

INTERMOUNTAIN COMMUNITY BANCORP
Form DEFM14A
September 23, 2014
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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. __)

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Common Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

INTERMOUNTAIN COMMUNITY BANCORP

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
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MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Columbia Banking System, Inc. which we refer to as Columbia, and Intermountain Community Bancorp, which we refer to as Intermountain, have entered into a definitive merger agreement that provides for the combination of the two companies. Under the merger agreement, Intermountain will merge with and into Columbia, with Columbia remaining as the surviving entity, which transaction we refer to as the merger. Immediately following the effective time of the merger, Panhandle State Bank, a wholly owned subsidiary of Intermountain, will merge with and into Columbia State Bank, a wholly owned subsidiary of Columbia, with Columbia State Bank remaining as the surviving entity, which transaction we refer to as the bank merger. Before we complete the merger, the shareholders of Intermountain must approve the merger agreement pursuant to Idaho law. Intermountain shareholders will vote to approve the merger agreement at a special meeting of shareholders to be held on October 27, 2014.

Under the terms of the merger agreement, Intermountain shareholders will have the right, with respect to each of their shares of Intermountain common stock, to elect to receive either cash, stock, or a unit consisting of 0.6426 of a share of Columbia common stock and \$2.2930 in cash. The aggregate merger consideration is expected to be equal to 4,233,707 shares of Columbia common stock and \$15,107,206, in each case assuming the Intermountain warrants (as defined below in the section entitled "The Merger Terms of the Merger") are not exercised. Intermountain shareholders electing to receive the unit will receive 0.6426 of a share of Columbia common stock and \$2.2930 in cash. Because the total amount of cash and stock to be issued by Columbia is effectively fixed, an Intermountain shareholder electing to receive all cash or all stock may receive a combination of cash and stock that differs from such holder's election if too many Intermountain shareholders in the aggregate elect one form of consideration over the other. We expect the merger to be a tax-free transaction for Intermountain shareholders, to the extent they receive Columbia common stock for their shares of Intermountain common stock. After completion of the merger, based on the current issued and outstanding shares of Columbia common stock and the 4,233,707 shares of Columbia common stock expected to be issued to Intermountain shareholders, Intermountain shareholders would own approximately 7.4% of Columbia's common stock (ignoring any shares of Columbia common stock they may already own).

The value of the consideration to be received for each share of Intermountain common stock that is exchanged in the merger, regardless of whether an Intermountain shareholder elects to receive cash, stock, or a unit consisting of a mix of cash and stock, is expected to be substantially equivalent as measured using the daily volume weighted average closing price of Columbia common stock for the 20-day trading period starting on the 25th trading day before the effective time. Based on the Columbia volume weighted average stock price ending on September 19, 2014, each share of Intermountain common stock electing cash would receive (subject to proration) \$19.2095 per share in cash, and each Intermountain common stock electing stock would receive (subject to proration) 0.7297 of a share of Columbia common stock. As described above, Intermountain common shareholders electing to receive the unit would receive 0.6426 of a share of Columbia common stock and \$2.2930 in cash.

The value of the consideration to be received by Intermountain shareholders in the merger will vary with the trading price of Columbia common stock between now and the completion of the merger. The table below shows the approximate hypothetical value of the merger consideration per share if it had been calculated based on the closing price for Columbia common stock on the Nasdaq Global Select Market on each of July 23, 2014, the trading day immediately prior to the announcement of the merger, and September 19, 2014, the last practicable trading day prior

to the date of this document.

| Date | Columbia closing price | Per share consideration |
|--------------------|------------------------|-------------------------|
| July 23, 2014 | \$ 24.79 | \$ 18.22 |
| September 19, 2014 | \$ 26.57 | \$ 19.37 |

The market prices of both Columbia common stock and Intermountain common stock will fluctuate before the closing of the merger. You should obtain current stock price quotations for Columbia common stock and Intermountain common stock. Columbia common stock is traded on the Nasdaq Global Select Market under the symbol COLB, and Intermountain common stock is traded on the Nasdaq Capital Market under the symbol IMCB.

The Intermountain board of directors has determined that the combination of Intermountain and Columbia is in the best interests of Intermountain shareholders based upon its analysis, investigation and deliberation, and the Intermountain board of directors recommends that the Intermountain shareholders vote FOR the approval of the merger agreement and FOR the approval of the other proposals described in this proxy statement/prospectus.

