

MID-STATE BANCSHARES
Form PREM14A
December 18, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

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

Mid-State Bancshares

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- o No fee required.
- x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1)	Title of each class of securities to which transaction applies: Common Stock, no par value
(2)	Aggregate number of securities to which transaction applies: 22,221,258 shares of common stock
(3)	and options to purchase 1,837,839 shares of common stock. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): The filing fee was determined by multiplying \$0.000107 by the sum of (i) the product of 22,221,258 shares multiplied by the \$37.00 per share merger consideration; and (ii) the product of 1,837,839, representing the number of shares subject to stock options, multiplied by the difference between \$37.00 and \$20.1178, which represents the weighted average exercise price of the stock options.
(4)	Proposed maximum aggregate value of transaction: \$853,213,312
(5)	Total fee paid: \$91,293.82

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:

(4)

Date Filed:

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

To the Shareholders of Mid-State Bancshares:

The board of directors of Mid-State Bancshares, or Mid-State, has approved the acquisition of Mid-State by VIB Corp, a subsidiary of Rabobank Nederland, a Dutch financial services leader. The acquisition involves a series of mergers, including the merger of a subsidiary of VIB Corp with and into Mid-State, and the merger of Mid-State Bank & Trust into Rabobank, N.A., Rabobank's community banking subsidiary in California.

In the merger, shareholders of Mid-State will receive \$37.00 in cash for each share of Mid-State common stock that they own.

Mid-State's common stock is listed on the NASDAQ Global Market under the symbol MDST. On January [*], 2007, Mid-State's common stock closed at \$[*] per share and on November 1, 2006, the last trading day before the announcement of the merger, Mid-State's common stock closed at \$29.11 per share.

Mid-State is holding a special shareholders' meeting at which its shareholders will be asked to approve the principal terms of the Agreement and Plan of Merger, dated November 1, 2006, by and between VIB Corp, Chardonnay Merger Sub Corp. and Mid-State Bancshares and the transactions contemplated thereby. Information about the special meeting is contained in this proxy statement. You are urged to read this document carefully and in its entirety.

YOUR BOARD OF DIRECTORS HAS DETERMINED THAT THE MERGER IS IN THE BEST INTERESTS OF MID-STATE AND ITS SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE PRINCIPAL TERMS OF THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY.

We hope that you will attend the special meeting in person; however, we strongly encourage you to designate the proxies named on the enclosed proxy card to vote your shares. This will ensure that your common stock is represented at the special meeting. You will also be able to vote by telephone or by the Internet. The enclosed proxy card explains more about these voting procedures.

Whether or not you plan to attend the Mid-State special meeting, please vote as soon as possible to make sure that your shares are represented at the special meeting. If you do not vote, it will have the same effect as voting against the merger.

/s/ JAMES W. LOKEY
James W. Lokey
President and Chief Executive Officer
Mid-State Bancshares

This proxy statement is dated _____, 2007 and is first being mailed to shareholders on or about _____, 2007.

Sources of Additional Information

This document incorporates important business and financial information about Mid-State from documents that are not included in or delivered with this document. This information is available to you without charge upon your written or oral request. You can obtain documents related to Mid-State that are incorporated by reference in this document, without charge, through the website of the Securities and Exchange Commission, or SEC, at www.sec.gov, through Mid-State's website listed below, or by requesting them in writing or by telephone.

Mid-State Bancshares
Attn: Marlene Weeks, Vice President
P.O. Box 6002
Arroyo Grande, California 93420
(805) 473-6829
www.midstatebank.com

(The website address given in this document is for information only and is not intended to be an active link or to incorporate any website information into this document.)

Please note that copies of the documents provided to you will not include exhibits, unless the exhibits are specifically incorporated by reference into the documents or this document.

In order to receive timely delivery of requested documents in advance of the special meeting, you should make your request no later than [*], 2007.

All information contained in this proxy statement with respect to Rabobank and its affiliates has been supplied by Rabobank. All information contained in this proxy statement with respect to Mid-State has been supplied by Mid-State.

You should rely only on the information provided or incorporated by reference in this proxy statement. We have not authorized anyone to provide you with different information. You should not assume that the information in this proxy statement is accurate as of any date other than the date on the front of the document.

See Where You Can Find More Information beginning on page [*].

Notice of Special Meeting of Mid-State Bancshares

- **Date:** [*]
- **Time:** [*]
- **Place:** [*]

To Mid-State Bancshares Shareholders:

We are pleased to notify you of, and invite you to, a special meeting of shareholders. At the meeting you will be asked to vote on the following matters:

- Proposal to approve the principal terms of the merger agreement, pursuant to which Mid-State Bancshares will be acquired by VIB Corp, and the transactions contemplated thereby as described in the attached proxy statement.
- Proposal to approve, if necessary, an adjournment of the special meeting to solicit additional proxies in favor of the principal terms of the merger agreement and the transactions contemplated thereby.

Only shareholders of record at the close of business on [*,] 2007 may vote at the special meeting.

Pursuant to California law, Mid-State Bancshares shareholders are not entitled to dissenting shareholders' rights unless demands for payment are filed with respect to 5% or more of the outstanding shares. Further discussion of such law is contained in the attached proxy statement under the caption "The Merger Dissenting Shareholders' Rights." In addition, the text of the applicable provisions of California law relating to dissenting shareholders' rights are attached as Appendix C to the proxy statement.

Section 2.11 of the Mid-State Bylaws provides for the nomination of directors as follows:

Nominations for election of members of the Board of Directors may be made by the Board of Directors or by any shareholder of any outstanding class of capital stock of the Corporation entitled to vote for the election of directors. Notice of intention to make any nominations (other than for persons named in the notice of the meeting at which such nomination is to be made) shall be made in writing and shall be delivered or mailed to the president of the Corporation by the later of the close of business 21 days prior to any meeting of shareholders called for the election of directors or 10 days after the date of mailing of notice of the meeting to shareholders. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the number of shares of capital stock of the corporation owned by each proposed nominee; (d) the name and residence address of the notifying shareholder; (e) the number of shares of capital stock of the proposed nominee, a copy of which shall be furnished with the notification, whether the proposed nominee has ever been convicted of or pleaded nolo contendere to any criminal offense involving dishonesty or breach of trust, filed a petition in bankruptcy, or been adjudged bankrupt. The notice shall be signed by the nominating shareholder and by the nominee. Nominations not made in accordance herewith shall be disregarded by the chairman of the meeting, and upon his instructions, the inspectors of election shall disregard all votes cast for each such nominee. The restrictions set forth in this paragraph shall not apply to nomination of a person to replace a proposed nominee who has died or otherwise become incapacitated to serve as a director between the last day for giving notice hereunder and the date of election of directors if the procedure called for in this paragraph was followed with respect to the nomination of the proposed nominee.

IT IS VERY IMPORTANT THAT EVERY SHAREHOLDER VOTE. WE URGE YOU TO SIGN AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE, OR VOTE BY TELEPHONE OR INTERNET, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON. IF YOU DO ATTEND THE MEETING AND YOU WISH TO CHANGE YOUR VOTE, YOU MAY WITHDRAW YOUR PROXY PRIOR TO THE TIME IT IS VOTED AND VOTE IN PERSON OR BY FILING A LATER DATED PROXY.

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PLEASE INDICATE ON THE PROXY CARD WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING SO WE CAN PROVIDE ADEQUATE ACCOMMODATIONS.

IF YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON AND ARE A SHAREHOLDER OF RECORD, BRING WITH YOU A FORM OF GOVERNMENT-ISSUED PERSONAL IDENTIFICATION BEARING YOUR RECENT PHOTOGRAPH (SUCH AS A DRIVER'S LICENSE, STATE-ISSUED IDENTIFICATION CARD OR PASSPORT) TO THE SPECIAL MEETING.

IF YOU OWN STOCK THROUGH A BANK, BROKER OR OTHER NOMINEE YOU WILL ALSO NEED PROOF OF OWNERSHIP AS OF THE RECORD DATE SUCH AS A BANK OR BROKERAGE STATEMENT TO ATTEND THE SPECIAL MEETING (WHICH YOU MUST ASK THEM OR THEIR AGENT TO PROVIDE TO YOU). IN ORDER TO VOTE YOUR SHARES AT THE MID-STATE SPECIAL MEETING, YOU MUST OBTAIN FROM THE NOMINEE A PROXY ISSUED IN YOUR NAME.

By order of the Board of Directors
/s/ JAMES G. STATHOS
James G. Stathos, *Secretary*

[*], 2007

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QUESTIONS AND ANSWERS ABOUT VOTING

Q: Why have you sent me this document?

A: This document is being delivered to you because it is serving as a proxy statement for Mid-State Bancshares' special meeting of shareholders.

This proxy statement contains important information regarding the proposed merger. It also contains important information about what Mid-State's board of directors and management considered when evaluating this proposed merger. Mid-State urges you to read this proxy statement carefully, including its appendices.

Q: What is happening in this merger?

A: Mid-State is being acquired by VIB Corp, a subsidiary of Rabobank Nederland, in a series of mergers. Initially, VIB Corp (which is owned and controlled by Rabobank) will cause its wholly owned subsidiary, Chardonnay Merger Sub Corp., to be merged with and into Mid-State Bancshares resulting in Mid-State Bancshares becoming a wholly owned subsidiary of VIB Corp. Immediately thereafter, Mid-State Bancshares will be merged with and into VIB Corp and following the merger of Mid-State Bancshares and VIB Corp, Mid-State Bank & Trust will be merged with and into Rabobank, N.A., the California-headquartered banking subsidiary of VIB Corp. As a result of such mergers, Mid-State Bancshares and Mid-State Bank & Trust will both cease to exist. These mergers are governed by the Agreement and Plan of Merger, dated November 1, 2006 (the merger agreement). A copy of the merger agreement is attached as Appendix A. Throughout this document, these various mergers are referred to simply as the merger.

Q: Why is the merger proposed?

A: Mid-State is proposing the merger because its board of directors believes that the merger is in the best interests of its shareholders. Mid-State believes that the price to be paid in the merger is fair.

Q: What are Mid-State's shareholders being asked to approve?

A: Mid-State's shareholders are being asked to approve the principal terms of the merger agreement and the transactions contemplated thereby, which approval must be obtained before the merger can be consummated.

Q: What should I do now?

A: Simply indicate your vote on your proxy card and then sign and mail your proxy card in the enclosed return envelope in time to be represented at the special shareholder's meeting. You will also be able to vote by telephone or by the Internet. The enclosed proxy card explains more about these voting procedures.

If you are a Mid-State shareholder, do not send your Mid-State stock certificates in the envelope provided for returning your proxy card. The stock certificates should only be forwarded to the exchange agent with the letter of transmittal form which will be mailed to you separately.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares for you only if you provide your broker with instructions on how to vote. You should instruct your broker how to vote your shares, following the directions your broker provides. If you fail to instruct your broker how to vote your shares, your broker may not vote your shares and the effect will be the same as a vote against the merger.

Q: What happens if I don't vote?

A: If you fail to respond, your shares will not be counted to help establish a quorum at Mid-State's special meeting. Not voting also has the same effect as voting against the merger.

Q: Can I change my vote after I have mailed my signed proxy card?

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting. If your shares are held in your name you may do this in one of three ways:

- Send a written notice to the Secretary of Mid-State stating that you are revoking your proxy;
- Complete and submit a new proxy card bearing a later date; or
- Attend the special meeting and vote in person (but only if you tell the Secretary before the voting begins that you want to cancel your proxy and vote in person). Simply attending the meeting, however, will not revoke your proxy.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy card to Mid-State at the address below.

Unless you decide to attend the meeting and vote your shares in person after you have submitted voting instructions to the proxies, we recommend that you revoke or amend your prior instructions in the same way you initially gave them—that is, by telephone, Internet, or in writing. This will help to ensure that your shares are voted the way you have finally determined you wish them to be voted.

If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote or to vote at the annual meeting.

Q: What is the vote needed to approve the merger?

A: Approval of the merger requires the affirmative vote of the holders of at least a majority of the shares of Mid-State common stock issued and outstanding on the record date.

Q: Who can help answer my questions?

A: If you have more questions about the merger or the special meeting, you should contact:

Mid-State Bancshares
Attn: Marlene Weeks, Vice President
P.O. Box 6002
Arroyo Grande, California 93420
(805) 473-6829

SUMMARY

This brief summary, together with the Questions and Answers on the preceding pages, highlights selected information from the proxy statement. This summary does not contain all of the information that is important to you. We urge you to read carefully the entire proxy statement and the other documents that are incorporated herein to understand fully the merger. See Where You Can Find More Information beginning on page [*]. Unless we have stated otherwise, all references in this document to Mid-State, we, our or us are to Mid-State Bancshares; all references to Rabobank Nederland are to Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland; all references to Rabobank, N.A. are to Rabobank, National Association; all references to Rabobank are to Rabobank Nederland and its affiliates; all references to the merger are to the merger of Chardonnay Merger Sub Corp. with and into Mid-State; all references to the merger agreement are to the Agreement and Plan of Merger by and among Mid-State, VIB Corp and Chardonnay Merger Sub Corp., dated as of November 1, 2006, a copy of which is attached as Appendix A to this document. Certain items in this summary contain a page reference directing you to a more complete description of that item.

The Companies

Mid-State Bancshares

Mid-State is the parent company of Mid-State Bank & Trust, its 100% owned principal subsidiary. Mid-State is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, and is subject to the supervision and regulation of the Board of Governors of the Federal Reserve System.

Mid-State Bank & Trust was incorporated under the laws of the State of California and commenced operations on June 12, 1961 as a California state chartered bank. The Bank's accounts are insured by the Federal Deposit Insurance Corporation, but it is not a member of the Federal Reserve System. At September 30, 2006, Mid-State had total assets of approximately \$2.4 billion, total deposits of \$2.0 billion and total shareholders' equity of \$267 million.

