



June 1, 2010

Dear Shareholder:

We are pleased to invite you to San Luis Trust Bank's 2010 Annual Meeting of Shareholders. The meeting will convene at 6:00 p.m. on Monday, June 28, 2010 at our headquarters located at 1001 Marsh Street, San Luis Obispo.

This booklet contains the Notice of Annual Meeting, the Proxy Statement and a proxy card. The Proxy Statement describes the business that we will conduct at the meeting and provides information about our Bank.

We hope that you can join us on June 28. Whether or not you plan to attend, please sign and return your proxy card as soon as possible. Voting by proxy will not prevent you from voting in person if you attend the meeting, but it will ensure that your vote is counted if you cannot attend.

Sincerely,

John A. Ronca, Jr.
Chairman of the
Board

Samuel K. Collins, Jr.
Chief Executive
Officer and Chief
Credit Officer

SAN LUIS TRUST BANK, FSB

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD June 28, 2010**

The 2010 Annual Meeting of Shareholders of San Luis Trust Bank (the "Bank") will be held at the Bank's headquarters at 1001 Marsh Street, San Luis Obispo, California at 6:00 p.m. on Monday, June 28, 2010 for the following purposes:

1. To elect nominated persons to the Board to serve until the 2012 and 2013 Annual Meeting of Shareholders and until their successors are elected and have qualified;
2. To ratify and approve the appointment of Perry-Smith LLP, as the Bank's independent auditors; and
3. To consider and transact such other business as may properly come before the meeting and any adjournments or postponements thereof.

Shareholders of record owning the Bank's common stock at the close of business on April 30, 2010 are entitled to vote at the meeting.

The Bylaws of the Bank govern nominations for election of members of the Board, as follows:

"The Board shall act as a nominating committee for selecting the management nominees for election as directors. Except in the case of a nominee substituted as a result of the death or other incapacity of a management nominee, the nominating committee shall deliver written nominations to the secretary at least 20 days prior to the date of the annual meeting. Upon delivery, such nominations shall be posted in a conspicuous place in each office of the savings bank. No nominations for directors except those made by the nominating committee shall be voted upon at the annual meeting unless other nominations by shareholders are made in writing and delivered to the secretary of the savings bank at least five days prior to the date of the annual meeting."

You are urged to sign and return the enclosed proxy card as promptly as possible, whether or not you attend the meeting in person. The enclosed proxy card is solicited by the Bank's Board. Any shareholder giving a proxy may revoke it prior to the time it is voted by filing a written revocation or duly executed proxy card bearing a later date with our secretary, or revoking all previously signed and filed proxies and attending the meeting and voting in person.

A list of shareholders entitled to vote at the meeting will be available for inspection at our executive offices. Shareholders attending the meeting whose shares are held in the name of a broker or other nominee should bring with them a proxy or other letter from that firm confirming its ownership of shares as of the record date.

A copy of the Bank's Annual Report is enclosed. Additional copies may be obtained without charge by contacting Eric J. Wells, Secretary, San Luis Trust Bank, 1001 Marsh Street, San Luis Obispo, California 93401; 805.541.9200.

By Order of the Board:



Eric J. Wells
Corporate Secretary

San Luis Obispo, California
June 1, 2010

**SAN LUIS TRUST BANK, FSB
PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD JUNE 28, 2010**

Our Board ("Board") is soliciting proxies for this year's Annual Meeting of Shareholders. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

Our Board set April 30, 2010 as the record date for the meeting. Shareholders who were the record holders of our common stock on that date are entitled to vote at the meeting, with each share of common stock entitled to one vote. There were approximately 4,366,927 shares of our common stock outstanding on April 30, 2010, held of record by approximately 192 holders.

Voting materials, which include this proxy statement, a proxy card and the 2009 Annual Report, are being mailed to shareholders on or about June 1, 2010.

ABOUT THE MEETING

Why am I receiving this proxy statement and proxy card?