You should read this entire proxy statement/prospectus, including the appendices and the documents incorporated by reference into the document, carefully because it contains important information about the merger and the related transactions. **In particular, you should read carefully the information under the section entitled Risk Factors.**

The shares of Columbia common stock to be issued to Intermountain shareholders in the merger are not deposits or savings accounts or other obligations of any bank or savings association, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger described in this proxy statement/prospectus or the Columbia common stock to be issued in the merger, or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated September 22, 2014 and is first being mailed to the shareholders of Intermountain on or about September 26, 2014.

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INTERMOUNTAIN COMMUNITY BANCORP

414 CHURCH STREET

SANDPOINT, ID 83864

NOTICE OF THE SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON OCTOBER 27, 2014

NOTICE IS HEREBY GIVEN that a special meeting of the shareholders of Intermountain Community Bancorp, which we refer to as Intermountain, will be held at 414 Church Street, Sandpoint, Idaho 83864 at 4 p.m., Pacific Time, on October 27, 2014, for the following purposes:

1 To approve the Agreement and Plan of Merger, dated as of July 23, 2014, by and between Columbia Banking System, Inc. and Intermountain, which we refer to as the Merger proposal;

2 To approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to Intermountain's named executive officers in connection with the merger, and the agreements or understandings pursuant to which such compensation may be paid or become payable, discussed under the section entitled "The Merger Interests of Intermountain Directors and Executive Officers in the Merger," which we refer to as the Merger-Related Named Executive Officer Compensation proposal; and

3 To approve one or more adjournments of the Intermountain special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the Merger proposal, which we refer to as the Adjournment proposal.

Intermountain will transact no other business at the special meeting, except for business properly brought before the special meeting or any adjournment or postponement thereof.

The Merger proposal and the Merger-Related Named Executive Officer Compensation proposal are described in more detail in this document, which you should read carefully in its entirety before you vote. A copy of the merger agreement is attached as Appendix A to this document.

The Intermountain board of directors has set September 19, 2014 as the record date for the Intermountain special meeting. All holders of record of Intermountain common stock at the close of business on the record date will be notified of the meeting. Only holders of record of Intermountain common stock at the close of business on September 19, 2014 will be entitled to vote at the Intermountain special meeting and any adjournments or postponements thereof. Any shareholder entitled to attend and vote at the Intermountain special meeting is entitled to appoint a proxy to attend and vote on such shareholder's behalf. Such proxy need not be a holder of Intermountain common stock.

Your vote is very important. To ensure your representation at the Intermountain special meeting, please complete and return the enclosed proxy card or submit your proxy by telephone or through the Internet. Please vote promptly whether or not you expect to attend the Intermountain special meeting. Submitting a proxy now will not prevent you from being able to vote in person at the Intermountain special meeting.

The Intermountain board of directors has adopted and approved the merger agreement and the transactions contemplated thereby and recommends that you vote FOR the Merger proposal, FOR the Merger-Related Named Executive Officer Compensation proposal and FOR the Adjournment proposal.

BY ORDER OF THE BOARD OF DIRECTORS

Ford Elsaesser

Chairman

Curt Hecker

President and Chief Executive Officer

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WHERE YOU CAN FIND MORE INFORMATION

Both Columbia and Intermountain file annual, quarterly and special reports, proxy statements and other business and financial information with the Securities and Exchange Commission, which we refer to as the SEC. You may read and copy any materials that either Columbia or Intermountain files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at (800) SEC-0330 ((800) 732-0330) for further information on the public reference room. In addition, Columbia and Intermountain file reports and other business and financial information with the SEC electronically, and the SEC maintains a website located at <http://www.sec.gov> containing this information. You can also obtain, free of charge, documents that Intermountain files with the SEC by accessing Intermountain's website at www.intermountainbank.com under the heading Investor Relations or documents that Columbia files with the SEC at www.columbiabank.com under the tab About Us and then under the heading Investor Relations. Copies of the documents that Columbia or Intermountain, respectively, files with the SEC can also be obtained, free of charge, by directing a written request to Columbia Banking System, Inc., Attention: Corporate Secretary, 1301 A Street, Suite 800, Tacoma, Washington 98401-2156 or to Intermountain Community Bancorp, 414 Church Street, Sandpoint, Idaho 83864, respectively.