The Bank operates 41 full service retail-banking offices along the central coast of California in Santa Barbara, San Luis Obispo and Ventura counties. Mid-State's and the Bank's headquarters are located in Arroyo Grande. The headquarters' street address is 1026 East Grand Avenue, Arroyo Grande, CA 93420. Its mailing address is P.O. Box 6002, Arroyo Grande, CA 93421-6002. The telephone number is: (805) 473-6829. Mid-State can also be reached through its internet address at www.midstatebank.com.

Important information concerning Mid-State's business and financial information is incorporated herein by reference in accordance with SEC rules. See Where You Can Find More Information beginning on page [*] to find out how you can obtain this information.

VIB Corp

VIB Corp, a California corporation and a registered bank holding company under the Bank Holding Company Act of 1956, as amended, was organized in 1997 with its headquarters in El Centro, California, to serve as the holding company for Valley Independent Bank, a California banking corporation. In December 2002, VIB Corp was acquired by an indirect U.S. subsidiary of Rabobank Nederland, and in early 2005 Valley Independent Bank, a wholly owned bank subsidiary of VIB Corp, converted from a state chartered bank to a national chartered bank and changed its name to Rabobank, N.A.

Chardonnay Merger Sub Corp., a California corporation and a wholly owned subsidiary of VIB Corp, has been organized by VIB Corp for the sole purpose of facilitating the merger. Merger Sub will disappear upon consummation of the merger.

Utrecht-America Holdings, Inc. is an indirect subsidiary of Rabobank Nederland, a cooperative banking association organized under the laws of the Netherlands. As of June 30, 2006, Rabobank Nederland had consolidated assets of approximately 521 billion Euros. In the United States, Rabobank Nederland currently operates a state-licensed branch in New York, and representative offices in California, Georgia, Illinois, Texas, and Washington, D.C. Through these offices, Rabobank Nederland offers corporate banking services, primarily for the food and agriculture industry. U.S.-based subsidiaries of Rabobank Nederland offer leasing, agricultural and vendor financing, and a wide range of investment and advisory products. Rabobank Nederland is represented internationally with over 289 offices in 38 countries outside the Netherlands and offers a broad range of financial, insurance and asset management services across retail, corporate and commercial sectors. Rabobank Nederland is one of the largest banking organizations in the Netherlands and the largest mortgage lending and savings organization in the Netherlands by market share. It is one of the 25 largest banking institutions in the world in terms of assets, and enjoys one of the highest credit ratings of any financial institution in the world.

Originally organized in 1980 as a state-chartered bank, Rabobank, N.A. is a wholly owned subsidiary of VIB Corp. Rabobank, N.A. is headquartered in El Centro, California. Following the merger of Community Bank of Central California with and into Rabobank, N.A., which was consummated in January, 2006, Rabobank, N.A. now operates 41 branches located from California's Mexican border to the greater Sacramento metropolitan area. Rabobank, N.A. offers a wide range of commercial banking services including agricultural, commercial, U.S. Small Business Administration, real estate, construction, and consumer loans; checking, savings, NOW, money market, online banking and time deposits; and travelers' checks, credit cards, and other customary non-deposit banking services. Rabobank, N.A. acts as a merchant depository for cardholder drafts and also operates several loan production offices. As of September 30, 2006, Rabobank, N.A. had assets of approximately \$4.8 billion.

The Merger (Page and Appendix A)

It is proposed that Mid State Bancshares and Mid-State Bank & Trust be acquired by VIB Corp in a series of mergers. Initially, VIB Corp (which is owned and controlled by Rabobank) will cause its wholly owned subsidiary, Chardonnay Merger Sub Corp., to be merged with and into Mid-State resulting in Mid-State becoming a wholly owned subsidiary of VIB Corp. Immediately thereafter, Mid-State will be merged with and into VIB Corp and immediately after the merger of Mid-State with and into VIB Corp, Mid-State Bank & Trust will be merged with and into Rabobank, N.A. As a result of these mergers, Mid-State and Mid-State Bank & Trust will both cease to exist. The acquisition of Mid-State by VIB Corp is governed by the merger agreement. A copy of the merger agreement is attached as Appendix A. Throughout this document, these various mergers are referred to as simply the merger.

Pursuant to the merger agreement, Mid-State's shareholders will receive \$37.00 in cash for each share of Mid-State common stock they own.

The closing date will occur as soon as practicable after (i) the satisfaction or waiver of all conditions in the merger agreement, which are summarized below beginning on page [*], and (ii) receipt of approval of all required regulatory agencies. For a discussion of the required regulatory approvals, see The Merger Regulatory Approvals Required beginning on page [*]. However, the closing date may be set on any other date on which the parties mutually agree. We are working toward completing the merger as quickly as possible. We currently expect to complete the merger during the second quarter of 2007 or as soon thereafter as possible, assuming all conditions set forth in the merger agreement are satisfied or waived.

The Special Meeting (Pages)

Date, Time and Place. Mid-State s special meeting of shareholders will be held at [*] p.m. on [*], 2007, at [*].

Purpose of the Special Meeting. At this special meeting, Mid-State s shareholders will be asked to approve the principal terms of the merger agreement and the transactions contemplated thereby.

Record Date; Shareholders Entitled to Vote. You are entitled to vote at the Mid-State special meeting if you owned Mid-State common stock as of the record date, [*], 2007. As of that date, there were [*] shares of Mid-State outstanding, held by [*] shareholders of record. Each holder of Mid-State common stock is entitled to one vote per share on all matters that may properly come before the meeting.

Vote Required. Approval of the principal terms of the merger agreement and the transactions contemplated thereby requires the affirmative vote of at least a majority of the outstanding shares of Mid-State common stock. Not voting, voting abstain or failing to instruct your broker how to vote shares held for you in the broker s name will have the same effect as voting against the merger. If you submit a signed proxy card without indicating a vote with respect to the merger, that proxy card will be deemed a vote in favor of the principal terms of the merger agreement and the transactions contemplated thereby.

At close of business on the record date, certain of the directors and officers of Mid-State beneficially owned, in the aggregate, approximately [*] shares of Mid-State common stock, allowing them to exercise approximately [*]% of the voting power of Mid-State common stock entitled to vote at the Mid-State special meeting (which does not include shares issuable upon the exercise of stock options but not outstanding as of the record date). Certain of these persons have agreed to vote these shares in favor of the principal terms of the merger agreement and the transactions contemplated thereby, as more fully described in The Merger Interests of Certain Persons in the Merger beginning on page [*].

Our Board of Directors Recommends that the Shareholders Approve the Merger (Pages -)

Recommendation. Mid-State s board of directors has determined that the merger and the merger agreement are advisable and fair to, and in the best interests of Mid-State and its shareholders and recommends that Mid-State s shareholders vote **FOR** the merger agreement and the transactions contemplated thereby.

Factors Considered by Our Board. In determining whether to approve the merger, our board of directors consulted with our senior management and legal and financial advisors and considered the strategic, financial and other considerations referred to under The Merger Recommendation of, and Factors Considered by, Mid-State s Board of Directors.

Financial Advisor Gives Opinion That Merger Consideration Is Fair from a Financial Point of View (Page and Appendix B)

Mid-State s financial advisor, Sandler O Neill + Partners, L.P. (Sandler O Neill), has provided an opinion to Mid-State s board of directors, dated as of November 1, 2006, that subject to and based on the considerations referred to in its opinion, the merger consideration of \$37.00 per share in cash was fair to Mid-State s shareholders from a financial point of view. Sandler O Neill confirmed its November 1, 2006 opinion by delivering a written opinion as of the date of this proxy statement. The full text of Sandler O Neill s updated opinion, dated [*], 2006, which includes a copy of the original opinion, is attached as Appendix B to this proxy statement. Mid-State urges its shareholders to read that opinion in its entirety.

Tax Effects of the Transaction (Page)

In general, the exchange of Mid-State common stock for cash pursuant to the merger will be a taxable transaction for federal income tax purposes and may also be a taxable transaction under applicable state, local and foreign tax laws. We recommend that you read the discussion in this proxy statement regarding federal income tax consequences and consult your tax advisor to determine the specific tax consequences to you of the receipt of cash in connection with the merger.

Benefits to Certain Officers and Directors in the Merger (Page)

When considering the recommendation of the Mid-State board of directors, you should be aware that some Mid-State directors and officers have interests in the merger that differ from the interests of other Mid-State shareholders. These interests include:

- certain officers and directors have stock options that will become exercisable in full at the time of the merger;
- James W. Lokey, the President and Chief Executive Officer of Mid-State and Mid-State Bank, has entered into an employment agreement with Mid-State Bank, which will be effective upon the closing of the merger. Following the merger, Rabobank, N.A. will succeed Mid-State Bank as a party to the employment agreement, and Mr. Lokey will become a President of Rabobank, N.A.
- Lori Anderson, John Arellano, Jeff DeVine, John Ferebee, Mike Gibson, Steve Harding, Naomi Kinney, Stuart McCoy, Paul Mistele, Jeff Paul, Brantley Pettigrew, Dave Rounds, Leslie Love Stone, Debbie Zimmer, Roger Hagera and Eldon Shiffman, Sandy Ferris, Don Nielsen, Clarence Cabrerros, Linda Minton, John McNinch, Dan Snowden, William Racine, Scott Laycock, Mike Monroe, and Kiersten Alfieri, each a director or officer of Mid-State, have entered into retention agreements with Mid-State, which will be of no further effect in the event the merger is not consummated;
- directors and officers have continuing liability insurance protection and indemnification protections;
- certain executive officers of Mid-State will receive payments in settlement of certain change-in-control agreements upon consummation of the merger;
- Carrol Pruett, the Chairman of Mid-State's board, will receive change-in-control payments upon consummation of the merger; and
- Mr. Pruett and Mr. Lokey, Mid-State board members, will become members of the Rabobank, N.A., board of directors after the closing of the merger.

See The Merger Interests of Certain Persons in the Merger beginning on page [*]. Mid-State's board of directors was aware of these interests and considered them before approving the merger agreement.

Things We Must Do for the Merger to Occur (Page)

Completion of the merger is subject to various conditions, including:

- approval of the principal terms of the merger agreement and the transactions contemplated thereby by Mid-State's shareholders;
- receipt of all governmental and other consents and approvals that are necessary under the merger agreement; and
- other customary conditions.

Certain of these customary conditions to the merger may be waived by the parties under the merger agreement.

Regulatory Approvals Needed (Page)

We cannot complete the merger unless it is approved by the Comptroller of the Currency and the Board of Governors of the Federal Reserve System. We and Rabobank expect to file applications with the Comptroller of the Currency and the Federal Reserve by the end of 2006. Rabobank does not expect the existence of the memorandum of understanding it entered into with the Comptroller of the Currency to prevent the receipt of the required regulatory approvals and it is taking steps to address the deficiencies identified in the memorandum of understanding in accordance with its terms. See The Merger Regulatory Approvals Required beginning on page [*].

We cannot be certain when or if we will obtain these regulatory approvals.

Litigation Relating to the Merger (Page)

A purported shareholder of Mid-State has filed a complaint seeking class action status against Mid-State and each of its directors alleging, among other things, that the Mid-State directors breached their fiduciary duties with regard to the proposed merger. Among other things, the complaint seeks class action status, a court order enjoining Mid-State and its directors from proceeding with or consummating the merger, and the payment of attorneys' and experts' fees. Mid-State intends to defend this lawsuit vigorously.

Termination of the Merger Agreement (Page)

The merger agreement may be terminated prior to the effective time of the merger for a variety of reasons, including by either party if the merger has not occurred by November 1, 2007, or if the other party breaches the agreement.

Termination Fees (Page)

Certain cash payments may be required of Mid-State under the merger agreement in the event a party terminates the merger agreement in certain situations, including a payment by Mid-State to VIB Corp of \$27.5 million if, among other things, Mid-State terminates the merger to pursue a superior proposal.

Dissenting Shareholders' Rights (Page and Appendix C)

Shareholders of Mid-State will not have dissenting shareholders' rights in the merger unless demands for payment are filed with respect to 5% or more of the outstanding shares. The text of the applicable provisions of California law relating to dissenting shareholders' rights is attached as Appendix C.

Trading Price and Dividend Information

Mid-State common stock is listed on the NASDAQ Global Market System under the symbol MDST. The following table sets forth the high and low sales prices per share of Mid-State common stock as reported on the NASDAQ Global Market System from January 1, 2005 through December 14, 2006:

Quarter	High	Low
2005:		
First quarter	\$ 28.89	\$ 25.80
Second quarter	\$ 28.94	\$ 24.00
Third quarter	\$ 31.29	\$ 26.70
Fourth quarter	\$ 29.61	\$ 25.84
2006:		
First quarter	\$ 29.80	\$ 27.12
Second quarter	\$ 29.74	\$ 25.85
Third quarter	\$ 28.36	\$ 26.05
Fourth quarter (through December 14, 2006)	\$ 36.52	\$ 26.72
2007:		
First quarter (through [*, 2007)		

The following table sets forth the per share amount and month of payment for all cash dividends paid since January 1, 2005 by Mid-State to its shareholders.

Payable Date	Dividend
January 14, 2005	\$ 0.16 per share
April 15, 2005	\$ 0.16 per share
July 15, 2005	\$ 0.16 per share
October 14, 2005	\$ 0.16 per share
January 17, 2006	\$ 0.18 per share
April 17, 2006	\$ 0.18 per share
July 17, 2006	\$ 0.18 per share
October 16, 2006	\$ 0.18 per share

The merger agreement provides that Mid-State may continue to pay regular quarterly dividends provided that such dividends shall not exceed \$0.18 per quarter. However, if the merger has not been consummated by April 30, 2007, Mid-State may pay dividends of an aggregate of \$0.36 per share for the second quarter of 2007 and, if the merger has not been consummated by July 31, 2007, Mid-State may pay dividends of an aggregate of \$0.36 per share for the third quarter of 2007.

THE SPECIAL MEETING

Proxy Statement

This proxy statement is being furnished to you in connection with the solicitation of proxies by Mid-State's board of directors in connection with its special meetings of shareholders.

