

UMPQUA HOLDINGS CORP
Form 11-K
June 30, 2008

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

FORM 11-K

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

For the fiscal year ended: December 31, 2007

**[] 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, 2007, prepared in accordance with the financial reporting requirements of ERISA.

**UMPQUA BANK
401(k) AND PROFIT SHARING PLAN**

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

DECEMBER 31, 2007 AND 2006

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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, 2007 and 2006, and the related statement of changes in net assets available for benefits for the year ended December 31, 2007. 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, 2007 and 2006, and the changes in net assets available for benefits for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

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Our audits were conducted for the purpose of forming an opinion on the basic 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 supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental information is the responsibility of the Plan's management. The supplemental information 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 27, 2008

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

December 31,

| | 2007 | 2006 |
|-------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Investments, at fair value: | | |
| Mutual funds | \$ 56,748,237 | \$ 45,289,827 |
| Common stock | 8,007,802 | 16,945,990 |
| Individually directed accounts | 2,339,210 | 2,171,380 |
| Participant loans | 977,083 | 946,932 |
| | <hr/> | <hr/> |
| Total investment assets | 68,072,332 | 65,354,129 |
| | <hr/> | <hr/> |
| Receivables: | | |
| Plan merger assets - Note 6 | 4,030,693 | - |
| Accrued earnings | 99,241 | 95,579 |
| Employer contributions | 908,541 | 1,499,039 |
| Employee contributions | 14,124 | 173,252 |
| Due from broker for securities sold | 16,541 | 40,830 |
| | <hr/> | <hr/> |
| Total receivables | 5,069,140 | 1,808,700 |
| | <hr/> | <hr/> |
| Cash | 749,925 | 5,597,760 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | 73,891,397 | 72,760,589 |

LIABILITIES

| | | |
|--|----------------------|----------------------|
| Due to broker for securities purchased | 696,761 | 336,401 |
| | <hr/> | <hr/> |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 73,194,636 | \$ 72,424,188 |
| | <hr/> | <hr/> |

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, 2007

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

Investment income:

| | |
|---|----------------|
| Net depreciation in fair value of investments | \$ (3,293,838) |
| Dividends | 309,157 |
| Interest | 413,309 |
| Participant loan interest | 70,408 |
| | <hr/> |

(2,500,964)

Less investment expenses

(32,960)

Net investment income

(2,533,924)

Contributions:

| | |
|-------------|-----------|
| Employer | 2,241,452 |
| Participant | 6,153,000 |
| Rollovers | 762,643 |
| | <hr/> |

9,157,095

Transfer of assets from North Bay Bancorp 401(k) & Profit Sharing Plan - Note 6

4,030,693

Total additions

10,653,864

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

| | |
|-------------------------------|-----------|
| Benefits paid to participants | 9,581,231 |
| Deemed distributions | 155,323 |
| Administrative expenses | 146,862 |

| | |
|---|-------------------------|
| Total deductions | 9,883,416 |
| CHANGE IN NET ASSETS | 770,448 |
| NET ASSETS AVAILABLE FOR BENEFITS: | |
| Beginning of year | 72,424,188 |
| End of year | \$ 73,194,636 |
| 3 | See accompanying notes. |

**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 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 is allocated to eligible employees once per year. During the year ended December 31, 2006, 50% of the matching and profit sharing contributions were used to purchase Umpqua Holdings Corporation stock with the remaining 50% allocated as directed by the participants. Funding for the 2006 contributions was made during 2007. Thus, the Stock Fund is a nonparticipant directed fund. Participants can immediately transfer their balance in the Stock Fund into the other investment options offered by the Plan. In October 2006, the Board elected to discontinue funding employer match and profit sharing contributions with Company stock. Starting in the year ended December 31, 2007, all employer contributions are funded with cash.

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 or losses thereon pursuant to the following vesting schedule.

Years of Service

Percentage

| | |
|-------------------------|------|
| 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, 2007, the rates of interest on outstanding loans ranged from 4.25% to 9.50% with various maturities.

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 2007, \$139,850 in forfeitures was used to reduce employer contributions. As of December 31, 2007 and 2006, respectively, forfeited nonvested accounts totaled \$307,690 and \$139,850.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting The financial statements of the Plan are prepared under the accrual method of accounting.

Use of estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

Investment valuation and income recognition Investments are stated at fair value as determined by the Plan's trustee, Reliance Trust Company. The Plan's investments are stated at fair value. Quoted market prices are used to value investments. Shares of registered investment company funds are valued at the net asset value of shares held by the Plan at year-end. Loans to participants are valued at their outstanding balances, which approximate fair value.

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.

Payment of benefits Benefits are recorded when paid.