Columbia has filed a registration statement on Form S-4 to register with the SEC shares of Columbia common stock as specified therein. This proxy statement/prospectus 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 addresses set forth below. 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. This document incorporates important business and financial information about Columbia and Intermountain that is not included in or delivered with this document, including incorporating by reference documents that Columbia and Intermountain have previously filed with the SEC. These documents contain important information about the companies and their financial condition. See Documents Incorporated by Reference. These documents are available without charge to you upon written or oral request to the applicable company's principal executive offices. The respective addresses and telephone numbers of such principal executive offices are listed below

Columbia Banking System, Inc.

1301 A Street, Suite 800

Tacoma, Washington 98401

Attention: Melanie J. Dressel

Telephone: (253) 305-1900

Intermountain Community Bancorp

414 Church Street

Sandpoint, Idaho 83864

Attention: Curt Hecker

Telephone: (208) 263-0505

To obtain timely delivery of these documents, you must request the information no later than October 17, 2014 in order to receive them before Intermountain's special meeting of shareholders.

Columbia common stock is traded on the Nasdaq Global Select Market under the symbol COLB, and Intermountain common stock is traded on the Nasdaq Capital Market under the symbol IMCB.

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| <u>Appendix D</u> | Warrant Transfer, Voting and Support Agreement by and between Columbia Banking System, Inc. and Castle Creek Capital Partners IV, LP dated as of July 23, 2014 |
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| <u>Appendix F</u> | Form of Voting and Non-Competition Agreement by and among Columbia Banking System, Inc., Intermountain Community Bancorp and certain directors of Intermountain Community Bancorp dated as of July 23, 2014 |
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Appendix H Form of Non-Competition and Non-Solicitation Agreement by and among Columbia Banking System, Inc., Intermountain Community Bancorp and a certain director of Intermountain Community Bancorp dated as of July 23, 2014

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QUESTIONS AND ANSWERS

The following questions and answers briefly address some commonly asked questions about the merger and the shareholders meeting. They may not include all the information that is important to the shareholders of Intermountain. Shareholders of Intermountain should each carefully read this entire proxy statement/prospectus, including the appendices and other documents referred to in this document.

Q: Why am I receiving these materials?

A: Intermountain is sending these materials to its shareholders to help them decide how to vote their shares of Intermountain common stock with respect to the proposed merger and the other matters to be considered at the Intermountain special meeting, described below.

The merger cannot be completed unless Intermountain shareholders approve the merger agreement. Intermountain is holding a special meeting of shareholders to vote on the merger agreement in addition to the other proposals described in Intermountain Special Meeting of Shareholders. Information about the meeting and the merger is contained in this proxy statement/prospectus.

This document constitutes both a proxy statement of Intermountain and a prospectus of Columbia. It is a proxy statement because the Intermountain board of directors is soliciting proxies from its shareholders. It is a prospectus because Columbia will issue shares of its common stock in exchange for shares of Intermountain common stock in the merger.

Q: What will Intermountain shareholders receive in the merger?

A: Under the terms of the merger agreement Intermountain shareholders (other than in respect of certain forfeited restricted stock awards) will have the right, with respect to each of their shares of Intermountain common stock, to elect to receive either cash, stock, or a unit consisting of 0.6426 of a share of Columbia common stock and \$2.2930 in cash. The aggregate merger consideration is expected to be equal to 4,233,707 shares of Columbia common stock, and \$15,107,206, in each case, assuming the Intermountain warrants are not exercised. Intermountain shareholders electing to receive the unit will be guaranteed to receive 0.6426 of a share of Columbia common stock and \$2.2930 in cash. Because the total amount of cash and stock to be issued by Columbia is effectively fixed, an Intermountain shareholder electing to receive all cash or all stock may receive a combination of cash and stock that differs from such holder's election if too many Intermountain shareholders in the aggregate elect one form of consideration over the other.

Q: Is the value of per share consideration that an Intermountain shareholder receives expected to be substantially equivalent regardless of which election he or she makes?

