

UMPQUA HOLDINGS CORP

Form S-4

February 16, 2007

**Table of Contents**

**As filed with the Securities and Exchange Commission on February 16, 2007**  
**Registration No. 333-**

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

**Form S-4**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

**Umpqua Holdings Corporation**  
*(Exact name of registrant as specified in its charter)*

**Oregon**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**6022**  
*(Primary Standard Industrial  
Classification Code Number)*

**93-1261319**  
*(IRS Employer  
Identification No.)*

**One SW Columbia Street, Suite 1200**  
**Portland, Oregon 97258**  
**(503) 727-4100**  
*(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)*

**Steven L. Philpott**  
**Executive Vice President, General Counsel and Secretary**  
**Umpqua Holdings Corporation**  
**675 Oak Street, Suite 200**  
**PO Box 1560**  
**Eugene, Oregon 97440**  
**(541) 434-2997**  
*(Name, address, including zip code, and telephone number,  
including area code, of agent for service)*

***Copies to:***

**Andrew H. Ognall, Esq.**  
**Foster Pepper LLP**  
**601 SW Second Avenue, Suite 1800**  
**Portland, Oregon 97204**  
**(503) 221-0607**

**R. Brent Faye, Esq.**  
**Nixon Peabody LLP**  
**Two Embarcadero Center**  
**San Francisco, California 94111**  
**(415) 984-8200**

**Approximate date of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(2)
Common Stock, no par value	6,000,000	N/A	\$206,040,000	\$22,046.28

(1) Represents the estimated maximum number of shares of common stock of Umpqua Holdings Corporation, no par value per share, that could be issued in connection with the merger with North Bay Bancorp including shares of common stock issuable upon the exercise of outstanding options to acquire North Bay Bancorp common stock.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rules 457(c) and (f) under the Securities Act of 1933, as amended, based on the market value of North Bay Bancorp common stock as of February 12, 2007 as reported by the NASDAQ Global Market, and the estimated maximum number of shares of North Bay Bancorp common stock (4,666,421 including 474,126 shares subject to options) that may be exchanged for Umpqua Holdings Corporation common stock.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

North Bay Bancorp [LOGO]

**MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT**

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

Upon completion of the merger, North Bay shareholders will be entitled to receive 1.217 shares of Umpqua common stock for each share of North Bay common stock that they own. Based on this exchange ratio, the implied value per share of North Bay common stock is equal to \$ , based on the market value of Umpqua common stock on , 2007.

Umpqua common stock is listed on the NASDAQ Global Select Market under the symbol UMPQ and North Bay common stock is listed on the NASDAQ Global Market under the symbol NBAN . On January 17, 2007, the date prior to announcement of the proposed merger, Umpqua common stock closed at \$28.77 and North Bay common stock closed at \$30.00.

**The value of the merger consideration to North Bay shareholders will depend on the value of Umpqua common stock upon completion of the merger and will fluctuate with the market price of Umpqua common stock. If the transaction closed on January 17, 2007 you would have been entitled to receive 121 shares and approximately \$20.63 in cash for fractional shares for each 100 shares of North Bay common stock held. This amount will vary with the price of Umpqua s stock.**

After careful consideration, each of the boards of directors of Umpqua and North Bay determined the merger to be fair to its shareholders and in its shareholders best interests, and unanimously approved the merger agreement. Umpqua s and North Bay s board of directors each received an opinion of its respective financial advisor as to the fairness of the consideration to be paid, in the case of Umpqua, and the exchange ratio, in the case of North Bay, to their respective shareholders from a financial point of view.

**Your vote is very important.** We cannot complete the merger unless North Bay s shareholders approve the merger proposal. North Bay s board of directors is soliciting proxies from shareholders to vote at a special shareholder meeting. 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 proxy statement-prospectus gives you detailed information about the merger and the shareholder meeting. Before sending in your proxy or voting your shares, you should read this entire document, particularly the information under RISK FACTORS beginning on page 13.**

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

This document is dated [March] , 2007 and was first mailed on or about [March] , 2007.

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

Terry L. Robinson  
President and Chief Executive Officer  
North Bay Bancorp

**Neither the Securities and Exchange Commission nor any other state securities commission has approved or disapproved of the terms of the merger agreement or the Umpqua common stock to be issued in connection with the merger, or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.**

**The securities offered through this document are not savings accounts, deposits or other obligations of a bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

---

**Table of Contents**

*[Inside Front Cover]*

**WHERE YOU CAN FIND MORE INFORMATION**

**THIS PROXY STATEMENT-PROSPECTUS INCORPORATES IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT UMPQUA AND NORTH BAY FROM DOCUMENTS THAT ARE NOT INCLUDED IN OR DELIVERED WITH THIS DOCUMENT. SEE INCORPORATION OF DOCUMENTS BY REFERENCE ON PAGE . 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. EACH OF UMPQUA AND NORTH BAY ALSO POST THEIR SEC FILINGS ON THEIR RESPECTIVE WEB SITES AT WWW.UMPQUAHOLDINGSCORP.COM AND WWW.NORTHBAYBANCORP.COM.**

For documents relating to Umpqua, direct requests to:

Umpqua Holdings Corporation  
Legal Department  
Steven Philpott, Executive Vice President, General Counsel and Secretary  
675 Oak Street, Suite 200  
P.O. Box 1560  
Eugene, OR 97440  
(541) 434-2997 (voice)  
(541) 342-1425 (fax)  
Email: [stevenphilpott@umpquabank.com](mailto:stevenphilpott@umpquabank.com)

For documents relating to North Bay, direct requests to:

North Bay Bancorp  
1190 Airport Road, Suite 101  
P.O. Box 2200  
Napa, CA 94558  
Attn: Terry L. Robinson, President and Chief Executive Officer  
(707) 252-5024 (voice)  
(707) 252-5025 (fax)  
Email: [trobenson@vintagebank.com](mailto:trobenson@vintagebank.com)

**To obtain timely delivery before the shareholder meeting, you must request the information no later than April , 2007.** 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 North Bay 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 100 F Street, N.E., Room 1580, 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 North Bay 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.

## Edgar Filing: UMPQUA HOLDINGS CORP - Form S-4

Umpqua has filed a registration statement on Form S-4 to register with the SEC up to 6,000,000 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 SEC's address set forth above. Statements contained in this document as to the contents of any contract or other documents 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.

---

**Table of Contents**

**[NORTH BAY BANCORP LOGO]**

**P.O. Box 2200  
1190 Airport Road, Suite 101  
Napa, California 94558**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD APRIL , 2007**

To North Bay Shareholders:

A special meeting of shareholders of North Bay Bancorp will be held at , , Napa, California at :00 a.m., local time, on April , 2007, for the following purposes:

1. *Approval of Merger.* To consider and vote on a proposal to approve the principal terms of an Agreement and Plan of Reorganization by and among Umpqua Holdings Corporation, Umpqua Bank, North Bay Bancorp and The Vintage Bank, dated as of January 17, 2007, and the accompanying Plan of Merger.
2. *Adjournments.* To consider and act upon a proposal to adjourn or postpone, if necessary, the special meeting to solicit additional proxies.

No other business will be transacted at the special meeting.

If you were a shareholder of record of North Bay Bancorp common stock as of the close of business on March , 2007, you are entitled to receive this notice and vote at the special meeting, or any adjournments or postponements thereof.

**Your vote is important.** Holders of a majority of the shares of North Bay Bancorp common stock outstanding on March , 2007 must vote in favor of the principal terms 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, YOUR BOARD OF DIRECTORS HAS DETERMINED THAT THE MERGER IS FAIR TO AND IN THE BEST INTERESTS OF NORTH BAY AND ITS SHAREHOLDERS, AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE MERGER PROPOSAL.**

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 North Bay Bancorp, or if there is no agreement, by a court) of your shares of North Bay Bancorp common stock as of the day before the first public announcement of the terms of the merger. The procedure for exercising your dissenters' rights is summarized under the heading **DISSENTING SHAREHOLDERS' 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. To properly exercise dissenters' rights, you must make written demand upon



North Bay on or before the date of the special meeting of shareholders.

By Order of the Board of Directors,

Wyman G. Smith,  
Secretary

April , 2007

---

**Table of Contents**

<u>QUESTIONS AND ANSWERS ABOUT VOTING AND THE SHAREHOLDER MEETING</u>	i
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER</u>	iii
<u>SUMMARY</u>	1
<u>SELECTED FINANCIAL DATA</u>	6
<u>SELECTED UNAUDITED COMPARATIVE PER SHARE DATA</u>	8
<u>MARKET PRICE DATA AND DIVIDEND INFORMATION</u>	9
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION</u>	10
<u>RISK FACTORS</u>	11
<u>RECENT DEVELOPMENTS OF UMPQUA</u>	13
<u>NORTH BAY SPECIAL MEETING</u>	15
<u>SHARES OWNED BY DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT SHAREHOLDERS</u>	18
<u>THE MERGER</u>	22
<u>MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER</u>	46
<u>ACCOUNTING TREATMENT</u>	47
<u>REGULATORY APPROVALS</u>	47
<u>DISSENTING SHAREHOLDERS' RIGHTS</u>	48
<u>THE MERGER AGREEMENT</u>	50
<u>INFORMATION ABOUT UMPQUA</u>	58
<u>INFORMATION ABOUT NORTH BAY</u>	59
<u>DESCRIPTION OF UMPQUA CAPITAL STOCK</u>	60
<u>COMPARISON OF RIGHTS OF SHAREHOLDERS</u>	61
<u>LEGAL MATTERS</u>	65
<u>EXPERTS</u>	65
<u>PROPOSALS OF SHAREHOLDERS</u>	66
<u>INCORPORATION OF DOCUMENTS BY REFERENCE</u>	66
APPENDIX A Agreement and Plan of Reorganization	
APPENDIX B Plan of Merger	
APPENDIX C Milestone Advisors, LLC Opinion	
APPENDIX D Howe Barnes Hoefler & Arnett, Inc. Opinion	
APPENDIX E Excerpt from California General Corporation Law Concerning Dissenters' Rights	
<u>EXHIBIT 23.1</u>	
<u>EXHIBIT 23.2</u>	
<u>EXHIBIT 23.3</u>	
<u>EXHIBIT 99.1</u>	
<u>EXHIBIT 99.2</u>	

**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT VOTING AND THE SHAREHOLDER MEETING**

*Q:*

*What are North Bay shareholders being asked to vote on at the special shareholder meeting?*

A: North Bay shareholders will vote on a proposal to approve the principal terms of the merger agreement and related plan of merger and, if necessary, a proposal to approve adjournment or postponement of the special meeting to solicit additional proxies in favor of the merger proposal.

*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 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.

*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 outstanding shares of North Bay common stock vote in favor of the merger proposal. Accordingly, a failure to vote or an abstention will have the same effect as a vote against the merger proposal, except for the purpose of preserving any dissenters' rights that a North Bay shareholder may have.

*Q: Have Umpqua's and North Bay'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 and in the best interests of its respective shareholders, and North Bay's board of directors unanimously recommend that you vote in favor of the merger proposal.

*Q: Who is eligible to vote?*

A: Holders of record of North Bay common stock at the close of business on March 1, 2007 are eligible to vote at the special meeting of shareholders.

*Q: Are there dissenters' appraisal rights?*

A: Under California law, North Bay 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 North Bay, or if there is no agreement, by a court) of your shares of North Bay

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 **DISSENTING SHAREHOLDERS' RIGHTS**. The relevant provisions of the California General Corporation Law on dissenters' rights are attached to this document as Appendix E. A vote in favor of the merger proposal will preclude you from exercising dissenters' rights; you must vote against the merger.

*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 proxy card at least 24 hours before the meeting and following the directions provided;

going to the web site listed on the 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;

**Table of Contents**

notifying North Bay's corporate Secretary in writing of the revocation of your proxy before the meeting; or voting in person at the special meeting, but simply attending the meeting will not, in and of itself, revoke a proxy.

If you vote through your broker, you must contact your broker to receive instructions on changing your vote.

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

A: If you fail to respond or you mark your proxy "abstain", it will have the same effect as a vote against the merger proposal. **Your vote is very important.** If you sign and 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 North Bay 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 North Bay stock certificates, contact North Bay's transfer agent, Registrar and Transfer Company, 10 Commerce Drive, Cranford, NJ 07016, (800) 368-5948. After completion of the merger, you will receive instructions for exchanging your North Bay 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:

Terry L. Robinson, President and  
Chief Executive Officer  
North Bay Bancorp  
1190 Airport Road, Suite 101  
P.O. Box 2200  
Napa, CA 94558  
(707) 252-5024 (voice)  
(707) 252-5025 (fax)  
trobinson@vintagebank.com



**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT THE MERGER**

*Q: What will North Bay shareholders receive in the merger?*

A: North Bay shareholders will receive 1.217 shares of Umpqua common stock in exchange for each share of North Bay common stock. This represents an implied value of North Bay common stock of \$35.01 per share, based upon the last reported price of Umpqua common stock on January 17, 2007, the last full trading day prior to public announcement of the merger, and an implied value of North Bay common stock of \$ per share, based upon the last reported price of Umpqua common stock on March , 2007.

*Q: Will the exchange ratio of 1.217 shares of Umpqua common stock for one share of North Bay common stock adjust under any circumstances?*

A: If the average closing price of Umpqua s common stock over the fifteen trading day period ending on the fifth business day prior to the projected merger closing date, or the Umpqua measuring period, is less than \$26.42, then North Bay may elect to terminate the merger agreement. However, if North Bay exercises this termination option, Umpqua may choose to increase the number of shares of Umpqua common stock to be issued by increasing the exchange ratio such that the exchange ratio equals the quotient of \$32.15 divided by the average closing price of Umpqua common stock over the Umpqua measuring period.

If the average closing price of Umpqua s common stock over the Umpqua measuring period is greater than \$33.58, the exchange ratio will automatically adjust to an exchange ratio equal to the quotient of \$40.87 divided by the average closing price of Umpqua common stock over the Umpqua measuring period. This would have the effect of reducing the exchange ratio to an amount lower than 1.217.

*Q: Did the Umpqua and North Bay boards of directors receive fairness opinions?*

A: Yes. Howe Barnes Hoefler & Arnett, Inc. issued an opinion to the North Bay board of directors as to the fairness, from a financial point of view, of the exchange ratio to North Bay shareholders. Milestone Advisors, LLC issued an opinion to the Umpqua board of directors as to the fairness, from a financial point of view, of the consideration to be offered by Umpqua to North Bay shareholders.

*Q: What are the tax consequences of the merger?*

A: We have structured the merger so that Umpqua and North Bay and most of 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 North Bay shareholders:

in lieu of fractional shares,

in the event Umpqua s stock price is less than \$26.42 over the Umpqua measuring period and Umpqua elects to fill with cash instead of increasing the exchange ratio, or

who have properly exercised dissenters 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 .

*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 second quarter of 2007. 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: We must obtain written approvals or waivers from the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Oregon Department of Consumer and Business Services acting through the Division of Finance and Corporate Securities.



**Table of Contents**

*Q: Who will manage the combined company?*

A: Umpqua will be the surviving corporation in the merger and the executive officers and directors of Umpqua immediately prior to the merger will be the executive officers and directors of Umpqua following the merger.

Terry L. Robinson, President and Chief Executive Officer of North Bay, will work with William T. Fike, President of Umpqua Bank's California Region, to oversee completion of the merger. Glen Terry, President of The Vintage Bank, has executed an Amended and Restated Employment Agreement with Umpqua to serve as a regional executive for Napa and Solano Counties effective with the closing of the merger. Other executive officers of North Bay are expected to continue with the combined company during a three to twelve month integration period after closing, but few are likely to have a continuing role with the combined company.

**Table of Contents**

**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 North Bay into this document. For a description of this information, see the section **INCORPORATION OF DOCUMENTS BY REFERENCE** on page . 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 (page )**

**Umpqua Holdings Corporation**

Umpqua Bank Plaza  
One SW Columbia Street, Suite 1200  
Portland, Oregon 97258  
(503) 727-4100

Umpqua Holdings Corporation, an Oregon corporation, is a registered 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, had total assets of \$7.3 billion at December 31, 2006, and offers business and consumer banking products and services at 134 stores throughout Northern California, Oregon, and Western Washington. Umpqua also owns a retail brokerage subsidiary, Strand, Atkinson, Williams & York, Inc., which offers brokerage services at three stand-alone offices and within nine 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.

