

UMPQUA HOLDINGS CORP
Form 424B3
August 07, 2014

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-195396

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying base prospectus are not an offer to sell these securities and are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated August 6, 2014

PROSPECTUS SUPPLEMENT
(To prospectus dated April 18, 2014)

15,000,000 Shares

UMPQUA HOLDINGS CORPORATION

Common Stock

The selling shareholders identified in this prospectus supplement are offering 15,000,000 shares of our common stock, no par value per share (our "common stock") in the aggregate. We will not receive any proceeds from the sale of shares of our common stock offered by the selling shareholders hereby.

Our common stock is listed on the NASDAQ Global Select Market ("NASDAQ") under the symbol "UMPQ." On August 5, 2014, the closing price of our common stock on NASDAQ was \$16.58 per share.

The underwriter has agreed to purchase shares of our common stock from the selling shareholders at a price of \$ per share, which will result in approximately \$ million of aggregate proceeds to the selling shareholders before expenses. The underwriter proposes to offer the shares of our common stock from time to time for sale in one or more transactions on the NASDAQ, in the over-the-counter market, through negotiated transactions or otherwise, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices, subject to its right to reject any order in whole or in part.

Investing in our common stock involves significant risks. You should consider the information under the heading "*Risk Factors*" beginning on page S-8 before investing in our common stock. You should also consider the risk factors described in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

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The underwriter expects to deliver the shares of common stock against payment on or about _____, 2014 only in book-entry form through the facilities of The Depository Trust Company.

J.P. Morgan

The date of this prospectus supplement is _____, 2014.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and contains specific information about the selling shareholders. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the offering. Generally, the term "prospectus" refers to both parts combined.

We, the selling shareholders and the underwriter have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus supplement or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We, the selling shareholders and the underwriter take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. If anyone provides you with different or inconsistent information, you should not rely on it. We, the selling shareholders and the underwriter, are not making an offer to sell the common stock and are not seeking offers to buy the common stock in any jurisdiction where the offer or sale is not permitted.

Other than in the United States, no action has been taken by us, the selling shareholders or the underwriter that would permit a public offering of the securities offered by this prospectus supplement in any jurisdiction where action for that purpose is required. The securities offered by this prospectus supplement may not be offered or sold, directly or indirectly, nor may this prospectus supplement or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus supplement. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus supplement in any jurisdiction in which such an offer or a solicitation is unlawful.

The information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference therein is accurate only as of the date of the respective document regardless of the time of delivery of such document or any sale of the common stock. Our business, financial condition, results of operations and prospects may have changed since that date. In case there are any differences or inconsistencies between this prospectus supplement, the accompanying prospectus and the information incorporated by reference, you should rely on the information in the document with the most recent date.

All references in this prospectus supplement to "Umpqua," the "Company," "we," "us," "our" or similar references mean Umpqua Holdings Corporation, an Oregon corporation, and its successors, and include our consolidated subsidiaries where the context so requires.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-3 with the Securities and Exchange Commission (the "SEC" or "Commission") with respect to the common stock offered by this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus do not include all of the information contained in the registration statement. You should refer to the registration statement and its exhibits for additional information.

We are subject to the information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and file annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public via the internet at the SEC's website (www.sec.gov). You may also inspect and copy any document we file with the SEC at the Commission's public reference facility at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference facility. Documents we have filed with the SEC are also available free of charge on our website at www.umpquaholdingscorp.com. The information contained on our website does not constitute a part of this prospectus supplement and is not incorporated by reference herein.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Commission allows us to "incorporate by reference" into this prospectus supplement and the accompanying prospectus the information we file with it, which means that we can disclose important information to you by referring to those documents. The information incorporated by reference is an important part of this prospectus supplement, and information that we file later with the Commission will automatically update, modify and supersede this information until all of the securities offered by this prospectus supplement are sold or the offering is otherwise terminated. We incorporate by reference the following documents we have filed with the Commission pursuant to the Exchange Act:

our annual report on Form 10-K for the fiscal year ended December 31, 2013, filed on February 18, 2014;

our quarterly reports on Form 10-Q for the fiscal quarter ended March 31, 2014, filed on May 7, 2014 and for the fiscal quarter ended June 30, 2014, filed on August 5, 2014;