A: The value of the consideration to be received for each share of Intermountain common stock that is exchanged in the merger, regardless of whether an Intermountain shareholder elects to receive cash, stock or a unit consisting

of a mix of cash and stock, is expected to be substantially equivalent. However, because the per share consideration is based on the daily closing volume weighted average price of Columbia common stock on the Nasdaq Global Select Market for the 20 trading day period starting on the 25th trading day before to the effective time, which we refer to as the parent average closing price, the value of the per share consideration that an Intermountain shareholder receiving per share stock consideration or per share mixed consideration for an Intermountain share will increase or decrease based on increases or decreases in Columbia common stock between the measurement date of the average closing price of Columbia common stock and the date an Intermountain shareholder receives his, her or its per share stock consideration or per share consideration, whereas the value of the per share cash consideration and the cash portion of the per share mixed consideration will remain unchanged. Therefore, there may be a difference in value among the per share cash consideration, the per share stock consideration and the per share mixed consideration.

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Q: How does an Intermountain shareholder elect the form of consideration he or she prefers to receive?

A: An election statement with instructions for making the election as to the form of consideration preferred is being mailed separately at a later date. To make an election, an Intermountain shareholder must submit an election statement, to Columbia's exchange agent before 5:00 p.m., Pacific Time, on the later to occur of October 27, 2014, the date of Intermountain's shareholder meeting, and the date that Columbia and Intermountain believe to be as near as practicable to the fifth business day prior to the completion of the merger. This date is referred to as the election deadline. Election choices and election procedures are described under the section entitled "The Merger."

Q: How does an Intermountain shareholder guarantee he or she will receive a certain type of consideration?

A: Shareholders who elect to receive a unit consisting of a mix of cash and stock will receive the unit without any adjustment as such elections will not be subject to proration.

Q: May an Intermountain shareholder change his or her election once it has been submitted?

A: Yes. An election may be changed so long as the new election is received by the exchange agent prior to the election deadline. To change an election, an Intermountain shareholder must send the exchange agent a written notice revoking any election previously submitted.

Q: How will an Intermountain shareholder know when the election deadline is?

A: The actual election deadline is not currently known. Columbia and Intermountain will issue a press release announcing the date of the election deadline at least five business days before that deadline. Additionally, Columbia and Intermountain will post the date of the election deadline on their respective websites, also at least five business days before that deadline. See "The Merger Election Statement."

Q: What happens if an election is not made prior to the election deadline?

A: If an Intermountain shareholder fails to submit an election statement to the exchange agent prior to the election deadline, then that holder will be deemed to have made no election and will be issued a unit consisting of a mix of (a) 0.6426 of a share of Columbia common stock and (b) \$2.2930 in cash in exchange for each share of Intermountain common stock.

Q: How are Intermountain restricted stock awards addressed in the merger agreement?

A: As described under *The Merger Treatment of Intermountain Equity Awards*, at the closing of the merger, each share of Intermountain common stock subject to vesting restrictions granted under Intermountain's incentive stock plans, except for certain forfeited restricted stock awards (as described below in the section entitled *The Merger Interests of Intermountain Directors and Executive Officers in the Merger*), will vest in full, and the holder will be entitled to receive the merger consideration with respect to such shares, less applicable taxes and withholding, and subject to the same election, proration and allocation procedures applicable to Intermountain common stock generally. Accordingly, holders of Intermountain restricted shares must submit an election statement prior to the election deadline. See *The Merger Election Statement*.

Q: How are outstanding Intermountain stock options addressed in the merger agreement?

A: Each outstanding and unexercised Intermountain stock option will fully vest and may be exercised on the date of notice of termination of such option through the business day immediately preceding closing of the merger. Any Intermountain stock options that remain unexercised as of the effective time of the merger will be cancelled for no consideration. See *The Merger Treatment of Intermountain Equity Awards*.

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Q: When do Columbia and Intermountain expect to complete the merger?

A: Columbia and Intermountain expect to complete the merger after all conditions to the merger in the merger agreement are satisfied or waived, including after shareholder approval is received at the Intermountain special meeting and all required regulatory approvals are received. Columbia and Intermountain currently expect to complete the merger in the fourth quarter of 2014. It is possible, however, that as a result of factors outside of either company's control, the merger may be completed at a later time, or may not be completed at all.

Q: What am I being asked to vote on?

