

MID-STATE BANCSHARES
Form 424B1
September 22, 2003

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**To the Shareholders of Ojai Valley Bank
A MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT**

The board of directors of Ojai Valley Bank has approved an agreement pursuant to which Ojai will merge with and into Mid-State Bank & Trust, which will continue as the wholly-owned subsidiary of Mid-State Bancshares.

In the transaction, shareholders of Ojai will have the election to receive shares of common stock of Mid-State Bancshares, cash or a combination in exchange for their shares of Ojai stock. Shareholders of Ojai who elect to receive stock will receive shares of Mid-State Bancshares' common stock in accordance with the exchange ratio set forth in the merger agreement for each share of Ojai common stock that they own. The amount of cash and/or Mid-State Bancshares common stock received depends upon the performance of Mid-State Bancshares common stock shortly before the closing of the merger. If Mid-State Bancshares "average closing price" is between \$16.62 and \$20.32, the exchange ratio will be calculated by dividing \$68.50 by the "average closing price." If the "average closing price" is above \$20.32, the exchange ratio becomes fixed at 3.371 and, if the "average closing price" is less than \$16.62, the exchange ratio becomes fixed at 4.121. Shareholders of Ojai electing cash will receive an amount in cash equal to the "average closing price" multiplied by the exchange ratio.

Our agreement provides that 50% of the total consideration paid in the transaction must be in Mid-State common stock and 50% in cash. Since it is unlikely that the election process will result in exactly a 50%/50% division, we cannot guarantee each shareholder will receive exactly the amount of cash or stock as they elect. Proration procedures have been established to handle excess demand of one or the other, which is described in this proxy statement/prospectus.

We expect the transaction to be tax-free to Ojai's shareholders who elect to and receive Mid-State common stock. Cash paid in lieu of fractional shares and cash paid pursuant to those shareholders electing cash will be taxable. Upon completion of the merger, we expect that the shareholders of Ojai will own approximately 2.1% of the outstanding common stock of Mid-State Bancshares.

We will hold a special meeting at which we will ask our shareholders to approve the agreement and the proposed merger. Information about this meeting and the merger is contained in this proxy statement/prospectus. **In particular, see "Risk Factors" beginning on page 14.** We urge you to read this document carefully and in its entirety.

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

Our board of directors unanimously recommends that our shareholders vote FOR the merger.

Alan Rains
Chairman of the Board
Ojai Valley Bank

Shari Skinner
President and Chief Executive Officer
Ojai Valley Bank

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE MERGER OR DETERMINED IF THIS PROXY STATEMENT/PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This proxy statement/prospectus is dated September 19, 2003 and is first being mailed to shareholders on or about September 23, 2003.

Notice of Special Meeting of Ojai Valley Bank

Date: October 23, 2003

Time: 5:00 pm

Place: 1207 Maricopa Highway
Ojai, California 93023

To Ojai Valley Bank 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 matter:

Proposal to approve the principal terms of the merger and the merger agreement pursuant to which Ojai Valley Bank will merge with and into Mid-State Bank & Trust, which will continue to be the wholly-owned subsidiary of Mid-State Bancshares as described in the attached proxy statement/prospectus.

Shareholders of record at the close of business on September 19, 2003 may vote at the meeting.

Under California law, holders of Ojai stock who dissent from the merger and comply with certain provisions will be entitled to receive a cash payment for their shares. A summary of the applicable requirements of California law is contained in the attached proxy statement/prospectus under the caption "The Merger Dissenters' Rights." In addition, the text of the applicable provisions of California law is attached as Appendix C to the attached proxy statement/prospectus.

Your vote is important. Please complete, sign, date and return your proxy card in the enclosed envelope.

By order of the Board of Directors

SUSAN BROWN
Secretary

September 19, 2003

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This document incorporates important business and financial information about Mid-State Bancshares from documents that Mid-State has filed with the Securities and Exchange Commission but that have not been included in or delivered with this document. For a listing of documents incorporated by reference into this document, see the section entitled "Where You Can Find More Information" beginning on page 75 of this document.