Item 8 of the annual report of Sterling Financial Corporation on Form 10-K for the fiscal year ended December 31, 2013, filed on February 26, 2014;

our definitive proxy statement on Schedule 14A filed on February 26, 2014;

our current reports on Form 8-K filed on January 31, 2014, February 28, 2014, March 19, 2014, April 1, 2014, April 16, 2014, April 18, 2014, April 21, 2014, June 16, 2014, June 17, 2014, June 24, 2014 and July 23, 2014, and on Form 8-K/A filed on September 11, 2013; and

the description of our common stock and the rights associated therewith included in the Form 8-K filed May 30, 2007, for the purposes of updating the description contained in the Registration Statement on Form 10 filed by Umpqua Bank (formerly known as South Umpqua Bank) pursuant to Section 12 of the Exchange Act with the Federal Deposit Insurance Corporation on February 6, 1998, and any amendment or reports filed for the purpose of updating that description. On March 19, 1999, the Company filed notice on Form 8-K12G3 that pursuant to Rule 12g-3(a) under the Exchange Act, the Company is the successor issuer to Umpqua Bank and the common stock of the Company was deemed to be registered pursuant to Section 12(g) of the Exchange Act.

In addition, all documents that we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, after the date of this prospectus supplement until all the shares of common stock to which this prospectus supplement relates are sold shall be deemed incorporated by reference into

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this prospectus supplement and to be a part of this prospectus supplement from the respective dates of filing such documents. Unless specifically stated to the contrary, none of the information that we disclose under Item 2.02 or 7.01 of any Current Report on Form 8-K that we may from time to time furnish to the SEC will be incorporated by reference into, or otherwise included in, this prospectus supplement.

Any statements made in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this prospectus supplement modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

You may request a copy of the information incorporated by reference into this prospectus supplement, but not delivered herewith, at no cost, by writing or telephoning us at the following address:

Investor Relations
20085 N.W. Tanasbourne Drive
Hillsboro, Oregon 97124
(503) 268-6675

Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this prospectus supplement.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the prospectus and the information included or incorporated by reference in them include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify some of the forward-looking statements by the use of forward-looking words, such as "may," "will," "could," "project," "believe," "anticipate," "expect," "estimate," "continue," "potential," "plan," "forecasts," and the like, the negatives of such expressions, or the use of the future tense. Statements concerning current conditions may also be forward-looking if they imply a continuation of current conditions. We make forward-looking statements regarding our liquidity and projected sources of funds and use of proceeds; availability of acquisition and growth opportunities; dividends; adequacy of our allowance for loan and lease losses and reserve for unfunded commitments; provision for loan and lease losses; performance of troubled debt restructurings; our commercial real estate portfolio and subsequent charge-offs; our covered loan portfolio and the FDIC indemnification asset; the benefits of the Sterling Financial Corporation ("Sterling") and Financial Pacific Holding Corp. ("FinPac") acquisitions; cost of interest bearing deposits and pricing strategy; valuation and the potential redemption of junior subordinated debentures; the impact of Basel III on our capital ratios; the impact, and mitigation of LIBOR changes with respect to junior subordinated debentures; and the impact of accounting pronouncements. Forward-looking statements involve substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. There are many factors that could cause actual results to differ materially from those contemplated by these forward-looking statements. Risks and uncertainties include those set forth in our filings with the SEC and the following factors that might cause actual results to differ materially from those presented:

our ability to attract new deposits and loans and leases;

demand for financial services in our market areas;

competitive market pricing factors;

deterioration in economic conditions that could result in increased loan and lease losses;

risks associated with concentrations in real estate related loans;

market interest rate volatility;

compression of our net interest margin;

stability of funding sources and continued availability of borrowings;

changes in legal or regulatory requirements or the results of regulatory examinations that could restrict growth;

our ability to recruit and retain key management and staff;

availability of, and competition for, acquisition opportunities;

risks associated with merger and acquisition integration;

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significant decline in the market value of the Company that could result in an impairment of goodwill;

our ability to raise capital or incur debt on reasonable terms;

regulatory limits on the Umpqua Bank's ability to pay dividends to the Company;

the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") and related rules and regulations on the Company's business operations and competitiveness, including the impact of executive compensation restrictions, which may affect