This proxy statement is first being furnished to shareholders on or about _____, 2007.

Date, Time and Place of the Special Meetings

The special meeting is scheduled to be held as follows:

[*]

Purpose of the Special Meeting

At the Mid-State special meeting, Mid-State's shareholders will be asked to consider and vote upon a proposal to approve the principal terms of the merger agreement and the transactions contemplated thereby.

Record Date

Mid-State's board of directors has selected the close of business on [*], 2007 as the record date for the determination of shareholders entitled to notice of, and to vote at, our special meeting. At that date, there were [*] outstanding shares of Mid-State common stock entitled to vote at Mid-State's special meeting.

Votes Required

The required quorum for the transaction of business at the Mid-State special meeting is a majority of the shares of Mid-State's common stock entitled to vote at the special meeting. The affirmative vote of holders of a majority of the shares of Mid-State common stock outstanding on the record date is required to adopt the merger agreement. Shares voted on a matter are treated as being present for purposes of establishing a quorum. Abstentions and broker non-votes (as described below) will be counted for determining a quorum, but will not be counted for purposes of determining the number of votes cast FOR or AGAINST any matter.

Proxies

All shares of Mid-State common stock represented by properly executed proxies received before or at the special meeting will, unless revoked, be voted in accordance with the instructions indicated on those proxies. If no instructions are indicated on a properly executed proxy card, the shares will be voted **FOR** approval of the merger. If you return a properly executed proxy card and have identified that you have abstained from voting, your Mid-State common stock represented by the proxy will be considered present at the special meeting for purposes of determining a quorum, but will be considered a vote against the merger. We urge you to mark the applicable box on the proxy card to indicate how to vote your shares.

If you hold your shares in your own name as a holder of record, you may instruct the proxies how to vote your common stock by using the toll free telephone number or the Internet voting site listed on the proxy card or by signing, dating, and mailing the proxy card in the postage paid envelope that we have provided to you. Of course, you can always come to the meeting and vote your shares in person. Specific instructions for using the telephone and Internet voting systems are on the proxy card.

If your shares are held in an account at a broker or a bank, you must instruct the broker or bank how to vote your shares. If an executed proxy returned by a broker or a bank holding shares indicates that the broker or bank does not have discretionary authority to vote on a particular matter, the shares will be

considered present at the meeting for purposes of establishing a quorum, but will be considered a vote against the proposals. This is called a broker non-vote. Your broker or bank will vote your shares only if you provide instructions on how to vote by following the instructions provided to you by your broker or bank.

Because approval of the principal terms of the merger agreement and the transactions contemplated thereby by Mid-State requires the affirmative vote of a majority of the outstanding shares of Mid-State, abstentions, failures to vote and broker non-votes will have the same effect as a vote against the merger.

Mid-State does not expect that any matter other than the proposal to approve the principal terms of the merger agreement and the transactions contemplated thereby and the proposal to approve, if necessary, an adjournment of the special meeting to solicit additional proxies in favor of the principal terms of the merger agreement and the transactions contemplated thereby will be brought before its special meeting. If, however, other matters are properly presented, the persons named as proxies will vote in accordance with their judgment with respect to those matters, unless you withhold authority to do so on the proxy card or voting instruction card.

You may revoke a proxy at any time before it is voted by:

- filing with the secretary of Mid-State at 1026 East Grand Avenue, Arroyo Grande, CA 93420 an instrument revoking the proxy;
- returning a duly executed proxy bearing a later date; or
- attending the special meeting and voting in person, provided you notify the Secretary of Mid-State before voting begins that you are revoking your proxy and voting in person. Attendance at the special meeting will not by itself constitute revocation of a proxy.

Unless you decide to attend the meeting and vote your shares in person after you have submitted voting instructions to the proxies, we recommend that you revoke or amend your prior instructions in the same way you initially gave them that is, by telephone, Internet, or in writing. This will help to ensure that your shares are voted the way you have finally determined you wish them to be voted.

Solicitation of Proxies

In addition to soliciting proxies by mail, each of our officers, directors and employees, without receiving any additional compensation, may solicit proxies by telephone or fax, in person or by other means. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries to forward proxy solicitation materials to the beneficial owners of our common stock held of record by such persons, and such brokerage firms, custodians, nominees and fiduciaries will be reimbursed for reasonable out-of-pocket expenses incurred by them in connection therewith. Mid-State will pay all expenses related to printing and filing this proxy statement.

Do not send your Mid-State stock certificates in the envelope provided for returning your proxy card. The stock certificates should only be forwarded to the exchange agent with the letter of transmittal form which will be mailed to you separately.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of the record date, no person known to Mid-State owned more than five percent of the outstanding shares of its common stock.

The following table sets forth information as of the record date concerning the beneficial ownership of Mid-State's directors and executive officers and VIB Corp. Mid-State has only one class of shares outstanding, common stock. All information with respect to beneficial ownership is based on filings made by the respective beneficial owners with the SEC or information provided to Mid-State by such beneficial owners.

Name, Title and Address of Beneficial Owner(1)				Amount and Nature of Beneficial Ownership(2),(3)			Percent of Class(3)	
George H. Andrews								
Director								
Trudi G. Carey								
Director								
Daryl L. Flood								
Director								
H. Edward Heron								
Director								
James W. Lokey								
President/CEO								
Stephen P. Maguire								
Director								
Michael Miner								
Director								
Gregory R. Morris								
Director								
Carrol R. Pruett								
Chairman of the Board								
Alan Rains								
Director								
Harry H. Sackrider								
Executive Vice President/CCO								
James G. Stathos								
Executive Vice President/CFO								
Directors and Executive Officers as a group (12 persons)								
VIB Corp(4)								

1. The address for all persons listed is c/o Mid-State Bancshares, 1026 East Grand Avenue, Arroyo Grande, California 93420.

2. Except as otherwise noted, includes shares held by each person's spouse and minor children; shares held by any other relative of such person who has the same home; shares held by a family trust as to which such person is a trustee with sole voting and investment power (or shares power with a spouse); or shares held in an individual retirement account as to which such person has pass-through voting rights and investment power.

3. Includes shares of common stock with respect to which such beneficial owner has the right to acquire beneficial ownership as specified in Rule 13d-(3)(1).

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4. VIB Corp may be deemed to have beneficial ownership of the Mid-State common stock held by the signatories to certain voting and support agreements it entered into with each of Carrol R. Pruett, James W. Lokey, Daryl L. Flood, Gregory R. Morris, H. Edward Heron, Stephen P. Maguire, Alan Rains, George H. Andrews, James G. Stathos and Harry Sackrider. As indicated in its Schedule 13D filed with the SEC on November 9, 2006, however, no shares of Mid-State's common stock were purchased by VIB Corp pursuant to the Voting Agreements and VIB Corp disclaims beneficial ownership of all such shares. See The Merger Interests of Certain Persons in the Merger Voting Agreements beginning on page .

THE MERGER

Background of the Merger

From time to time, our board of directors has considered the business environment facing financial institutions generally and Mid-State in particular, as well as conditions and ongoing consolidation in the financial services industry. In connection therewith, our board of directors has discussed various strategic alternatives to enhance and to maximize shareholder value. These strategic alternatives have included continuing as an independent institution, establishing or acquiring additional branch offices and other financial institutions or complementary businesses, repurchasing our common stock, and entering into a strategic merger with a similarly-sized or larger institution. Mid-State's board of directors has also recognized that, at some point, the sale of Mid-State Bancshares might be in the best interests of our shareholders. These evaluations were based on reviews of current and projected market conditions, reported business combination transactions and results of operations of Mid-State. Such reviews included the assistance of financial advisors from time to time.

In January, at the request of Rabobank, Mid-State's Chairman of the Board and CEO met with Rabobank representatives to discuss Rabobank's history and its plans to further expand in the California market. During the meeting Rabobank expressed a possible interest in exploring an acquisition of Mid-State. Mid-State conveyed to Rabobank that it was not actively pursuing a sale of the company and was, in fact, exploring its own acquisition opportunities.

Representatives of Sandler O'Neill, Mid-State's financial advisor, met with Mid-State's Chairman and CEO in February, to discuss the company's performance and potential strategic initiatives. At that meeting, Rabobank's interest in Mid-State was discussed as well as Rabobank's recently completed acquisition in California and its continued interest in expanding in the state.

In March, Mid-State's board met for strategic planning purposes. Among other subjects, potential acquisition targets for Mid-State were discussed as well as institutions that might have an interest in acquiring Mid-State. The CEO briefed the board members on developments with Mid-State's acquisition targets. Additionally, the board discussed what Mid-State's reaction should be if an acquiror were to make an unsolicited offer for Mid-State. The board reiterated its position that Mid-State was not actively pursuing a sale of the company, but that, if an attractive offer was received, it would need to be considered.

In April, at the request of Rabobank, Mid-State's Chairman and CEO and representatives of Sandler O'Neill met with representatives of Rabobank and held further discussions regarding a possible acquisition by Rabobank. Mid-State again conveyed to Rabobank that it was not actively pursuing a sale of the company and was, in fact, exploring its own acquisition opportunities.

In May, a representative of Rabobank indicated to Mid-State's Chairman that Rabobank's board of directors had been consulted and had a high level of interest in pursuing an acquisition of Mid-State.

At the May 17, 2006 meeting of the Mid-State board of directors, the status of Mid-State acquisition prospects was again discussed. The board was also briefed on the meetings with the Rabobank representatives. The board also re-visited the subject of the possibility of an unsolicited offer from an acquiror, as well as Mid-State's competitive position, earnings estimates and stock values. Following these

discussions, the Mid-State board authorized Mid-State management to expand preliminary discussions with Rabobank in order to gauge in greater detail the potential benefits of a possible business combination between the parties.

In June at Rabobank's request, Mid-State's Chairman and CEO met with Rabobank representatives in New York. Mid-State and Rabobank entered into a confidentiality agreement. Following that meeting, Rabobank proposed an all cash acquisition of Mid-State at \$32.00 per share. The board of directors considered the proposal and instructed its financial advisor, Sandler O'Neill to communicate to Rabobank that the proposal was inadequate.

At the Mid-State board meeting on July 19, 2006, the status of a potential transaction with Rabobank was again discussed. Also discussed were the strategic challenges facing Mid-State, including shrinking margins, increased competition, slower deposit growth, enhanced regulatory burdens, an uncertain economy and its own uncertain expansion plans.

Discussions continued throughout July and concluded with Rabobank putting forth a proposal of \$37.00 per share in cash which Mid-State's board of directors indicated that it was willing to support. The board of directors invited Rabobank to proceed forward with due diligence.

In early August, a special meeting of the board was held with the Company's financial advisor and counsel in attendance. At that meeting, Rabobank's most recent proposal was discussed in detail, including a presentation by Mid-State's financial advisor. After deliberation, the board agreed to proceed towards the negotiation of a definitive merger agreement.

During September, the parties and their outside counsel began preliminary drafting of the merger agreement and related transaction documents. Mid-State's board were periodically updated by both the CEO and Chairman on the proposed merger agreement and possible resolutions of related issues.

In the course of mutual due diligence, Rabobank disclosed that Rabobank, N.A., its California headquartered banking subsidiary, had entered into a memorandum of understanding on July 25, 2006 with the Comptroller of the Currency, the federal banking agency regulating Rabobank, N.A., agreeing to take action to correct deficiencies in its Bank Secrecy Act compliance program and in certain other practices. As a result of such disclosure, Mid-State employed the law firm of Wachtell, Lipton, Rosen & Katz to assist in an evaluation of the impact of the deficiencies identified in the memorandum of understanding on Rabobank's ability to obtain required regulatory approvals on a timely basis.

On November 1, 2006, a special meeting of Mid-State's board of directors was held. All the directors were present except for one director who was traveling. Mid-State's legal counsel, Reitner, Stuart & Moore, reviewed the legal aspects of the merger, the terms and provisions of the merger agreement and the directors' duties and responsibilities in connection with the proposed transaction. Mid-State's special counsel, Wachtell, Lipton, Rosen & Katz, reviewed the regulatory issues surrounding Rabobank and discussed their possible impact on the merger and the merger agreement. Sandler O'Neill reviewed the financial aspects of the merger and delivered its opinion that the consideration to be received by the Mid-State shareholders in the merger was fair to those shareholders from a financial point of view.

Following these discussions, and review and discussion among the members of the Mid-State board of directors, including consideration of the factors described under Recommendation of, and Factors Considered by, Mid-State's Board of Directors the Mid-State board of directors determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Mid-State and its shareholders, and the directors present at the meeting voted unanimously to approve the merger with Rabobank and to approve and adopt the definitive merger agreement.

The merger agreement was executed on the evening of November 1, 2006, by the parties and the merger was publicly announced before the opening of the markets on November 2, 2006.

Recommendation of, and Factors Considered by, Mid-State's Board of Directors

Mid-State's board of directors believes that the terms of the merger are advisable and fair to, and are in the best interests of, Mid-State and its shareholders and recommends that the shareholders of Mid-State vote FOR the approval of the principal terms of the merger agreement and the transactions contemplated thereby.

At a meeting of Mid-State's board of directors on November 1, 2006, after due consideration, Mid-State's board:

- determined that the merger agreement and the merger are fair and in the best interests of Mid-State and its shareholders; and
- approved the merger agreement.