Mid-State has arranged to provide you with copies of this information, without charge, upon written or oral request to:

**Mr. James G. Stathos
Executive Vice President
Mid-State Bancshares
1026 Grand Avenue
Arroyo Grande, California 93420
(805) 473-7700**

In addition, you may obtain copies of these documents on Mid-State's website, <http://www.midstatebank.com>. Information included or referenced on this website is not part of this document

In order for you to receive timely delivery of the documents in advance of the meeting, Mid-State should receive your request no later than October 9, 2003.

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What is happening in this transaction?

A: Ojai Valley Bank is merging with and into Mid-State Bank & Trust. The merger is governed by the Agreement to Merge and Plan of Reorganization dated June 30, 2003, as amended. The combined enterprise will consist of one holding company, Mid-State Bancshares, and one bank, Mid-State Bank & Trust. For convenience, we refer to the entire transaction in this proxy statement/prospectus as simply "the merger."

Q: Why is the merger proposed?

A: Ojai is proposing the merger because its board of directors has concluded that the merger is in the best interest of Ojai and its shareholders. It affords greater value and liquidity in the stock, and the combined companies can offer Ojai's customers a broader array of services and products than Ojai could offer on its own.

Q: Why have you sent me this document?

A: We are delivering this document to you because it is serving as both a proxy statement for Ojai and a prospectus of Mid-State. It is a proxy statement because it is being used by our board of directors to solicit the proxies of our shareholders. It is a prospectus because Mid-State is offering shares of its common stock in exchange for shares of Ojai in the merger described below.

This proxy statement/prospectus contains important information regarding the proposed merger, as well as information about Mid-State and Ojai. It also contains important information about what the Ojai board of directors and management considered when evaluating this proposed merger. We urge you to read this proxy statement/prospectus carefully, including its appendices.

Q: What will happen to my shares of stock in Ojai?

A: When the merger closes, you will receive Mid-State shares, cash, or a combination in exchange for your shares of Ojai.

Q: What will I receive for my shares of stock of Ojai?

A: The valuations for the Mid-State stock and cash will depend on the average closing price of Mid-State stock shortly before the closing of the merger. On September 18, 2003, Mid-State common stock closed at \$23.16. If that were the average closing price of Mid-State stock, you would receive either \$78.07 in cash or 3.371 shares of Mid-State for an Ojai share.

You will have a choice to receive cash instead of Mid-State shares in exchange for any or all of your Ojai stock. Shareholder elections will be subject to the requirement that 50% of the total consideration paid in the merger shall be in Mid-State shares and 50% of the total consideration paid in the merger shall be in cash.

The merger agreement provides the right to modify your election in order to satisfy the 50% stock and 50% cash requirements. Therefore, depending on elections made by other shareholders, you may be required to receive on a pro rata basis more or fewer shares of Mid-State or more or less cash than you otherwise elected to receive.

If you fail to make a timely election, you will be allocated cash and/or shares as needed to satisfy the overall 50% stock and 50% cash requirements discussed above. For more detail on the election, please see "THE MERGER-Election and Proration."

Q: When do I make the election?

A: Separate written instructions for exchanging your stock certificates and making the stock/cash election are contained with this mailing. All elections must be returned by October 27, 2003.

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Q: Will the shares I receive be listed on any stock exchange?

A: Mid-State common stock, including the shares to be issued to you on the completion of the merger, is listed on the Nasdaq National Stock Market under the symbol "MDST."

Q: What percentage of the combined companies will be held by former Ojai stockholders?

A: The former Ojai stockholders would own approximately 2.1% of the stock in the combined company, not counting shares of Mid-State they owned before the merger or purchased on the market afterwards.

Q: What are the federal tax consequences of the merger to me?

A: That depends on whether you choose to receive cash or Mid-State shares in exchange for your Ojai shares. Mid-State has obtained the opinion of PricewaterhouseCoopers, LLP, its accountants, that the exchange of your Ojai shares for Mid-State shares on the close of the merger will not be a taxable event for you for federal income tax purposes. Your tax basis in the Mid-State shares you receive will be the same as your basis in the Ojai shares you held immediately before the merger's effective date provided that you do not receive any cash for your Ojai shares.