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the Company's ability to retain and recruit executives in competition with firms in other industries who do not operate under those restrictions;

the impact of the Dodd-Frank Act on the Company's interest expense, FDIC deposit insurance assessments, regulatory compliance expenses, and interchange fee revenue, which includes a maximum permissible interchange fee that an issuer may receive for an electronic debit transaction, resulting in a decrease in interchange revenue on an average transaction;

the impact of "Basel III" capital rules that could require the Company to adjust the fair value, including the acceleration of losses, of the trust preferred securities;

benefits from the merger with Sterling may not be fully realized or may take longer to realize than expected, including as a result of changes in general economic and market conditions, interest rates, monetary policy, laws and regulations and their enforcement, and the degree of competition in the geographic and business areas in which we operate;

Sterling's business may not be integrated into Umpqua's successfully, or such integration may take longer to accomplish than expected;

the anticipated growth opportunities and cost savings from the merger of Umpqua and Sterling (the "Merger") may not be fully realized or may take longer to realize than expected;

operating costs, customer losses and business disruption following the Merger, including adverse developments in relationships with employees, may be greater than expected; and

management's time and effort will be diverted to the resolution of Merger-related issues.

Other factors that could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements may be found under the headings "Risk Factors" below and in the risk factors in the documents incorporated by reference herein. Unless legally required, Umpqua disclaims any obligation to update any forward-looking statements. You should consider any forward-looking statements in light of this explanation, and we caution you about relying on forward-looking statements.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary contains basic information about us and this offering. Because it is a summary, it does not contain all the information that may be important to you. Before making an investment decision, you should read this entire prospectus supplement and accompanying prospectus carefully, including the section entitled "Risk Factors," and the documents incorporated by reference herein, including the financial statements and the accompanying notes contained in such documents.

About Umpqua Holdings Corporation

Umpqua Holdings Corporation, an Oregon corporation, is a financial holding company with two principal operating subsidiaries, Umpqua Bank and Umpqua Investments, Inc. Headquartered in Roseburg, Oregon, Umpqua Bank provides a wide range of banking, wealth management, mortgage and other financial services to corporate, institutional and individual customers. Umpqua Bank also owns Financial Pacific Leasing Inc., a commercial equipment leasing company. Umpqua Investments is a registered broker-dealer and investment advisor with offices in Portland, Lake Oswego, and Medford, Oregon, and Santa Rosa, California, and also offers products and services through certain Umpqua Bank stores. Umpqua Investments offers a full range of investment products and services including stocks, fixed income securities (municipal, corporate, and government bonds, certificates of deposit, and money market instruments), mutual funds, annuities, options, retirement planning, money management services and life insurance.

At June 30, 2014, Umpqua had, on a consolidated basis, total assets of \$22.0 billion, total deposits of \$16.3 billion and shareholders' equity of \$3.7 billion.

Umpqua's stock is traded on the NASDAQ Global Select Market under the symbol "UMPQ."

Corporate Information

The principal executive offices of Umpqua are located at One SW Columbia Street, Suite 1200, Portland, Oregon 97258, and its telephone number at that location is (503) 727-4100. Additional information about Umpqua and its subsidiaries is included in documents incorporated by reference in this prospectus supplement. See "Where You Can Find More Information," beginning on page S-2.

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The Offering

Common stock offered by the selling shareholders	15,000,000 shares (approximately 6.9% of our outstanding common stock)
Common stock to be outstanding after this offering(1)	217,244,246 shares
Use of proceeds	We will not receive any of the proceeds from the sale of shares of common stock by the selling shareholders.
Dividends	The Company declared a quarterly dividend of \$0.15 per share of common stock in the first and second quarter of 2014 and dividends, per share of common stock, of \$0.15, \$0.15, \$0.20 and \$0.10 for the four quarters of 2013, respectively. Dividends declared and paid by Umpqua Bank are the principal source of funds for the payment of dividends on our common stock. There are statutory and regulatory provisions that could limit the ability of Umpqua Bank to pay dividends to the Company. The payment of future cash dividends is at the discretion of our Board of Directors and subject to a number of factors, including results of operations, general business conditions, growth, financial condition and other factors deemed relevant by the Board of Directors. See "Dividend Policy."
Risk Factors	Investing in our common stock involves significant risks. You should read carefully the information set forth under "Risk Factors" herein and in the documents incorporated herein by reference for a discussion of factors that you should consider before deciding to invest in our common stock.
Nasdaq Global Select Market symbol	"UMPQ"

(1) The number of shares of common stock outstanding after this offering is based on the number of shares outstanding as of July 31, 2014 (217,244,246 shares of common stock) and excludes:

2,995,130 shares of common stock issuable upon the exercise of stock options; and

825,871 shares of common stock issuable upon the exercise of warrants.

