

CBOE Research Circular #RS14-093

Date: February 18, 2014

To: Permit Holders From: Scott Speer

RE: Sterling Financial Corporation ("STSA") Proposed Merger

with Umpqua Holdings Corporation ("UMPQ")

Shareholders of Sterling Financial Corporation ("STSA") will vote on Tuesday, February 25, 2014, to approve a proposed Merger between STSA and Umpqua Holdings Corporation ("UMPQ"). Pursuant to the terms of the Merger, each share of STSA Common Stock outstanding immediately prior to the consummation of the Merger will be converted into the right to receive **1.671 shares** of UMPQ Common Stock, <u>plus</u> **\$2.18 cash**. The Merger is expected to become effective in the first half of 2014.

THE FOREGOING IS AN UNOFFICIAL SUMMARY OF THE TERMS OF THE MERGER, PREPARED BY CBOE FOR THE CONVENIENCE OF ITS PERMIT HOLDERS. CBOE ACCEPTS NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE SUMMARY. PERMIT HOLDERS SHOULD REFER TO THE STERLING FINANCIAL CORPORATION AND UMPQUA HOLDINGS CORPORATION JOINT PROXY STATEMENT/PROSPECTUS DATED JANUARY 22, 2014, FOR THE AUTHORITATIVE DESCRIPTION OF THE MERGER AND ALL OF ITS TERMS AND CONDITIONS.

Contract Adjustments

Pursuant to Article VI, Section 11 and 11A, of OCC's By-Laws, all outstanding STSA options shall be adjusted as follows. On the business day immediately following the Effective Time of the Merger, each adjusted Sterling Financial Corporation contract will require the receipt or delivery of: (A) 167 shares of UMPQ Common Stock; plus (B) \$218.00 cash; plus (C) cash in lieu of 0.1 fractional share of UMPQ Common Stock. Premiums for the adjusted Sterling Financial Corporation options will continue to be calculated on the basis of a multiplier of 100, i.e., for premium and strike-price extensions, 1.00 will equal \$100. The Sterling Financial Corporation option symbol will change to UMPQ1. [Any FLEX series that may exist will be adjusted in a similar manner to the standardized option.]

Adjusted Option Symbols

On the business day immediately following the Effective Time of the Merger, trading in the STSA option series will be on an adjusted basis. At 8:30 A.M., Chicago time, the following symbol adjustments to the options will be effected:

	EXISTI	NG SERIES			ADJUSTED SERIES*			
STSA	15.00	2014-03-22	C/P	=>	UMPQ1	15.00	2014-03-22	C/P
STSA	17.50	2014-03-22	C/P	=>	UMPQ1	17.50	2014-03-22	C/P
STSA	20.00	2014-03-22	C/P	=>	UMPQ1	20.00	2014-03-22	C/P
STSA	22.50	2014-03-22	C/P	=>	UMPQ1	22.50	2014-03-22	C/P
STSA	25.00	2014-03-22	C/P	=>	UMPQ1	25.00	2014-03-22	C/P
STSA	30.00	2014-03-22	C/P	=>	UMPQ1	30.00	2014-03-22	C/P