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If you choose to receive payment in cash for any of your Ojai shares or if you receive cash for fractional shares, the cash received will either be characterized as a dividend (to the extent of Ojai's earnings and profits) for U.S. federal income tax purposes or it will be characterized as a payment in exchange for stock. Because the determination of each shareholder's tax treatment is highly dependent upon that shareholder's specific facts and relationships with other shareholders, it is not possible to reach any general conclusions with respect to this issue. **You should consult your tax advisor for a full understanding of the consequences of the merger to you.**

Q: What if I object to the merger?

A: You are not required to participate in the merger, even if it is approved by the other shareholders. If you vote against the merger, and follow the other steps required by law to perfect your dissenter's rights, you will be entitled to receive cash for your Ojai shares, at \$46.00 per share, the price at which they were valued in the market the day before the merger agreement was announced. If you would like to know more about dissenter's rights, please see "THE MERGER Dissenters' Rights," along with Appendix C.

Q: What should I do now?

A: Simply indicate on your proxy card how you want to vote and then sign and mail your proxy card in the enclosed return envelope in time to be represented at the Ojai special meeting.

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 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, the effect will be the same as a vote against the merger.

Q: What happens if I don't vote?

A: If you don't vote, your shares will not be counted to help establish a quorum at the stockholders' 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 Ojai a written notice stating that you are revoking your proxy.

Complete and submit a new proxy card. Ojai will follow the instructions on the

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latest card it receives from you before the meeting.

Attend the 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 special 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 Ojai.

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 Ojai special meeting.

Q: Should Ojai shareholders send in their certificates now?

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A: Please do not enclose your share certificates in the envelope specially marked for return of your proxy card. Your share certificates must be enclosed with your election form in the special envelope provided for that purpose.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible. We currently expect to complete the merger in the fourth quarter of 2003.

Q: What risks should I consider?

A: You should review "RISK FACTORS." You should also review the factors considered by Ojai's board of directors. See "THE MERGER Background and Reasons for the Merger."

Q: Who can help answer my questions?

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

For Mid-State:

Mr. James G. Stathos
Executive Vice President &
Chief Financial Officer
Mid-State Bancshares
1026 Grand Avenue
Arroyo Grande, California 93420
(805) 473-7700

For Ojai:

Mr. Alan Rains
Chairman of the Board
Ojai Valley Bank
1207 Maricopa Highway
Ojai, California 93023
(805) 646-3971

You may also want to review the documents listed under "WHERE YOU CAN FIND MORE INFORMATION."

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SUMMARY

This brief summary, together with the "Questions and Answers" on the preceding pages, highlight selected information from the proxy statement/prospectus. It does not contain all of the information that is important to you. We urge you to read carefully the entire proxy statement/prospectus and the other documents to which we refer to understand fully the merger. Each item in this summary refers to the page where that subject is discussed in more detail.

INFORMATION REGARDING THE PARTIES TO THE MERGER (PAGES 52 AND 53)

Mid-State Bancshares

1026 Grand Avenue
Arroyo Grande, California 93420
(805) 473-7700
<http://www.midstatebank.com>

Mid-State Bancshares ("Mid-State") is a California corporation incorporated November 12, 1996, and is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. Mid-State owns Mid-State Bank & Trust, its wholly-owned subsidiary. At June 30, 2003, Mid-State had total consolidated assets of \$2.02 billion, consolidated deposits of \$1.74 billion, and consolidated shareholders'

equity of \$262.3 million.

Mid-State Bank & Trust is a California state-chartered bank headquartered in Arroyo Grande, California, which commenced operations on June 12, 1961. Mid-State Bank & Trust currently operates 39 banking offices in the central coast region of California.

Additional information about Mid-State, including financial statements and management's discussion and analysis thereof, are included in its Form 10-K for the year ended December 31, 2002 and in its Form 10-Q for the quarter ended June 30, 2003. These reports are incorporated by reference into this proxy statement/prospectus. If you want to obtain copies of these documents or other information concerning Mid-State, please see "WHERE YOU CAN FIND MORE INFORMATION" at page 75.