In reaching its conclusion to proceed with the merger, Mid-State's board of directors considered information and advice from several specialists, including investment bankers and legal counsel. All material facts considered by Mid-State's board of directors have been disclosed in this proxy statement. In approving the merger agreement, Mid-State's board of directors considered a number of factors, including the following:

- the \$37.00 cash consideration provided for in the merger agreement represents fair consideration and offers a significant premium over the historical trading range of Mid-State;
- the terms of the merger agreement and other documents to be executed in connection with the merger, including the closing conditions and termination rights, are fair;
- the current and prospective economic environment, including declining net interest margins for many financial institutions, slower deposit growth, increased competition for loans, increasing regulatory and competitive burdens and constraints facing financial institutions generally, the uncertainty of Mid-State's own acquisition opportunities and the likely effect of these factors on Mid-State on both a stand-alone basis and in the context of the proposed merger;
- the consolidation occurring in the banking industry and the increased competition from other financial institutions in Mid-State's market areas;
- Mid-State's board's review, with its financial advisors, of alternatives to the merger, the range and possible value to Mid-State's shareholders obtainable through such alternatives and the timing and likelihood of such alternatives;
- Mid-State's board's concern that, if Mid-State remained independent, the anticipated value of its common stock in the future, discounted to present value, would not equal or exceed the cash amount that its shareholders will receive upon completion of the merger; and
- the financial analysis and presentation of Mid-State's investment banking firm and its opinion that the merger consideration to be received is fair, from a financial point of view, to Mid-State's shareholders.

Mid-State's board of directors also identified and considered a number of risks and uncertainties in its deliberations concerning the merger, but concluded that the anticipated benefits of the merger outweighed these risks. The risks included:

- the possible disruption to Mid-State's business that may result from the announcement of the transaction and the resulting distraction of its management's attention from the day-to-day operations of Mid-State's business;

- the restrictions contained in the merger agreement on the operation of Mid-State's business during the period between the signing of the merger agreement and the completion of the merger;
- the regulatory issues facing Rabobank and their potential impact on the merger or its timing;
- the termination fee to be paid by Mid-State if the merger agreement is terminated under certain circumstances; and
- the possibility that the merger might not be completed and the effect of the resulting public announcement of the termination of the merger agreement on, among other things, Mid-State's operating results, particularly in light of the costs incurred in connection with the transaction.

Although each member of Mid-State's board of directors individually considered these and other factors, Mid-State's board of directors did not collectively assign any specific or relative weights to the factors considered and did not make any determination with respect to any individual factor. Mid-State's board collectively made its determination based on the conclusion reached by its members, in light of the facts that each of them considered appropriate, that the merger is in the best interests of Mid-State and its shareholders.

At the November 1, 2006 meeting, Mid-State's board of directors voted unanimously, with one director absent, to approve the merger agreement.

Mid-State's board of directors realized that there can be no assurance about future results, including results expected or considered in the factors listed above. However, Mid-State's board of directors concluded that the potential positive factors outweighed the potential risks of completing the merger.

For the reasons set forth above, Mid-State's board of directors determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Mid-State and its shareholders, and approved the merger agreement and the transactions contemplated thereby. Mid-State's board of directors recommends that Mid-State's shareholders vote FOR the approval of the principal terms of the merger agreement and the transactions contemplated thereby.

Fairness Opinion

By letter dated July 24, 2006, Mid-State retained Sandler O'Neill to act as its financial advisor in connection with a possible business combination with a second party. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O'Neill acted as financial advisor to Mid-State in connection with the proposed merger and participated in certain of the negotiations leading to the merger agreement. At the November 1, 2006 meeting at which Mid-State's board considered and approved the merger agreement, Sandler O'Neill delivered to the board its oral opinion, subsequently confirmed in writing that, as of such date, the per share merger amount of \$37.00 per share was fair to Mid-State's shareholders from a financial point of view. Sandler O'Neill has confirmed its November 1, 2006 opinion by delivering to the board of Mid-State a written opinion dated as of the date of this proxy statement. In rendering its updated opinion, Sandler O'Neill confirmed the appropriateness of its reliance on the analyses used to render its earlier opinion by reviewing the assumptions upon which its analyses were based, performing procedures to update certain of its analyses and reviewing the other factors considered in rendering its opinion. **The full text of Sandler O'Neill's updated opinion is attached as Appendix B to this proxy statement. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the**

review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. Sandler O'Neill urges Mid-State shareholders to read the entire opinion carefully in connection with their consideration of the proposed merger.

Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to the Mid-State board and is directed only to the fairness of the per share merger amount of \$37.00 per share to Mid-State shareholders from a financial point of view. It does not address the underlying business decision of Mid-State to engage in the merger or any other aspect of the merger and is not a recommendation to any Mid-State shareholder as to how such shareholder should vote at the special meeting with respect to the merger or any other matter.

In connection with rendering its November 1, 2006 opinion, Sandler O'Neill reviewed and considered, among other things:

- (1) the merger agreement;
- (2) certain publicly available financial statements and other historical financial information of Mid-State that Sandler O'Neill deemed relevant;
- (3) certain publicly available financial statements and other historical financial information of VIB Corp, Rabobank, N.A. and Rabobank Nederland that Sandler O'Neill deemed relevant in determining VIB Corp's financial capacity to undertake the merger;
- (4) internal financial projections for Mid-State as provided by, and reviewed with, senior management of Mid-State;
- (5) to the extent publicly available, the financial terms of certain recent business combinations in the commercial banking industry;
- (6) the current market environment generally and the banking environment in particular; and
- (7) such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O'Neill considered relevant.

Sandler O'Neill also discussed with certain members of senior management of Mid-State the business, financial condition, results of operations and prospects of Mid-State.

In performing its reviews and analyses, Sandler O'Neill relied upon the accuracy and completeness of all of the financial and other information that was available to it from public sources, that was provided by Mid-State and VIB Corp or their respective representatives, or that was otherwise reviewed by Sandler O'Neill and have assumed such accuracy and completeness for purposes of rendering the opinion. Sandler O'Neill further relied on the assurances of management of Mid-State and VIB Corp that they were not aware of any facts or circumstances that would make any of the information provided by Mid-State and VIB Corp, respectively, inaccurate or misleading. Sandler O'Neill has not been asked to undertake, and has not undertaken, an independent verification of any of such information and Sandler O'Neill does not assume any responsibility or liability for the accuracy or completeness thereof. Sandler O'Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Mid-State or VIB Corp or any of their subsidiaries, or the collectibility of any such assets, nor has Sandler O'Neill been furnished with any such evaluations or appraisals. Sandler O'Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of Mid-State or VIB Corp nor has Sandler O'Neill reviewed any individual credit files relating to Mid-State or VIB Corp. Sandler O'Neill assumed, with Mid-State's consent, that the respective allowances for loan losses for both Mid-State and VIB Corp are adequate to cover such losses.

Sandler O'Neill's opinion was necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of its opinion. Sandler O'Neill assumed, in all respects

material to its analysis, that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the merger agreement are not waived. Sandler O'Neill also assumed, with Mid-State's consent, that there has been no material change in Mid-State's, VIB Corp's, Rabobank, N.A.'s and Rabobank Nederland's assets, financial condition, results of operations, business or prospects since the date of the last financial statements made available to them and that Mid-State and VIB Corp will remain as going concerns for all periods relevant to its analyses. Finally, with Mid-State's consent, Sandler O'Neill relied upon the advice received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the merger agreement and the other transactions contemplated by the merger agreement.

In rendering its November 1, 2006 opinion, Sandler O'Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O'Neill, but is not a complete description of all the analyses underlying Sandler O'Neill's opinion. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to Mid-State and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Mid-State or VIB Corp and the companies to which they are being compared.

The internal projections used and relied upon by Sandler O'Neill in its analyses for Mid-State were reviewed with the senior management of Mid-State who confirmed to Sandler O'Neill that those projections reflected the best currently available estimates and judgments of such managements of the future financial performance of Mid-State. With respect to the projections used in its analyses, Sandler O'Neill assumed that financial performance reflected in those projections would be achieved. Sandler O'Neill expressed no opinion as to such projections or the assumptions on which they were based. These projections, as well as the other estimates used by Sandler O'Neill in its analyses, were based on numerous variables and assumptions which are inherently uncertain and, accordingly, actual results could vary materially from those set forth in such projections.

In performing its analyses, Sandler O'Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Mid-State, VIB Corp, Rabobank, N.A., Rabobank Nederland and Sandler O'Neill. The analyses performed by Sandler O'Neill are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the Mid-State board at the board's November 1, 2006 meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O'Neill's analyses do not necessarily reflect the value of Mid-State's common stock or the price at which Mid-State's common stock may be sold at any time.

Summary of the Merger. Sandler O Neill reviewed the financial terms of the merger agreement. Using the \$37.00 cash price for each share of Mid-State common stock and based upon per-share financial information for Mid-State for the twelve months ended September 30, 2006, Sandler O Neill calculated the following ratios:

Transaction Ratios

Transaction value / Last 12 months Earnings Per Share	23.4 x
Transaction value / Projected 2006 Earnings Per Share	23.6 x
Transaction value / Projected 2007 Earnings Per Share	21.6 x
Transaction value / Book Value Per Share	297 %
Transaction value / Tangible Book Value Per Share	369 %
Tangible book premium / Core Deposits(1)	35.6 %
One-Day Market Premium(2)	

- (1) Assumes core deposits of \$1,766.4 million
- (2) Based on Mid-State Bancshares closing stock price of \$29.99 on October 31, 2006

For purposes of Sandler O Neill's analyses, earnings per share were based on fully diluted earnings per share. The aggregate transaction value was approximately \$849.8 million, based upon 22,050,353 shares of Mid-State common stock outstanding, 28,170 shares of restricted stock and including the intrinsic value of options to purchase 1,930,404 shares of Mid-State common stock at a weighted average strike price of \$19.98.

Comparable Company Analysis. Sandler O Neill used publicly available information to compare selected financial and market trading information for Mid-State with the following group of commercial banks located in California (the Composite Peer Group) selected by Sandler O Neill:

Capital Corp of the West	Placer Sierra Bancshares
Farmers & Merchants Bancorp.	Sierra Bancorp
First Community Bancorp	Temecula Valley Bancorp Inc.
First Regional Bancorp	TriCo Bancshares
Heritage Commerce Corp	Vineyard National Bancorp
Pacific Mercantile Bancorp	Westamerica Bancorporation

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The analysis compared publicly available financial and market trading information for Mid-State and the peer group as of and for the twelve-month period ended September 30, 2006, if available, otherwise as of or for the twelve-month period ending June 30, 2006 with pricing data as of October 31, 2006. The data is summarized in the table below.

Comparable Group Analysis

	Mid-State Bancshares		Peer Group Median	
Total Assets (<i>in millions</i>)	\$ 2,367		\$ 1,909	
Tangible Equity / Tangible Assets	9.55	%	7.25	%
LTM Return on Average Assets	1.52	%	1.51	%
LTM Return on Average Equity	13.1	%	16.8	%
Price / Tangible book value	299	%	289	%
Price / LTM Earnings per Share	19.0	x	16.2	x
Price / Estimated 2006 Earnings per Share	19.2	x	16.0	x
Price / Estimated 2007 Earnings per Share	18.9	x	14.3	x
Market Capitalization (<i>in millions</i>)	\$ 661		\$ 358	

Stock Trading History. Sandler O Neill reviewed the history of the reported trading prices and volume of Mid-State's common stock for the three-year period ended October 31, 2006. Sandler O Neill compared the relationship between the movements in the prices of Mid-State's common stock to movements in the prices of the NASDAQ Bank Index, the S&P 500 Index, the S&P Bank Index and the weighted average (by market capitalization) performance of the Composite Peer Group.

In the three-year period ended October 31, 2006, Mid-State generally traded in-line with the NASDAQ Bank Index, and the S&P Bank Index and underperformed the Composite Peer Group and the S&P 500.

Mid-State Bancshares Three-Year Stock Performance

	Beginning Index Value October 30, 2003		Ending Index Value October 31, 2006	
Mid-State Bancshares	100.00	%	122.06	%
Composite Peer Group	100.00		143.83	
S&P 500 Index	100.00		131.62	
S&P Bank Index	100.00		125.52	
NASDAQ Bank Index	100.00		119.40	

Analysis of Selected Merger Transactions. Sandler O Neill reviewed the 43 merger transactions announced in the United States (the Nationwide Group) from January 1, 2004 through October 31, 2006 involving commercial banks as acquired companies with announced transaction values between \$200 million and \$2 billion. Sandler O Neill also separately reviewed the 8 merger transactions announced from January 1, 2004 through October 31, 2006 involving commercial banks as targets in the West (the Western Group) with announced transaction values between \$200 million and \$2 billion. Sandler O Neill reviewed the following multiples: transaction price at announcement to last twelve months earnings per share, transaction price to estimated earnings per share, transaction price to book value per share, transaction price to tangible book value per share, tangible book value premium to core deposits, and premium to current market price. Sandler O Neill computed a high, low, mean, and median multiple for the transactions. The median multiples from the Nationwide Group and the median multiples for the Western Group were applied to Mid-State's financial information as of and for the twelve months ended

September 30, 2006. As illustrated in the following table, Sandler O'Neill derived imputed ranges of values per share for Mid-State's common stock of \$30.96 to \$36.85 based upon the median multiples for the commercial banks in the Nationwide Group and \$26.61 to \$36.09 based upon the median multiples for transactions in the Western Group.

Comparable Transaction Multiples

	Median Nationwide Group Multiple		Implied Value	Median Western Group Multiple		Implied Value
Transaction price/Last 12 months Earnings per Share	22.26	x	\$ 35.10	19.63	x	\$ 30.95
Transaction price/Est. 2006 Earnings per Share(1)	19.89	x	\$ 31.03	17.06	x	\$ 26.61
Transaction price/Book value	262.44	%	\$ 32.68	260.36	%	\$ 32.42
Transaction price/Tangible book value	331.73	%	\$ 33.24	335.08	%	\$ 33.57
Tangible book premium/Core deposits(2)	27.34	%	\$ 30.96	31.17	%	\$ 33.78
1-Day Market Premium(3)	22.88	%	\$ 36.85	20.35	%	\$ 36.09

- (1) Assumes First Call median analysts' EPS estimate of \$1.56.
- (2) Assumes Mid-State Bancshares' total core deposits are \$1,766 million as of September 30, 2006.
- (3) Based on the closing price of Mid-State Bancshares' common stock of \$29.99 on October 31, 2006.