	EXISTI	NG SERIES			ADJUSTED SERIES*			
STSA	35.00	2014-03-22	C/P	=>	UMPQ1	35.00	2014-03-22	C/P
STSA	40.00	2014-03-22	C/P	=>	UMPQ1	40.00	2014-03-22	C/P
STSA	45.00	2014-03-22	C/P	=>	UMPQ1	45.00	2014-03-22	C/P
STSA	50.00	2014-03-22	C/P	=>	UMPQ1	50.00	2014-03-22	C/P
STSA	15.00	2014-06-21	C/P	=>	UMPQ1	15.00	2014-06-21	C/P
STSA	17.50	2014-06-21	C/P	=>	UMPQ1	17.50	2014-06-21	C/P
STSA	20.00	2014-06-21	C/P	=>	UMPQ1	20.00	2014-06-21	C/P
STSA	22.50	2014-06-21	C/P	=>	UMPQ1	22.50	2014-06-21	C/P
STSA	25.00	2014-06-21	C/P	=>	UMPQ1	25.00	2014-06-21	C/P
STSA	30.00	2014-06-21	C/P	=>	UMPQ1	30.00	2014-06-21	C/P
STSA	35.00	2014-06-21	C/P	=>	UMPQ1	35.00	2014-06-21	C/P
STSA	40.00	2014-06-21	C/P	=>	UMPQ1	40.00	2014-06-21	C/P
STSA	17.50	2014-09-20	C/P	=>	UMPQ1	17.50	2014-09-20	C/P
STSA	20.00	2014-09-20	C/P	=>	UMPQ1	20.00	2014-09-20	C/P
STSA	22.50	2014-09-20	C/P	=>	UMPQ1	22.50	2014-09-20	C/P
STSA	25.00	2014-09-20	C/P	=>	UMPQ1	25.00	2014-09-20	C/P
STSA	30.00	2014-09-20	C/P	=>	UMPQ1	30.00	2014-09-20	C/P
STSA	35.00	2014-09-20	C/P	=>	UMPQ1	35.00	2014-09-20	C/P
STSA	40.00	2014-09-20	C/P	=>	UMPQ1	40.00	2014-09-20	C/P
STSA	45.00	2014-09-20	C/P	=>	UMPQ1	45.00	2014-09-20	C/P

^{*} Any additional STSA series that are added prior to the effective time of the merger (e.g., the April series) will also be adjusted in the manner described above.

Settlement

The OCC will delay settlement of UMPQ1 exercise and assignment activity until the end of "when issued" trading in UMPQ, if any, and until the determination of the cash-in-lieu amount for the 0.1 fractional share of UMPQ Common Stock.

Hypothetical Pricing Example

Based on a 1.671 Exchange Ratio, the Sterling Financial Corporation adjusted contract deliverable is: (A) 167 shares of UMPQ Common Stock; plus (B) \$218.00 cash; plus (C) cash-in-lieu of 0.1 share of UMPQ Common Stock. Assume a hypothetical cash-in-lieu amount of \$1.73. Under these circumstances a hypothetical adjusted UMPQ1 underlying "price" may be determined as follows:

UMPQ1 = 1.67(UMPQ) + \$2.18 + \$1.73/100, rounded to the nearest 1/100th. For example, if UMPQ closes at \$17.33, the underlying "per-share price" of UMPQ1 would be:

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1.67(\$17.33) + \$2.18 + \$1.73/100
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^{= \$28.9411 + \$2.18 + \$0.0173}

^{= \$31.1384}

⁼ \$31.14 (rounded to the nearest $1/100^{th}$)



In this hypothetical example, an UMPQ1 30 Call contract would be \$114.00 in the money (difference of strike amount of \$30 x 100 = \$3,000 and the underlying deliverable "value" of \$3,114.00 = (\$31.14 x 100).

GTC Order Conversion

On the Effective Date of the Merger, immediately after the CBOE close, the system will convert or cancel all resting orders in the STSA order book. If your firm has requested, all booked orders (phone, wire, and electronic) and all ORS orders residing outside the book (booth or crowd routed) will be converted reflecting the adjustments. If your firm has requested, all booked orders and ORS orders residing outside of the book will be canceled. If your firm receives CXL drops, the CXL confirms will print at your booth at 3:15 p.m. ORS CXLs will also be transmitted electronically to your branches.

A report will be available at the Help Desk listing the orders that are converted or canceled. If converted, this list will also show how the new orders will be adjusted. This report will be available on request anytime during the day prior to the night of the adjustment.

Questions regarding this memo can be addressed to Options Industry Services at 1-888-OPTIONS (1-888-678-4667). CBOE contract adjustment memos can also be accessed from CBOE.com at the following web address:

http://www.cboe.com/ContractAdjustments