Ojai Valley Bank

1207 Maricopa Highway
Ojai, California 93023
(805) 646-7903
<http://www.ojaibank.com>

Ojai is a state-chartered bank headquartered in Ojai, California, which commenced operation in 1973. At June 30, 2003, Ojai had total assets of \$88.4 million, deposits of \$80.3 million and shareholders' equity of \$7.8 million. Its deposits are insured up to the maximum legal limits by the FDIC. As with many state-chartered banks of its size in California, it is not a member of the Federal Reserve System. Ojai Bank is also subject to certain other federal laws and regulations.

Additional information about Ojai, including financial statements and management's discussion and analysis thereof, are included elsewhere in this proxy statement/prospectus. See "INFORMATION ABOUT OJAI VALLEY BANK" at pages 53 to 73, and "FINANCIAL STATEMENTS OF OJAI VALLEY BANK" starting at page F-1.

THE MERGER (PAGE 18 AND APPENDIX A)

The transaction constitutes the merger of Ojai with and into Mid-State Bank & Trust, Mid-State's banking subsidiary. In the merger, Mid-State Bank & Trust will be the surviving bank and Mid-State will be the bank holding company for Mid-State Bank & Trust. The separate existence of Ojai will end

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with the merger. For convenience, we refer to the transaction in this proxy statement/prospectus as simply "the merger."

The merger is governed by the Agreement to Merge and Plan of Reorganization dated June 30, 2003, as amended (the "merger agreement"). We have attached a copy of the merger agreement, as Appendix A at the back of this proxy statement/prospectus. We encourage you to read this agreement, as it is the legal document that governs the merger.

THE SPECIAL MEETING; RECORD DATE (PAGE 17)

Ojai's special meeting of shareholders will be held at 5:00 p.m. on October 23, 2003, at Ojai's main office, 1207 Maricopa Highway, Ojai, California 93023. At the meeting, you will be asked to approve the merger.

You are entitled to vote at the meeting if you owned Ojai common stock as of the record date, September 19, 2003. As of that date, there were 295,552 shares of Ojai outstanding, held by 108 shareholders of record. Each holder of Ojai common stock is entitled to one vote per share on all matters that may properly come before the meeting.

MAJORITY VOTE OF OUTSTANDING SHARES REQUIRED FOR APPROVAL (PAGE 17)

Approval of the merger requires the affirmative vote of a majority of the outstanding shares of Ojai common stock.

CERTAIN SHAREHOLDERS HAVE AGREED TO VOTE IN FAVOR OF THE MERGER (PAGE 35)

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As of the record date for the special meeting, the directors and executive officers of Ojai and their respective affiliates as well as certain principal shareholders held voting power with respect to 58.5% of the outstanding shares of Ojai common stock. The directors and executive officers as well as certain principal shareholders of Ojai have signed contracts agreeing to vote their shares in favor of the merger agreement and the merger.

These persons entered into these agreements in order to induce Mid-State to enter into the merger agreement. These agreements could discourage other companies from trying to acquire Ojai.

California Law requires that at least a majority of the outstanding shares of Ojai's common stock vote in favor of the merger. By virtue of these voting agreements the favorable vote for the merger has been assured. Both Ojai and Mid-State would like to have the merger approved by the largest possible vote of the shareholders and, therefore, urge you to vote.

OJAI'S FINANCIAL ADVISOR GIVES OPINION THAT MERGER IS FAIR TO YOU (PAGE 21 AND APPENDIX B)

In deciding to approve the merger agreement and the merger, Ojai's board of directors considered the opinion of its financial advisor, Carpenter & Company, dated as of June 30, 2003, as to the fairness of the merger consideration to Ojai's shareholders from a financial point of view. This opinion is attached as Appendix B to this proxy statement/prospectus. We encourage you to read this opinion carefully. Carpenter & Company was paid a total of \$200,000 for its advisory services and for providing its opinion, analysis and opinion update.