A: Intermountain shareholders are being asked to vote on the following proposals:

1. *Approval of the Merger Agreement.* To approve the merger agreement, which we refer to as the Merger proposal;
2. *Non-Binding Approval of Certain Compensation.* To approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to Intermountain's named executive officers in connection with the merger, and the agreements or understandings pursuant to which such compensation may be paid or become payable, which we refer to as the Merger-Related Named Executive Officer Compensation proposal; and
3. *Adjournment of Meeting.* To approve one or more adjournments of the Intermountain special meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the Merger proposal, which we refer to as the Adjournment proposal.

Q: What will happen if Intermountain's shareholders do not approve, on an advisory (non-binding) basis, the Merger-Related Named Executive Officer Compensation proposal?

A: The vote on the Merger-Related Named Executive Officer Compensation proposal is a vote separate and apart from the vote to approve the merger agreement. You may vote for this proposal and against the Merger proposal, or vice versa. You also may abstain from this proposal and vote on the Merger proposal, or vice versa. Because the vote on this proposal is advisory only, it will not be binding on Intermountain or Columbia. The merger-related named executive officer compensation to be paid in connection with the merger is based on contractual arrangements with the named executive officers and accordingly the outcome of this advisory vote will not affect the obligation to make these payments.

Q: How does the board of directors of Intermountain recommend that I vote?

A: The Intermountain board of directors recommends that Intermountain shareholders vote **FOR** the proposals described in this proxy statement/prospectus.

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this proxy statement/prospectus, **please vote by telephone or on the Internet, or complete, sign and date the enclosed proxy card and return it in the enclosed envelope as soon as possible** so that your shares will be represented at the Intermountain special meeting.

Please follow the instructions set forth on the proxy card or on the voting instruction form provided by the record holder if your shares are held in the name of your broker, bank or other nominee.

Additionally, **Intermountain shareholders that wish to receive merger consideration in respect of their shares should complete, sign and date the election statement.** The election statement should be sent in the envelope separately sent with the election statement to Columbia's exchange agent in order to arrive before the election deadline.

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Q: How do I vote?

A: If you are a shareholder of record of Intermountain as of the record date for the Intermountain special meeting, you may vote by:

accessing the internet website specified on your proxy card (www.proxyvote.com);

calling the toll-free number specified on your proxy card (1-800-690-6903); or

signing the enclosed proxy card and returning it in the postage-paid envelope provided.

You may also cast your vote in person at Intermountain's special meeting.

If your shares are held in street name through a broker, bank or other nominee, that institution will send you separate instructions describing the procedure for voting your shares. Holders in street name who wish to vote in person at the Intermountain special meeting will need to obtain a proxy form from the institution that holds their shares.

Q: When and where is the Intermountain special shareholders meeting?

A: The special meeting of Intermountain shareholders will be held at 414 Church Street, Sandpoint, Idaho 83864, at 4 p.m. Pacific Time, on October 27, 2014. All shareholders of Intermountain as of the Intermountain record date, or their duly appointed proxies, may attend the Intermountain special meeting.

Q: If my shares are held in street name by a broker, bank or other nominee, will my broker or nominee vote my shares for me?

A: If your shares are held in street name in a stock brokerage account or by a bank or other nominee, you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your bank or broker. Please note that you may not vote shares held in street name by returning a proxy card directly to Intermountain or by voting in person at your meeting unless you provide a legal proxy, which you must obtain from your broker, bank or other nominee.

Brokers, banks or other nominees who hold shares in street name for a beneficial owner typically have the authority to vote in their discretion on routine proposals when they have not received instructions from beneficial owners. However, brokers, banks or other nominees are not allowed to exercise their voting discretion on matters that are determined to be non-routine without specific instructions from the beneficial owner. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the applicable shareholders meeting but with respect to which the broker, bank or other nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker, bank or other nominee does not have discretionary voting power on such proposal.

If you are an Intermountain shareholder and you do not instruct your broker, bank or other nominee on how to vote your shares, your broker, bank or other nominee may not vote your shares on the Merger proposal, which broker non-votes will have the same effect as a vote AGAINST these proposals. Your broker, bank or other nominee may not vote your shares on the Merger-Related Named Executive Officer Compensation proposal or Adjournment proposal, which broker non-votes will have no effect on the vote on this proposal.

Q: What vote is required to approve each proposal to be considered at the Intermountain special meeting?

A: The affirmative vote of (a) two-thirds (2/3) of all the votes entitled to be cast by the holders of outstanding voting common stock of Intermountain and non-voting common stock of Intermountain considered together, (b) a majority of votes entitled to be cast by the holders of outstanding voting common stock of Intermountain and (c) a majority of votes entitled to be cast by the holders of outstanding non-voting common stock of Intermountain, is required to approve the Merger proposal.