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RISK FACTORS

An investment in our common stock involves certain risks. Before making an investment decision, you should carefully consider the following risks and all of the other information included in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein. In particular, before deciding whether to invest in our common stock, you should carefully consider the risk factors and the discussion of risks contained in the Annual Report on Form 10-K for the year ended December 31, 2013, our Quarterly Reports on Form 10-Q for the quarterly periods ended June 30, 2014 and March 31, 2014, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus supplement and the accompanying prospectus.

Risks Related to this Offering and Our Common Stock

The market price of our common stock may decline after the offering.

The price per share of common stock sold in this offering may be more or less than the market price of our common stock on the date the offering is consummated. If the purchase price is greater than the market price at the time of sale, purchasers may experience an immediate decline in the market value of the common stock purchased in this offering. If the actual purchase price is less than the market price for the shares of common stock, some purchasers in the offering may be inclined to immediately sell shares of common stock to attempt to realize a profit. Any such sales, depending on the volume and timing, could cause the price of our common stock to decline. Additionally, because stock prices generally fluctuate over time, there is no assurance that purchasers of our common stock in the offering will be able to sell shares after the offering at a price that is equal to or greater than the actual purchase price. Purchasers should consider these possibilities in determining whether to purchase shares in the offering and the timing of any sales of shares of common stock.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock.

We are not restricted from issuing additional shares of our common stock or preferred stock, subject to the underwriting agreement entered into with the underwriter in connection with this offering, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or preferred stock or any substantially similar securities. The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after this offering, by us, the selling shareholders or other of our shareholders, or the perception that such sales could occur.

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USE OF PROCEEDS

We will not receive any proceeds from the sale of shares of our common stock being offered hereby. All proceeds from this offering will be received by the selling shareholders.

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Our common stock is listed on the NASDAQ under the symbol "UMPQ." As of August 5, 2014, the last reported sale price of our common stock on the NASDAQ was \$16.58 per share. As of July 31, 2014, there were approximately 5,209 shareholders of record.

The following table presents the high and low sales prices of our common stock on the NASDAQ for each period, based on inter-dealer prices that do not include retail mark-ups, mark-downs or commissions, and cash dividends declared for each period.

Common Stock (per share)

	Market Prices		Dividends
	High	Low	Declared
2014			
Third quarter (through August 5, 2014)	\$ 18.39	\$ 16.43	\$
Second quarter	19.36	15.56	0.15
First quarter	19.60	16.50	0.15

			Dividends
	High	Low	Declared
2013			
Fourth quarter	\$ 19.65	\$ 16.09	\$ 0.15
Third quarter	17.48	15.08	0.15
Second quarter	15.29	11.45	0.20
First quarter	13.54	12.00	0.10

			Dividends
	High	Low	Declared
2012			
Fourth quarter	\$ 13.03	\$ 11.17	\$ 0.09
Third quarter	13.88	11.84	0.09
Second quarter	13.72	11.84	0.09
First quarter	13.86	11.72	0.07

DIVIDEND POLICY

The Company declared a quarterly dividend of \$0.15 per share of common stock in the first and second quarter of 2014 and dividends, per share of common stock, of \$0.15, \$0.15, \$0.20 and \$0.10 for the four quarters of 2013, respectively. The payment of future cash dividends is at the discretion of our Board of Directors and subject to a number of factors, including results of operations, general business conditions, growth, financial condition and other factors deemed relevant by the Board of Directors. Further, dividends declared and paid by Umpqua Bank are the principal source of funds for the payment of dividends on our common stock and our ability to pay future cash dividends is subject to certain regulatory requirements and restrictions discussed in the "Supervision and Regulation Dividends" section of our Annual Report on Form 10-K for the year ended December 31, 2013.