OUR BOARD RECOMMENDS THAT YOU APPROVE THE MERGER (PAGE 26)

Ojai's board of directors believes that the merger is in your best interest and that of Ojai. Ojai believes that it must grow in order to compete with larger, more efficient financial institutions within its marketplace. The need has become more acute with recent consolidations in the banking industry. New

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regulatory requirements and competition from larger banks will make the future more difficult for relatively small banks like Ojai. At this time, the board of directors believes the merger represents a better opportunity for Ojai's shareholders than pursuing a strategy of increasing the business on its own. The board of directors has unanimously approved the merger agreement and recommends that you vote:

FOR the principal terms of the merger and the merger agreement.

You should also refer to the reasons that the board considered in reaching its decision to approve the merger, as explained on page 18.

THE EXCHANGE RATIO (Page 26)

In the merger, each share of Ojai stock will be exchanged either for shares of Mid-State common stock or cash. The number of Mid-State shares or the amount of cash for which a share of Ojai is exchangeable depends on the exchange ratio. The exchange ratio will depend on the "average closing price" of Mid-State stock for the last twenty trading days it actually trades before the cutoff date for the calculation. That cutoff is five trading days before the effective date of the merger.

If the average closing price of Mid-State shares is between \$16.62 and \$20.32, the exchange ratio will be \$68.50 divided by the average closing price. For example, if the average closing price is \$20.04, the exchange ratio will be $\$68.50/20.04$, or 3.4182 Mid-State shares for each Ojai share. The cash price per share is determined by multiplying the average closing price by the exchange ratio.

If the average closing price of Mid-State stock moves outside the range described above, the exchange ratio will become fixed. If the average closing price is more than \$20.32, the exchange ratio will be fixed at 3.371. If the average closing price is less than \$16.62, the exchange ratio will be fixed at 4.121.

YOU WILL RECEIVE (i) CASH, (ii) SHARES OF MID-STATE OR (iii) A COMBINATION OF CASH AND SHARES OF MID-STATE FOR YOUR SHARES OF OJAI COMMON STOCK (PAGE 27)

The value of Mid-State shares and/or cash you will receive in exchange for your Ojai stock is dependent on the exchange ratio. The exchange ratio will depend on the average closing price of Mid-State common stock shortly before the closing date. "Average closing price"

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means the average daily closing price of Mid-State common stock during the 20 trading days that Mid-State's stock trades ending on the fifth trading day immediately before the effective day of the merger.

You may elect to receive cash or Mid-State shares in exchange for some or all the Ojai shares you own. Your election to receive Mid-State shares, cash or a combination is subject to the following:

50% of the total consideration paid in the merger shall be in Mid-State shares and the remaining 50% of the total consideration shall be in cash. If elections to receive Mid-State shares are made with respect to less than 50% of the total consideration paid in the merger, the number of Ojai shares for which Mid-State shares will be exchanged will be increased including a number of Undesignated Shares (those shares for which a valid election has not been made) chosen by lot by the Exchange Agent until that level has been achieved. The increased number of Ojai shares for which Mid-State shares will be exchanged will be pro rated amongst all Ojai shareholders electing to receive cash. This procedure will result in your receiving less cash and more Mid-State shares on the closing of the merger.

If elections to receive cash are made with respect to less than 50% of the total consideration paid in the merger, the number of Ojai shares for which cash will be paid will be increased including a number of Undesignated Shares (those shares for which a valid election has not been made) chosen by lot by the Exchange Agent until that level has been achieved. The increased number of

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Ojai shares for which cash will be paid will be pro rated among all Ojai shareholders electing to receive cash. This procedure will result in your receiving less cash and more Mid-State shares on the closing of the merger.

If you do not make a timely election and other shareholders have elected to receive less than 50% in Mid-State shares of the total consideration paid in the merger, you will, subject to the proration provisions of the merger agreement, likely receive Mid-State shares for your Ojai shares.

If you do not make a timely election and other shareholders have elected to receive more than 50% in Mid-State shares of the total consideration paid in the merger, you will, subject to the proration provisions of the merger agreement, likely receive cash for your Ojai shares.