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The Merger-Related Named Executive Officer Compensation proposal will be approved, on an advisory (non-binding) basis, if the votes cast in favor of the proposal exceed the votes cast against it. Only holders of Intermountain voting common stock have the right to vote on this proposal.

The Adjournment proposal will be approved if the votes cast in favor of the proposal exceed the votes cast against it. Only holders of Intermountain voting common stock have the right to vote on this proposal.

Certain of Intermountain's directors and principal shareholders have entered into voting agreements with respect to the Intermountain shares they own, pursuant to which they have agreed to vote such shares in favor of the proposals to be considered at the Intermountain special meeting. A total of 4,307,836, or 64.29%, of the outstanding shares of Intermountain common stock entitled to vote at the special meeting are covered by such voting agreements, which shares consist of 877,969, or 30.69% shares of the outstanding shares of Intermountain voting common stock, and 3,429,867 or 89.33%, of the outstanding shares of Intermountain non-voting common stock.

Q: What if I abstain from voting or do not vote?

A: For the purposes of the Intermountain special meeting, an abstention, which occurs when an Intermountain shareholder attends the Intermountain special meeting, either in person or by proxy, but abstains from voting, will have the same effect as a vote AGAINST the Merger proposal but will have no effect on the Merger-Related Named Executive Compensation proposal or the Adjournment proposal.

Q: May I change my vote or revoke my proxy after I have delivered my proxy or voting instruction card?

A: Yes. You may change your vote at any time before your proxy is voted at the applicable meeting. You may do this in one of four ways:

by sending a notice of revocation to the corporate secretary of Intermountain;

by sending a completed proxy card bearing a later date than your original proxy card;

by logging onto the website specified on your proxy card in the same manner you would to submit your proxy electronically or by calling the telephone number specified on your proxy card, in each case if you are eligible to do so, and following the instructions on the proxy card; or

by attending the meeting and voting in person if your shares are registered in your name rather than in the name of a broker, bank or other nominee; however, your attendance alone will not revoke any proxy. If you choose any of the first three methods, you must take the described action (and, in the case of the second method, your proxy card must be received) no later than the beginning of the Intermountain special meeting.

If your shares are held in an account at a broker, bank or other nominee, you should contact your broker, bank or other nominee to change your vote.

Q: What happens if I sell my shares after the record date but before the meeting?

A: The record date for the Intermountain special meeting is earlier than the date of meeting and the date that the merger is expected to be completed. If you transfer your Intermountain common stock after the record date but before the date of the meeting, you will retain your right to vote at the meeting (provided that such shares remain outstanding on the date of the meeting), but you will not have the right to receive any merger consideration for the transferred shares. You will only be entitled to receive the merger consideration in respect of shares that you hold at the effective time of the merger.

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Q: What do I do if I receive more than one proxy statement/prospectus or set of voting instructions?

A: If you hold shares directly as a record holder and also in street name, or otherwise through a nominee, you may receive more than one proxy statement/prospectus and/or set of voting instructions relating to the Intermountain special meeting. These should each be voted or returned separately to ensure that all of your shares are voted.

Q: What are the federal income tax consequences of the merger?

A: The merger is intended to qualify, and Columbia expects to receive a legal opinion from Sullivan & Cromwell LLP at the closing of the merger to the effect that the merger will qualify, as a reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code. In addition, in connection with the filing of the registration statement of which this document is a part, Sullivan & Cromwell LLP has delivered an opinion to Columbia to the same effect. Assuming the merger qualifies as a reorganization, the specific tax consequences to a U.S. holder (as defined in Material U.S. Federal Income Tax Consequences of the Merger) exchanging Intermountain common stock in the merger will generally depend upon the form of consideration such U.S. holder receives in the merger.

A U.S. holder exchanging all of its shares of Intermountain common stock for solely Columbia common stock (and cash instead of fractional shares of Columbia common stock) pursuant to the merger agreement will generally not recognize gain or loss, except with respect to cash received instead of fractional shares of Columbia common stock.

A U.S. holder exchanging all of its shares of Intermountain common stock for solely cash pursuant to the merger agreement will generally recognize gain or loss equal to the difference between the amount of cash it receives and its cost basis in its Intermountain common stock.