SELLING SHAREHOLDERS

The table below sets forth information concerning the resale of our common stock by certain selling shareholders. The selling shareholders acquired common stock pursuant to the Merger. We will not receive any proceeds from the resale of common stock by the selling shareholders. Except as set forth in footnotes 3 and 4 below, the selling shareholders have not held any position or office or had any other material relationship with us or any of our predecessors or affiliates within the past three years.

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The following table is based on information provided to us by the selling shareholders on or about August 5, 2014 and as of such date.

Name and Address of selling shareholder	Beneficial Ownership Before the Offering				Shares Offered Hereby	Beneficial Ownership After the Offering			
	Number of Shares(1)	Number of Warrants(1)	Number of Underlying Warrants(2)	Percentage(2)		Number of Shares	Number of Warrants	Percentage(2)	
Thomas H. Lee Partners, L.P.(3) 100 Federal Street, 35th Floor Boston, MA 02110	21,648,070	1,497,565	2,502,429	11.0%	7,500,000	14,148,070	1,497,565	7.6%	
Warburg Pincus Private Equity X, L.P.(4) 450 Lexington Avenue New York, NY 10017	20,965,560	1,451,140	2,424,855	10.6%	7,267,500	13,698,060	1,451,140	7.3%	
Warburg Pincus X Partners, L.P.(4) 450 Lexington Avenue New York, NY 10017	970,726	46,425	77,576	0.5%	232,500	738,226	46,425	0.4%	

- (1) In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner, for purposes of this table, of any shares of common stock over which such person has voting or investment power and of which such person has the right to acquire beneficial ownership within 60 days of August 5, 2014. The table includes shares owned by spouses, other immediate family members, in trust, shares held in retirement accounts or funds for the benefit of the named individuals, shares held as restricted stock and other forms of ownership, over which shares the persons named in the table may possess voting and/or investment power. This column does not include shares of common stock underlying warrants to purchase Umpqua's common stock (the "Warrants").
- (2) Represents percentage of shares of common stock beneficially owned (including shares of common stock underlying Warrants in accordance with Rule 13d-3 under the Exchange Act). Based on shares outstanding at July 31, 2014 of approximately 217,244,246. Percentage is calculated by dividing the sum of shares of common stock beneficially owned by such person (which includes shares of common stock underlying the Warrants owned by such person) by the sum of shares outstanding at July 31, 2014 (approximately 217,244,246) and the number of shares of common stock underlying the Warrants held by such person.
- (3) Consists of 11,922,549 shares of common stock and 825,230 Warrants held by Thomas H. Lee Equity Fund VI, L.P., 8,073,324 shares of common stock and 558,797 Warrants held by Thomas H. Lee Parallel Fund VI, L.P., 1,410,250 shares of common stock and 97,610 Warrants held by Thomas H. Lee Parallel (DT) Fund VI, L.P., 230,170 shares of common stock and 15,928 Warrants held by THL Sterling Equity Investors L.P. (collectively, the "THL Funds"), and 11,777 shares of common stock held by THL Managers VI, LLC. The general partner of the THL Funds is THL Equity Advisors VI, LLC, whose sole member is Thomas H. Lee Partners, L.P., whose general partner is Thomas H. Lee Advisors, LLC, whose managing member is THL Holdco, LLC. The managing member of THL Managers VI, LLC is Thomas H. Lee Partners, L.P. Voting and investment determinations with respect to the shares held by the THL Funds and THL Managers VI, LLC are made by the management committee of THL Holdco, LLC. Anthony J. DiNovi and Scott M. Sperling are the members of the management committee of THL Holdco, LLC, and as such may be deemed to share beneficial ownership of the shares held or controlled by the THL Funds and THL Managers VI, LLC. Each of Messrs. DiNovi and Sperling disclaims beneficial ownership of such securities. The address of each of Messrs. DiNovi and Sperling is c/o Thomas H. Lee Partners, L.P., 100 Federal Street, 35th Floor, Boston, Massachusetts 02110. Prior to the Merger, certain of the THL Funds had a single representative serving on the Board of Directors of Sterling.
- (4) Warburg Pincus Private Equity X, L.P., a Delaware limited partnership ("WPX") and Warburg Pincus X Partners, L.P., a Delaware limited partnership ("WP X Partners" and together with WP X, the "WP X Funds") are the holders of 21,636,286 shares of common stock and the Warrants exercisable for 2,502,431 shares of common stock. Warburg Pincus X, L.P., a Delaware limited partnership ("WP X LP"), is the general partner of the WP X Funds; Warburg Pincus X, LLC, a Delaware limited liability company ("WP X LLC") is the general partner of WP X LP; Warburg Pincus Partners, LLC, a New York limited liability company ("WP Partners") is the sole member of WP X LLC and Warburg Pincus & Co., a New York general partnership ("WP") is the managing member of WP Partners. Warburg Pincus LLC, a New York limited liability company ("WP LLC") manages the WP X Funds. Messrs. Charles R. Kaye and Joseph P. Landy are each a Managing General Partner of WP and Managing Member and Co-President of WP LLC and may be deemed to control the Warburg Pincus entities. The address of the Warburg Pincus entities is 450 Lexington Avenue, New York, New York 10017. Prior to the Merger, the WP X Funds had a single representative serving on the Board of Directors of Sterling.