Present Value Analysis. Sandler O'Neill performed an analysis that estimated the net present value per share through December 31, 2011 of Mid-State common stock under various circumstances and assuming Mid-State performs in accordance with management's financial projections for 2006. For years 2006 through 2011, Sandler O'Neill, in accordance with Mid-State management's guidance, assumed that Mid-State would meet their internal earnings per share estimates in each of those years, which represent earnings per share growth rates between 7-11% for those years. To approximate the terminal value of Mid-State's common stock at December 31, 2011, Sandler O'Neill applied price/earnings multiples ranging from 12.0x to 22.0x and multiples of tangible book value ranging from 150% to 400%. The terminal values were then discounted to present values using different discount rates ranging from 10.0% to 16.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Mid-State common stock. As illustrated in the following tables, this analysis indicated an imputed range of values per share for Mid-State common stock of \$16.68 to \$35.68 when applying the price/earnings multiples and \$13.47 to \$37.15 when applying multiples of tangible book value.

Present Value Per Share Based on Price/Earnings; Net Present Value for Period Ending Dec. 31, 2011

Discount Rate	12.0x	14.0x	16.0x	18.0x	20.0x	22.0x
10.0%	\$ 21.40	24.25	27.11	29.97	32.82	35.68
11.0	20.50	23.23	25.95	28.67	31.40	34.12
12.0	19.65	22.25	24.85	27.45	30.05	32.65
13.0	18.85	21.33	23.81	26.29	28.77	31.25
14.0	18.09	20.46	22.83	25.19	27.56	29.93
15.0	17.37	19.63	21.89	24.15	26.41	28.68
16.0	16.68	18.84	21.01	23.17	25.33	27.49

Present Value Per Share Based on Tangible Book Value; Net Present Value for Period Ending Dec. 31, 2011

Discount Rate	150%	200%	250%	300%	350%	400%
10.0%	\$ 17.13	21.13	25.14	29.14	33.14	37.15
11.0	16.44	20.25	24.07	27.89	31.71	35.53
12.0	15.78	19.42	23.06	26.71	30.35	33.99
13.0	15.16	18.63	22.11	25.58	29.06	32.54
14.0	14.57	17.88	21.20	24.52	27.84	31.16
15.0	14.01	17.18	20.35	23.52	26.69	29.86
16.0	13.47	16.50	19.53	22.56	25.59	28.62

Mid-State has agreed to pay Sandler O'Neill a transaction fee in connection with the merger of approximately \$8,297,589 (based on Mid-State's 22,050,353 common shares, 28,170 shares of restricted stock and 1,930,404 options outstanding as of October 31, 2006), of which \$1,499,518 has been paid and the balance of which is contingent, and payable, upon closing of the merger. Sandler O'Neill has also received a fee of \$200,000 for rendering its opinion. Mid-State has also agreed to reimburse certain of Sandler O'Neill's reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Sandler O'Neill and its affiliates and their respective partners, directors, officers, employees, agents, and controlling persons against certain expenses and liabilities, including liabilities under securities laws.

In the ordinary course of its business as a broker-dealer, Sandler O'Neill may purchase securities from and sell securities to Mid-State and VIB Corp and their affiliates. Sandler O'Neill may also actively trade the debt and/or equity securities of Mid-State or VIB Corp or their affiliates for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Consideration to be Paid to Mid-State Shareholders

In the merger, each share of Mid-State common stock issued and outstanding immediately before the merger, except perfected dissenters' shares, will be converted into the right to receive \$37.00 in cash at the effective time of the merger.

Payment for Certificates Held by Mid-State Shareholders

As soon as practicable after the effective time of the merger but in no event later than five business days thereafter, a paying agent designated pursuant to the merger agreement will mail to each holder of record of common stock of Mid-State, a letter of transmittal and instructions for use in effecting the surrender of their share certificate(s) in exchange for the cash into which the shares represented by the certificate(s) will have been converted in accordance with the merger agreement. At least two business days before the effective time of the merger, VIB Corp will deposit or cause to be deposited with the paying agent an amount of cash sufficient for payment of the merger consideration payable to Mid-State's shareholders. **SHAREHOLDERS SHOULD NOT SEND IN THEIR CERTIFICATES UNTIL THEY RECEIVE THE TRANSMITTAL MATERIALS FROM THE PAYING AGENT.**

Following the consummation of the merger, and upon the proper surrender by a shareholder to the paying agent of all necessary transmittal materials and the certificate(s), the holder will be entitled to receive a check for the merger consideration to which the holder is entitled, and the certificate(s) will be canceled. No interest will be paid or will accrue on any cash payment payable to a holder of Mid-State stock certificate(s). Payment may be made to a person other than the person in whose name a surrendered certificate is registered only if the certificate is properly endorsed or accompanied by an appropriate instrument of transfer and otherwise in proper form for transfer together with appropriate documentation.

demonstrating the payment of all required taxes, if necessary. After the effective time of the merger, there will be no transfer on the stock transfer books of Mid-State of shares of common stock.

Until properly surrendered, each outstanding certificate formerly representing shares of Mid-State common stock will be deemed to evidence solely the right to receive the merger consideration to which the holder is entitled under the merger agreement, without interest, or in the case of shareholders exercising dissenting shareholders' rights, the fair market value of the shares as of November 1, 2006, as described below. If any certificate evidencing the common stock has been lost, stolen or destroyed, the shareholder must submit to the paying agent an affidavit of lost, stolen or destroyed certificate and post a bond in an amount VIB Corp determines to be reasonably necessary as indemnity against claims that may be made against that certificate. The paying agent will pay the merger consideration in exchange for the foregoing items.

Any portion of the merger consideration held by the paying agent for payment to Mid-State's shareholders which remains unclaimed for twelve months after the effective time of the merger will be paid by the paying agent to VIB Corp, after which time any holder of certificate(s) who has not delivered the certificate(s) to the paying agent will look only to VIB Corp, as an unsecured creditor, for payment of the merger consideration payable for that holder's shares of common stock.

Holders of Options for Mid-State Common Stock

As a result of the merger, the vesting schedules for all options to acquire Mid-State common stock will be accelerated and such options will become fully exercisable. The holders of options to acquire Mid-State common stock who do not exercise their options prior to the close of the merger will receive for each share to which the option related \$37.00 less the exercise price of their option, in cash.

Regulatory Approvals Required

The Board of Governors of the Federal Reserve System must approve, or waive the approval of, the merger of Chardonnay Merger Sub Corp. with and into Mid-State and the OCC must approve the merger of Mid-State Bank with and into Rabobank, N.A. The Federal Reserve Board and the OCC will consider, among other factors, the competitive impact of the merger, the financial and managerial resources of our companies and our subsidiary banks, their compliance with laws intended to detect and combat money laundering and the convenience and needs of the communities to be served. As part of that consideration, we expect that the Federal Reserve Board and the OCC will review capital levels of the parties and the resulting institutions, safety and soundness, and legal and regulatory compliance. Copies of the applications are also provided to the United States Department of Justice, which will review the merger for adverse effects on competition.

Furthermore, applicable federal law provides for the publication of notice and opportunity for public comment on the applications. The Federal Reserve Board and the OCC frequently receive comments and protests from community groups and others and may, in their discretion, choose to hold public hearings or a meeting on the application. Any hearing or meeting or comments provided by third parties could prolong the period during which the applications are under review by the Federal Reserve Board and the OCC.

The merger may not be completed until the 30th day after the Federal Reserve Board has approved the merger (or the OCC, if the Federal Reserve Board were to grant a waiver to its application process), which may be reduced to 15 days by the applicable regulator with the concurrence of the Attorney General of the United States. The commencement of an antitrust action by the Department of Justice would stay the effectiveness of the Federal Reserve Board's (or the OCC's) approval unless a court specifically orders otherwise.

On July 25, 2006, Rabobank, N.A. entered into a memorandum of understanding with the OCC regarding certain deficiencies in its Bank Secrecy Act compliance program and in certain other practices.

VIB does not expect the existence of the memorandum of understanding to prevent the receipt of regulatory approvals required to be obtained in connection with the merger, and is taking steps to address the deficiencies identified in the memorandum of understanding in accordance with its terms.

We and Rabobank expect to file applications for regulatory review and approval of the merger, or requests for waivers therefrom, and the related transactions with the Board of Governors of the Federal Reserve System and the Comptroller of the Currency by the end of 2006.

In addition, we and Rabobank expect that, concurrently with the filing of our applications with the Board of Governors of the Federal Reserve System and the Comptroller of the Currency, Rabobank will apply to the California Department of Financial Institutions for an exemption from the requirement to submit a change in control application under the California Financial Code in connection with the transactions contemplated by the merger agreement.

We cannot assure you that all of the regulatory approvals described above will be obtained and, if obtained, we cannot assure you as to the timing of such approvals, our ability to obtain the approvals on satisfactory terms or the absence of litigation challenging such approvals. We also cannot assure you that the Department of Justice will not attempt to challenge the transaction on antitrust grounds or for other reasons and, if such a challenge is made, we cannot assure you as to its result. The parties' obligation to complete the merger is conditioned upon the receipt of all required regulatory approvals. See The Merger Agreement Conditions to the Merger.

We are not aware of any material governmental approvals or actions that are required for completion of the merger other than those described above. It is presently contemplated that if any such additional governmental approvals or actions are required, those approvals or actions will be sought. There can be no assurance, however, that any additional approvals or actions will be obtained.

Material Federal Income Tax Consequences

The following is a summary description of the material federal income tax consequences of the merger. This summary is not a complete description of all the consequences of the merger. Each shareholder's individual circumstances may affect the tax consequences of the merger to such shareholder. In addition, no information is provided herein with respect to the tax consequences of the merger under applicable foreign, state or local laws. **CONSEQUENTLY, EACH MID-STATE SHAREHOLDER IS ADVISED TO CONSULT HIS OR HER OWN TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES OF THE MERGER.**

This will be a taxable sale for the shareholders of Mid-State, except as to shares held by tax-exempt entities or in tax-deferred accounts. The exchange of shares of Mid-State common stock for cash in the merger will be treated as a sale of those shares for federal income tax purposes. Each shareholder will realize gain or loss measured by the difference between (i) the shareholder's adjusted tax basis in the shares exchanged in the merger and (ii) the amount of cash received in exchange for the shares. Gain or loss realized by each shareholder from the merger will be reportable in full in the taxable year of the shareholder in which the merger occurs and will be capital gain or loss assuming that the shares exchanged are capital assets in the hands of the shareholder (other than certain shares owned by officers and directors relating to stock options). The capital gain or loss will be long-term with respect to those shares that are held by the shareholder as of the effective time of the merger for more than one year and short-term with respect to those shares that are held for one year or less.

This discussion assumes that each shareholder holds shares of common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986. However, shareholders who are employees or directors of Mid-State may not be entitled to treat particular shares which they may have acquired from Mid-State as capital assets or a portion of the gain on sale of these shares as capital gain because they will be required to report any gain on the sale of the shares as taxable compensation from Mid-State.

The receipt of cash for shares of common stock may be subject to backup withholding at the rate of 28% unless the holder:

- is a corporation or comes within other exempt categories; or
- provides a certified taxpayer identification number and otherwise complies with the back-up withholding rules.

Back-up withholding is not an additional tax; any amounts withheld may be credited against the federal income tax liability of the person subject to the withholding. The back-up withholding rate should be checked to make sure it has not been changed. There is no assurance that applicable tax laws will not change after the date of this proxy statement.

The foregoing discussion of the expected federal income tax consequences of the merger is based on current authorities. There is no assurance that legislative or administrative changes or court decisions may not be forthcoming that would significantly change these expected consequences. Any such changes may or may not be retroactive with respect to transactions prior to the date of such changes.

Dissenting Shareholders Rights of Mid-State Shareholders

Since Mid-State's common stock is listed on the Nasdaq Global Market, dissenting shareholders' rights will not generally be available in connection with the merger, unless Mid-State's shareholders owning 5% or more of the total outstanding common stock of Mid-State file demands for payment pursuant to Chapter 13 of the California General Corporation Law, following shareholder approval of the merger.

In the event that Mid-State's shareholders owning 5% or more of the outstanding common stock of Mid-State submit demands for the purchase of dissenting shares in accordance with Chapter 13 of the California General Corporation Law following shareholder approval of the proposed merger and you voted your Mid-State shares **AGAINST** the proposal to approve the principal terms of the merger agreement and the transactions contemplated thereby and you remain a holder of Mid-State common stock at the effective time of the merger, you will, by making a written demand and complying with the procedures set forth in Chapter 13, be entitled to receive an amount equal to the fair market value of your shares as of November 1, 2006, the last trading day before the public announcement of the merger. The final closing price for Mid-State common stock on that day was \$29.11 per share. With guidance from its financial advisor, Mid-State's board of directors has determined that \$29.11 was the fair value of Mid-State common stock on November 1, 2006. **CHAPTER 13 PROVIDES THAT FAIR MARKET VALUE SHALL BE DETERMINED WITHOUT TAKING INTO ACCOUNT ANY APPRECIATION FROM THE PROPOSED MERGER.**

A copy of Chapter 13 of the California General Corporation Law is attached hereto as Appendix C. You should read it for more complete information concerning dissenting shareholders' rights. The discussion in this section is qualified in its entirety by reference to Appendix C. **THE REQUIRED PROCEDURE SET FORTH IN CHAPTER 13 OF THE CALIFORNIA GENERAL CORPORATION LAW MUST BE FOLLOWED EXACTLY OR ANY DISSENTING SHAREHOLDERS' RIGHTS MAY BE LOST. THUS, THE FAIR MARKET VALUE DETERMINED UNDER CHAPTER 13 IS LIKELY TO BE LESS THAN THE \$37.00 PER SHARE BEING PAID IN THE MERGER.**

In order to be entitled to exercise dissenting shareholders' rights, you must vote **AGAINST** the merger agreement and the transactions contemplated thereby. Thus, if you wish to dissent and you execute and return a proxy in the accompanying form, you must specify that your shares are to be voted **AGAINST** the merger. If you return a proxy without voting instructions or with instructions to vote **ABSTAIN** or **FOR** the merger, your shares will automatically be voted in favor of the principal terms of the merger agreement and the transactions contemplated thereby and you will lose your potential dissenting shareholders' rights.