**North Bay Bancorp**

1190 Airport Road, Suite 101  
P.O. Box 2200  
Napa, California 94558  
(800) 888-4682

North Bay Bancorp is a California corporation registered as a bank holding company under the Bank Holding Company Act of 1956. North Bay's principal operating subsidiary is The Vintage Bank, a California state-chartered bank founded in 1984 and headquartered in Napa, California with total assets of \$654.5 million at December 31, 2006. The Vintage Bank operates in Solano County, California as Solano Bank. The Vintage Bank offers business and consumer banking services at six locations in Napa County and four locations in Solano County.

**The Merger (page )**

Upon North Bay shareholder approval and the satisfaction or waiver of the other conditions to the merger, North Bay will merge with and into Umpqua, immediately followed by the merger of The Vintage Bank into Umpqua Bank. North Bay and its subsidiary bank will cease to exist as separate entities following completion of the merger and the

branches of The Vintage Bank will become stores of Umpqua Bank.

The merger agreement and the plan of merger are the legal documents that govern the merger of North Bay with and into Umpqua and are attached to this document as Appendix A and Appendix B respectively. Please read the agreement carefully.

**Table of Contents**

**Merger Consideration (page )**

If the merger is completed, North Bay shareholders will be entitled to receive 1.217 shares of Umpqua common stock for each share of North Bay common stock. If the average closing price of Umpqua's common stock over the fifteen-day trading period ending on the fifth business day prior to the projected closing date, which is referred to as the Umpqua Measuring Price, is greater than \$33.58, the 1.217 exchange ratio will be adjusted to cap the transaction value. The exchange ratio under those circumstances will equal \$40.87 divided by the Umpqua measuring price. The exchange ratio may also adjust if the Umpqua measuring price is less than \$26.42, as described below in this summary under Termination or Adjustment Due to Decline in Umpqua's Stock Price.

**Treatment of North Bay Stock Options and Restricted Stock Awards (page )**

At the time the merger becomes effective, Umpqua will assume North Bay's stock incentive plans and unexercised North Bay options will be converted at the merger consideration exchange ratio into fully vested replacement options to acquire shares of Umpqua common stock. The terms and conditions of North Bay stock options will otherwise remain the same. All 22,450 shares of North Bay common stock granted as restricted stock awards will become issued and outstanding shares of common stock, free of all restrictions and vesting conditions, at the time the merger becomes effective.

**Market Price Information for Umpqua and North Bay Common Stock (page )**

Umpqua common stock trades on the NASDAQ Global Select Market under the symbol UMPQ. The closing price of Umpqua's common stock on January 17, 2007, the last trading day before public announcement of the merger, was \$28.77. The closing price on April , 2007, was \$ .

North Bay trades on the NASDAQ Global Market under the symbol NBAN. The closing price of North Bay's common stock on January 17, 2007, the last trading day before public announcement of the merger, was \$30.00. The closing price on April , 2007, was \$ .

**Opinion of Umpqua's Financial Advisor (page )**

On January 17, 2007, Umpqua's financial advisor, Milestone Advisors, LLC, delivered its written opinion to Umpqua's board of directors. The opinion stated that as of January 17, 2007, and subject to the qualifications in the opinion, the consideration to be offered by Umpqua was fair and equitable to Umpqua and its shareholders from a financial point of view. A copy of the opinion is attached as [Appendix C](#) to this document.

**Opinion of North Bay's Financial Advisor (page )**

On January 16, 2007, North Bay's financial advisor, Howe Barnes Hoefler & Arnett, Inc., delivered its written opinion to North Bay's board of directors. The opinion stated that as of January 16, 2007, and subject to the qualifications in the opinion, the exchange ratio was fair from a financial point of view to North Bay shareholders. A copy of the opinion is attached as [Appendix D](#) to this document.

**Vote Required for Approval of the Merger (page )**

The applicable merger proposal must be approved by the holders of a majority of the outstanding shares of North Bay common stock entitled to vote.

**Recommendation of the North Bay Board of Directors (page )**

After careful consideration, North Bay's board of directors determined that the merger is fair to and in the best interests of North Bay's shareholders. Based on the reasons for the merger described in this document, including the respective fairness opinions, the North Bay board of directors unanimously recommends that you vote **FOR** the merger proposal.

**Table of Contents**

**Stock Ownership of Directors and Executive Officers (page )**

On March , 2007, North Bay s directors and executive officers beneficially owned shares of North Bay common stock, of which are entitled to be voted at the meeting of North Bay shareholders. Those shares constitute approximately % of the total shares outstanding and entitled to be voted. North Bay directors, holding % of the total shares entitled to vote at the meeting, have agreed to vote their shares in favor of the merger proposal. As a result, only additional shares, or % of the North Bay shares outstanding and entitled to vote, are required to approve the merger proposal.

Umpqua s directors and executive officers beneficially owned shares of Umpqua common stock as of , 2007.

**Interests of North Bay Directors and Executive Officers (page )**

North Bay executive officers have interests in the merger that are different from, or in addition to, the interests of other shareholders, which may create potential conflicts of interest. North Bay s board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement. When considering the recommendation of North Bay s board of directors, you should be aware that:

All unvested North Bay stock options and all North Bay restricted stock awards will become fully vested at the closing of the merger;

Members of North Bay s executive management are parties to agreements, which provide for, subject to their willingness to remain employed with Umpqua or Umpqua Bank for up to one year following the merger and compliance with confidentiality and non-solicitation covenants, an amount payable in monthly installments over a period of time of up to twenty-four months following termination. The aggregate amount of cash severance payable under all existing North Bay severance agreements and the amended agreements is estimated at \$2.7 million;

The merger agreement requires Umpqua to indemnify, following the effective time of the merger, the present and former directors and officers of North Bay to the fullest extent permitted under applicable law against costs and expenses related to matters existing at or prior to the effective time of the merger; and

The merger agreement requires Umpqua to provide North Bay s existing directors and officers with liability insurance for a period of three years after the effective time of the merger.

**Special Meeting of North Bay Shareholders (page )**

A special meeting of North Bay shareholders will be held on April , 2007 at a.m., local time, at , Napa, California. At the meeting, shareholders will be asked to approve the principal terms of the merger agreement and related plan of merger. Holders of North Bay common stock as of March , 2007 will be entitled to vote at the meeting.

**North Bay Shareholders May Have Dissenting Shareholders Rights (page )**

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

you deliver to North Bay, before 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 North Bay common stock timely make the required written demand;

you vote against the merger; and

you comply with California law governing dissenters' rights.

**Table of Contents**

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 value of the merger consideration.

**Conditions to the Merger (page )**

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

approval of the merger proposal by North Bay 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 North Bay, subject to violations of the representations and warranties that would not have a material adverse effect on Umpqua or North Bay, individually or in the aggregate;

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

the average daily balance of North Bay's core deposits for the calendar month immediately preceding the projected effective date of the merger being not less than 94% of the average daily balance of core deposits for the month of November 2006;

compliance in all material respects by Umpqua and North Bay with their respective covenants in the merger agreement; and

amended and restated employment agreements with North Bay executives being in full force and effect.

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 )**

The merger agreement contains provisions that prohibit North Bay from, and each director of North Bay has entered into an agreement that prohibits such director 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. North Bay and its directors 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. North Bay must notify Umpqua of any alternative acquisition proposal.

**Termination (page )**

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 North Bay may terminate the merger agreement if the merger has not



been completed by October 1, 2007; or if, after notice and an opportunity to cure, the other party has made a material misrepresentation or materially breached the merger agreement. North Bay's board of directors may also terminate the merger agreement upon advice of legal counsel that the fiduciary duties of the North Bay directors so require or as described in the next paragraph.

**Termination or Adjustment due to Decline in Umpqua's Stock Price (page )**

North Bay may notify Umpqua of its intent to terminate the merger agreement if the average closing price of Umpqua common stock over the Umpqua measuring period is less than \$26.42.

Upon receipt of such notification, Umpqua has the option to increase the exchange ratio by an amount sufficient to achieve an exchange ratio equal to \$32.15 divided by the average closing price of Umpqua common

## **Table of Contents**

stock over the Umpqua measuring period. Umpqua may also elect to pay additional consideration in cash instead of increasing the exchange ratio. For example, if the average closing price of Umpqua common stock over the Umpqua measuring period is \$26.00 and North Bay notifies Umpqua of its intent to terminate the merger agreement, Umpqua could elect to:

accept the termination;

adjust the exchange ratio to 1.2365; or

maintain the 1.217 exchange ratio and pay \$0.508 per share to each North Bay shareholder.

## **Termination Fee (page )**

If the merger agreement is terminated by either party because North Bay's shareholders do not approve the merger proposal; by Umpqua because of an uncured material misrepresentation or material breach by North Bay; or by North Bay pursuant to its fiduciary duties upon advice of legal counsel, then North Bay will pay Umpqua its reasonable expenses up to \$500,000. If Umpqua terminates the merger agreement because of North Bay's willful failure to comply with a material covenant, North Bay will pay Umpqua an additional \$2,000,000.

If the merger agreement is terminated by North Bay because of an uncured material misrepresentation or material breach by Umpqua, then Umpqua will pay North Bay its reasonable expenses up to \$500,000. If North Bay terminates the merger agreement because of Umpqua's willful failure to comply with a material covenant, Umpqua will pay North Bay an additional \$2,000,000, which is North Bay's sole remedy for termination.

In addition, and subject to exceptions discussed in detail in this document, if North Bay enters into any alternative acquisition transaction within twelve months of termination of the merger agreement, North Bay will pay \$5,000,000 (less any termination fee already paid) to Umpqua if the alternative acquisition transaction had been proposed prior to the date of the North Bay special shareholder meeting to vote on the Umpqua merger. The termination fees described above are Umpqua's sole remedies for termination.

## **Regulatory Matters (page )**

To complete the merger, we must obtain approvals or waivers from the Federal Deposit Insurance Corporation (FDIC), Oregon Department of Consumer and Business Services Division of Finance and Corporate Securities (Oregon DFCS) and Board of Governors of the Federal Reserve System (Federal Reserve Board). Umpqua submitted a merger application to the FDIC and Oregon DFCS, on , 2007, and a request for waiver of prior approval to the Federal Reserve Board on , 2007.

## **Material United States Federal Income Tax Consideration (page )**

In general, when you exchange your North Bay common stock for shares of Umpqua common stock, you will not recognize any gain or loss for United States federal income tax purposes. Taxes may be payable with respect to cash received by North Bay shareholders:

in lieu of fractional shares,

in the event Umpqua's stock price is less than \$26.42 over the Umpqua measuring period and Umpqua elects to fill with cash instead of increasing the exchange ratio, or

who have properly exercised dissenters' rights.

**Table of Contents****SELECTED FINANCIAL DATA****Umpqua Historical Financial Data**

Umpqua derived the following information as of and for the years ended December 31, 2001 through December 31, 2005 from, and such information is qualified by reference to, its historical audited consolidated financial statements and notes thereto for those fiscal years. Umpqua derived the financial information as of and for the nine months ended September 30, 2005 and September 30, 2006, from its unaudited condensed consolidated financial statements that include, in the opinion of management, all normal and recurring adjustments that management considers necessary for a fair statement of the results. The audited and unaudited consolidated financial information contained in this proxy statement/prospectus is the same historical information that Umpqua has presented in its prior filings with the SEC. This information is only a summary and you should read it in conjunction with Umpqua's consolidated financial statements and notes thereto contained in Umpqua's Annual Report on Form 10-K for the year ended December 31, 2005, and Umpqua's unaudited condensed consolidated financial statements and notes thereto contained in Umpqua's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, which are incorporated by reference into this document. *See* INCORPORATION OF DOCUMENTS BY REFERENCE on page for information on where these documents are available. The operating results for the nine months ended September 30, 2006 are not necessarily indicative of the operating results that may be expected for the year ended December 31, 2006. Umpqua expects that it will incur merger and restructuring expenses as a result of the merger. Umpqua and North Bay 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.

	Nine Months		Year Ended December 31,					2001
	Ended September 30, 2006	2005	2005	2004	2003	2002		
(Dollars in thousands except share data)								
Operating Results								
Net income	\$ 289,427	\$ 205,358	\$ 282,276	\$ 198,058	\$ 142,132	\$ 100,325	\$ 88,000	
Net expense	100,592	50,625	72,994	40,371	28,860	23,797	32,000	
Interest income	188,835	154,733	209,282	157,687	113,272	76,528	55,000	
Provision for loan and losses	2,427	2,400	2,468	7,321	4,550	3,888	3,000	
Interest income	39,484	36,308	47,782	41,373	38,001	27,657	22,000	
Interest expense	128,551	108,677	146,794	119,582	93,187	63,962	54,000	
Provision for expense	4,358	262	262	5,597	2,082	2,752	6,000	
Income before income taxes and discontinued operations	92,983	79,702	107,540	66,560	51,454	33,583	14,000	
Provision for income taxes	33,069	28,754	37,805	23,270	17,970	12,032	6,000	
Income from continuing operations	59,914	50,948	69,735	43,290	33,484	21,551	8,000	

Income from discontinued operations, net of tax					3,876	635	417		
Income	\$ 59,914	\$ 50,948	\$ 69,735	\$ 47,166	\$ 34,119	\$ 21,968	\$ 8,000		
Earnings Data									
Earnings per common share (basic):									
Continuing operations	\$ 1.19	\$ 1.15	\$ 1.57	\$ 1.21	\$ 1.18	\$ 1.02	\$ 0.90		
Discontinued operations				0.11	0.03	0.02			
Income	\$ 1.19	\$ 1.15	\$ 1.57	\$ 1.32	\$ 1.21	\$ 1.04	\$ 0.90		
Earnings per common share (diluted):									
Continuing operations	\$ 1.17	\$ 1.13	\$ 1.55	\$ 1.19	\$ 1.17	\$ 1.01	\$ 0.90		
Discontinued operations				0.11	0.02	0.02			
Income	\$ 1.17	\$ 1.13	\$ 1.55	\$ 1.30	\$ 1.19	\$ 1.03	\$ 0.90		
Dividends declared per share	\$ 0.42	\$ 0.20	\$ 0.32	\$ 0.22	\$ 0.16	\$ 0.16	\$ 0.16		
Dividend payout ratio	35.29%	17.39%	20.38%	16.67%	13.22%	15.38%	17.78%		
Book Value per common share	\$ 19.67	\$ 16.34	\$ 16.57	\$ 15.55	\$ 11.23	\$ 10.30	\$ 6.00		
Financial Ratios									
Return on average equity	8.80%	9.66%	9.80%	9.61%	11.24%	13.58%	17.78%		
Return on average assets	1.29%	1.36%	1.38%	1.20%	1.26%	1.36%	1.00%		
Interest margin	4.74%	4.84%	4.84%	4.68%	4.85%	5.38%	5.50%		
Balance Sheet Data at End									
Loans and leases	\$ 5,385,262	\$ 3,696,820	\$ 3,921,631	\$ 3,467,904	\$ 2,003,587	\$ 1,778,315	\$ 1,016,000		
Provision for loan and lease losses	\$ 60,475	\$ 43,603	\$ 43,885	\$ 44,229	\$ 25,352	\$ 24,731	\$ 13,000		
Provision as percentage of loans	1.12%	1.18%	1.12%	1.28%	1.27%	1.39%	1.28%		
Assets	\$ 7,198,848	\$ 5,186,382	\$ 5,360,639	\$ 4,873,035	\$ 2,963,815	\$ 2,555,964	\$ 1,428,000		
Deposits	\$ 5,650,338	\$ 4,092,966	\$ 4,286,266	\$ 3,799,107	\$ 2,378,192	\$ 2,103,790	\$ 1,204,000		
Payable for trust									
Secured securities	\$ 203,955	\$ 165,847	\$ 165,725	\$ 166,256	\$ 97,941	\$ 75,000	\$ 0		
Term debt	\$ 57,072	\$ 3,236	\$ 3,184	\$ 88,451	\$ 55,000	\$ 24,219	\$ 31,000		
Shareholders' equity	\$ 1,141,680	\$ 726,764	\$ 738,261	\$ 687,613	\$ 318,969	\$ 288,159	\$ 135,000		

**Table of Contents****North Bay Historical Financial Data**

North Bay derived the following information as of and for the years ended December 31, 2001 through December 31, 2005 from, and such information is qualified by reference to, its historical audited consolidated financial statements and notes thereto for those fiscal years. North Bay derived the financial information as of and for the nine months ended September 30, 2005 and September 30, 2006, from its unaudited condensed consolidated financial statements that include, in the opinion of management, all normal and recurring adjustments that management considers necessary for a fair statement of the results. The audited and unaudited consolidated financial information contained in this proxy statement/prospectus is the same historical information that North Bay has presented in its prior filings with the SEC. This information is only a summary and you should read it in conjunction with North Bay's consolidated financial statements and notes thereto contained in North Bay's Annual Report on Form 10-K for the year ended December 31, 2005, and North Bay's unaudited condensed consolidated financial statements and notes thereto contained in North Bay's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, which are incorporated by reference into this document. See INCORPORATION OF DOCUMENTS BY REFERENCE on page for information on where these documents are available. The operating results for the nine months ended September 30, 2006 are not necessarily indicative of the operating results that may be expected for the year ended December 31, 2006.