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U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

This section describes the material U.S. federal income tax consequences relevant to the purchase, ownership and disposition of our common stock by non-U.S. holders. This discussion addresses only the U.S. federal income tax considerations relevant to non-U.S. holders of our common stock who are initial purchasers of our common stock and who will hold the common stock as capital assets, within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). A capital asset for these purposes generally is property held for investment.

This discussion does not address tax considerations applicable in the case of non-U.S. holders that may themselves be subject to or whose owners may be subject to certain special U.S. federal income tax rules, including:

financial institutions,

controlled foreign corporations or passive foreign investment companies for U.S. federal income tax purposes,

grantor trusts,

dealers or certain electing traders in securities, and

certain former citizens or former long-term residents of the United States.

Moreover, this discussion does not address the U.S. federal estate and gift or alternative minimum tax or "Medicare contribution tax" consequences, or any foreign, U.S. state or local tax consequences, of the ownership and disposition of our common stock, or other tax considerations that may be relevant to investors in shares of our common stock in light of their personal circumstances.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner in such partnership will generally depend on the tax status of the partner and the activities of the partnership. Such a partner should consult its own tax advisors as to the U.S. tax consequences of being a partner in a partnership that holds or disposes of our common stock.

As used in this discussion, a "non-U.S. Holder" means a beneficial owner of our common stock (other than an entity treated as a partnership for U.S. federal income tax purposes) that is not, for U.S. federal income tax purposes:

a citizen or individual resident of the United States,

a corporation, created or organized in or under the laws of the United States or any state or political subdivision thereof (including the District of Columbia),

an estate the income of which is subject to U.S. federal income taxation regardless of its source, or

a trust if (a) a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust or (b) it has a valid election in effect under application Treasury Regulations to be treated as a United States person.

This discussion is not intended to constitute a complete analysis of all U.S. federal income tax consequences relating to the ownership and disposition of our common stock. You should consult a tax advisor regarding the tax consequences of owning or disposing of our common stock

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in your particular circumstances (including the application and effect of any U.S. federal, state, local, foreign income, estate and other tax laws). This discussion is based upon the Code, proposed, temporary and final Treasury Regulations promulgated under the Code, and judicial and administrative interpretations of

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the Code and Treasury Regulations, in each case as in effect and available as of the date of this prospectus supplement. The Code, Treasury Regulations and judicial and administrative interpretations thereof may change at any time, and any change could be retroactive to the date of this prospectus supplement. In addition, new Code sections or Treasury Regulations may be proposed and subsequently enacted, which could result in different effects on an investment in our stock than those effects discussed in this prospectus supplement. We undertake no obligation to update or otherwise revise this discussion whether as a result of new Treasury Regulations, Code sections, judicial and administrative interpretations or otherwise. The Code, Treasury Regulations and judicial and administrative interpretations thereof are also subject to various interpretations, and there can be no guarantee that the Internal Revenue Service, or the IRS, or U.S. courts will agree with the tax consequences described in this discussion.

Dividends

Except as described below, dividends paid to you on our common stock are subject to withholding of United States federal income tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. Even if you are eligible for a lower treaty rate, withholding agents will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend payments to you, unless you have furnished to the withholding agent a valid applicable Internal Revenue Service Form W-8 or an acceptable substitute form upon which you certify, under penalties of perjury, your status as a person who is not a United States person and your entitlement to the lower treaty rate with respect to such payments or other acceptable documentation as provided in the Treasury Regulations.