Because the price of Mid-State common stock fluctuates, you will not know when you vote either the amount of cash or the value of the shares of Mid-State common stock which you will receive in the merger. The market value of Mid-State shares at the time of the merger could be higher or lower than the current market value. For illustrations, please see discussion on page 27 of this proxy statement/prospectus.

COMPARATIVE MARKET PRICE DATA

Mid-State common stock is listed and traded on the Nasdaq National Market under the symbol "MDST." Ojai common stock is traded infrequently and is not listed on any exchange or market. The following table sets forth historical per share market value for Mid-State common stock and Ojai common stock based on the last sales prices for Mid-State common stock and the last sales price for Ojai shares known to Ojai's Board of Directors on:

June 27, 2003, the last trading day before public announcement of the merger, and

September 18, 2003, the most recent date before the mailing of this proxy statement/prospectus.

**Historical
Market Price**

**Ojai Equivalent
Pro Forma Market Value**

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	Historical Market Price		Ojai	
	Mid-State			
June 27, 2003	\$ 18.92	\$ 46.00	\$	68.50(1)
September 18, 2003	\$ 23.16	\$ 46.00	\$	78.07(2)

- (1) Assuming an exchange ratio of 3.6205 shares of Mid-State common stock for each share of Ojai common stock.
- (2) Assuming an exchange ratio of 3.371 shares of Mid-State common stock for each share of Ojai common stock.

Mid-State cannot assure you that actual stock prices for its common stock will be equal to or greater than the prices shown in the table at the time of the merger or at any time after the completion of the merger. In the merger, Ojai will be merged into Mid-State and there will be no further public market for Ojai common stock after the merger.

LISTING OF YOUR STOCK (PAGE 30)

The Mid-State shares you receive in the merger will be listed on the Nasdaq National Market.

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COMPARISON OF YOUR RIGHTS AS A SHAREHOLDER (PAGE 47)

There are differences between your rights as a shareholder of Ojai and the rights you will have as a shareholder of Mid-State. Among them are differences in:

- the term of office of directors (Mid-State elects one-third of its directors each year, and they serve for three-year terms);
- voting for directors and the right to remove directors (Mid-State does not have cumulative voting);
- the right and power to amend charter provisions (Mid-State requires a two-thirds vote of the shareholders for certain kinds of changes); and
- certain anti-takeover charter provisions.

TAX EFFECTS OF THE TRANSACTION (PAGE 30)

The merger will be tax-free for federal income tax purposes to Ojai shareholders who receive solely Mid-State shares in the merger. For Ojai shareholders who choose to receive cash in exchange for any of your Ojai shares or for those shareholders who receive cash for fractional shares, the cash received will either be characterized as a dividend (to the extent of Ojai's earnings and profits) for U.S. federal income tax purposes or it will be characterized as a payment in exchange for stock. Because the determination of each shareholder's tax treatment is highly dependent upon that shareholder's specific facts and relationships with other shareholders, it is not possible to reach any general conclusions with respect to this issue.

DIVIDENDS AFTER THE MERGER

Ojai generally has followed a policy of paying semi-annual cash dividends that totaled \$2.00, \$1.85, and \$1.70 per share of common stock in 2002, 2001 and 2000, respectively. Of course, this will cease at the conclusion of the merger since the separate existence of Ojai will end.

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Mid-State follows a policy of paying quarterly cash dividends with record dates approximating the last day of the calendar quarter. The payable date for the dividend generally occurs in the month following. In January, April, and July 2003, Mid-State paid \$0.15 per share cash dividends. Mid-State anticipates declaring a quarterly cash dividend with an approximate September 30, 2003 record date with the dividend payable in October. Because the merger will likely not be effective by the anticipated record date in September, it is anticipated the dividend will not be paid on shares of Mid-State common stock issued in the merger to Ojai shareholders.

Mid-State expects to pay cash dividends at the same general level but may change that policy based on business conditions, its financial condition and earnings or other factors.