A U.S. holder exchanging all of its shares of Intermountain common stock for a combination of Columbia common stock and cash pursuant to the merger agreement will generally recognize gain (but not loss) in an amount equal to the lesser of (i) the amount of cash treated as received in exchange for Intermountain common stock in the merger and (ii) the excess of the amount realized in the transaction (i.e., the fair market value of the Columbia common stock at the effective time of the merger plus the amount of cash treated as received in exchange for Intermountain common stock in the merger) over its tax basis in its surrendered Intermountain common stock.

Any gain recognized upon the exchange will generally be capital gain, and will be long-term capital gain if, as of the effective date of the merger, the U.S. holder's holding period with respect to its surrendered Intermountain common stock exceeds one year. Depending on certain facts specific to each U.S. holder, any gain recognized could be taxable as a dividend rather than capital gain.

For a more detailed discussion of the material U.S. federal income tax consequences of the transaction, see Material U.S. Federal Income Tax Consequences of the Merger beginning on page 78.

You are encouraged to consult your tax advisor as to the tax consequences of the merger in your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local or foreign and other tax laws and of changes in those laws.

Q: Do I have appraisal or dissenters rights?

A: Under Idaho law, Intermountain shareholders are entitled to exercise appraisal rights in connection with the merger. See The Merger Dissenting Shares.

Q: Should I send in my stock certificates now?

A: No. Please **do not send** your stock certificates with your proxy card. **Intermountain shareholders should follow the instructions provided with the election statement regarding how and when to surrender**

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their stock certificates. If you do not vote by internet or telephone, you should send the proxy card in the enclosed envelope and the election statement in the envelope separately sent with the election statement. If you are a holder of Intermountain common stock, you will receive written instructions from Broadridge Issuer Solutions Inc., the exchange agent, after the merger is completed on how to exchange your stock certificates for Columbia common stock.

Q: Whom should I contact if I have any questions about the proxy materials or the meetings?

A: If you have any questions about the merger or any of the proposals to be considered at the Intermountain special meeting, need assistance in submitting your proxy or voting your shares or need additional copies of this proxy statement/prospectus or the enclosed proxy card, you should contact Intermountain.

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SUMMARY

*This summary highlights selected information from this document. It may not contain all of the information that is important to you. We urge you to carefully read the entire document and the other documents to which we refer you in order to fully understand the merger and the related transactions. See *Where You Can Find More Information* included elsewhere in this proxy statement/prospectus. Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.*

The Companies (pages 95 and 101)

Columbia

Headquartered in Tacoma, Washington, Columbia Banking System, Inc. is the holding company of Columbia State Bank, a Washington state-chartered full service commercial bank, with deposits insured by the Federal Deposit Insurance Corporation, which we refer to as the FDIC. At June 30, 2014, Columbia had 139 banking offices, including 79 branches in Washington State and 60 branches in Oregon. At June 30, 2014, Columbia had total assets of approximately \$7.30 billion, total net loans receivable and loans held for sale of approximately \$4.65 billion, total deposits of approximately \$5.99 billion and approximately \$1.09 billion in shareholders' equity.

Columbia's stock is traded on the Nasdaq Global Select Market under the symbol COLB.

Columbia's principal office is located at 1301 A Street, Tacoma, Washington 98402, and its telephone number at that location is (253) 305-1900. Columbia's internet address is www.columbiabank.com. Additional information about Columbia is included under *Information Concerning Columbia* and *Where You Can Find More Information* included elsewhere in this proxy statement/prospectus.

Intermountain

Intermountain Community Bancorp is a bank holding company headquartered in Sandpoint, Idaho. Intermountain's principal business activities are conducted through its full-service commercial bank subsidiary, Panhandle State Bank, an Idaho state-chartered bank with deposits insured by the FDIC. Panhandle State Bank also conducts business under the trade names Magic Valley Bank and Intermountain Community Bank. At June 30, 2014, Panhandle State Bank had facilities in 18 cities and towns in Idaho, Washington, and Oregon, operating a total of 19 full-service branches. At June 30, 2014, Intermountain had total assets of approximately \$920 million, total net loans of approximately \$520 million, total deposits of approximately \$694 million, and approximately \$99 million in shareholders' equity.

Intermountain's stock