If you are eligible for a reduced rate of United States withholding tax under a tax treaty, you may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the IRS.

Because it will generally not be known, at the time you receive any distribution on our common stock, whether the distribution will be paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, and therefore whether the distribution will be treated as a dividend, we expect that a withholding agent will deduct and withhold U.S. tax at the applicable rate on all distributions that you receive on our common stock. If it is later determined that a distribution on our common stock was not a dividend, in whole or in part, you may be entitled to claim a refund of the U.S. tax withheld with respect to that portion of the distribution, provided that the required information is timely furnished to the IRS. If a distribution exceeds our current and accumulated earnings and profits as determined under United States federal income tax principles, the excess will be allocated ratably among each share of our common stock with respect to which the distribution is paid and treated first as a tax-free return of capital to the extent of your adjusted basis in each such share and thereafter as capital gain subject to the tax treatment described below in "Gain on disposition of common stock." Your adjusted basis in each such share is generally the purchase price of the share, reduced by the amount of any such tax-free returns of capital.

If dividends paid to you are "effectively connected" with your conduct of a trade or business within the United States, we and other payors generally are not required to withhold tax from the dividends, provided that you have furnished to the withholding agent a valid Internal Revenue Service Form W-8ECI or an acceptable substitute form upon which you certify, under penalties of perjury, that:

you are not a United States person; and

the dividends are effectively connected with your conduct of a trade or business within the United States and are includible in your gross income.

"Effectively connected" dividends are generally taxed on a net basis at rates applicable to United States citizens, resident aliens and domestic corporations, provided that, if required by an applicable

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income tax treaty, such dividends are attributable to a permanent establishment maintained by you in the United States.

If you are a corporate non-U.S. Holder, "effectively connected" dividends that you receive may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Gain on disposition of common stock

You generally will not be subject to United States federal income tax on gain that you recognize on a disposition of our common stock unless:

the gain is "effectively connected" with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that you maintain in the United States, if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net-income basis;

you are an individual, you are present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions exist; or

we are or have been during a specified testing period a United States real property holding corporation for United States federal income tax purposes and certain other conditions are met.

If you are a non-U.S. Holder described in the first bullet point immediately above, you will be subject to tax on the net gain derived from the disposition under regular graduated United States federal income tax rates. If you are a corporate non-U.S. Holder, "effectively connected" gains that you recognize may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. If you are an individual non-U.S. holder described in the second bullet point immediately above, you will be subject to a flat 30% tax on the gain derived from the disposition, which may be offset by United States-source capital losses, even though you are not considered a resident of the United States.

We have not been, are not and do not anticipate becoming a United States real property holding corporation for United States federal income tax purposes.

Withholdable payments to foreign financial entities and other foreign entities

Legislation enacted in March 2010 generally will require withholding at a rate of 30% on dividend income from shares of our common stock and the gross proceeds of a disposition of our common stock paid to a "foreign financial institution" (as a beneficial owner or as an intermediary), unless such institution enters into an agreement with the U.S. government to withhold on certain payments and collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which would include certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). Absent any applicable exception, this legislation also generally will require withholding at a rate of 30% on dividend income from shares of our common stock and the gross proceeds of a disposition of our common stock paid to a foreign entity that is not a foreign financial institution (as a beneficial owner or as an intermediary) unless such entity provides the withholding agent with a certification identifying the substantial U.S. owners of the entity, which generally includes any U.S. person who directly or indirectly owns more than 10% of the entity. Under certain circumstances, a non-U.S. Holder of our common stock might be eligible for refunds or credits of such withheld amounts, and the non-U.S. Holder might be required to file a U.S. federal income tax return to claim such refunds or credits. Recently finalized Treasury regulations have delayed implementation of withholding on payments of gross proceeds from the disposition of stock until January 1, 2017.

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You should consult with your own tax advisors regarding the implications of this legislation on their investment in our common stock.

Backup withholding and information reporting

We and other payors must report annually to the IRS and to you the amount of dividends paid to you, even if the payments are exempt from withholding. Copies of the information returns reporting such dividends and the amount withheld may also be made available to the tax authorities in the country in which you reside, under the provisions of an applicable income tax treaty.

In addition, you may be subject to information reporting requirements and backup withholding (currently at a rate of 28%) with respect to dividends paid on our common stock, unless, generally, you certif