Upon shareholder approval of the merger, Mid-State will have 10 days following the approval to send to those shareholders who have timely submitted a written demand and voted AGAINST approval of the principal terms of the merger agreement and the transactions contemplated thereby a written notice of such approval accompanied by:

- a copy of Chapter 13 of the California General Corporation Law,
- a statement of the price determined by Mid-State to represent the fair market value of the dissenting shares as of November 1, 2006, and
- a brief description of the procedure to be followed if a shareholder desires to exercise dissenting shareholders rights.

Within 30 days after the date on which the notice of the approval of the merger is mailed, the dissenting shareholder who plans to exercise dissenting shareholders rights must make written demand upon Mid-State for the purchase of dissenting shares and payment to such shareholder of their fair market value. The written demand must specify the number of shares held of record by such shareholder and a statement of what the shareholder claims to be the fair market value of those shares as of November 1, 2006. At the same time, the shareholder must surrender, at the office designated in the notice of approval, the certificates representing the dissenting shares to be stamped or endorsed with a statement that they are dissenting shares or to be exchanged for certificates of appropriate denomination so stamped or endorsed. Any shares of Mid-State common stock that are transferred prior to their submission for endorsement will lose their status as dissenting shares. If, at the close of the thirty day period, the 5% threshold required to trigger dissenting shareholders rights has not been achieved, share certificates will be returned to shareholders who submitted written demands for payment, along with instructions for submitting those shares to the paying agent in order to receive the merger consideration of \$37.00 per share.

If Mid-State and the dissenting shareholder agree that the surrendered shares are dissenting shares and agree upon the price of the shares, the dissenting shareholder will be entitled to the agreed price with interest from the date of such agreement. The applicable interest rate will be the rate then set by law for the accrual of interest on judgments for money. That rate is currently 10% per annum simple interest (not compounded). Mid-State must pay the fair value of the dissenting shares within 30 days after the amount thereof has been agreed upon, or 30 days after any statutory or contractual conditions to the merger have been satisfied, whichever is later. The obligation to pay for the dissenting shares is subject to receipt of the certificates representing them.

If Mid-State denies that the shares surrendered are dissenting shares, or if Mid-State and the dissenting shareholder fail to agree upon a fair market value of such shares, then the dissenting shareholder must, within six months after the notice of approval is mailed, file a complaint in the Superior Court of the proper county requesting the court to make such determination(s) or intervene in any pending action brought by any other dissenting shareholder. If the complaint is not filed or intervention in a pending action is not made within the specified six-month period, the dissenter's rights are lost. If the fair market value of the dissenting shares is at issue, the court will determine, or will appoint one or more impartial appraisers to determine, such fair market value.

A dissenting shareholder may not withdraw his or her dissent or demand for payment unless Mid-State consents to such withdrawal.

Litigation Relating to the Merger

On November 15, 2006, David Fuerstenberg, a purported shareholder of Mid-State, filed a complaint seeking class action status in the Superior Court of the State of California, County of San Luis Obispo against Mid-State and each of its directors entitled *Fuerstenberg v. Mid-State Bancshares et. al.* (Case No. CV060976). The complaint alleges, among other things, that the Mid-State directors breached their

fiduciary duties with regard to the proposed merger. Among other things, the complaint seeks class action status, a court order enjoining Mid-State and its directors from proceeding with or consummating the merger, and the payment of attorneys' and experts' fees. Mid-State intends to defend this lawsuit vigorously.

Interests of Certain Persons in the Merger

Certain members of Mid-State's board of directors and management may be deemed to have interests in the merger, in addition to their interests as shareholders of Mid-State generally. Mid-State's board of directors was aware of these factors and considered them, among other things, in approving the merger agreement.

Voting Agreements. Certain members of the board of directors of Mid-State, as well as James Stathos, Mid-State's Executive Vice President and Chief Financial Officer and Harry Sackrider, Mid-State's Executive Vice President and Chief Credit Officer, have entered into a voting agreement, dated as of the same date as the merger agreement. Under these agreements, each such person agrees to vote the shares of Mid-State that he or she owns or controls in favor of the principal terms of the merger agreement and the transactions contemplated thereby. The persons who have entered into such Voting Agreements are entitled to vote a total of [*] shares of Mid-State common stock, which is approximately [*]% of the total shares outstanding.

Employment Agreement Effective Upon Merger / Support Agreement. As a replacement for his change in control agreement, generally discussed below, Mid-State Bank, at Rabobank's request, has entered into an employment agreement with James Lokey, the President and Chief Executive Officer of Mid-State and Mid-State Bank & Trust. The employment agreement provides that Mr. Lokey will serve as the president of Rabobank, N.A., commencing on the closing date of the merger, until and including December 31, 2009. The employment agreement provides that Mr. Lokey will be paid an annual salary of \$500,000 per year. If Mr. Lokey's employment is terminated by Rabobank without cause prior to the expiration of the term, Mr. Lokey will be entitled to receive \$2,265,000 plus continued health and life insurance benefits for a period of two years. If Mr. Lokey remains employed for the entire term of the employment agreement, he will be entitled to receive a lump sum of \$15,000, payable upon termination of his employment, and a sum of \$2,500,000, payable over 10 years, starting upon termination of his employment.

In addition, Mr. Lokey has signed a Support Agreement agreeing to refrain from soliciting employees of Mid-State and/or VIB Corp or their subsidiaries for a period of two years after the termination of Mr. Lokey's employment agreement described above. The Support Agreement also prohibits Mr. Lokey from soliciting customers of Mid-State and/or VIB Corp or their subsidiaries for a similar two year period.

Change in Control Agreements / Retention Agreements. Mid-State and Mid-State Bank have entered into Change in Control Agreements with various officers and other employees of Mid-State, including its senior management. Under each employee's change in control agreement, if a change of control closes while the employee is employed by Mid-State or Mid-State Bank & Trust, and after the closing of a change in control such employee is either terminated without cause or resigns for good reason, the employee will receive a lump sum change in control severance payment in an amount equal to, depending on the seniority of the employee, either 1 or 2 times (a) the employee's annual salary then in effect, plus (b) the total of all bonuses received during the 12 months preceding either the date of the employee's termination, or the change in control, whichever is greater. In addition, each agreement provides for a gross up payment in addition to the change in control payment if any payment required under the change in control agreement would be subject to the tax imposed by the parachute payment provisions (Section 280G) of the Internal Revenue Code.

Prior to signing the merger agreement, at the request of Rabobank, certain change in control agreements were cancelled with the mutual consent of the parties and replaced with retention agreements

that provide for a lump sum retention payment on the closing of the merger equal to one-half of or one times the employee's then base salary, depending on the employee's seniority, and another similar lump sum payment if the employee is still employed on the one-year anniversary of the closing of the merger. If the employee is terminated, other than for cause, between the closing of the merger and the one-year anniversary of the merger, the employee will receive a severance payment equal to either the employee's annual base salary or one-half of the employee's annual base salary, as indicated below. Each of the following directors and/or officers has entered into retention agreements: Lori Anderson, John Arellano, Jeff DeVine, John Ferebee, Mike Gibson, Steve Harding, Naomi Kinney, Stuart McCoy, Paul Mistele, Jeff Paul, Brantley Pettigrew, Dave Rounds, Leslie Love Stone, Debbie Zimmer, Roger Hagera, and Eldon Shiffman (one year), and Sandy Ferris, Don Nielsen, Clarence Cabrerros, Linda Minton, John McNinch, Dan Snowden, William Racine, Scott Laycock, Mike Monro, and Kiersten Alfieri (one-half year). The retention agreements are in effect, but they will become null and void and have no further effect in the event the merger is not consummated.

The merger agreement also requires Mid-State to use its reasonable best efforts to cancel all remaining change in control agreements and, except in the case of James Lokey, Carroll Pruett, James Stathos, and Harry Sackrider, replace such change in control agreements with retention agreements on terms similar to those discussed in the preceding paragraph. As of the date of this proxy statement, all change in control agreements, except for those of Messrs. Pruett, Stathos and Sackrider have been canceled and, except for Mr. Lokey's, replaced with retention agreements. Mr. Lokey's change in control agreement was cancelled and replaced with the employment agreement described above.

Mr. Pruett, under his change in control agreement, will receive a change-in-control payment equal to or about \$[*], upon consummation of the merger, and a gross up payment if the change-in-control payment will be subject to the tax imposed by the parachute payment provisions (Section 280G) of the Internal Revenue Code.

James G. Stathos, EVP and CFO, will receive a lump sum payment equal to or about \$[*] upon consummation of the merger in settlement of his change-in-control agreement, and a gross up payment if the lump sum payment will be subject to the tax imposed by the parachute payment provisions (Section 280G) of the Internal Revenue Code. In addition, Mr. Stathos has agreed to sign a Support Agreement agreeing to refrain from soliciting employees of Mid-State and/or VIB Corp or their subsidiaries for a period of three years after the termination of Mr. Stathos employment with Mid-State. The Support Agreement also prohibits Mr. Stathos from soliciting customers of Mid-State and/or VIB Corp or their subsidiaries for a similar three-year period.

Harry Sackrider, EVP and Chief Lending Officer, will receive a lump sum payment equal to or about \$[*] upon consummation of the merger in settlement of his change-in-control agreement, and a gross up payment if the lump sum payment will be subject to the tax imposed by the parachute payment provisions (Section 280G) of the Internal Revenue Code. In addition, Mr. Sackrider has agreed to sign a Support Agreement agreeing to refrain from soliciting employees of Mid-State and/or VIB Corp or their subsidiaries for a period of three years after the termination of Mr. Sackrider's employment with Mid-State. The Support Agreement also prohibits Mr. Sackrider from soliciting customers of Mid-State and/or VIB Corp or their subsidiaries for a similar three-year period.

Indemnification of Directors and Officers. The merger agreement provides that VIB Corp will use its reasonable best efforts to extend its directors and officers liability insurance policy for a period of up to six years following the closing of the merger, with respect to claims against Mid-State officers or directors arising from facts and events that occurred prior to the closing date of the merger.

The merger agreement also provides that following the closing of the merger, VIB Corp will preserve Mid-State's director indemnification rights as provided for in Mid-State's articles of incorporation, bylaws and existing indemnification agreements.

Board Memberships. Messrs. Lokey and Pruett will join the Rabobank, N.A., board of directors upon the closing of the merger.

The Merger Agreement

Structure of the Merger. In the merger, VIB Corp (which is owned and controlled by Rabobank Nederland) will cause its wholly owned subsidiary, Chardonnay Merger Sub Corp., to be merged with and into Mid-State, with Mid-State becoming a wholly owned subsidiary of VIB Corp. Immediately thereafter, Mid-State will be merged with and into VIB Corp and immediately thereafter Mid-State Bank & Trust will be merged with and into Rabobank, N.A., the California headquartered banking subsidiary of VIB. As a result of such mergers, Mid-State and Mid-State Bank & Trust will both cease to exist. The acquisition of Mid-State by VIB Corp is governed by the merger agreement.

Effective Time. The merger will become effective and close upon the last to occur of the following events: (1) receipt of all necessary regulatory approvals with the expiration of any applicable regulatory waiting periods; and (2) satisfaction of the other conditions precedent set forth in the merger agreement. However, the closing may be set on any other date on which the parties mutually agree. We are working toward completing the merger as quickly as possible. We currently expect to complete the merger during the second quarter of 2007 or as soon thereafter as possible, assuming all conditions set forth in the merger agreement are satisfied or waived.

Conditions to the Merger. The obligations of Rabobank and Mid-State to consummate the merger are subject to the satisfaction or waiver on or before the closing of the merger of, among other things, the following conditions:

- the approval of the shareholders of Mid-State of the principal terms of the merger agreement and the transactions contemplated thereby;
- all approvals or consents of all applicable governmental agencies will have been obtained or granted for the merger and all the transactions contemplated by the merger agreement, and the applicable waiting period under all laws will have expired; and
- no governmental authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, decree, injunction or other order that is in effect and precludes the closing of the merger and there shall be no statute, rule, regulation, order, injunction or decree that makes the closing of the merger illegal.

The obligations of Mid-State to consummate the merger are also subject to fulfillment of certain other conditions, including that representations and warranties of VIB Corp in the merger agreement are true and correct, and that VIB Corp has performed in all material respects all of its obligations under the merger agreement.

The obligations of Rabobank to consummate the merger are also subject to the fulfillment of certain other conditions, including that there will not have occurred, between November 1, 2006 and the closing of the merger, any material adverse effect on the financial position, results of operations, shareholders' equity, operation or business of Mid-State.

Additionally, Rabobank's obligation to consummate the merger is subject to the performance of covenants, the execution and delivery of certain ancillary documents, the accuracy of representations and warranties, the receipt of various third-party consents, officers' certificates and other documents, the number of shareholders perfecting dissenting shareholders' rights under California law being no more than 10%, and the requirement that no required regulatory approval contain any condition, provision, liability or term that, individually or in the aggregate, would be expected to have a material adverse effect on VIB Corp or its subsidiaries after closing of the merger.

If these and other conditions are not satisfied or waived, the merger agreement may be terminated. The merger agreement may also be terminated upon the occurrence of certain other events. See Termination.