	Nine Months Ended		Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
	(Dollars in thousands except share data)						
<b>Operating Results</b>							
Interest income	\$ 28,393	\$ 24,668	\$ 33,865	\$ 26,585	\$ 22,251	\$ 21,179	\$ 20,307
Interest expense	6,742	3,638	5,082	3,543	2,995	3,691	5,887
Net interest income	21,651	21,030	28,783	23,042	19,256	17,488	14,420
Provision for loan and lease losses	200	715	815	620	238	576	447
Noninterest income	3,479	3,005	3,941	4,198	3,847	3,111	2,691
Noninterest expense	16,943	15,419	21,171	18,536	16,315	14,316	11,955
Income before income taxes	7,987	7,901	10,738	8,084	6,550	5,707	4,709
Provision for income taxes	2,745	3,036	4,105	3,020	2,179	1,999	1,687
Net income	\$ 5,242	\$ 4,865	\$ 6,633	\$ 5,064	\$ 4,371	\$ 3,708	\$ 3,022
<b>Per Share Data</b>							
Earnings per common share basic	\$ 1.27	\$ 1.20	\$ 1.63	\$ 1.26	\$ 1.11	\$ 0.97	\$ 0.81
Earnings per common share diluted	\$ 1.22	\$ 1.15	\$ 1.56	\$ 1.23	\$ 1.08	\$ 0.95	\$ 0.80
Cash dividends declared per	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.12	\$ 0.11	\$ 0.10	\$ 0.10

Edgar Filing: UMPQUA HOLDINGS CORP - Form S-4

common share								
Dividend payout ratio	11.25%	11.91%	9.15%	11.27%	11.17%	12.20%	13.70%	
Book value per common share at end of period	\$ 13.44	\$ 12.60	\$ 12.82	\$ 12.12	\$ 11.50	\$ 11.06	\$ 10.19	
Financial Ratios								
Return on average equity	13.33%	13.82%	13.94%	12.34%	11.70%	11.36%	10.61%	
Return on average assets	1.13%	1.12%	1.11%	0.97%	1.00%	0.99%	1.00%	
Net interest margin*	5.24%	5.39%	5.38%	5.00%	4.99%	5.31%	5.36%	
Balance Sheet Data at Period End								
Loans and leases	\$ 474,845	\$ 398,126	\$ 414,428	\$ 377,765	\$ 306,663	\$ 237,627	\$ 186,265	
Allowance for loan and lease losses	\$ 5,064	\$ 4,832	\$ 4,924	\$ 4,136	\$ 3,524	\$ 3,290	\$ 2,717	
Allowance as percentage of loans	1.06%	1.21%	1.19%	1.09%	1.15%	1.38%	1.46%	
Total assets	\$ 648,984	\$ 630,043	\$ 602,697	\$ 562,063	\$ 459,482	\$ 416,458	\$ 326,806	
Total deposits	\$ 472,502	\$ 546,850	\$ 516,393	\$ 484,493	\$ 406,445	\$ 367,803	\$ 292,441	
Junior subordinated debentures	\$ 10,310	\$ 10,310	\$ 10,310	\$ 10,310	\$ 10,000	\$ 10,000	\$	
Other borrowings	\$ 104,000	\$ 19,000	\$ 19,000	\$ 19,000	\$	\$	\$	
Total shareholders equity	\$ 55,767	\$ 49,120	\$ 50,053	\$ 44,134	\$ 39,441	\$ 35,343	\$ 29,980	

\* Fully tax-equivalent basis

**Table of Contents****SELECTED UNAUDITED COMPARATIVE PER SHARE DATA**

The following table presents historical earnings, book value and cash dividends per share as of September 30, 2006 and December 31, 2005 and the periods then ended, for Umpqua and North Bay, together with the pro forma amounts for Umpqua and the pro forma equivalent amounts for North Bay after giving effect to the merger.

The pro forma equivalent per share data for North Bay is calculated by multiplying the pro forma combined per share data for Umpqua by 1.217, the exchange ratio with respect to North Bay shares to be converted into Umpqua shares in the merger. The selected unaudited pro forma financial data for the year ended December 31, 2005, has been derived from, and is qualified by reference to, the audited financial statements and notes thereto contained in Umpqua's and North Bay's Annual Reports on Form 10-K for the year ended December 31, 2005. The pro forma financial information for the nine-month period ended September 30, 2006, assumes the merger was completed on January 1, 2006 for net income purposes, and on September 30, 2006 for book value purposes. The pro forma financial information for the year ended December 31, 2005, assumes the merger was completed on January 1, 2005 for net income purposes, and on December 31, 2005 for book value purposes. The pro forma data does not include anticipated revenue enhancements, operating cost savings or the after-tax impact of merger-related costs. The pro forma combined dividend information incorporates historical dividends of Umpqua because Umpqua currently has no intention of changing its dividend policy as a result of the merger. The merger agreement permits North Bay to declare a cash dividend in an amount of \$0.14 per share prior to March 31, 2007. The following information should be read in conjunction with the financial statements and other financial information included elsewhere in this document or incorporated herein by reference. The pro forma data are not necessarily indicative of future operating results or the financial position that will occur upon consummation of the merger.

	<b>Umpqua Historical</b>	<b>North Bay Historical</b>	<b>Pro Forma Combined Umpqua and North Bay</b>	<b>Pro Forma per Equivalent North Bay Share</b>
<b>Net Income from Continuing Operations Per Common Share for the Year Ended December 31, 2005:</b>				
Basic	\$ 1.57	\$ 1.63	\$ 1.53	\$ 1.86
Diluted	\$ 1.55	\$ 1.56	\$ 1.51	\$ 1.84
<b>Net Income from Continuing Operations Per Common Share for the Nine Months Ended September 30, 2006:</b>				
Basic	\$ 1.19	\$ 1.27	\$ 1.17	\$ 1.42
Diluted	\$ 1.17	\$ 1.22	\$ 1.15	\$ 1.40
<b>Cash Dividends Declared:</b>				
Year ended December 31, 2005	\$ 0.32	\$ 0.14	\$ 0.32	\$ 0.39
Nine months ended September 30, 2006	\$ 0.42	\$ 0.14	\$ 0.42	\$ 0.51
<b>Book Value Per Share At:</b>				
December 31, 2005	\$ 16.57	\$ 12.82	\$ 18.14	\$ 22.08



September 30, 2006

\$ 19.67    \$ 13.44    \$ 20.58    \$ 25.04

8

---

**Table of Contents****MARKET PRICE DATA AND DIVIDEND INFORMATION****Comparative Market Price Information**

The table below presents the closing price per share for Umpqua and North Bay common stock as reported by the NASDAQ Global Select and Global Markets, respectively, on January 17, 2007, the last full trading day prior to the public announcement of the proposed merger, and as of March 1, 2007, together with the pro forma equivalent market value of North Bay shares after giving effect to the merger, which is calculated by multiplying the last reported sale of Umpqua common stock by the assumed exchange ratio of 1.217.

	Closing Sales Price		
	Umpqua	North Bay	North Bay Equivalent
Price per share:			
January 17, 2007	\$ 28.77	\$ 30.00	\$ 35.01
March 1, 2007	\$	\$	\$

**Historical Market Prices and Dividend Information**

Umpqua common stock is quoted on the NASDAQ Global Select Market under the symbol UMPQ and North Bay common stock is quoted on the NASDAQ Global Market under the symbol NBAN. Umpqua's and North Bay's common stock is registered under the Securities Exchange Act of 1934, as amended, and eligible to be held in margin accounts. On 1/17/2007, Umpqua common stock was held of record by approximately 1,000 shareholders, a number that does not include beneficial owners who hold shares in street name. On 3/1/2007, North Bay common stock was held of record by approximately 1,000 shareholders, a number that does not include beneficial owners who hold shares in street name.

The following table lists the high and low closing prices and cash dividends declared per share for each of Umpqua's and North Bay's common stock, as reported on NASDAQ for each quarterly period beginning with January 1, 2005, and as adjusted for subsequent stock splits and stock dividends declared. North Bay paid 5% stock dividends on March 31, 2005 and April 12, 2006. Prices do not include retail mark-ups, mark-downs or commissions.

	Umpqua Common Stock			North Bay Common Stock		
	High	Low	Dividend	High	Low	Dividend
<b>2005</b>						
1st quarter	\$ 25.41	\$ 22.99	\$ 0.06	\$ 31.30	\$ 24.88	\$ 0.14
2nd quarter	\$ 24.23	\$ 19.63	\$ 0.06	\$ 28.81	\$ 22.88	\$
3rd quarter	\$ 25.30	\$ 23.10	\$ 0.08	\$ 29.98	\$ 23.81	\$
4th quarter	\$ 29.25	\$ 22.58	\$ 0.12	\$ 28.76	\$ 24.86	\$
<b>2006</b>						
1st quarter	\$ 29.67	\$ 26.25	\$ 0.12	\$ 30.48	\$ 26.00	\$ 0.14
2nd quarter	\$ 28.67	\$ 24.50	\$ 0.12	\$ 31.75	\$ 28.00	\$
3rd quarter	\$ 29.27	\$ 23.98	\$ 0.18	\$ 30.54	\$ 25.21	\$

4th quarter	\$ 30.66	\$ 27.21	\$ 0.18	\$ 29.00	\$ 26.71	\$
<b>2007</b>						
1st quarter (through						
, 2007)						

**Table of Contents**

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This document contains and incorporates by reference forward-looking statements about Umpqua, North Bay and the combined company, which statements 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 and prospects, management plans and objectives for future operations and projected expenses incurred to complete the merger as well as the performance and financial condition of Umpqua and North Bay after the merger. 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, believes, estimates, expects, intends, may, possible, potential, projects, strategy, and similar words or phrases. Forward-looking statements involve substantial risks and uncertainties, many of which are uncertain and difficult to predict and are generally beyond the control of North Bay and Umpqua. Some factors that could cause actual results or earnings to differ materially from historical or expected results include, but are not limited to, those discussed in the Risk Factors section of this document and in Umpqua's and North Bay's SEC filings incorporated by reference into this document, as well as:

the inability to obtain required approvals on acceptable terms, on the anticipated schedule or at all;

loss of customers and personnel during the integration process;

costs in completing the merger exceeding estimates;

revenues following the merger being lower than expected;

Umpqua's ability to successfully integrate acquired entities and achieve expected synergies, operating efficiencies or cost savings;

the ability to attract new deposits and loans;

increases in competitive pressure among financial institutions;

deterioration in economic conditions that could result in greater than anticipated loan losses;

inflation, interest rate, market and monetary fluctuations;

changes in legal or regulatory requirements; and

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

Umpqua and North Bay do not intend, and disclaim any duty or obligation, to update these forward-looking statements except as may be required by securities laws. 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.

**Table of Contents**

**RISK FACTORS**

*Completion of the merger represents an investment by North Bay shareholders in Umpqua's common stock and an investment by Umpqua in North Bay's assets and liabilities, each of which will subject the respective investor to various risks. You should carefully consider the following risk factors, as well as the matters addressed in the CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION section of this document and the information contained in Umpqua's and North Bay's filings with the SEC incorporated into this document by reference, before deciding how to vote on the merger proposal.*

***The market value of Umpqua common stock to be received by North Bay shareholders will fluctuate before and after the merger and will be influenced by the performance of both Umpqua and North Bay prior to closing.***

As long as Umpqua's average closing price for the fifteen consecutive trading day period ending on the fifth business day prior to the projected effective date of the merger is no less than \$26.42 and no greater than \$33.58 per share, each share of North Bay common stock will be exchanged for the right to receive 1.217 shares of Umpqua common stock. The exchange ratio will not be adjusted for changes in the market price of North Bay common stock. The exchange ratio will be automatically adjusted downward if Umpqua's stock price is more than \$33.58 over the measuring period. If Umpqua's stock price is less than \$26.42, North Bay exercises its right to terminate the merger and Umpqua elects to adjust the exchange ratio, the exchange ratio will be adjusted upward. See THE MERGER Merger Consideration. The value of the consideration that North Bay shareholders receive upon completion of the merger will depend on the market value of Umpqua shares at that time and could vary significantly from the market value on the date of this document or the date of the North Bay special meeting. An unexpected change in the performance or prospects of either Umpqua or North Bay and other factors that are beyond our control such as general market and economic conditions will likely influence the market value of Umpqua's common stock. The market value of Umpqua shares will continue to fluctuate after the merger is completed.

***The combined company may fail to realize all of the anticipated benefits of the merger.***

The merger is expected to generate expense reductions of budgeted North Bay non-interest expense and after-tax cost savings when the operations of Umpqua and North Bay are completely integrated, which is expected to be at least six months following closing. The expense reductions are intended to be achieved by eliminating duplicative technology, operations, outside services and redundant staff, and through facility consolidations and purchasing efficiencies. The anticipated cost savings may not be realized fully or at all and could take longer to realize than expected. Any failure to realize the potential benefits could have a material adverse effect on the value of Umpqua common stock.

***The integration of banking operations may not be completed efficiently, which could result in the loss of customers and employees.***

At the time of the merger, The Vintage Bank and its Solano Bank division will merge with and into Umpqua Bank and operate under the Umpqua Bank name and charter. The integration of Umpqua's and North Bay's banking operations will involve substantial resources and could be disruptive to the employees and customers of The Vintage Bank and Solano Bank.

The Vintage Bank and Solano Bank customers are accustomed to traditional community bank branch facilities and services under two distinct brands. Umpqua Bank's facilities operate under a single brand. Customers may not react favorably to re-branding following the merger. Umpqua Bank has transformed itself from a traditional community bank into a community-oriented financial services retailer. In implementing this strategy, Umpqua has remodeled

many of its banking branches to resemble retail stores that include distinct physical areas or boutiques such as a serious about service center, an investment opportunity center and a computer café. Over a period of months following the merger, Umpqua intends to remodel and convert some of The Vintage Bank's and Solano Bank's branches in a similar fashion. Conversion to the Umpqua model involves significant costs and disrupts banking activities during the remodeling period, and presents a new look and feel to the banking services and

## **Table of Contents**

products being offered. There is a risk that existing customers and employees will not stay with Umpqua Bank during the remodeling period or after the conversion is completed. There is also a risk that some existing customers and employees may not react favorably to Umpqua Bank's retail delivery system. There may be delays in completing the conversion, which could cause confusion and disruption in the banking operations. The failure to integrate banking operations efficiently, on budget and in a timely manner could have an adverse effect on the combined company and could result in lower than expected revenues or higher than expected costs following completion of the merger.