DISSENTERS' RIGHTS (PAGE 33 AND APPENDIX C)

If you do not vote for the merger, and you follow certain procedures, you may choose to receive the fair market value of your Ojai shares in cash when the merger is completed. For this purpose, Ojai's board of directors has determined that "fair market value" is \$46.00 per share, which was the closing price for Ojai common stock on June 27, 2003, the last trading day before the announcement of the merger. You may have the right to challenge that determination. The procedures which you must follow to exercise your dissenters' rights are in Chapter 13 of the California General Corporation Law. We have attached Chapter 13 as Appendix C.

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ACCOUNTING TREATMENT (PAGE 33)

Mid-State will account for the merger as a "purchase" for financial reporting purposes.

BENEFITS TO CERTAIN OFFICERS AND DIRECTORS IN THE MERGER (PAGE 34)

When considering the recommendation of the Ojai board of directors, you should be aware that some Ojai directors and officers have interests in the merger that differ from the interests of other Ojai shareholders. These interests include directors and officers who have continuing insurance protection under the existing directors' and officers' liability insurance and certain indemnification rights.

The Ojai 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 36)

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

approval of the merger agreement and the merger by the Ojai shareholders;

receipt of all governmental and other consents and approvals that are necessary to permit completion of the merger; and

other usual conditions.

Certain of these customary conditions to the merger may be waived by Mid-State or Ojai, as applicable.

REGULATORY APPROVALS NEEDED (PAGE 29)

We cannot complete the merger unless it is approved by the California Department of Financial Institutions and the Federal Deposit Insurance Corporation. Mid-State Bank & Trust has filed applications with these regulators seeking approval. Mid-State has also filed a notification with the Federal Reserve Bank of San Francisco.

We have obtained the approval of the FDIC. Although we do not know of any reason why we cannot obtain approval from the California Department of Financial Institutions in a timely manner, we cannot be certain when or if we will obtain such approval.

WHEN THE MERGER WILL OCCUR (PAGE 35)

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The merger will occur shortly after all of the conditions to its completion have been satisfied. We currently anticipate that it will close in the fourth quarter of 2003.

TERMINATION OF THE MERGER AGREEMENT (PAGE 38)

The merger agreement may be terminated prior to the effective time of the merger for a variety of reasons, including the fact that either party may terminate the agreement if all significant conditions are not met by December 31, 2003 or if the other party breaches the agreement.

TERMINATION FEES BETWEEN OJAI AND MID-STATE

Certain cash payments may be made under the merger agreement in the event a party terminates the merger agreement in certain situations.

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SELECTED HISTORICAL AND PRO-FORMA FINANCIAL DATA

We are providing the following information to aid you in your analysis of the financial effects of the merger. The historical selected financial data in the following tables shows financial results actually achieved by Mid-State and by Ojai for the periods presented. These are historical figures. **The following financial data should be read in conjunction with the complete financial statements of the two companies, attached to or incorporated by reference in this proxy statement/prospectus.**

Mid-State Historical Selected Financial Data

The following selected consolidated financial data with respect to Mid-State Bancshares' consolidated statement of financial position as of December 31, 2002 and 2001 and its consolidated statements of income for the years ended December 31, 2002, 2001 and 2000 have been derived from the audited consolidated financial statements of Mid-State Bancshares which are incorporated by reference into this proxy statement/prospectus. The selected consolidated financial data with respect to Mid-State Bancshares' consolidated statements of financial position as of June 30, 2003 and 2002 and its consolidated statements of income for the six months ended June 30, 2003 comes from the unaudited financial statements of Mid-State. Such interim financial statements include all adjustments that are, in the opinion of management, necessary to present fairly Mid-State's financial information for the interim periods presented. The selected consolidated financial data with respect to Mid-State Bancshares' consolidated statements of financial positions of December 31, 2000, 1999 and 1998 and its consolidated statements of income for the years ended December 31, 1999 and 1998 have been derived from the audited financial statements of Mid-State Bancshares, which are not incorporated by reference herein.

