540,077 |
| | Vanguard Balanced Index Fund | Mutual fund | ** | 598,773 |
| | Vanguard 500 Index Fund | Mutual fund | ** | 2,577,616 |
| | VKM Equity & Income Fund | Mutual fund | ** | 2,886,942 |
| | Acadian Emerging Markets Fund | Mutual fund IDA | ** | 1 |
| | SSGA Inst Gov Money Market Fund | Mutual fund IDA | ** | 25,573 |
| | Charles Scwhab Money Market Fund | Mutual fund IDA | ** | 2,523 |
| | Charles ScwhabValue Advantage | Mutual fund IDA | ** | 17,552 |
| | U.S. Global Investors Global Resources Fund | Mutual fund IDA | ** | 4,859 |
| * | Umpqua Holdings Corporation | Common stock | ** | 7,947,821 |
| * | Umpqua Holdings Corporation | Common stock IDA | ** | 28,940 |
| | 3M Co. | Common stock IDA | ** | 51,786 |
| | Allegheny Corp. | Common stock IDA | ** | 32,148 |
| | Altera Corporation | Common stock IDA | ** | 61,827 |
| | American Express Co. | Common stock IDA | ** | 24,115 |
| | Ascent Media Corp. | Common stock IDA | ** | 786 |
| | Cisco Systems Inc. | Common stock IDA | ** | 6,520 |
| | Coca Cola Co. | Common stock IDA | ** | 86,013 |
| | Comcast Corp. | Common stock IDA | ** | 60,563 |
| | Discovery Communications Inc. - A | Common stock IDA | ** | 5,168 |
| | Discovery Communications, Inc. | Common stock IDA | ** | 4,887 |
| | Dresser-Rand Group Inc. | Common stock IDA | ** | 24,150 |
| | Ecolab Inc. | Common stock IDA | ** | 49,210 |
| | E.W. Scripps Co. - A | Common stock IDA | ** | 588 |
| | General Electric Co | Common stock IDA | ** | 56,700 |
| | L-3 Communication Holdings Inc. | Common stock IDA | ** | 51,646 |

UMPQUA BANK 401(k) AND PROFIT SHARING PLAN**EIN: 93-0419143****PLAN NO. 001****SCHEDULE OF ASSETS (HELD AT END OF YEAR)****YEAR ENDED DECEMBER 31, 2008**

| (a) | (b) Identity of Issue, Borrower, Lessor or Similar Party | (c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | (d) Cost | (e) Current Value |
|-----|--|--|-------------|-------------------------|
| | Liberty Entertainment | Common stock IDA | ** | 38,106 |
| | Liberty Global | Common stock IDA | ** | 28,796 |
| | Liberty Global Ser A | Common stock IDA | ** | 13,882 |
| | Liberty Media Corp. | Common stock IDA | ** | 8,505 |
| | Liberty Media Hold-Cap Ser A | Common stock IDA | ** | 2,567 |
| | Microsoft Corp. | Common stock IDA | ** | 64,152 |
| | National Instruments Corp | Common stock IDA | ** | 38,976 |
| | Newfield Exploration | Common stock IDA | ** | 39,500 |
| | Noble Energy Inc. | Common stock IDA | ** | 62,509 |
| | Patriot Coal Corp | Common stock IDA | ** | - |
| | Peabody Energy Corp | Common stock IDA | ** | 9,100 |
| | Praxair, Inc. | Common stock IDA | ** | 65,296 |
| | Progressive Corp | Common stock IDA | ** | 29,620 |
| | Rogers Wireless Communications | Common stock IDA | ** | 75,200 |
| | Scripps Networks Interactive, Inc. | Common stock IDA | ** | 17,600 |
| | SLM Corp | Common stock IDA | ** | 20,470 |
| | Teva Pharmaceutical Industries, Ltd. | Common stock IDA | ** | 17,028 |
| | United Health Group Inc. | Common stock IDA | ** | 50,487 |
| | Wal-mart | Common stock IDA | ** | 106,514 |
| | Waste Management Inc. | Common stock IDA | ** | 66,280 |
| | Willis Group Holdings, Ltd. | Common stock IDA | ** | 49,760 |
| | FirstBank Puerto Rico N.A. | Certificate of deposit IDA | ** | 94,810 |
| | Morgan Stanley Bank | Certificate of deposit IDA | ** | 96,331 |
| * | Participant loans | 4.25% 10.25%, various maturity dates | - | 1,207,190 |
| | | | | \$ |
| | | | | 54,587,744 |

* Indicates party-in-interest

** Information is not required as investments are participant directed.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Plan Administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 25, 2009

Umpqua Bank 401(k) and Profit Sharing Plan

By: /s/ Steven L. Philpott

Steven L. Philpott

Chair of the Umpqua Bank 401(k) Advisory

Committee, Plan Administrator

EXHIBIT INDEX

| <u>Exhibit</u> | <u>Description</u> |
|----------------|---|
| <u>23.1</u> | <u>Consent of Independent Registered Public Accounting Firm</u> |