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

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

NOTE 3 INVESTMENTS

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

| | 2007 | 2006 |
|---|--------------|---------------|
| Goldman Sachs Financial Square Prime Fund | \$ 8,459,577 | \$ 6,389,056 |
| Growth Fund of America | \$ 8,170,492 | \$ 7,242,204 |
| Umpqua Holdings Corporation | \$ 8,038,482 | \$ 16,945,990 |
| Dodge & Cox Stock Fund | \$ 7,358,671 | \$ 6,555,242 |
| ING International Value Fund | \$ 5,287,705 | \$ 4,643,358 |
| PIMCO Total Return Fund | \$ 4,962,487 | NA |
| Alger MidCap Growth Fund | \$ 3,760,357 | NA |

At times during the year a portion of Umpqua Holdings Corporation stock held by the Plan was unallocated to participants. As of December 31, 2007 there were no unallocated assets. Total unallocated assets equaled \$1,269,066 at December 31, 2006. These assets were allocated to participants shortly after.

During 2007, the Plan's investments (including investments purchased, sold as well as held during the year) appreciated (depreciated) in fair value as determined by quoted market prices as follows:

| | |
|---|-----------------------|
| Mutual funds | \$ 3,037,227 |
| Common stock | (6,531,855) |
| Individually directed accounts | 200,790 |
| | <u>\$ (3,293,838)</u> |
| Net depreciation in fair value of investments | |

NOTE 4 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). No provision for income taxes has been included in the Plan's financial statements.

NOTE 5 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, given the level of risk associated with investment securities that changes in the near term could materially affect a participant's account balance and the amounts reported in the financial statements.

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

NOTE 6 PLAN MERGERS

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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.

NOTE 7 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 8 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 9 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:

| | 2007 | 2006 |
|---|---------------|---------------|
| Net assets available for benefits per financial statements | \$ 73,194,636 | \$ 72,424,188 |
| Less benefits payable not included in the financial statements until paid | (71,128) | (26,041) |
| Net assets available for benefits per Form 5500 | \$ 73,123,508 | \$ 72,398,147 |

The following is a reconciliation of total benefits paid to participants for the year ended December 31, 2007:

| | |
|--|--------------|
| Total benefits paid per financial statements | \$ 9,581,231 |
| Benefit payments reported in 2006 but paid in 2007 | (26,041) |
| Benefit payments reported in 2007 but paid in 2008 | 71,128 |
| Total benefit payments per Form 5500 | \$ 9,626,318 |

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SUPPLEMENTAL SCHEDULES

**UMPQUA BANK 401(k) AND PROFIT SHARING PLAN
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2007**

Plan year: January 1, 2007, to December 31, 2007
Plan sponsor: Umpqua Holdings Corporation
Name of Plan: Umpqua Bank 401(k) and Profit Sharing Plan
EIN: 93-0419143

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Plan number: 001

| (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 | ** | \$ 3,760,357 |
| | Columbia Acorn Z Fund | Mutual fund | ** | 2,343,727 |
| | Davis NY Venture A Fund | Mutual fund | ** | 2,954,981 |
| | Dodge & Cox Stock Fund | Mutual fund | ** | 7,358,671 |
| | Dreyfus Mid Cap Index Fund | Mutual fund | ** | 1,272,472 |
| | American Funds Europacific Growth Fund | Mutual fund | ** | 3,061,233 |
| | Goldman Sachs Financial Square Prime Fund | Mutual fund | ** | 8,459,577 |
| | Growth Fund of America A Fund | Mutual fund | ** | 8,170,492 |
| | ING International Value Fund | Mutual fund | ** | 5,287,705 |
| | PIMCO Total Return Fund | Mutual fund | ** | 4,962,487 |
| | Royce Low Priced Stock Fund | Mutual fund | ** | 1,753,481 |
| | Vanguard Balanced Index Fund | Mutual fund | ** | 567,927 |
| | Vanguard 500 Index Fund | Mutual fund | ** | 3,363,279 |
| | Vanguard Money Market Fund | Mutual fund | ** | 18,412 |
| | VKM Equity & Income Fund | Mutual fund | ** | 3,413,436 |
| | Acadian Emerging Markets Fund | Mutual fund - IDA | ** | 3,510 |
| | Charles Scwhab Health Care Fund | Mutual fund - IDA | ** | 21,883 |
| | Janus Global Technology Fund | Mutual fund - IDA | ** | 19,141 |
| | Janus Overseas Fund | Mutual fund - IDA | ** | 32,251 |
| | Matthews China Fund | Mutual fund - IDA | ** | 18,495 |
| | SSGA Inst Gov Money Market Fund | Mutual fund - IDA | ** | 22,826 |
| | Charles Scwhab Money Market Fund | Mutual fund - IDA | ** | 118 |
| | Charles Scwhab Value Advantage | Mutual fund - IDA | ** | 103,555 |
| | Charles Scwhab Global Real Estate Fund | Mutual fund - IDA | ** | 8,509 |
| | U.S. Global Investors Global Resources Fund | Mutual fund - IDA | ** | 16,166 |
| * | Umpqua Holdings Corporation | Common stock | \$11,855,898 | 8,007,802 |
| * | Umpqua Holdings Corporation | Common stock IDA | ** | 30,680 |
| | 3M Co | Common stock IDA | ** | 25,296 |
| | Allegheny Corp. | Common stock IDA | ** | 45,024 |
| | Altera Corporation | Common stock IDA | ** | 71,484 |
| | Avaya Inc. Com | Common stock IDA | ** | - |
| | Baker Hughes, inc. | Common stock IDA | ** | 64,880 |
| | Cimarex Energy Co. | Common stock IDA | ** | 55,799 |
| | Cisco Systems Inc. | Common stock IDA | ** | 10,828 |
| | CME Group Inc - A | Common stock IDA | ** | 12,348 |
| | Coca Cola Co. | Common stock IDA | ** | 116,603 |
| | Comcast Corp. | Common stock IDA | ** | 67,950 |
| | Discovery Holding Co-A | Common stock IDA | ** | 18,352 |
| | Dresser-Rand Group Inc. | Common stock IDA | ** | 54,670 |
| | Etrade Financial Corp | Common stock IDA | ** | 710 |
| | Force Protection Inc | Common stock IDA | ** | 187 |
| | General Electric Co | Common stock IDA | ** | 96,382 |
| | L-3 Communication Holdings Inc. | Common stock IDA | ** | 74,158 |
| | Liberty Global | Common stock IDA | ** | 69,411 |
| | Liberty Global Ser A | Common stock IDA | ** | 34,174 |