Non solicitation. Under the terms of the merger agreement, Mid-State has agreed not to, initiate, solicit, encourage or knowingly facilitate inquiries or proposals with respect to, or engage in any negotiations concerning, or provide any confidential or nonpublic information or data to, or have any discussions with, any person relating to, any acquisition proposal (as defined below). However, if Mid-State receives an unsolicited bona fide acquisition proposal from a person other than the parties to the merger agreement and Mid-State's board of directors concludes in good faith that such acquisition proposal if consummated would result in a transaction more favorable to Mid-State's shareholders from a financial standpoint, upon written advice of its financial advisors, after taking into account the likelihood of consummation, after taking into account all legal, financial, regulatory and other aspects of such proposal, then Mid-State may furnish nonpublic information and participate in negotiations or discussions with the party making such proposal to the extent that Mid-State's board concludes in good faith that failure to take such actions would more likely than not result in a violation of its fiduciary duties; provided that prior to providing any nonpublic information permitted to be provided pursuant to the foregoing, Mid-State shall have entered into a confidentiality agreement with such third party on terms no less favorable to Mid-State than the Confidentiality Agreement between Rabobank and Mid-State. Mid-State has agreed to promptly notify VIB Corp of the terms of any proposal that it may receive in respect of any acquisition proposal. The term Acquisition Proposal means any of the following involving Mid-State:

- a tender or exchange offer to acquire more than 15% of the voting power of Mid-State or any of its significant subsidiaries;
- a bona fide proposal for a merger, consolidation or other business combination involving Mid-State or any of its significant subsidiaries; or
- a bona fide proposal to acquire in any manner more than 15% of the voting power, or more than 15% of the business, assets or deposits of, Mid-State or any of its significant subsidiaries.

Any violation of these agreements by Mid-State will result in VIB Corp having the right to terminate the merger agreement.

Expenses. If the merger agreement is terminated (A) after Mid-State's shareholders fail to adopt the merger agreement, or if the special shareholders meeting is not held or is canceled prior to termination of the merger agreement if another person has publicly announced its intention to make an acquisition proposal with respect to Mid-State, (B) because the merger did not close by November 1, 2007 because Mid-State's failure to comply with any provision of the merger agreement has been the cause of, or materially contributed to the failure of the closing to occur on or before such date, or (C) because the merger did not receive a required regulatory approval because Mid-State failed to comply with any provision of the merger agreement or materially contributed to the denial of any such approval, Mid-State will be obligated to reimburse VIB Corp its documented expenses, with a maximum reimbursement of \$2,000,000.

Termination Fee. Mid-State will be obligated to pay to VIB Corp a fee of \$27,500,000 if any of the following occurs:

- the merger agreement is terminated by either Mid-State or VIB Corp because the merger did not close on or before November 1, 2007, and (A) after November 1, 2006, an acquisition proposal (as defined above) is made or communicated to Mid-State or its shareholders, and (B) within 12 months of the termination of the merger agreement Mid-State reaches a definitive agreement to consummate, or consummates, an acquisition transaction (as defined in the merger agreement);

- the merger agreement is terminated by either Mid-State or VIB Corp because Mid-State's shareholders do not approve the merger agreement at Mid-State's special meeting, and (A) between November 1, 2006 and such termination of the merger agreement an acquisition proposal (as defined above) is made or communicated to Mid-State or its shareholders, and (B) within 12 months after such termination, Mid-State reaches a definitive agreement to consummate, or consummates, an acquisition transaction (as defined in the merger agreement);
- the merger agreement is terminated by VIB Corp because of Mid-State's breach of the non solicitation of acquisition proposal provisions of the merger agreement, where Mid-State's breach of such provisions is willful;
- the merger agreement is terminated by VIB Corp because Mid-State's board fails to submit the merger agreement (or the principal terms of the merger agreement) to its shareholders without a recommendation for approval or with special and materially adverse condition on or qualification of such approval, or the Mid-State board withdraws or materially and adversely modifies (or discloses its intention to withdraw or materially and adversely modify) its recommendation of approval, or Mid-State's board recommends another acquisition proposal to Mid-State's shareholders; or
- the merger agreement is terminated by Mid-State after compliance with the non solicitation of acquisition proposal provisions of the merger agreement and the Mid-State board determines that an acquisition proposal received in compliance with those provisions is a superior proposal, and VIB Corp is given the opportunity to respond to such superior proposal, but fails to respond with a no less favorable proposal.

Termination. The merger agreement may be terminated prior to the closing of the merger:

- by mutual consent of VIB Corp and Mid-State;
- by VIB Corp or Mid-State if any material breach by the other party is not cured within 30 business days after notice thereof;
- by VIB Corp because Mid-State's board fails to recommend approval of the merger, or the Mid-State board withdraws its recommendation of approval, or materially and adversely modifies (or discloses its intention to withdraw or materially and adversely modify) its recommendation of approval, or Mid-State's board recommends another acquisition proposal to Mid-State's shareholders;
- by Mid-State or VIB Corp, if the shareholders of Mid-State fail to approve the merger agreement and the transactions contemplated thereby by the requisite vote at the special meeting;
- by Mid-State or VIB Corp if the merger has not occurred on or before November 1, 2007;
- by Mid-State or VIB Corp if any requisite regulatory approval is denied by final, nonappealable action of the relevant government authority, but such right of termination will not be available to a party that materially breached its obligation under the agreement, and such breach proximately contributed to the failure to receive such approval; or
- by Mid-State after compliance with the non solicitation of acquisition proposal provisions of the merger agreement and the Mid-State board determines that an acquisition proposal received in compliance with those provisions is a superior proposal, and VIB Corp is given the opportunity to respond to such superior proposal, but fails to respond with an equal proposal.

Representations and Warranties. The merger agreement contains customary representations and warranties by Mid-State relating to, among other things: (1) organization, standing and authority; (2) capitalization; (3) subsidiaries; (4) power;

(5) authority; (6) approvals and no defaults; (7) financial

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reports and regulatory filings; (8) litigation; (9) regulatory matters; (10) compliance with laws; (11) material contracts and defaults; (12) employee benefit plans; (13) taxes; (14) books and records and accounting controls; (15) takeover laws and provisions; (16) financial advisors; (17) Sarbanes-Oxley Act; (18) labor matters; (19) environmental matters; (20) properties; (21) interests of certain persons; (22) insurance coverage; (23) extensions of credit; (24) interest rate risk management instruments; (25) trust business; (26) intellectual property; (27) non-competition / non solicitation; and (28) absence of undisclosed liabilities and changes.

In the merger agreement, VIB Corp makes customary representations and warranties relating to: (1) organizations, standing and authority; (2) power and authority; (3) consents and approvals; (4) no defaults; and (5) financial advisors.

The representations and warranties of the parties terminate as of the closing of the merger.

Covenants; Conduct of Business Prior to Effective Time. The merger agreement provides that, subject to certain exceptions set forth in the merger agreement, during the period from November 1, 2006 until the effective time of the merger, Mid-State will not, except as expressly contemplated by the merger agreement, without the express written consent of VIB Corp, take any of the following actions:

- conduct its business and the business of its subsidiaries other than in the ordinary and usual course consistent with past practice or fail to use reasonable best efforts to preserve intact their business organizations and assets and maintain their rights, franchises and authorizations and their existing relations with customers, suppliers, employees and business associates, or take any action reasonably likely to materially impair its ability to perform its obligation under the merger agreement or consummate the transaction contemplated by the merger agreement;
- enter into any new line of business or change its lending, investment, underwriting, risk and asset liability management and other banking and operating policies, except as required by applicable law, regulation or policies imposed by any governmental authority;
- issue, sell, or otherwise permit to become outstanding, or dispose of or encumber or pledge, or authorize or propose the creation of any additional shares of its stock or any rights, permit any shares of its stock to become subject to new options, stock appreciation rights, restricted stock units, phantom stock or grants, or repurchase, redeem or otherwise acquire, directly or indirectly any shares of its stock, effect any recapitalization, reclassification, stock split, reverse stock split, combination or like change in capitalization, or enter into any agreement, understanding or commitment relating to the right of Mid-State's shareholders to vote any shares of Mid-State common, or cooperate in any formation of any voting trust or similar arrangement relating to such shares;
- make, declare, pay or set aside for payment any dividend or declare or make any distribution on any shares of its stock, other than quarterly dividends at a rate not exceeding that paid in third quarter of 2006, or directly or indirectly adjust, split, combine, redeem, reclassify, or purchase or otherwise acquire, any shares of its stock, or purchase or otherwise acquire, any shares of its stock; except that if the merger has not closed by April 30, 2007, the total of all dividends paid in the second quarter of 2007 may be \$0.36 per share, and if the merger has not closed by July 31, 2007, the total of all dividends paid in the third quarter of 2007 may equal \$0.36 per share;
- sell, transfer, mortgage, lease, encumber or otherwise dispose of, or permit the creation of any lien in respect of, or discontinue any of its assets, deposits, business or properties, any of Mid-State's assets, deposits, business, or properties, except (A) those made in the ordinary course and consistent with past practice which do not exceed \$150,000 individually, and \$500,000 in the aggregate, (B) sales of mortgages originated for sale, in the ordinary course of business consistent with past practice, (C) sales of assets pertaining to Mid-State Bank & Trust's trust business in a

fiduciary capacity, and (D) sales of loan participations solely in order to control credit risk or credit concentration, or to comply with loan-to-one-borrower limitations;

- acquire all or any portion of the assets, business, deposits or properties of any other entity or enter into, extend or renew any leases of real property;
- amend its or its subsidiaries' articles of incorporation or its bylaws;
- implement or adopt any change in its accounting principles, practice or methods, except as required by GAAP or applicable regulatory accounting requirements;
- take, or fail to take, any action that is reasonably likely to cause any of Mid-State's representations and warranties in the merger agreement to no longer be true in any material respect, or cause any of the conditions to the merger agreement to not be satisfied in a timely manner;
- enter into, terminate, amend, modify, renew or grant any consent or waiver under, or fail to enforce, any contract with any Mid-State related person, or amend or modify in any material respect any of its existing contracts with any Mid-State related person;
- hire any new employee except as replacement of an existing position with an annual base salary not exceeding \$100,000, grant any salary or wage increase, grant any new equity-related awards or severance or termination payments or increase any employee benefit;
- enter into, establish, adopt, amend, modify, or renew any benefit arrangement or trust agreement related thereto, take any action to accelerate the vesting or exercisability of stock options, restricted stock or other compensation, or benefits payable thereunder, fund or in any other way secure the payment of compensation or benefits under any existing benefit arrangement, change the manner in which contributions to any existing benefit arrangement are made or determined, or add any new participants to any non-qualified retirement plan;
- make any material tax election, change any method of tax accounting, or settle any material tax claim;
- settle any claim, action or proceeding, except for any claim, action or proceeding involving solely money damages in an amount, individually and in the aggregate, of not more than \$100,000, that would not reasonably be expected to establish an adverse precedent or basis for subsequent settlements, or require material changes in business practices, or settle any proceeding before any governmental authority;
- make any capital expenditures in excess of those set forth in a schedule to the merger agreement;
- sell any investment security, or purchase any investment security;
- (1) make, renew, extend the maturity of, or alter any of the material terms of any loan to any single borrower and his or her related interests in excess of the principal or commitment amounts of \$10,000,000 for new unsecured loans or renewals of unsecured loans and \$15,000,000 for new secured loans or renewals of secured loans, (2) renew, extend the maturity of, or alter any of the material terms of any classified loan in excess of the principal amounts of (i) \$2,500,000 for unsecured special mention loans, (ii) \$5,000,000 for secured special mention loans, (iii) \$500,000 for unsecured substandard loans, (iv) \$1,000,000 for secured substandard loans, (3) make any new loan to a borrower if such borrower has a substandard or lower graded loan, or (4) make, renew, extend the maturity of, or alter any of the material terms of any borrowing, other than in the ordinary course of business;

- Enter into, renew, amend or terminate, or make any payment not then required under any material contract;

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- take any action that would cause Mid-State or any of its subsidiaries to have any liability or obligation under the Workers Adjustment and Retraining Notification Act, or any similar state or local law; or
- enter into any contract with respect to, or otherwise agree or commit to do any of the foregoing.

The merger agreement further provides that, subject to certain exceptions set forth in the merger agreement, during the period from November 1, 2006 until the effective time of the merger, VIB Corp will not, without the prior written consent of Mid-State take any of the following actions:

- take or omit to take any action that is reasonably likely to result in any of the conditions to the merger not being satisfied in a timely manner, except as may be required by applicable law or regulation;
- conduct the business of VIB Corp, or any of its subsidiaries, other than in the ordinary and usual course or knowingly take any action that is intended, or would reasonably be expected to, materially (i) impede, (ii) delay or (iii) adversely affect the ability of VIB Corp to consummate the merger and the other transactions contemplated by the merger agreement; or
- take, or omit to take, any action that is reasonably likely to result in (i) any of VIB Corp's representations and warranties set forth in the merger agreement being or becoming untrue in any material respect at any time at or prior to the closing or (ii) any of the conditions to the merger set forth in the merger agreement not being satisfied in a timely manner.

The merger agreement also provides that each party will use its reasonable best efforts to take, or cause to be taken, in good faith, all actions and to do, or cause to be done, all things necessary, proper or desirable or advisable under applicable laws so as to permit consummation of the merger as promptly as practicable and otherwise to enable consummation of the transactions contemplated by the merger agreement as promptly as practicable, and each will cooperate fully with, and furnish information to, the other party to that end.