***Umpqua is pursuing an aggressive growth strategy, which may place heavy demands on its management and infrastructure resources.***

Umpqua is one of the faster-growing community financial services organizations in the United States. Umpqua Bank merged with Valley of the Rogue Bank in December 2000 and, in a series of transactions effective December 2001, acquired IFN Bank/Security Bank, Pacific State Bank, Family Security Bank, Lincoln Security Bank, McKenzie State Bank, Oregon State Bank and Linn-Benton Bank. Umpqua completed the acquisition of Centennial Bancorp in November 2002. In July 2004, Umpqua expanded its footprint into California with the acquisition of Humboldt Bancorp. In June 2006, Umpqua acquired Western Sierra Bancorp and its subsidiary banks Western Sierra National Bank, Auburn Community Bank, Central California Bank and Lake Community Bank. From time to time, Umpqua has also explored other merger and acquisition opportunities and expects to continue to do so. Umpqua expects that a substantial amount of its management's attention and effort will need to be directed at deriving the benefits and efficiencies expected from the merger with North Bay. Moreover, the combined company will be dependent on the efforts of key management personnel to achieve the integration of the merger and any other acquisitions Umpqua may undertake. The loss of one or more key persons could have a material adverse effect upon Umpqua's ability to achieve the anticipated benefits of the merger.

Continued growth by Umpqua may present operating and other problems that could adversely affect our business, financial condition and results of operations. Our growth may place a strain on our administrative, operational, personnel and financial resources and increase demands on our systems and controls. We anticipate that our business growth may require continued enhancements to and expansion of our operating and financial systems and controls may significantly challenge them. Our inability to continue to upgrade or maintain effective operating and financial control systems and to recruit and hire necessary personnel or to successfully integrate new personnel into our operations could adversely impact our financial condition, results of operations and cash flows. We cannot assure you that our existing operating and financial control systems and infrastructure will be adequate to maintain and effectively monitor future growth.

We may not be successful in overcoming these risks or other problems encountered in connection with acquisitions. Our integration of operations of banks or branches that we acquire may not be successfully accomplished and may take a significant amount of time. Our inability to improve the operating performance of acquired banks and branches or to successfully integrate their operations could have a material adverse effect on our business, financial condition, results of operations and cash flows. We expect to hire additional employees and retain consultants to assist with integrating our operations, and we cannot assure you that those individuals or firms will perform as expected or be successful in addressing these issues.

***Umpqua is involved in non-bank business, which may not perform well in the future.***

Umpqua has a licensed retail broker-dealer subsidiary, Strand, Atkinson, Williams & York, Inc. Retail brokerage operations present special risks not generally borne by community banks. For example, the brokerage industry is subject to fluctuations in the stock market that may have a significant adverse impact on transaction fees and customer activity. A decline in fees and commissions could adversely affect the subsidiary's contribution to Umpqua's income, and might increase the subsidiary's capital needs. In its continuing expansion, Umpqua may acquire other financial

services companies whose successful integration is not assured and may present additional management challenges and new risks.



**Table of Contents**

***North Bay shareholders will own approximately 8.1% of the combined company after the merger and will have less influence over management.***

After the merger's completion, North Bay shareholders will own 8.1% of the combined company, a significantly smaller percentage of Umpqua than their 100% ownership of North Bay. In addition, the Umpqua board of directors will remain the same following the merger and none of the existing North Bay directors will join Umpqua's board of directors. Consequently, North Bay shareholders will not be able to exercise influence over the management and policies of Umpqua to the same level they currently influence management and policies of North Bay.

***The merger agreement limits North Bay's ability to pursue alternatives to the merger.***

The merger agreement contains non-solicitation covenants that make it more difficult for North Bay to discuss or commit to third-party proposals to acquire North Bay. North Bay's board of directors is permitted to take these actions in connection with receipt of a competing acquisition proposal if it determines that the failure to do so would violate its fiduciary duties, but taking such actions would entitle Umpqua to terminate the merger agreement. *See* THE MERGER AGREEMENT No Solicitation. The merger agreement also requires North Bay to pay Umpqua a termination fee of \$5 million if the merger agreement is terminated in specified circumstances relating to an alternative acquisition proposal. *See* THE MERGER AGREEMENT Termination Effect of Termination. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of North Bay from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share market price than that proposed in the merger, or might result in a potential competing acquiror proposing to pay a lower per share price to acquire North Bay than it might otherwise have proposed to pay.

***North Bay directors have entered into agreements that could have the effect of limiting North Bay's ability to pursue alternatives to the merger.***

The merger agreement must be approved by the holders of a majority of the outstanding shares of North Bay common stock entitled to vote at the special meeting. The directors of North Bay, who in the aggregate have the power to vote approximately [ ]% of the outstanding shares of North Bay common stock, have each executed agreements with Umpqua pursuant to which they have agreed to vote their shares in favor of the merger. Each director has agreed, in his or her individual capacity as a shareholder and not in the capacity of a director, that he or she shall not, directly or indirectly, initiate contact with any person or entity in an effort to solicit any alternative acquisition transaction. As a result, only an additional [ ] shares, or [ ]% of the shares outstanding and entitled to vote at the special meeting, are required to approve the merger proposal.

***North Bay's executive officers and directors have financial interests in the merger that are different from the interests of shareholders who are not employees or directors of North Bay.***

North Bay's executive officers and a special committee of the North Bay board of directors negotiated the terms of the merger agreement, and North Bay's board of directors unanimously approved and recommended that North Bay's shareholders vote to approve and adopt the merger agreement. In considering these facts and the other information contained in this document, you should be aware that North Bay's executive officers and directors have financial interests in the merger that are different from and in addition to the interests they share with you as a North Bay shareholder. *See* THE MERGER Interests of North Bay Directors and Executive Officers in the Merger for detailed information about these interests, including the accelerated vesting of stock options and restricted stock awards, payments pursuant to employment agreements and accelerated vesting of supplemental executive retirement benefits.

**RECENT DEVELOPMENTS OF UMPQUA**

On January 25, 2007, Umpqua Holdings Corporation announced its unaudited fourth quarter and fiscal year 2006 results of operations. Net income was \$84.4 million for 2006, up 21% from \$69.7 million for 2005. Diluted earnings per share were \$1.59, compared to \$1.55 for 2005. For the fourth quarter of 2006, net income was

**Table of Contents**

\$24.5 million, or \$0.42 per diluted share, compared to \$18.8 million, or \$0.42 per diluted share for the same period of the prior year.

Total consolidated assets as of December 31, 2006 were \$7.3 billion, compared to \$5.4 billion at December 31, 2005. Total gross loans and leases, and deposits, were \$5.4 billion and \$5.8 billion, respectively, as of December 31, 2006, compared to \$3.9 billion and \$4.3 billion, respectively, as of December 31, 2005. As of December 31, 2006, total shareholders equity was \$1.16 billion. Book value per share was \$19.91, an increase of 20% over the prior year end. Tangible book value per share was \$8.21, an increase of 11% over the prior year end.

The following table presents the full year 2006 organic growth rates, which exclude the effects of the Western Sierra Bancorp acquisition completed in June 2006:

	<b>Loans and Leases</b>	<b>Deposits</b>	<b>Assets</b>
	<b>(Unaudited; in thousands)</b>		
As reported, 12/31/06	\$ 5,361,862	\$ 5,840,294	\$ 7,344,236
less: 12/31/05 balances	3,921,631	4,286,266	5,360,639
Total growth	1,440,231	1,554,028	1,983,597
less: acquisition	1,022,231	1,016,053	1,491,466
Organic growth	\$ 418,000	\$ 537,975	\$ 492,131
Organic growth rate	11%	13%	9%

During the full year 2006, Umpqua had net charge-offs of \$0.6 million or 0.01% of average loans and leases. Non-performing loans and leases were \$9.1 million at December 31, 2006, representing 0.17% of total loans and leases. During 2006, Umpqua provided \$2.6 million for estimated credit losses. For the fourth quarter, the Company had net charge-offs of \$0.5 million, or 0.04% of average loans and leases on an annualized basis, with non-performing loans and leases declining \$1.5 million, or 14% from September 30, 2006. The allowance for credit losses was 1.15% of total loans and leases at December 31, 2006.

The following tables contain selected consolidated financial and other data of Umpqua at the dates and for the periods indicated. You should read this information in conjunction with the financial information incorporated by reference into this document. The information at and for the three months and year ended December 31, 2006 and the information for the three months ended December 31, 2005 is unaudited. However, in the opinion of Umpqua management, all adjustments (consisting only of normal recurring adjustments) which are necessary to fairly present the results for the periods included have been made.

	<b>December 31,</b>	
	<b>2006</b>	<b>2005</b>
	<b>(Dollars in thousands except share data)</b>	
<b>Selected Balance Sheet Data at Period End</b>		
Loans and leases	\$ 5,361,862	\$ 3,921,631

Edgar Filing: UMPQUA HOLDINGS CORP - Form S-4

Allowance for loan and lease losses	\$ 60,090	\$ 43,885
Allowance as percentage of loans	1.12%	1.12%
Total assets	\$ 7,344,236	\$ 5,360,639
Total deposits	\$ 5,840,294	\$ 4,286,266
Notes payable for trust preferred securities	\$ 203,688	\$ 165,725
Term borrowings	\$ 9,513	\$ 3,184
Total shareholders equity	\$ 1,156,211	\$ 738,261
Book value per common share	\$ 19.91	\$ 16.57
Tangible book value per common share	\$ 8.21	\$ 7.40

**Table of Contents**

	<b>Three Months Ended December 31,</b>		<b>Years Ended December 31,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>(Dollars in thousands except share data)</b>			
<b>Operating Results</b>				
Interest income	\$ 116,514	\$ 76,918	\$ 405,941	\$ 282,276
Interest expense	43,225	22,369	143,817	72,994
Net interest income	73,289	54,549	262,124	209,282
Provision for loan and lease losses	125	68	2,552	2,468
Noninterest income	14,113	11,474	53,597	47,782
Noninterest expense	48,625	38,117	177,176	146,794
Merger related expenses	415		4,773	262
Income before income taxes	38,237	27,838	131,220	107,540
Provision for income taxes	13,704	9,051	46,773	37,805
Net income	\$ 24,533	\$ 18,787	\$ 84,447	\$ 69,735
<b>Per Share Data</b>				
Earnings per common share Basic:	\$ 0.42	\$ 0.42	\$ 1.61	\$ 1.57
Earnings per common share Diluted:	\$ 0.42	\$ 0.42	\$ 1.59	\$ 1.55
Dividends declared per common share	\$ 0.18	\$ 0.12	\$ 0.60	\$ 0.32
Dividend payout ratio	42.86%	28.57%	37.27%	20.38%
<b>Financial Ratios</b>				
Return on average assets	1.35%	1.42%	1.31%	1.38%
Return on average equity	8.47%	10.20%	8.70%	9.80%
Net interest margin	4.73%	4.81%	4.74%	4.84%

**NORTH BAY SPECIAL MEETING****When and Where the Meeting Will Be Held**

The special meeting of North Bay shareholders will be held on April , 2007 at a.m., local time, at , , Napa, California.

**Proposals at the Meeting**

At the special meeting, North Bay shareholders will be asked to consider and vote to:

approve the principal terms of the merger agreement; and

approve, if necessary, any adjournments or postponements of the special meeting to solicit additional proxies.

No other matters may be brought before the special meeting.

**Who May Vote?**

North Bay's board of directors has fixed the close of business on March 1, 2007 as the record date for determining North Bay shareholders entitled to receive notice of and vote at the special meeting. As of that date, there were 1,000 shares outstanding held by approximately 100 holders of record.

## **Table of Contents**

### **Voting**

North Bay shareholders may vote in person at the special meeting, but do not have to attend the meeting to vote their shares. North Bay shareholders may vote their shares by proxy. Even if you plan to attend the meeting, you should submit a properly executed proxy either by completing, signing, dating and returning the proxy card or by following the instructions on the proxy card for touch-tone telephone or Internet voting.

### **How Will Proxy Holders Vote My Shares?**

A completed and properly executed proxy received by North Bay prior to the commencement of the meeting, and not revoked, will be voted as directed by you. A signed proxy that is submitted without voting instructions will be voted by the named proxy holders **FOR** the merger proposal and, if necessary, **FOR** adjournment or postponement of the meeting to solicit additional proxies. In addition, the named proxy holders will vote in their discretion on such other matters that may be considered at the special meeting or any adjournments or postponements thereof.

The board of directors has named Terry L. Robinson and Wyman G. Smith as proxy holders. Their names appear on the proxy form accompanying this document.

### **Revoking a Proxy**

A proxy may be revoked by:

calling the toll free number on the proxy card and following the directions provided at least 24 hours before the meeting;

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

submitting a properly executed proxy on a later date, but prior to the meeting;

notifying North Bay's corporate Secretary, Wyman Smith, in writing of the revocation of your proxy prior to the meeting; or

voting in person at the special meeting – however, simply attending the meeting will not, in and of itself, revoke a proxy.

You may still attend the meeting even if you have submitted a proxy. Written notices of revocation and other communications regarding solicitation or revocation of proxies should be addressed to:

North Bay Bancorp  
1190 Airport Road  
P.O. Box 2200  
Napa, CA 94558  
Attn: Wyman Smith, Secretary

### **North Bay Shares Held in Street Name**

If you hold your shares in street name, meaning in the name of a bank, broker or other record holder, you must either direct the record holder of your shares how to vote or obtain a legal proxy from the record holder to vote at the special

meeting.

If you do not instruct your broker or other nominee how to vote, the broker may submit a proxy without a vote, which is referred to as a broker non-vote. Brokers holding shares of North Bay common stock as nominees will not have discretionary authority to vote in the absence of instructions from the beneficial owners on the merger proposal. **The failure to provide voting instructions and the resulting broker non-vote will have the same effect as a vote against the merger proposal.**



## Table of Contents

### **How We Determine a Quorum**

North Bay must have a quorum to conduct any business at the special meeting. Shareholders holding at least a majority of the outstanding shares of North Bay's common stock must attend the meeting in person or by proxy to have a quorum. If you attend the meeting or submit a proxy, but abstain from voting on a given matter, your shares will be counted as present for determining a quorum. Broker non-votes will also be counted as present for determining a quorum.

### **How We Count Votes**

Each share is entitled to one vote. The named proxies will vote shares as instructed on the proxies. Abstentions or broker non-votes will not be counted for or against the merger proposal, but they will have the effect of a vote against the proposal.

### **Vote Required to Approve the Merger**

The affirmative vote of the holders of a majority of all shares of North Bay common stock outstanding on the record date is required to approve the merger proposal. An abstention or a broker non-vote will therefore have the effect of a vote against the merger agreement. North Bay's board of directors urges you to submit your proxy by mail, touch-tone telephone or the Internet. **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 the merger proposal.**

### **Proxy Solicitation**

The accompanying North Bay proxy is being solicited by the North Bay board of directors. North Bay will bear the cost of soliciting proxies from its shareholders. In addition to using the mail, proxies may be solicited by personal interview, telephone and electronic communication. Banks, brokerage houses, other institutions, nominees and fiduciaries will be requested to forward proxy soliciting materials to their principals and obtain authorization for the execution of proxies. Officers and other employees or agents of North Bay and its subsidiaries, acting on North Bay's behalf, may solicit proxies personally. North Bay has also made arrangements with The Altman Group, Inc., to assist in soliciting proxies, and has agreed to pay The Altman Group \$7,500 plus reasonable expenses estimated at approximately \$5,000. North Bay will pay, upon request, the standard charges and expenses of banks, brokerage houses, other institutions, nominees, and fiduciaries for forwarding proxy materials to and obtaining proxies from their principals. However, no such payment will be made to any of the officers, directors or employees of North Bay or any of its subsidiary banks.

**Table of Contents****SHARES OWNED BY DIRECTORS, EXECUTIVE OFFICERS AND  
SIGNIFICANT SHAREHOLDERS****Ownership of North Bay by North Bay Management and Others**

On March 1, 2007 North Bay directors and executive officers owned 1,000,000 shares entitled to vote at the special meeting, constituting approximately 10% of the total shares outstanding and entitled to vote at the meeting. Each North Bay director has agreed to vote his or her shares in favor of the merger proposal.

The following table sets forth information regarding the beneficial ownership of North Bay common stock, as of March 1, 2007 by each North Bay director and executive officer, all North Bay directors and executive officers as a group and shareholders who own 5% or more of North Bay's common stock.