UMPQUA BANK 401(k) AND PROFIT SHARING PLAN
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2007

| (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 Media Corp. | Common stock IDA | ** | 52,012 |
| | Liberty Media Hold-Cap Ser A | Common stock IDA | ** | 63,487 |
| | Microsoft Corp. | Common stock IDA | ** | 117,480 |
| | National Instruments Corp | Common stock IDA | ** | 53,328 |
| | Newfield Exploration | Common stock IDA | ** | 94,860 |
| | Noble Energy Inc. | Common stock IDA | ** | 100,990 |
| | Patriot Coal Corp | Common stock IDA | ** | 1,670 |
| | Peabody Energy Corp | Common stock IDA | ** | 24,656 |
| | Praxair, Inc. | Common stock IDA | ** | 88,710 |
| | Progressive Corp | Common stock IDA | ** | 38,320 |
| | Rogers Wireless Communications | Common stock IDA | ** | 113,125 |
| | Sanofi - Aventis | Common stock IDA | ** | 45,530 |
| | Scripps Howard Inc. | Common stock IDA | ** | 36,008 |
| | SLM Corp | Common stock IDA | ** | 22,154 |
| | United Health Group Inc. | Common stock IDA | ** | 110,464 |
| | Wachovia Corp | Common stock IDA | ** | 49,439 |
| | Wal-mart | Common stock IDA | ** | 90,307 |
| | Waste Management Inc. | Common stock IDA | ** | 65,340 |
| | Willis Group Holdings, Ltd. | Common stock IDA | ** | 75,940 |
| | Participant loans | 4.25% 9.50%, various maturity dates | - | 977,083 |
| | | | | \$ 68,072,332 |

* Indicates party-in-interest

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

UMPQUA BANK 401(k) AND PROFIT SHARING PLAN
SCHEDULE OF REPORTABLE TRANSACTIONS
YEAR ENDED DECEMBER 31, 2007

Plan year: January 1, 2007, to December 31, 2007
Plan sponsor: Umpqua Holdings Corporation
Name of Plan: Umpqua Bank 401(k) and Profit Sharing Plan
EIN: 93-0419143
Plan number: 001

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(iii) Schedule of series of transactions in same security that exceeds 5% of value of Plan assets

| (a) Identity of Party Involved* | (b) Description of Asset | (c) Purchase Price | (d) Selling Price | (e) Lease Rental | (f) Expenses Incurred with Transaction | (g) Cost of Assets | (h) Current Value of Asset on Transaction Date |
|--|--------------------------------|--------------------------|-------------------------|------------------------|---|--------------------------|--|
| Umpqua Holdings Corporation | Common stock | \$ 2,768,541 | | | | | \$2,768,541 |
| Umpqua Holdings Corporation | Common stock | | \$ 4,384,994 | | | \$ 5,427,804 | \$ 4,384,994 |

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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, 2008 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> |