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Selected Consolidated Financial Data-Mid-State Bancshares

	At and for the six months ended June 30,		At and for the years ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
(Dollars in thousands, except per share amounts)							
Period Ended:							
Interest Income (not taxable equivalent)	\$ 52,072	\$ 55,061	\$ 109,332	\$ 114,002	\$ 109,967	\$ 99,627	\$ 98,882
Interest Expense	5,402	8,957	16,381	26,480	27,599	26,071	29,441
Net Interest Income	46,670	46,104	92,951	87,522	82,368	73,556	69,441
Provision for Loan Losses	260	600	600	4,100	700	50	300

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	At and for the six months ended June 30,			At and for the years ended December 31,			
Net Interest Income after provision for loan losses	46,410	45,504	92,351	83,422	81,668	73,506	69,141
Non-interest income	14,399	11,727	24,321	23,254	17,805	17,465	24,736
Non-interest expense operating	36,402	35,217	70,925	64,444	57,982	54,558	54,866
Non-interest expense non recurring merger related				300		2,930	7,440
Income before income taxes	24,407	22,014	45,747	41,932	41,491	33,483	31,571
Provision for income taxes	8,604	7,960	15,892	14,530	14,142	11,430	10,576
Net Income	\$ 15,803	\$ 14,054	\$ 29,855	\$ 27,402	\$ 27,349	\$ 22,053	\$ 20,995
Per share:							
Net Income basic	\$ 0.67	\$ 0.58	\$ 1.25	\$ 1.22	\$ 1.23	\$ 0.98	\$ 0.94
Net Income diluted	\$ 0.64	\$ 0.56	\$ 1.20	\$ 1.18	\$ 1.20	\$ 0.97	\$ 0.93
Weighted average shares for Basic E.P.S. calculation	23,520	24,078	23,962	22,452	22,257	22,461	22,351
Weighted average shares for Diluted E.P.S. calculation	24,557	24,883	24,837	23,252	22,722	22,729	22,547
Cash dividends	\$ 0.24	\$ 0.20	\$ 0.41	\$ 0.37	\$ 0.34	\$ 0.25	\$ 0.14
Book value at period-end	\$ 11.22	\$ 10.20	\$ 10.72	\$ 9.74	\$ 8.05	\$ 7.10	\$ 6.74
Tangible book value at period-end	\$ 9.41	\$ 8.44	\$ 8.94	\$ 7.96	\$ 7.96	\$ 7.02	\$ 6.65
Ending Shares	23,384	24,050	23,697	24,089	22,019	22,574	22,411
Period Averages:							
Total Assets	\$ 1,969,121	\$ 1,858,611	\$ 1,892,137	\$ 1,570,098	\$ 1,389,625	\$ 1,391,279	\$ 1,331,954
Total Tangible Assets	1,926,984	1,816,068	1,849,767	1,557,995	1,387,759	1,389,287	1,329,971
Total Loans & Leases	1,124,190	1,128,360	1,109,245	999,501	847,797	685,566	633,324
Total Earning Assets	1,782,984	1,688,469	1,718,280	1,444,631	1,279,119	1,269,656	1,194,352
Total Deposits	1,691,883	1,596,422	1,623,510	1,351,256	1,205,826	1,220,340	1,184,293
Common Equity	258,248	238,226	244,295	195,955	166,402	155,419	140,989
Common Tangible Equity	216,111	195,683	201,925	183,852	164,536	153,427	139,006
At Period-End							
Cash and cash equivalents	\$ 124,176	\$ 115,891	\$ 128,036	\$ 102,970	\$ 88,988	\$ 56,080	\$ 84,557
Investments and Fed Funds Sold	680,320	585,313	625,483	524,345	407,462	482,781	578,034
Loans held for sale	49,875	4,801	22,560	13,604			1,566
Loans, net of deferred fees, before allowance	1,102,210	1,101,695	1,087,551	1,136,099	919,967	768,814	673,915
Allowance for Loan & Lease Losses	(17,963)	(19,160)	(17,370)	(19,073)	(10,920)	(10,905)	(14,122)
Goodwill and Other Intangibles	42,292	42,441	42,264	42,742	1,771	1,943	2,044
Other assets	43,344	47,610	46,216	52,977	50,970	58,705	63,650
Total Assets	\$ 2,024,254	\$ 1,878,591	\$ 1,934,740	\$ 1,853,664	\$ 1,458,238	\$ 1,357,418	\$ 1,389,644