<b>Name</b>	<b>Nature of Position</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
<b>Thomas N. Gavin</b>	Director of North Bay of The Vintage Bank	19,409 <sup>(2, 3)</sup>	0.46%
<b>David B. Gaw</b>	Chairman of the Board and Director of North Bay and of The Vintage Bank	43,886 <sup>(4)</sup>	1.05%
<b>Fred J. Hearn</b>	Director of North Bay and The Vintage Bank	27,303 <sup>(2, 5)</sup>	0.65%
<b>Richard S. Long</b>	Director of North Bay and The Vintage Bank	45,067 <sup>(2, 6)</sup>	1.07%
<b>Thomas F. Malloy</b>	Director of North Bay and The Vintage Bank	127,696 <sup>(2, 7)</sup>	3.05%
<b>John A. Nerland</b>	Executive Vice President of North Bay and Chief Credit Officer of The Vintage Bank	34,528 <sup>(2, 8)</sup>	0.82%
<b>Terry L. Robinson</b>	Director, President and CEO of North Bay and CEO and Director of The Vintage Bank	182,985 <sup>(2, 9)</sup>	4.36%
<b>Stephanie Rode</b>	Senior Vice President and Compliance/Risk Manager for The Vintage Bank	6,946 <sup>(10)</sup>	0.16%
<b>Dennis Schmal</b>	Director of North Bay and of The Vintage Bank	0 <sup>(2)</sup>	0%
<b>Thomas Shelton</b>	Director of North Bay and The Vintage Bank	13,144 <sup>(2, 11)</sup>	0.31%
<b>Wyman G. Smith</b>	Corporate Secretary and General Counsel of North Bay and The Vintage Bank	34,279 <sup>(2, 12)</sup>	0.82%
<b>Stephen Spencer</b>		21,188 <sup>(2, 13)</sup>	0.51%

	Director of North Bay and The Vintage Bank		
<b>Denise Suihkonen</b>	Director of North Bay and The Vintage Bank	19,260 <sup>(2, 14)</sup>	0.46%
<b>Glen C. Terry</b>	President of The Vintage Bank	15,991 <sup>(2, 15)</sup>	0.38%
<b>James E. Tidgewell</b>	Director of North Bay and of The Vintage Bank	26,185 <sup>(2, 16)</sup>	0.64%
<b>Gary C. Wallace</b>	Director of North Bay and of The Vintage Bank	300 <sup>(2)</sup>	0.01%
<b>Michael W. Wengel</b>	Executive Vice President and CFO of North Bay and The Vintage Bank	0 <sup>(2)</sup>	0%
<b>All Current Executive Officers and Directors as a group (total of 17)</b>		618,167 <sup>(17)</sup>	14.82%

**Table of Contents**

- (1) In computing the percentage of outstanding Common Stock owned beneficially by each director and executive officer, the number of shares beneficially owned has been divided by the number of outstanding shares on the Record Date and assuming options exercisable by the director and executive officer within 60 days have been exercised.
- (2) Pursuant to California law, personal property held in the name of a married person may be community property as to which either spouse has the power and ability to manage and control in its entirety.
- (3) Included in the total for Mr. Gavin are 1,365 shares held by NY Life Securities as custodian FBO Patrice M. Gavin as to which he may indirectly have shared voting power. Also included in the total for Mr. Gavin are 14,854 shares as to which Mr. Gavin holds an option exercisable as of May 8, 2007.
- (4) Included in the total for Mr. Gaw are 34,221 shares held in the name of the Gaw Family Trust dated September 22, 1999, of which he is the trustee; 298 shares held as custodian for a minor under the California Uniform Transfers to Minors Act, and 3,253 shares held for the Gaw, Van Male, Smith, Myers & Miroglio Profit Sharing Plan of which Mr. Gaw is a trustee as to which he has shared voting power and as to which he disclaims beneficial ownership. Also included in the total for Mr. Gaw are 5,345 shares as to which Mr. Gaw holds an option exercisable as of May 8, 2007.
- (5) Included in the total for Mr. Hearn are 10,123 shares held in the name of the Hearn Family Trust dated December 31, 1996 of which Mr. Hearn is a trustee and as to which he has shared voting power; 1,316 shares held by Diane E. Hearn as custodian for minors under the California Uniform Transfers to Minors Act as to which Mr. Hearn may indirectly have shared voting power; and 910 shares held in Joint Tenancy with Alma Haslett as to which he has shared voting power. Also included in the total for Mr. Hearn are 14,854 shares as to which Mr. Hearn holds an option exercisable as of May 8, 2007.
- (6) Included in the total for Mr. Long are 20,099 shares held in the Richard S. Long and Cynthia A. Long Trust dated September 15, 1993, of which Mr. Long is trustee; 945 shares held by Charles Schwab & Co. as custodian FBO Cynthia A. Long IRA dated 4/05/93 as to which Mr. Long may indirectly have shared voting power; and 15,457 shares as to which Mr. Long holds an option exercisable as of May 8, 2007.
- (7) Included in the total for Mr. Malloy are 80,621 shares held in the name of the Malloy Family Trust dated August 31, 1990, of which he is a trustee and as to which he has shared voting power; and 38,307 shares held in the name of the Malloy Imrie & Vasconi Insurance Services LLC 401(k) Profit Sharing Plan of which he is not a trustee but may indirectly have shared voting power; and 5,345 shares as to which Mr. Malloy holds an option exercisable as of May 8, 2007.
- (8) Included in the total for Mr. Nerland are 85 shares held in the name of the Nerland Trust dated October 5, 2000, of which Mr. Nerland is the trustee; and 20,167 shares as to which Mr. Nerland holds an option exercisable as of May 8, 2007 and 5,000 which are subject to forfeiture.
- (9) Included in the total for Mr. Robinson are 65,464 shares held in the name of Snake River Honey Co., Inc., of which he is a director and as to which he has shared voting power; and 17,612 shares as to which Mr. Robinson holds an option exercisable as of May 8, 2007.
- (10) Included in the total for Ms. Rode are 6,046 shares as to which Ms. Rode holds an option exercisable as of May 8, 2007 and 900 shares which are subject to forfeiture.

- (11) Included in the total for Mr. Shelton are 1,000 shares held in the name of the Stone Bridge Cellars 401(k) Profit Sharing Plan of which he is not a trustee but may indirectly have shared voting power; 8,992 shares as to which Mr. Shelton holds an option exercisable as of May 8, 2007.
- (12) Included in the total for Mr. Smith are 400 shares held by Wachovia Securities as custodian FBO Kathleen Smith IRA as to which Mr. Smith may indirectly have voting power; 3,440 shares held in the name of Wyman G. Smith, Jr. Martial Trust of which Mr. Smith is the trustee; 45 shares which Mr. Smith holds as custodian for minor children under the California Uniform Transfers to Minor Act; and 5,345 shares as to which Mr. Smith holds an option exercisable as of May 8, 2007.
- (13) Included in the total for Mr. Spencer are 453 shares held in Joint Tenancy with Christina Spencer as to which he has shared voting power; 453 shares held in Joint Tenancy with Stephanie Spencer as to which he has shared voting power; 453 shares held in Joint Tenancy in the names of Haley Monson and Patricia Monson (Spencer)

**Table of Contents**

as to which he may indirectly have shared voting power; 430 shares held in the name of Premier Commercial 401(k) Profit Sharing Plan of which Mr. Spencer is a trustee and may indirectly have shared voting power; and 4,564 held in the name of Solano Gateway Realty, Inc. Profit Sharing Plan of which he is a trustee and as to which he has shared voting power. Also included in the total for Mr. Spencer are 14,697 shares as to which Mr. Spencer holds an option exercisable as of May 8, 2007.

- (14) Included in the total for Ms. Suihkonen are 2,278 shares held by Edward D, Jones & Co. as custodian FBO Andrew T. Suihkonen IRA as to which Ms. Suihkonen may indirectly have shared voting power; and 7 shares held in Tenancy in Common with Kristen D. Suihkonen as to which she has shared voting power. Also included in the total for Ms. Suihkonen are 14,697 shares as to which Ms. Suihkonen holds an option exercisable as of May 8, 2007.
- (15) Included in the total for Mr. Terry are 2,868 shares held by DLJ Investment Services Group FBO Shawna Terry IRA as to which he may indirectly have shared voting power. Also included in the total for Mr. Terry are 8,558 shares as to which Mr. Terry holds an option exercisable as of May 8, 2007.
- (16) Included in the total for Mr. Tidgewell are 5,345 shares as to which Mr. Tidgewell holds an option exercisable as of May 8, 2007.
- (17) In computing the percentage of outstanding Common Stock owned beneficially by all Current Executive Officers and Directors as a group, it is assumed that those options granted to any member of the group which are exercisable within 60 days have been exercised and that therefore, the total number of outstanding shares of the class has been increased by 151,969, the number of shares subject to the exercisable options by all members of the group.

**Table of Contents****Ownership of Umpqua by Umpqua Management and Others**

The following table sets forth the shares of common stock beneficially owned as of February 13, 2007, by each director and each named executive officer of Umpqua, the directors and named executive officers as a group and those persons known to beneficially own more than 5% of Umpqua's common stock, no par value. The address of each of the directors and named executive officers is c/o Umpqua Holdings Corporation, Umpqua Bank Plaza, One SW Columbia Street, Portland, Oregon 97258.

Name	Amount and Nature of Beneficial Ownership <sup>(1)</sup>	Percent of Class
Lynn K. Herbert	575,300 <sup>(2)</sup>	%
Raymond P. Davis	363,758 <sup>(3,4)</sup>	*
Allyn C. Ford	166,789	*
Daniel A. Sullivan	138,352 <sup>(5)</sup>	*
Theodore S. Mason	138,136 <sup>(6)</sup>	*
Ronald F. Angell	127,797 <sup>(7)</sup>	*
Dan Giustina	114,095 <sup>(8)</sup>	*
Brad F. Copeland	82,635 <sup>(3,9)</sup>	*
Mathew A. Bruno	59,318	*
David M. Edson	57,742 <sup>(10)</sup>	*
Thomas W. Weborg	35,937 <sup>(11)</sup>	*
William A. Lansing	33,835 <sup>(3)</sup>	*
David B. Frohnmayer	14,043 <sup>(3)</sup>	*
William T. Fike	12,661	*
Scott D. Chambers	12,072	*
Stephen M. Gambee	8,174	*
Diana E. Goldschmidt	7,586	*
Diane D. Miller	5,913 <sup>(3)</sup>	*
Bryan L. Timm	2,724	*
<b>All directors and executive officers as a group (22 persons)</b>	2,049,047 <sup>(2-11)</sup>	%
<b>Capital Research &amp; Management Company</b> 333 South Hope Street, Los Angeles, CA 90071	3,049,700 <sup>(12)</sup>	5.3%
<b>Barclay's Global Investors NA</b> 45 Fremont Street, San Francisco, CA 94105	3,772,102 <sup>(13)</sup>	6.5%
<b>Select Equity Group, Inc.</b> George S. Loening 380 Lafayette Street, 6 <sup>th</sup> Floor, New York, NY 10007	4,150,999 <sup>(14)</sup>	7.13%

\* 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 jointly with his spouse. Also includes shares held as trustee.
- (3) Includes shares held with or by his/her spouse.
- (4) Includes 212,500 shares covered by options exercisable within 60 days.



**Table of Contents**

- (5) Includes 74,000 shares covered by options exercisable within 60 days.
- (6) Includes 55,546 shares covered by options exercisable within 60 days.
- (7) Includes 15,208 shares covered by options exercisable within 60 days.
- (8) Includes 6,316 shares covered by options exercisable within 60 days.
- (9) Includes 56,920 shares covered by options exercisable within 60 days.
- (10) Includes 42,000 shares covered by options exercisable within 60 days.
- (11) Includes 10,227 shares covered by options exercisable within 60 days.
- (12) This information is taken from a Schedule 13G/A filed February 12, 2007 with respect to holdings as of December 29, 2006. The reporting person has disclaimed beneficial ownership pursuant to SEC Rule 13d-4.
- (13) This information is taken from a Schedule 13G filed January 23, 2007 with respect to holdings as of December 31, 2006. The reporting person has disclaimed beneficial ownership pursuant to SEC Rule 13d-1.
- (14) This information is taken from a Schedule 13G/A filed February 15, 2007 with respect to holdings as of December 31, 2006.

**THE MERGER**

*The following description of the merger is not complete and is qualified in its entirety by reference to the merger agreement attached as Appendix A and the plan of merger attached as Appendix B. We urge you to carefully read the merger agreement and the plan of merger.*

**General**

Umpqua, Umpqua Bank, North Bay and The Vintage Bank have entered into an Agreement and Plan of Reorganization, dated as of January 17, 2007. The Agreement and Plan of Reorganization is generally referred to as the merger agreement in this document.

Subject to the terms and conditions of the merger agreement, and in accordance with Oregon law, when the merger becomes effective, North Bay will merge with and into Umpqua. Umpqua will be the surviving corporation, and the separate corporate existence of North Bay will cease upon completion of the merger. Umpqua's articles of incorporation and bylaws will be the articles of incorporation and bylaws of the combined company. *See*

COMPARISON OF RIGHTS OF SHAREHOLDERS for, among other things, a discussion of the differences between Umpqua's and North Bay's articles of incorporation and bylaws. Immediately after the merger of North Bay into Umpqua, The Vintage Bank will merge with and into Umpqua Bank, with Umpqua Bank surviving the merger.

In connection with the merger of North Bay into Umpqua, as long as the average closing price of Umpqua common stock over the fifteen consecutive trading day period ending on the fifth business day prior to the projected effective date of the merger is no less than \$26.42 and no greater than \$33.58, North Bay shareholders will receive 1.217 shares of Umpqua common stock in exchange for each share of North Bay common stock held. *See* Merger Consideration Participation in Subsequent Transactions. After completion of the merger, North Bay shareholders who receive

Umpqua common stock in exchange for their North Bay common stock will own approximately 8.1% of the combined company, and continuing Umpqua shareholders will own approximately 91.9%.

**Background of the Merger**

In July 2004, Umpqua acquired Humboldt Bancorp, which operated a branch in Napa, California. The acquisition was Umpqua's first step in its strategy of expanding into markets from Sacramento to Seattle. In May 2005, Umpqua opened its first next generation retail and commercial store in California at a Napa location replacing a former Humboldt Bancorp branch. In June 2006, Umpqua acquired Western Sierra Bancorp which significantly enhanced Umpqua's presence in Northern California, particularly in and around Sacramento.

At the annual strategic planning retreat of North Bay's board of directors held on October 21 and 22, 2006, the North Bay board received and discussed an annual situational and risk assessment presentation from management

**Table of Contents**

together with a presentation regarding the banking environment generally and North Bay's valuation from Joseph Colmery, or Colmery, an industry consultant to the board with extensive experience in bank mergers and acquisitions. After considering these presentations, pressure on interest margins, the ability of North Bay to continue to achieve its financial performance goals in the future, and consolidation in the banking industry, the North Bay board, among other alternatives discussed, considered the possibility of engaging in a strategic transaction with another financial institution. As a result, the board established a special committee to, with the assistance of Colmery, identify potential financial advisors, evaluate merger and acquisition options and assess the interest of selected strategic partners. At this meeting, Terry L. Robinson, President and Chief Executive Officer of North Bay, also updated the board on periodic unsolicited expressions of interest that had been received from representatives of other financial institutions, including Umpqua, regarding interest in a transaction with North Bay.

As part of Umpqua's ongoing strategic expansion, Umpqua continuously develops and analyzes potential acquisition candidates. In California, Raymond P. Davis, President and Chief Executive Officer of Umpqua, and William T. Fike, President of Umpqua Bank - California Region, periodically meet with their counterparts at financial institutions in Umpqua's market areas and surrounding communities. In May 2006, Messrs. Davis and Fike met with Mr. Robinson to discuss Umpqua's and North Bay's general strategic directions. On May 26, 2006, Mr. Davis reported to the Executive/Governance Committee of Umpqua's board of directors that he and Mr. Fike had met with Mr. Robinson.