The merger agreement also provides that each party will:

- consult with each other before issuing any press release, written employee communication or other written shareholder communication with respect to the merger or the merger agreement;
- cooperate and use all reasonable best efforts to prepare as promptly as possible all documentation to effect all filings and to obtain all permits, consents, approvals and authorizations from all governmental authorities which are required to be effected or obtained by it, and to use all reasonable best efforts to take all actions required to eliminate any impediments, known or which may become known to either party, to the receipt of any required regulatory approval as soon as reasonably possible, and of all third parties required to consent to the merger;
- promptly notify the other party of any event that is reasonably likely, individually or taken together with all other facts, events and circumstances known to it, to result in any materially adverse effect on the financial condition, operations, business or properties, or would cause or constitute a material breach of any of the party's representations, warranties, covenants or agreements contained in the merger agreement which reasonably could be expected to give rise, individually or in the aggregate, to the failure of a condition to the consummation of the merger;

The merger agreement also provides that, subject to certain exceptions set forth in the merger agreement, Mid-State will, among other things:

- submit the principal terms of the merger agreement to its shareholders for approval;

- prepare and file with the SEC a proxy statement and all related documents for the special shareholders meeting called to vote on the principal terms of the merger agreement and the transactions contemplated thereby;
- upon reasonable notice afford Rabobank, officers, employees, counsel and accountants such access to Mid-State's books, records, properties, personnel and such other information as Rabobank will reasonably request;
- not, and will cause its subsidiaries and its and its subsidiaries' officers, directors, agents, advisors and affiliates to not, initiate, solicit, encourage or knowingly facilitate inquiries or proposals with respect to, or engage in any negotiations concerning, or provide any confidential nonpublic information or data to, or have any discussions with, any person relating to another acquisition proposal; and
- terminate its 401(k), bonus and welfare benefit plans immediately prior to the closing, and amend its nonqualified deferred compensation plans to (i) freeze all future contributions and deferral elections, (ii) provide for a fixed rate of interest on previously deferred amounts, and (iii) comply with the provisions of section 409A of the Internal Revenue Code.

Amendment and Waiver. Before the merger is closed, any provision of the merger agreement may be (a) waived by the party benefited by the provision, but only in writing, or (b) amended or modified at any time, but only by a written agreement executed in the same manner as the merger agreement, except that after adoption and approval of the merger agreement by Mid-State's shareholders, no amendment or modification will be effective that under applicable law requires further approval of Mid-State's shareholders unless such amendment or modification is approved by Mid-State's shareholders.

Amendment of Articles of Incorporation and Bylaws

Mid-State's articles of incorporation, as in effect immediately before the closing, will be the articles of incorporation as of closing of the merger of Chardonay Merger Sub Corp. with and into Mid-State, except that Article IV thereof will be amended to read in its entirety as follows: The aggregate number of shares that the Corporation shall have the authority to issue is 1,000 shares of common stock, no par value per share.

Chardonay Merger Sub Corp.'s by-laws, as in effect immediately before the closing, will be the by-laws of Mid-State as of the closing of the merger of Chardonay Merger Sub Corp. with and into Mid-State.

WHERE YOU CAN FIND MORE INFORMATION

Mid-State files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that Mid-State files at the SEC's public reference room in Washington, D.C. Please call the SEC at (800) SEC-0330 for further information on the public reference rooms. The SEC also maintains a website at www.sec.gov at which reports, proxy and information statements and other information regarding Mid-State is available.

Mid-State maintains a website at www.midstatebank.com and in the Investor Information subsection of About Your Bank, you may obtain copies of documents filed by Mid-State with the SEC.

This proxy statement includes information that has not been presented to you but is incorporated by reference. This means that Mid-State can disclose information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered a part of this proxy statement, except for any information superseded by information contained herein. This proxy

statement incorporates by reference the documents listed below, which contain important business and financial information.

This proxy statement incorporates by reference the following documents filed by Mid-State:

- Mid-State's annual report on Form 10-K for the year ended December 31, 2005, filed on March 16, 2006.
- All other Mid-State reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act since December 31, 2005.
- The description of Mid-State's common stock that is contained in its registration statement on Form 8-A filed on March 18, 1998, including any amendment or report filed for the purpose of updating that description.

To the extent that any information contained in any Current Report on Form 8-K, or any exhibit thereto, was furnished to, rather than filed with, the SEC, such information or exhibit is specifically not incorporated by reference in this document.

You should rely only on the information contained in, delivered with or referred to in this document. Mid-State has not authorized anyone to provide you with information that is different.

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

Documents filed by Mid-State with the SEC also are available from Mid-State without charge, excluding all exhibits unless specifically incorporated by reference in this proxy statement, by requesting them in writing or by telephone from:

Mid-State Bancshares
Attn: Marlene Weeks, Vice President
1026 East Grand Avenue
Arroyo Grande, California 93420
(805) 473-6829

If you would like to request documents, please do so by [*], 2007 to receive them before the special meeting.

VIB Corp does not file periodic reports with the SEC. Information regarding VIB Corp, Rabobank, N.A., and other operations of Rabobank in the United States and internationally can be obtained through internet websites maintained by Rabobank including those at www.rabobankamerica.com and www.rabobank.com.

FUTURE SHAREHOLDER PROPOSALS

If the merger of Chardonnay Merger Sub Corp with and into Mid-State is consummated, we will not have public shareholders and there will be no public participation in any future meetings of shareholders. However, if the merger is not completed by then, we expect to hold our 2007 annual meeting of shareholders. If that meeting is held, shareholders who wished to include proposals in next year's proxy statement and proxy card for action at the annual meeting must have caused their proposals to be received in writing by Mid-State at its address set forth on the first page of this proxy statement no later than December 15, 2006. Our Bylaws govern the submission of nominations for director or other business

proposals that a shareholder wishes to have considered at a meeting of shareholders, but which are not included in Mid-State's proxy statement for that meeting. Nominations for director must be made in accordance with Section 2.11 of our Bylaws, which is set forth in the notice of the meeting attached to this proxy statement. Such proposals should be addressed to Mid-State's Secretary, and may be included in next year's proxy statement if they comply with certain rules and regulations promulgated by the Securities and Exchange Commission.

OTHER BUSINESS

We are not aware of any business to come before the special meeting other than those matters described in this proxy statement. However, if any other matters should properly come before our meeting, it is intended that the proxies solicited hereby will be voted with respect to those other matters in accordance with the judgment of the persons voting the proxies.

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AGREEMENT AND PLAN OF MERGER

dated as of November 1, 2006

among

VIB CORP,

CHARDONNAY MERGER SUB CORP.

and

MID-STATE BANCSHARES

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Exhibit B	Capital Expenditures
Exhibit C	Severance Benefits

AGREEMENT AND PLAN OF MERGER, dated as of November 1, 2006 (this *Agreement*), among VIB Corp, a California corporation (*Acquiror*), Chardonnay Merger Sub Corp., a wholly-owned subsidiary of Acquiror organized under the laws of California (*Merger Sub*) and Mid-State Bancshares, a California corporation (the *Company*).

RECITALS

A. *The Proposed Transaction.* The parties intend to effect a strategic business combination through the merger of Merger Sub with and into the Company (the *Merger*), with the Company as the surviving corporation (the *Surviving Corporation*). It is the intention of Acquiror that, immediately following the Merger, each of the following will occur in immediate succession: (a) the Company will merge with and into Acquiror, with Acquiror being the surviving corporation (the *Holding Company Merger*) and (b) Company Bank will merge into Acquiror Bank, with Acquiror Bank being the surviving bank (the *Bank Merger*). The Holding Company Merger and the Bank Merger are sometimes referred to as the *Other Mergers* .

B. *Board Determinations.* The respective boards of directors of Acquiror, Merger Sub and the Company have each determined that the Merger and the other transactions contemplated hereby are consistent with, and will further, their respective business strategies and goals, and are in the best interests of their respective stockholders and, therefore, have approved the Merger and this Agreement.

C. *Voting Agreements.* As an inducement to and condition of Acquiror's willingness to enter into this Agreement, each of Carrol R. Pruett, James W. Lokey, Daryl L. Flood, Gregory R. Morris, H. Edward Heron, Stephen P. McGuire, Alan Rains, George H. Andrews, James G. Stathos and Harry Sackrider entered (each in his capacity as a stockholder of the Company) into a voting and support agreement (the *Voting Agreements*), the form of which is attached hereto as *Annex I*. The Voting Agreements were entered into immediately prior to the execution and delivery of this Agreement.

NOW, THEREFORE, in consideration of the premises, and of the mutual representations, warranties, covenants and agreements contained in this Agreement, Acquiror, Merger Sub and the Company agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

1.01. *Definitions.* This Agreement uses the following definitions:

401(k) Plan means the Company Bank's 401(k) Plan.

Acquiror has the meaning assigned in the Preamble.

Acquiror Bank means Rabobank, National Association, a national banking association.

Acquisition Proposal means a tender or exchange offer to acquire more than 15% of the voting power in the Company or any of its Significant Subsidiaries, a *bona fide* proposal for a merger, consolidation or other business combination involving the Company or any of its Significant Subsidiaries or any other *bona fide* proposal or offer to acquire in any manner more than 15% of the voting power in, or more than 15% of the business, assets or deposits of, the Company or any of its Significant Subsidiaries, other than the transactions contemplated hereby, including any revisions to the terms of such transactions contemplated by Section 6.02 pursuant to Section 6.02.

Acquisition Transaction means (a) a merger or consolidation, or any similar transaction, involving the Company or any of its Significant Subsidiaries; *provided, however*, that in no event shall any merger, consolidation or similar transaction involving only the Company and one or more of its Significant Subsidiaries or involving only any two or more of such Significant Subsidiaries, if such

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transaction is not otherwise in violation of the terms of this Agreement, be deemed to be an Acquisition Transaction, (b) a purchase, lease or other acquisition of twenty-five percent (25%) or more of the assets, deposits or business operations of the Company or any of its Significant Subsidiaries, or (c) a purchase or other acquisition (including by way of merger, consolidation, share exchange or otherwise) of securities representing fifteen percent (15%) or more of the voting power of the Company or any of its Significant Subsidiaries.

Affiliate with respect to a party means any person who is an affiliate of that party within the meaning of Rule 405 promulgated under the Securities Act.

Agreement has the meaning assigned in the Preamble.

Bank Merger has the meaning assigned in the Recitals.

BHC Act means the Bank Holding Company Act of 1956.

Benefit Arrangement means all employee benefit plans (as defined in ERISA), all specified fringe benefit plans as defined in Code § 6039D, and all other bonus, incentive, compensation, deferred compensation, profit sharing, stock option, phantom stock, stock appreciation right, stock bonus, stock purchase, employee stock ownership, savings, severance, supplemental unemployment, layoff, salary continuation, change in control, retirement, pension, health, life insurance, disability, group insurance, vacation, holiday, sick leave, fringe benefit or welfare plan or any other similar plan, agreement, policy or understanding (whether written or oral, qualified or nonqualified, currently effective or terminated), and any trust, escrow or other agreement related thereto, which (i) are maintained or contributed to by the Company or an ERISA Affiliate, or with respect to which the Company, the Company Bank or an ERISA Affiliate has had any liability during the last 6 years, and (ii) provide benefits, or describe policies or procedures applicable to, or for the welfare of, any officer, director, independent contractor, Employee or service provider of the Company, the Company Bank or an ERISA Affiliate, or the dependents or spouses of any such person, regardless of whether funded.

business day means any day of the year, other than a Saturday or Sunday or any other day that the Federal Reserve Bank of San Francisco recognizes as a federal holiday. In addition, only in the case of any performance by, notice to or other action involving Acquiror as provided in this Agreement, any day on which banking institutions in The Netherlands are authorized or obligated by law or regulation to close will not be considered a business day.

CCC means the California Corporations Code.

CFC has the meaning assigned in Section 5.03(f).

Chosen Courts has the meaning assigned in Section 9.04.

Closing has the meaning assigned in Section 2.02.

Closing Date has the meaning assigned in Section 2.02.

Code means the Internal Revenue Code of 1986, as amended.

Company has the meaning assigned in the Preamble.

Company Bank means Mid-State Bank & Trust, a California state chartered bank.

Company Board means the Board of Directors of the Company.

Company Common Stock means the common stock, no par value, of the Company.

Company Meeting has the meaning assigned in Section 6.02.

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Company Preferred Stock means the authorized preferred stock of the Company.

Company Related Person means any person (or family member of such person) (1) that directly or indirectly controls, or is under common control with, the Company or any of its Affiliates, (2) that serves as a director, officer, employee, partner, member, executor, or trustee of the Company or any of its Affiliates or Subsidiaries (or in any other similar capacity), (3) that has, or is a member of a group having, direct or indirect beneficial ownership of voting securities or other voting interests representing at least five (5) percent of the outstanding voting power or equity securities or other equity interests representing at least five (5) percent of the outstanding equity interests (a *Material Interest*) in the Company or any of its Affiliates or (4) in which any person (or family member of such person) that falls under (1), (2) or (3) above directly or indirectly holds a Material Interest or serves as a director, officer, employee, partner, member, executor, or trustee (or in any other similar capacity).

Company Stock Option means any option to purchase Company Common Stock granted under the Company Stock Plans.

Company Stock Plans means the Mid-State Bancshares 2005 Equity Based Compensation Plan and the Mid-State Bancshares 1996 Stock Option Plan.

Confidentiality Agreement has the meaning assigned in Section 6.05(b).

Constituent Documents means the charter or articles or certificate of incorporation and by-laws of a corporation or banking organization, the certificate of partnership and partnership agreement of a general or limited partnership, the certificate of formation and limited liability company agreement of a limited liability company, the trust agreement of a trust and the comparable documents of other entities.

Contract means, with respect to any person, any agreement, arrangement, indenture, undertaking, debt instrument, contract, lease, understanding or other commitment, whether oral or in writing, to which such person or any of its Subsidiaries is a party or by which any of them is bound or to which any of their properties is subject.

Covered Employees has the meaning assigned in Section 6.12(a).

CRA has the meaning assigned in Section 5.03(j).

Disclosure Schedule has the meaning assigned in Section 5.01.

Dissenting Shares has the meaning assigned in Section 3.06(a).

Effective Time has the meaning assigned in Section 2.03.

Employees means current and former employees of the Company or any of its Subsidiaries, as the context requires.

Environmental Laws means the statutes, rules, regulations, ordinances, codes, orders, decrees, and any other laws (including common law) of any foreign, federal, state, local, and any other governmental authority, regulating, relating to or imposing liability or standards of conduct concerning pollution, or protection of human health and safety or of the environment, as in effect on or prior to the date of this Agreement.

ERISA means the Employee Retirement Income Security Act of 1974, as amended.

ERISA Affiliate means any other person that, together with the Company, would be treated as a single employer under Section 414 of the Code.

Exchange Act means the Securities Exchange Act of 1934 and the rules and regulations thereunder.