In early November 2006, the North Bay special committee and Colmery held discussions with representatives of Howe Barnes Hoefler & Arnett Investments, Inc., or Howe Barnes, and developed and ranked a list of potential strategic partners, including Umpqua. On November 8, 2006 the special committee determined that it would recommend the engagement of Howe Barnes as a financial advisor to North Bay. Thereafter, on November 14, 2006, the North Bay board, upon the recommendation of the special committee, approved the engagement of Howe Barnes as a financial advisor to North Bay and to solicit interest among potential strategic partners selected by the special committee.

At Umpqua's annual board strategic planning retreat, held November 10-12, 2006, the board and senior management of Umpqua confirmed the strategy of continued growth in Northern California, including markets surrounding Sacramento, through strategic opportunities and de novo branching. In November 2006, Mr. Davis contacted Mr. Robinson to determine North Bay's interest in a potential transaction. Using publicly available information, the potential transaction was analyzed by Umpqua and Milestone Advisors, its financial advisor, and discussions regarding price and structure of the potential transaction progressed.

On November 17, 2006, Umpqua sent an initial, non-binding term sheet and offer letter to North Bay proposing an all stock merger transaction with a proposed fixed exchange ratio, subject to completion of a due diligence review of North Bay's business and assets.

On December 1, 2006, Howe Barnes reported to the North Bay special committee that indications of interest had been solicited from the top five potential strategic partners selected by the committee and that, after entering into confidentiality agreements in connection with the sharing of non-public information with each other, indications of interest had been received from Umpqua and two other companies. The Howe Barnes report included an analysis of the indications of interest received, an analysis of the potential strategic partners, and a report regarding comparable merger and acquisition transactions. The indications of interest from the two other companies were not as financially attractive as the then existing proposal of Umpqua. The special committee discussed each of the indications of interest received, considered the comments and recommendations of Howe Barnes and Colmery and considered the interests of North Bay's customers and employees and the communities in which North Bay does business. The special committee requested that Howe Barnes develop a summary of the indications of interest for further review by the committee and presentation to the North Bay board.

On December 4, 2006, Howe Barnes presented a summary of the indications of interest to the North Bay special committee. In its discussion of this summary, the special committee also considered the information reported by Howe Barnes on December 1. This discussion concluded with the recommendation by the North Bay special committee to the board of directors that Howe Barnes be authorized to extend its talks with Umpqua to further gauge Umpqua's interest and commence exclusive negotiations.

**Table of Contents**

On December 4, 2006, Howe Barnes presented the summary of indications of interest to the North Bay board. After considering the presentation by Howe Barnes and the recommendations of Colmery and the special committee, the board authorized Howe Barnes to negotiate with Umpqua to improve its indication of interest. The board delegated to the special committee the authority to approve price protection terms.

On December 5, 2006, Howe Barnes reported to the special committee that Umpqua had increased its proposed fixed exchange ratio and proposed revised price protection terms. Following discussion the committee authorized Howe Barnes to seek an improvement of Umpqua's proposed price protection terms.

On December 6, 2006, Umpqua provided North Bay with an updated non-binding term sheet that proposed an all stock merger with North Bay with a revised proposed fixed exchange ratio subject to completion of a due diligence review of North Bay. The non-binding term sheet was accompanied by a standstill letter agreement providing for mutual confidentiality of non-public information exchanged by Umpqua and North Bay in connection with conducting due diligence investigations and exclusive negotiation with Umpqua through January 12, 2007.

On December 8, 2006, Mr. Davis gave a presentation to the North Bay board regarding Umpqua, the prospects for the combined company should a potential transaction be consummated and the rationales for North Bay's shareholders, including greater liquidity, cash dividend increase and positioning for additional growth. Following this presentation, a representative of Howe Barnes updated the North Bay board on the status of discussions with Umpqua. The North Bay board then authorized management and the special committee to conduct exclusive negotiations through Howe Barnes with Umpqua consistent with the December 6, 2006 non-binding term sheet and letter agreement for confidentiality and exclusive negotiations. On December 8, 2006, the standstill letter agreement was executed by North Bay that, among other things, obligated North Bay to cease negotiations with potential acquirers other than Umpqua through January 12, 2007.

From December 11 to December 15, 2006, Umpqua conducted off-site due diligence with respect to North Bay and its business. From December 20 to December 21, 2006, North Bay conducted on-site due diligence with respect to Umpqua and its businesses. Umpqua, North Bay and their respective financial and legal advisors continued to conduct due diligence with respect to each other and each other's businesses throughout the remainder of December and into January 2007. During this period, North Bay's special committee met numerous times to monitor the results of the due diligence investigations, receive due diligence reports from Howe Barnes, Gaw Van Male Smith Myers & Miroglio, PLC, or Gaw Van Male, North Bay's general counsel, and Nixon Peabody LLP, North Bay's legal counsel, and remain abreast of business issues requiring negotiation and approve resolution of those issues.

On December 20, 2006, Mr. Davis reported to Umpqua's board of directors at its regularly scheduled meeting on the strategic opportunity with North Bay, including the status of due diligence of negotiations with North Bay regarding business terms. Mr. Davis also reported on the relative expense of de novo branching in the markets served by North Bay, and requested that the board delegate authority to the Executive/Governance Committee to approve matters related to the merger negotiations if necessary prior to Umpqua's regularly scheduled January board of directors meeting.

In the afternoon on December 20, 2006, Foster Pepper LLP, Umpqua's counsel, provided the first draft of the merger agreement to North Bay, Gaw Van Male and Nixon Peabody. Over the following week, Foster Pepper provided proposed amended and restated employment agreements for members of North Bay's management, and voting, non-competition and non-solicitation agreements for members of North Bay's board. North Bay and Umpqua and their respective financial and legal advisors continued to negotiate the terms of a transaction between the two parties, including the terms of the draft merger agreement, proposed amended and restated employment agreements, director voting, non-competition and non-solicitation agreements and proposed amendment and restatement of North Bay's

executive supplemental retirement plan. Between December 20, 2006 and January 15, 2007, North Bay's special committee conducted eleven meetings, attended by representatives of management, Howe Barnes, Gaw Van Male, Nixon Peabody and Colmery, to update the committee on the status of negotiations between the parties and to seek the committee's guidance with respect to various issues.

On January 8, 2007, a special meeting of North Bay's board was held to apprise the board of the status of the proposed transaction, follow-on negotiations and the results of due diligence investigation of Umpqua. Also, in

**Table of Contents**

attendance at this meeting were Colmery and representatives of Howe Barnes, Gaw Van Male and Nixon Peabody. At this meeting the director voting, non-competition and non-solicitation agreements were reviewed and discussed, as well as Umpqua's then current proposal with respect to the exchange ratio and other terms of the proposed transaction. The committee recommended no action until it was clear that there were no additional unresolved business issues. Subsequently, the committee authorized an extension of the exclusive negotiation period under the standstill letter agreement to allow additional time to reach agreement upon unresolved business issues. An updated standstill agreement was executed on January 11, 2007 that extended the non-solicitation period contained therein through January 18, 2007.

On January 15, 2007, after considering the final business and pricing issues as well as employee related issues over the course of a series of meetings, North Bay's special committee determined to recommend that North Bay's board approve a fixed exchange ratio of 1.217. The North Bay special committee made its recommendation subject to approval of the definitive agreements, final reports of North Bay's financial and legal advisors and receipt of an opinion from Howe Barnes that the proposed transaction is fair, from a financial point of view, to the holders of the outstanding shares of common stock of North Bay.

On January 16, 2007, North Bay's special committee reviewed with North Bay's financial and legal advisors the terms of the proposed transaction and the draft definitive agreements. Management and representatives of the advisors reported to the committee that the terms of the proposed merger and draft definitive agreements were in substantially final form. The Committee was presented with written due diligence reports from the financial and legal advisors and also with a documentation report from Howe Barnes relating to the fairness of the proposed merger. After a review of the terms of the proposed transaction and discussion, the committee unanimously agreed to recommend to the North Bay board of directors that they approve the transaction with Umpqua.

On January 16, 2007, North Bay's board of directors held a special meeting to consider the proposed transaction with Umpqua. Also in attendance at this meeting were representatives of Howe Barnes, Gaw Van Male and Nixon Peabody. A representative of Nixon Peabody reviewed with the board its fiduciary duties, following which the representative of Nixon Peabody, a representative of Gaw Van Male and management reviewed with the board the proposed terms of the transaction with Umpqua and the definitive agreements, including the proposed amendments to the employment agreements, amendment and restatement of North Bay's supplemental executive retirement plan, and director voting, non-competition and non-solicitation agreements. The representatives of Howe Barnes then made a presentation to the board regarding the proposed transaction with Umpqua which, based on the closing price for Umpqua of \$29.14 per share on January 8, 2007, equated to an offering price of \$35.46 per share for all of the outstanding North Bay common stock and stock equivalents, equating to an aggregate deal value of approximately \$157.8 million. The representatives of Howe Barnes delivered to the North Bay board its written opinion, that, as of that date, and based upon and subject to the various factors, assumptions and limitations set forth in Howe Barnes opinion, the proposed fixed exchange ratio of 1.217 was fair, from a financial point of view to North Bay's shareholders. The board of directors asked questions of, and received answers from, North Bay's financial and legal advisors. Based on all relevant factors they considered material, including among other things, the opinion, competency and reliability of Howe Barnes and the recommendation of the special committee, the purchase price, the greater liquidity for shareholders, the cash dividend increase and prospects for additional growth, the board of directors of North Bay unanimously approved the merger and the definitive agreements and determined that the merger is fair to and in the best interests of North Bay and its shareholders and determined to recommend that the shareholders of North Bay approve the principal terms of the merger agreement.

On January 17, 2007, at Umpqua's regularly scheduled board meeting, the board of directors considered the proposed merger with North Bay. Management summarized the results of their due diligence investigation and the projected financial results of the proposed merger. A representative from each of Foster Pepper and Milestone Advisors attended the meeting. The directors received and considered a detailed analysis and fairness opinion stating that the

consideration to be paid by Umpqua to North Bay shareholders as provided in the merger agreement was fair, from a financial point of view, to Umpqua's shareholders from Milestone Advisors. Mr. Davis and a representative of Foster Pepper reviewed the terms of the merger agreement with the board. Foster Pepper's representative reviewed with the board its fiduciary duties. The board asked questions of, and received answers from, Umpqua's financial and legal advisors and considered the factors they deemed relevant to the proposal before voting unanimously to approve the transaction.



**Table of Contents**

After the close of business on January 17, 2007, the parties executed and delivered the merger agreement. On January 18, 2007, the parties issued a joint press release announcing the proposed merger.

**Umpqua's Reasons for the Merger**

In the course of reaching its decision to approve the merger agreement, including the issuance of shares of Umpqua common stock to North Bay shareholders, Umpqua's board of directors considered and reviewed with senior management and outside financial and legal advisors a significant amount of information and factors relevant to the merger, including Umpqua's strategic plan. Umpqua's board of directors determined that the merger would advance Umpqua's strategic plan and that the proposed merger is in the best interests of Umpqua and its shareholders. Umpqua's board of directors carefully considered the following potentially positive factors in its deliberations:

The opinion of Milestone Advisors, LLC, which is attached as Appendix C, that as of January 17, 2007, the consideration to be paid to North Bay shareholders in the merger was fair, from a financial point of view, to Umpqua shareholders. The board considered the factors discussed in Milestone Advisors' analysis but did not assign or consider any specific weighting to those factors.

The effectiveness of the merger in implementing Umpqua's growth strategy. The board reviewed the markets served by North Bay and recognized in the merger the ability for Umpqua to enhance its presence in Northern California, in communities adjacent to markets currently served by Umpqua but with minimal overlap.

A presentation by management of its due diligence review of North Bay, including the business, operations, earnings, asset quality, financial condition and corporate culture of North Bay on a historical, prospective, and pro forma basis. These reviews found North Bay to be financially sound and well capitalized.

Umpqua management's prior record of integrating acquired financial institutions, and the likelihood of being able to effectively complete the merger and integrate the two companies.

The compatibility of corporate goals and the respective contributions the parties would bring to a combined institution. The board noted the similar community banking philosophies of the management and employees of both institutions.

The complementary customer bases, products and services of Umpqua and North Bay could result in opportunities to obtain synergies as products are cross-marketed and distributed over broader customer bases and best practices are compared and applied across the combined company.

The compatibility of each company's data processing systems that should significantly reduce the integration costs and risk of errors in customer account conversions.

The minimal overlap of store locations with Umpqua having one branch in Napa, which, when coupled with the new markets served by The Vintage Bank and its Solano Bank division in surrounding areas, the Umpqua board believed presented a desirable strategic opportunity for expansion of its existing store network.

The expanded opportunities for revenue enhancement and synergies that are expected to result from the merger. The board assessed possible synergies and recognized that the combined organization could reduce aggregate expenses that Umpqua and North Bay incur in areas such as salaries and benefits, occupancy expense, professional and outside service fees, and communications expense.

The execution of amended and restated employment agreements and supplemental executive retirement plans by executive officers of North Bay and The Vintage Bank, which provide incentives to key employees to remain with Umpqua during the integration period following completion of the merger. The board considered the commitments of such officers as indications that the integration process and Umpqua's move into new markets would be successful and that the presence of senior management from North Bay would help assure continuity in the operation of the combined company.

**Table of Contents**

The terms of the merger agreement and the Voting, Non-Competition and Non-Solicitation Agreements executed by each director of North Bay in connection with the merger. The board viewed the commitment of all directors to support the merger as indications that the merger would likely be consummated.

The tax effects of the merger. The board considered that the merger would qualify as a corporate reorganization entitled to favorable tax treatment for the parties to the merger and for their shareholders.

The Umpqua board of directors did not assign any specific or relative weight to the information it reviewed in the course of its consideration.

**North Bay's Reasons for the Merger and Recommendation of North Bay's Board of Directors**

In reaching its determination to approve and adopt the merger agreement, the board of directors of North Bay consulted with North Bay's management, its financial advisors and consultants, and legal advisors, and considered a number of favorable and unfavorable factors, including without limitation the following:

The opinion of Howe Barnes, which is attached as Appendix D, that, as of January 16, 2007, the exchange ratio, as set forth in the merger agreement, was fair, from a financial point of view, to North Bay's shareholders.

The terms of the merger, including the exchange ratio, and various other documents related to the merger.

The results of the due diligence review of Umpqua's business, operations, financial condition, legal affairs, asset quality and corporate culture conducted by North Bay management with the assistance of its advisors.

The concerns of the North Bay board with regard to the banking environment, including continued consolidation in the banking industry, competition, pressure on interest margins and the ability of North Bay to continue to meet its goals and to execute on its business plan.

The current and prospective economic and competitive environment facing the financial services industry generally, including the increased importance of operational scale and financial resources in maintaining efficiency and remaining competitive over the long term.

The fact that the merger will allow North Bay shareholders, as shareholders of Umpqua, to share in the potential growth and increased diversification of a significantly larger three-state financial holding company, including better future prospects than North Bay was likely to achieve on a stand-alone basis, a more diversified customer base, and more diversified revenue sources.

The North Bay board of directors' review, based in part on presentations by its financial advisors and consultants and North Bay's management, of the business, operations, financial condition and earnings of Umpqua on an historical and prospective basis and of the combined company on a pro forma basis and the historical stock performance of Umpqua's common stock and Umpqua's greater market capitalization and liquidity relative to North Bay.

The terms of the merger agreement, including a provision permitting North Bay to terminate the merger agreement if the weighted average closing price of Umpqua's common stock over the fifteen trading day period ending on the fifth business day prior to the projected merger closing date is less than \$26.42, thereby limiting the risk to North Bay's shareholders of possible significant and disproportionate declines in the trading price of Umpqua's common stock unless Umpqua elects to increase the exchange ratio or pay additional cash

consideration.

The fact that, based on the closing price of Umpqua's common stock on January 12, 2007, the value of the per share merger consideration to be received by North Bay shareholders represented a multiple of North Bay's diluted earnings per share (based on estimated 2006 earnings) of 23.23x and a multiple of book value per share as of September 30, 2006 of 2.83x.

The fact that, based on the closing price of Umpqua's common stock on January 12, 2007, the value of the per share consideration to be received by North Bay shareholders represented a premium of 25.72% over the

**Table of Contents**

closing price of North Bay common stock on that date, and a premium of 26.34% over the average closing price North Bay common stock for the fifteen trading days prior to the announcement of the transaction.

The fact that the merger agreement permits North Bay to declare a cash dividend in the amount of \$0.14 per share so long as the dividend is paid prior to the effective time of the merger if the merger is not consummated by March 31, 2007 and the probability that North Bay's shareholders will receive higher dividend income with respect to the shares of Umpqua's common stock to be received in the merger, based on Umpqua's historical dividend rate.

The fact that North Bay's management has interests in the transactions that are in addition to North Bay's shareholders generally, which may create a conflict of interest.

The North Bay board's belief that a merger with Umpqua would enable North Bay shareholders to participate in a combined company that would have better future prospects than North Bay was likely to achieve on a stand-alone basis, including a more diversified customer base and, therefore, more diversified revenue sources.

The expectation that the Umpqua/North Bay merger will be tax-free for federal income tax purposes to North Bay and North Bay's shareholders.

The common business philosophy and compatibility of the management and staff of North Bay and Umpqua.

The greater number of shareholders and the increased market capitalization of the combined company, which may result in improved liquidity for shareholders.

The provisions of the merger agreement entitling North Bay's board to withdraw its recommendation of the merger to the North Bay shareholders and the provisions permitting North Bay's board to terminate the merger agreement with Umpqua to the extent specifically authorized by its board of directors in the good faith exercise of its fiduciary duties after consultation with legal counsel.

The \$5 million termination fee, representing approximately 3% of the total merger consideration, that would have to be paid to Umpqua under specified circumstances, including the risk that payment of the termination fee might discourage third parties from offering to acquire North Bay, and that the termination fee was a condition to Umpqua's willingness to enter into the merger agreement with North Bay.

The interests of certain North Bay directors and officers in the merger, as described under the caption "Interests of North Bay Directors and Executive Officers in the Merger" beginning on page 69 of this document, and the fact some of those interests are different from or are in addition to the interests of North Bay shareholders in the merger generally.

The effect of the merger on North Bay's shareholders, employees, its customers, and the communities in which it conducts business.

The foregoing discussion of the information and factors considered by North Bay's board of directors is not intended to be exhaustive, but is believed to include the material factors considered by the board of directors. In reaching its determination to approve and recommend the merger agreement, North Bay's board of directors did not assign any relative or specific weights to the factors considered, and individual directors may have given differing weights to different factors.

For the reasons set forth above, the North Bay board determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are in the best interests of North Bay and its shareholders. The North Bay board recommends that North Bay shareholders vote **FOR** the merger proposal.

**Opinion of Umpqua's Financial Advisor**

At the request of Umpqua, Milestone Advisors has provided to the Umpqua board of directors a written opinion to the effect that, subject to the qualifications, limitations and assumptions set forth in the opinion, as of the date Umpqua entered into the merger agreement the consideration to be paid by Umpqua as provided in the Agreement was fair to the holders of Umpqua common stock from a financial point of view.

**Table of Contents**

Milestone Advisors was retained by Umpqua as its financial advisor and to provide a fairness opinion to Umpqua. Umpqua selected Milestone Advisors on the basis of its reputation as a nationally recognized investment-banking firm with substantial experience in transactions similar to the merger and its familiarity with Umpqua and its business. Milestone Advisors is an investment banking firm that provides a broad range of financial services, and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and securities in connection with merger transactions and other types of acquisitions, private placements, secondary distributions and valuations for corporate, estate and other purposes. No limitations were imposed by the board of directors of Umpqua upon Milestone Advisors with respect to the investigation made or procedures followed by it in rendering its opinion.

The full text of Milestone Advisors' written opinion to Umpqua's board of directors, which sets forth the procedures followed, assumptions made, matters considered, and qualifications and limitations of the review undertaken by Milestone Advisors, is attached as Appendix C to this proxy statement-prospectus and is incorporated herein by reference. The following summary of Milestone Advisors' opinion is qualified in its entirety by reference to the full text of the opinion, and we urge you to read the opinion in its entirety.

For purposes of Milestone Advisors' opinion and in connection with its review of the merger and the merger agreement, Milestone Advisors, among other things:

reviewed the merger agreement;

reviewed certain publicly available business and financial information relating to Umpqua and North Bay that Milestone Advisors deemed to be relevant;

reviewed certain internal information, primarily financial in nature, including financial and operating data relating to the strategic implications and operational benefits anticipated to result from the merger, furnished to Milestone Advisors by Umpqua and North Bay;

reviewed certain publicly available and other information concerning the reported prices and trading history of, and the trading market for, the common stock of Umpqua and North Bay;

reviewed certain publicly available information with respect to other companies that Milestone Advisors believed to be comparable in certain respects to Umpqua and North Bay;

considered the financial terms, to the extent publicly available, of selected recent business combinations of companies in the banking industry which Milestone Advisors deemed to be comparable, in whole or in part, to the merger; and

made inquiries regarding and discussed the merger and the merger agreement and other related matters with Umpqua and Umpqua's counsel.

In addition, Milestone Advisors held discussions with the managements of Umpqua and North Bay concerning their views as to the financial and other information described above and the potential cost savings, operating synergies, revenue enhancements and strategic benefits expected to result from the merger. Milestone Advisors also conducted such other analyses and examinations and considered such other financial, economic and market criteria as it deemed appropriate to arrive at its opinion. It did not, however, make or review any independent evaluations or appraisals of any of the assets, properties, liabilities or securities, or make any physical inspection of the properties or assets of Umpqua. It assumed the adequacy of allowances for losses in loan portfolios, and did not undertake to review any individual credit files of Umpqua or North Bay.

In delivering its opinion to the board of directors of Umpqua, Milestone Advisors prepared and delivered to Umpqua's board of directors written materials containing various analyses and other information. Subject to the provisions of the merger agreement, each share of North Bay common stock issued and outstanding immediately prior to the effective time of the merger shall be converted into the right to receive consideration equal to 1.2170 shares of Umpqua, subject to a floor. The aggregate number of Umpqua shares to be issued in exchange for all of North Bay's currently outstanding common stock is approximately 5.1 million. Options to purchase North Bay's common stock that remain unexercised at the time the transaction closes will be converted into options to purchase Umpqua shares per customary conversion methodology as described in the merger agreement. The fully



## **Table of Contents**

diluted per share purchase price as of the date of the fairness opinion was \$35.83 and as of the date of the merger agreement was \$35.01. For purposes of the fairness opinion, Milestone Advisors assumed 4,193,495 shares of North Bay common stock outstanding and 477,020 options to purchase North Bay common stock outstanding at a weighted average exercise price of \$16.37 per share.

The following are summaries of the analyses contained in the materials delivered to Umpqua board of directors.

### ***Market Trading Analysis of Umpqua***

Milestone Advisors reviewed the stock trading history of Umpqua's common stock. As of January 12, 2007, the market value of Umpqua's common stock was \$29.44 per share and ranged from \$24.16 to \$30.49 over the preceding 52-week period. The 30-, 60-, and 90-day trailing average prices were \$29.57, \$29.53 and \$29.15, respectively, and the average daily trading volume was approximately 204,100 shares.

### ***Market Trading Analysis of North Bay***

The market trading price of North Bay as of January 12, 2007 was \$28.50 and ranged from \$25.24 to \$31.50 over the preceding 52-week period. The 30-, 60-, and 90-day trailing average prices were \$28.38, \$28.27 and \$28.19, respectively, and the average daily trading volume was approximately 5,200 shares. The transaction price per fully diluted share as of the date of the Agreement of \$35.01 represents a premium of \$6.51, or 22.8% over North Bay's market price as of the date of the Agreement, and premiums of \$6.63, \$6.74 and \$6.82, or 23.3%, 23.6% and 23.9%, over the 30-, 60-, and 90-day trailing average prices, respectively, of North Bay.

### ***Public Comparable Company Analysis***

This method applies the comparative public market information of comparable companies to Umpqua and North Bay. The methodology assumes companies in the same industry share similar markets, and the potential for revenue and earnings growth is usually dependent upon the characteristics of the growth rates of these markets, and companies that operate within the same industry or line of business experience similar operating characteristics and business opportunities and risks. The underlying component in the comparable company analysis assumes the companies are ongoing concerns.

Using publicly available information, Milestone Advisors compared selected financial data of Umpqua with similar data of selected publicly-traded companies engaged in commercial banking considered by Milestone Advisors to be comparable to those of Umpqua. In this regard, Milestone Advisors noted that although such companies were considered similar, none of the companies has the same management, makeup, size or combination of business as Umpqua, as the case may be. Milestone Advisors reviewed and analyzed the following publicly-traded companies, which Milestone Advisors deemed to be comparable companies (collectively, the Umpqua Comparison Companies ) Banner Corporation, Capital Corp of the West, Cascade Bancorp, City National Corporation, Columbia Banking System Inc, CVB Financial Corp., First Community Bancorp, First Republic Bank, Frontier Financial Corporation, Glacier Bancorp Inc, Greater Bay Bancorp, Pacific Capital Bancorp, Sterling Financial Corporation, SVB Financial Group, TriCo Bancshares, West Coast Bancorp, Westamerica Bancorporation, and Western Alliance Bancorporation. This group was selected from companies that are commercial banks or bank holding companies which are headquartered and operate in the Western Region of the United States and have assets between \$1 billion and \$20 billion.

We analyzed the following financial data for each of the Umpqua Comparison Companies and then applied the average and median trading metrics of the Umpqua Comparison Companies to Umpqua: the closing price of the common stock on January 12, 2007 as a multiple or percent, as the case may be, of (i) net income for the latest twelve

months (four most recent fiscal quarters) for which income has been publicly reported ( LTM ), (ii) tangible book value per share, and (iii) total assets.

**Table of Contents****UMPQ COMPARABLE COMPANY ANALYSIS TRADING METRICS**

	<b>Price/ TBV (%)</b>	<b>Price/ LTM EPS (x)</b>	<b>Current Price/ Assets (%)</b>	<b>Dividend Yield (%)</b>	<b>Market Value (\$M)</b>	<b>YTD Price Change (%)</b>	<b>Average Weekly Volume (%)</b>
<b>Average</b>	340.46	18.18	23.59	1.72	1,186.89	(1.22)	1.91
<b>Median</b>	298.19	17.35	22.44	1.78	1,228.50	(0.95)	1.68
High	632.50	24.76	41.66	2.84	3,317.54	2.02	4.43
Low	238.09	14.14	10.00		334.98	(4.41)	0.51
<b>UMPQ</b>	370.78	18.40	23.74	2.45	1,708.59	0.03	1.54

Similarly, Milestone Advisors compared selected financial data of North Bay, using publicly available data, with similar data of selected publicly-traded companies engaged in commercial banking considered by Milestone Advisors to be comparable to those of North Bay. In this regard, Milestone Advisors noted that although such companies were considered similar, none of the companies has the same management, makeup, size or combination of business as North Bay, as the case may be. Milestone Advisors reviewed and analyzed the following publicly-traded companies, which Milestone Advisors deemed to be comparable companies (collectively, the North Bay Comparison Companies ) American River Bankshares, Bank of Commerce Holdings, Bank of Marin, Bridge Capital Holdings, Central Valley Community Bancorp, Community Valley Bancorp, Community West Bancshares, Desert Community Bank, Epic Bank, Heritage Commerce Corp, Heritage Oaks Bancorp, National Mercantile Bancorp, North Valley Bancorp, Northern Empire Bancshares, Pacific Mercantile Bancorp, Pacific State Bancorp, Plumas Bancorp, Sierra Bancorp, Summit State Bank, and Temecula Valley Bancorp Inc. This group was selected from companies that are commercial banks or bank holding companies which are headquartered and operate in California and have assets between \$250 million and \$1.5 billion.

We analyzed the following financial data for each of the North Bay Comparison Companies and then applied the average and median trading metrics of the North Bay Comparison Companies to North Bay: the closing price of the common stock on January 12, 2007 as a multiple or percent, as the case may be, of (i) net income for the latest twelve months (four most recent fiscal quarters) for which income has been publicly reported ( LTM ) (ii) tangible book value per share, and (iii) total assets.

**NBAN COMPARABLE COMPANY ANALYSIS TRADING METRICS**

	<b>Price/ TBV (%)</b>	<b>Price/ LTM EPS (x)</b>	<b>Current Price/ Assets (%)</b>	<b>Dividend Yield (%)</b>	<b>Market Value (\$M)</b>	<b>YTD Price Change (%)</b>	<b>Average Weekly Volume (%)</b>
<b>Average</b>	242.33	16.35	19.65	1.15	145.30	0.07	0.71
<b>Median</b>	242.53	15.61	19.35	1.22	109.80	0.62	0.37
High	349.71	24.72	29.61	2.81	324.22	5.90	3.57
Low	141.57	13.98	10.51		53.45	(5.63)	0.07
<b>NBAN</b>	214.61	17.27	18.22	0.50	118.38	0.35	0.91



**Table of Contents*****Merger and Acquisition Transaction Analysis***

Milestone Advisors reviewed certain publicly available information regarding 13 selected merger and acquisition transactions (the *Comparable Transactions*) from January 1, 2006 to January 12, 2007 involving commercial banks and bank holding companies, in which the sellers (i) were headquartered and operated their banking business in the United States, and (ii) in which the total assets of the target bank was between \$250 million and \$1.5 billion at transaction announcement. Those transactions were as follows:

<b>Acquiror</b>	<b>Target</b>
Western Alliance Bancorp	First Independent Capital NV
Banner Corp.	F&M Bank
City National Corp.	Business Bank Corporation
Sterling Financial Corp.	Northern Empire Bancshares
Zions Bancorp	Stockmen's Bancorp Inc.
Community Bancorp	Valley Bancorp
Sterling Financial Corp.	FirstBank NW Corp.
First Republic Bank	BWC Financial Corp.
First Community Bancorp	Community Bancorp Inc.
Placer Sierra Bancshares	Southwest Community Bancorp
Sterling Financial Corp.	Lynnwood Financial Group
Umpqua Holdings Corp.	Western Sierra Bancorp
Western Alliance Bancorp	Bank of Nevada

For each transaction, Milestone Advisors analyzed data illustrating, among other things, the multiple of purchase price to LTM earnings, the multiple of purchase price to tangible book value, and the ratio of the premium (i.e., purchase price in excess of tangible book value) to core deposits.

A summary of the average and median multiples and ratios for the *Comparable Transactions Group* in the analysis follows:

**CALIFORNIA COMPARABLE TRANSACTION GROUP ANALYSIS**

<b>Buyer/Target Name</b>	<b>Total</b>	<b>Deal</b>	<b>Price to</b>		<b>Prem Core (%)</b>	
	<b>Assets (\$000)</b>	<b>Announce Date</b>	<b>Value (\$M)</b>	<b>LTM TBV (%) Earnings (x)</b>		
<b>Comparable Transaction Group Average</b>	707,699		179.3	314.15	19.18	26.81
<b>Comparable Transaction Group Median</b>	564,239		169.5	328.78	19.26	27.23
Comparable Transaction Group High Value	1,328,763		356.2	455.41	26.66	41.60

Comparable Transaction Group							
Low Value		280,554		63.8	143.35	7.41	12.51
<b>UMPQ/NBAN</b>	Exchange Ratio = 1.2170	648,984	1/18/2007	159.5	289.47	22.76	25.11

An analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of North Bay and the companies included in the selected merger transactions and other factors that could affect the acquisition value of the companies to which it is being compared. Mathematical analyses such as determining the median or average is not in itself a meaningful method of using comparable transaction data.

**Table of Contents**

***Discounted Cash Flow Analysis***

In performing the Discounted Cash Flow analysis, Milestone Advisors estimated the future cash earnings of North Bay on both a stand-alone basis and a pro forma basis (including the operational benefits that are expected to result from the transaction), and then discounted those values back to the present using discount rates of 8.0%, 10.0%, and 12.0%. Free cash flow in our analysis is equal to the cash earnings of North Bay less the amount of retained earnings necessary to maintain an equity-to-assets ratio of 8.1%. Terminal values assume a cash earnings growth rate of 3.0% into perpetuity.

This analysis indicates that the present value of North Bay's future cash flows ranged from \$25.06 to \$46.42 per share on a stand-alone basis and from \$33.47 to \$55.79 on a pro forma basis, compared to the value of Umpqua's stock offer equal to an exchange ratio of 1.2170, or \$35.01 per share as of the date of the Agreement.

***Present Value Analysis***

In performing the Present Value analysis, Milestone Advisors applied a price-to-earnings multiple ranging from 12x to 24x and a price-to-book value ratio ranging from 150% to 250% to North Bay's projected future earnings per share and book value per share, resulting in an implied projected stock price range. The projected stock prices were discounted to the present using discount rates of 8.0% to 12.0%.

On a stand-alone basis, this analysis indicates that the present value of North Bay's future stock price based on the price-to-earnings multiple averaged \$29.37 and ranged from \$17.86 to \$42.79 per share, and based on the price-to-book value ratios averaged \$29.53 and ranged from \$20.20 to \$40.33 per share compared to the value of Umpqua's stock offer equal to an exchange ratio of 1.2170, or \$35.01 per share as of the date of the Agreement.

On a pro forma basis, this analysis indicates that the present value of North Bay's future stock price based on the price-to-earnings multiple averaged \$35.49 and ranged from \$21.59 to \$51.71 per share, and based on the price-to-book value ratios averaged \$30.21 and ranged from \$20.67 to \$41.26 per share compared to the value of Umpqua's stock offer equal to an exchange ratio of 1.2170, or \$35.01 per share as of the date of the Agreement.

***Accretion Analysis***

Milestone Advisors analyzed the projected 2007 through 2009 earnings per share for one original share of Umpqua common stock, adjusted for the exchange ratio assuming 100% stock conversion. We compared the projected earnings per share for the holders of Umpqua common stock on a stand-alone basis and on a combined pro forma basis for Umpqua and North Bay. This analysis assumes, among other things, that the transaction is completed in the second quarter of 2007, and expense savings are partially realized in 2007 and fully realized in 2008 and all periods thereafter. This analysis results in marginal earnings dilution in 2007 and positive earnings accretion ranging from 1% to 2% in 2008 and 2009.

This analysis suggests that there are higher potential earnings per share and therefore higher potential value per share for the holders of Umpqua common stock if the merger is completed.

This analysis relies on financial projections for Umpqua and North Bay, which projections may be significantly different from actual results. Therefore, the accretion experienced by Umpqua and/or North Bay may be significantly different than projected.

While the foregoing summaries describe several analyses and examinations that Milestone Advisors deemed material in its opinion, it is not a comprehensive description of all analyses and examinations actually conducted by Milestone

Advisors. The preparation of a fairness opinion necessarily involves various determinations of the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances, and, therefore, is not susceptible to partial analysis or summary description. Each of the analyses conducted by Milestone Advisors was carried out in order to provide a different perspective on the transaction and to add to the total mix of information available. Milestone Advisors did not form a conclusion as to whether any individual analysis, considered alone, supported or failed to support an opinion as to fairness from a financial point of view. Rather, in reaching its conclusion, Milestone Advisors considered the results of the analyses as a whole and did not place particular reliance or weight on any individual factor. Therefore, selecting portions of the analyses and



## **Table of Contents**

factors considered, without considering all such analyses and factors, would create an incomplete or misleading view of the process underlying the analysis. The range of valuations resulting from any particular analysis should not be taken to be Milestone Advisors' s view of the actual value or predicted future value of Umpqua' s common stock.

In performing its analyses, Milestone Advisors made numerous assumptions with respect to industry performance and general business and economic conditions such as industry growth, inflation, interest rates and many other matters, many of which are beyond the control of Umpqua, North Bay and Milestone Advisors. Any estimates contained in Milestone Advisors' s analyses are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by the analyses. Additionally, estimates of the values of the business and securities do not purport to be appraisals of the assets or market value of Umpqua and North Bay or their securities, nor do they necessarily reflect the prices at which transactions may actually be consummated.

In arriving at its opinion, Milestone Advisors assumed and relied upon the accuracy and completeness of all financial and other information provided to or reviewed by Milestone Advisors, including publicly available information, and Milestone Advisors did not assume any responsibility for independent verification of any such information. With respect to financial projections and other information provided to or reviewed by Milestone Advisors, Milestone Advisors was advised by the managements of Umpqua and North Bay that such projections and other information were reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of Umpqua and North Bay as to the expected future financial performance of Umpqua and North Bay, and Milestone Advisors assumed that, after the merger, Umpqua and North Bay and its subsidiaries will perform substantially in accordance with such projections. Milestone Advisors' s opinion does not address the underlying business decision of Umpqua to enter into the Agreement or complete the merger.

Pursuant to the terms of an engagement letter with Umpqua, Milestone Advisors will receive a fee of \$675,000 from Umpqua, which is contingent upon completion of the merger. Umpqua has also agreed to reimburse Milestone Advisors for its expenses incurred in connection with its engagement and to indemnify Milestone Advisors against certain liabilities. Milestone Advisors has not previously provided investment banking and financial advisory services to North Bay or Umpqua. Milestone Advisors provides a full range of financial advisory services. Milestone Advisors does not effect transactions or hold securities of North Bay or Umpqua for its own account or for the accounts of customers. A managing director of Milestone Advisors, who prepared the fairness opinion and advised Umpqua regarding the transaction with North Bay, previously worked for Hoefer & Arnett, Inc., now known as Howe Barnes Hoefer& Arnett, Inc. During his employment with Hoefer & Arnett, Inc., he provided financial advice to and prepared a fairness opinion for Umpqua in connection with its acquisition of Western Sierra Bancorp.

Milestone Advisors' s opinion is for the benefit and use of the members of the board of directors of Umpqua in connection with their evaluation of the merger and does not constitute a recommendation to any holder of Umpqua common stock as to how such holder should vote with respect to the merger.

### **Opinion of North Bay' s Financial Advisor**

North Bay' s board of directors retained Howe Barnes to render financial advisory and investment banking services. Howe Barnes is a nationally recognized investment banking firm with substantial expertise in transactions similar to the proposed transaction and is familiar with North Bay and its business. As part of its investment banking activities, Howe Barnes is regularly engaged in the independent valuation of financial institutions and securities in connection with mergers, acquisitions, underwritings, sales and distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

On January 16, 2007, the North Bay board of directors held a meeting to evaluate the proposed merger with Umpqua. At this meeting, Howe Barnes rendered a written opinion that the terms of the proposed merger of North Bay with and

into Umpqua was fair, from a financial point of view, to North Bay shareholders. Howe Barnes has confirmed its January 16, 2007 opinion by delivering to the North Bay board a written opinion dated the date of this proxy statement/prospectus. The full text of Howe Barnes opinion is attached as Appendix D to this proxy statement/prospectus and should be read in its entirety.

**Table of Contents**

For purposes of Howe Barnes' opinion and in connection with its review of the proposed transaction, Howe Barnes has, among other things:

reviewed the terms of the merger agreement;

reviewed certain publicly available financial statements, both audited (where available) and un-audited, and related financial information of North Bay and Umpqua, including those included in their respective annual reports for the past three years and their respective quarterly reports for the past two years;

held discussions with members of senior management of North Bay and Umpqua regarding financial forecasts and projections of North Bay and Umpqua, as well as the amount and timing of the cost savings and related expenses and synergies expected to result from the merger;

held discussions with members of senior management of North Bay and Umpqua regarding past and current business operations, regulatory matters, financial condition and future prospects of the respective companies;

reviewed reported market prices and historical trading activity of North Bay and Umpqua common stock;

reviewed certain aspects of the financial performance of North Bay and Umpqua and compared such financial performance of North Bay and Umpqua, together with stock market data relating to North Bay and Umpqua common stock, with similar data available for certain other financial institutions and certain of their publicly traded securities;

compared the proposed financial terms of the merger with the financial terms of certain other transactions that Howe Barnes deemed to be relevant; and

reviewed the potential pro forma impact of the merger.

Howe Barnes has assumed and relied, without independent verification, upon the accuracy and completeness of all of the financial and other information that has been provided to it by North Bay, Umpqua, and their respective representatives, and of the publicly available information that was reviewed by it. Howe Barnes is not an expert in the evaluation of allowances for loan losses and has not independently verified such allowances, and has relied on and assumed that the aggregate allowances for loan losses set forth in the balance sheets of each of North Bay and Umpqua are adequate to cover such losses and complied fully with applicable law, regulatory policy and sound banking practice as of the date of such financial statements. Howe Barnes was not retained to and it did not conduct a physical inspection of any of the properties or facilities of North Bay or Umpqua, did not make any independent evaluation or appraisal of the assets, liabilities or prospects of North Bay or Umpqua, was not furnished with any such evaluation or appraisal, and did not review any individual credit files.

Howe Barnes' opinion is necessarily based on economic, market, and other conditions as in effect on, and the information made available to it as of, the date hereof. Events occurring after the date of issuance of the opinion, including but not limited to, changes affecting the securities markets, the results of operations or material changes in the assets or liabilities of North Bay or Umpqua could materially affect the assumptions used in preparing the opinion. Howe Barnes assumed that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the merger agreement are not waived.

No limitations were imposed by North Bay's board of directors upon Howe Barnes with respect to the investigations made or procedures followed in rendering its opinion. Howe Barnes' opinion as expressed herein is limited to the fairness, from a financial point of view, of the merger consideration to be paid by Umpqua to holders of North Bay common stock in the merger and does not address North Bay's underlying business decision to proceed with the merger. Howe Barnes has been retained on behalf of the board of directors of North Bay, and its opinion does not constitute a recommendation to any director of North Bay as to how such director should vote with respect to the merger.

Howe Barnes relied upon the managements of North Bay and Umpqua as to the reasonableness of the financial and operating forecasts, and projections (and the assumptions and bases therefor) provided to or reviewed by Howe

**Table of Contents**

Barnes, and Howe Barnes assumed that such forecasts and projections reflect the best currently available estimates and judgments of North Bay and Umpqua management. North Bay and Umpqua do not publicly disclose internal management forecasts, projections or estimates of the type furnished to or reviewed by Howe Barnes in connection with its analysis of the financial terms of the proposed transaction, and such forecasts and estimates were not prepared with a view towards public disclosure. These forecasts and estimates were based on numerous variables and assumptions which are inherently uncertain and which may not be within the control of the managements of North Bay or Umpqua, including without limitation to, the general economic, regulatory and competitive conditions. Accordingly, actual results could vary materially from those set forth in such forecasts and estimates.

In delivering its opinion to the board of directors of North Bay, Howe Barnes prepared and delivered to North Bay's board of directors written materials containing various analyses and other information. The following is a summary of the material financial analyses performed by Howe Barnes in connection with the preparation of its opinion and does not purport to be a complete description of all the analyses performed by Howe Barnes. The summary includes information presented in tabular format, which should be read together with the text that accompanies those tables. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, an opinion is not necessarily susceptible to partial analysis or summary description. Howe Barnes believes that its analyses must be considered as a whole and that selecting portions of such analyses and the factors considered therein, without considering all factors and analyses, could create an incomplete view of the analyses and the processes underlying its opinion. In its analyses, Howe Barnes made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of North Bay, Umpqua and Howe Barnes. Any estimates contained in Howe Barnes' analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold.

**Summary of Proposal**

Howe Barnes reviewed the financial terms of the proposed transaction. Subject to the provisions of the merger agreement, each share of North Bay common stock issued and outstanding immediately prior to the effective time of the merger shall be converted into the right to receive consideration of 1.217 shares of Umpqua, subject to adjustment in accordance with the merger agreement. Each outstanding option to acquire North Bay common stock shall be automatically converted into an option to purchase Umpqua common stock as described in the merger agreement.

Based on 4,169,845 North Bay common shares outstanding and 477,020 options with an average exercise price of \$16.42 per share, 23,650 North Bay restricted shares, an exchange ratio of 1.217 and a market value of \$29.14 per share for Umpqua common stock (the closing price on January 8, 2007), the per share purchase price equaled \$35.46 and the aggregate transaction value equaled \$157,797,956.

**Aggregate Transaction Ratios:**

Transaction Value to September 30, 2006 Stated Book Value	2.83x
Transaction Value to September 30, 2006 Tangible Book Value	2.86x
Transaction Value to Estimated 2006 Earnings Per Share	23.23x
Transaction Value to September 30, 2006 Assets	24.31%
Tangible Premium on September 30, 2006 Core Deposits	24.69%



**Table of Contents*****Analysis of Selected Public Companies***

Howe Barnes used publicly available information to compare selected financial and market trading information for Umpqua with those of a group of comparable publicly traded Western banking organizations with total assets between \$3 and \$12 billion. The companies in Umpqua's peer group were:

Bank of Hawaii Corporation	Greater Bay Bancorp
Banner Corporation	Hanmi Financial Corporation
Cathay General Bancorp	ITLA Capital Corporation
Central Pacific Financial Corp.	Pacific Capital Bancorp
CVB Financial Corp.	Sterling Financial Corporation
East West Bancorp, Inc.	SVB Financial Group
First Community Bancorp	UCBH Holdings, Inc.
First Republic Bank	W.T.B. Financial Corporation
Frontier Financial Corporation	Westamerica Bancorporation
Glacier Bancorp, Inc.	Western Alliance Bancorporation

To perform this analysis, Howe Barnes used financial data as of and for the twelve months ended September 30, 2006 and pricing data as of January 8, 2007. The following table sets forth the comparative financial and market data:

	<b>Umpqua</b>	<b>Peer Group Median</b>
Total Assets (in millions)	\$ 7,198.8	\$ 5,626.0
Equity/Assets	15.86%	8.95%
Tangible Equity/Tangible Assets	7.07%	6.79%
Loans/Deposits	95.31%	99.39%
Loan Loss Reserve/Loans	1.12%	1.20%
Return on Average Assets	1.32%	1.50%
Return on Average Equity	9.10%	14.70%
Return on Average Tangible Equity	22.83%	22.76%
Nonperforming Assets/Assets	0.14%	0.20%
Efficiency Ratio	55.38%	50.27%
Price/Book Value Per Share	1.48x	2.30x
Price/Tangible Book Value Per Share	3.67x	3.09x
Price/Last 12 Months Earnings Per Share	18.2x	15.7x

**Table of Contents**

Howe Barnes used publicly available information to compare selected financial and market trading information for North Bay with those of a group of comparable publicly traded California banking organizations with total assets between \$400 million and \$1 billion. The companies in North Bay's peer group were:

1 <sup>st</sup> Centennial Bancorp	First Northern Community Bancorp
Alliance Bancshares California	FNB Bancorp
American Business Bank	Heritage Oaks Bancorp
American River Bankshares	National Mercantile Bancorp
Bank of Commerce Holdings	North Valley Bancorp
Bank of Marin	Oak Valley Community Bank
Bridge Capital Holdings	Plumas Bancorp
Central Valley Community Bancorp	Premier Valley Bank
Community Valley Bancorp	RCB Corporation
Community West Bancshares	Saehan Bancorp
Desert Community Bank	San Joaquin Bancorp
Epic Bancorp	United Security Bancshares

To perform this analysis, Howe Barnes used financial data as of and for the twelve months ended September 30, 2006 and pricing data as of January 8, 2007. The following table sets forth the comparative financial and market data:

	<b>North Bay</b>	<b>Peer Group Median</b>
Total Assets (in millions)	\$ 649.0	\$ 572.3
Equity/Assets	8.59%	8.64%
Tangible Equity/Tangible Assets	8.50%	7.93%
Loans/Deposits	100.50%	87.70%
Loan Loss Reserve/Loans	1.07%	1.23%
Return on Average Assets	1.13%	1.33%
Return on Average Equity	13.22%	14.77%
Nonperforming Assets/Assets	0.00%	0.12%
Efficiency Ratio	66.21%	61.09%
Price/Book Value Per Share	2.11x	2.23x
Price/Tangible Book Value Per Share	2.14x	2.39x
Price/Last 12 Months Earnings Per Share	17.2x	16.0x