You are receiving this proxy statement and proxy card because you are the record owner of shares of our common stock as of the close of business on April 30, 2010. This proxy statement describes issues on which we would like you to vote.

When you sign the proxy card you appoint Bradley J. Lyon and John A. Ronca, Jr. as your representatives at the meeting. Bradley J. Lyon and John A. Ronca, Jr., or their substitute, will vote your shares at the meeting as you have instructed on the proxy card. This way, your shares will be voted even if you cannot attend the meeting.

Who is soliciting my proxy and who is paying the cost of solicitation?

Our Board is sending you this proxy statement in connection with its solicitation of proxies for use at our 2010 Annual Meeting. Certain of our directors, officers and employees may solicit proxies by mail, telephone, facsimile or in person.

We will pay for the costs of solicitation. We do not expect to pay any compensation for the solicitation of proxies, except to brokers, nominees and similar record holders for reasonable expenses in mailing proxy materials to beneficial owners of our common stock. However, we reserve the right to hire special employees or paid solicitors to assist us in obtaining proxies if we believe it is necessary to secure a quorum.

What am I voting on?

At the Annual Meeting you will be asked to vote on two proposals. The first is the election of directors to serve on our Board until the 2013 Annual Meeting of Shareholders or until their successors have been duly qualified and elected. The second proposal is to ratify and approve the appointment of our independent auditors.

Who is entitled to vote?

Only shareholders who were owners of record of our common stock at the close of business on April 30, 2010 are entitled to receive notice of the Annual Meeting and to vote the shares that they held on that date at the meeting, or at any postponement or adjournment of the meeting.

How many votes do I have?

Each share of common stock entitles the holder of record to one vote on any matter coming before the Annual Meeting. On any matter other than the election of directors, any shareholder may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, but if the shareholder fails to specify the number of shares that the shareholder is voting affirmatively, then it will be conclusively presumed that the shareholder's approving vote is with respect to all shares that the shareholder is entitled to vote.

How do I vote?

You may vote your shares either in person at the Annual Meeting or by proxy. At the Annual Meeting, you can obtain a ballot. To vote by proxy, you should mark, date, sign and mail the enclosed proxy card in the prepaid envelope provided. If your shares are registered in your own name and you attend the meeting, you may deliver your completed proxy card in person. "Street name" shareholders (those shareholders whose shares are held in the name of and through a broker or nominee) who wish to vote at the meeting will need to obtain proxy materials from the institution that holds their shares or instruct their broker or nominee how to vote.

Can I change my vote after I return my proxy card?

Yes. You may revoke your proxy and change your vote at any time before the proxy is exercised at the meeting by filing with our Secretary either a notice of revocation or another signed proxy card or ballot bearing a later date. The powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

What are the recommendations of the Board?

Unless you give other instructions on your proxy card, Bradley J. Lyon and John A. Ronca, Jr., as the persons named as proxy holders on the proxy card, will vote as recommended by our Board. Our Board recommends a vote FOR the election of the nominated directors listed in this proxy statement and FOR appointing Perry-Smith LLP as our independent auditors.

If any other matters are considered at the meeting, Bradley J. Lyon and John A. Ronca, Jr. will vote as recommended by the Board. If the Board does not give a recommendation, they will have discretion to vote as they think best.

Will my shares be voted if I do not sign and return my proxy card?

If your shares are registered in your name and you do not return your proxy card or do not vote in person at the Annual Meeting, your shares will not be voted.

If your shares are held in street name and you do not submit voting instructions to your broker, your broker may vote your shares at this meeting on the election of directors but likely will not vote on any of the other proposals.

How many shares must be present to hold the Annual Meeting?

A majority of our outstanding shares of common stock as of April 30, 2010 (a quorum) must be present at the Annual Meeting in order to hold the meeting and conduct business. Shares are counted as present at the meeting if a shareholder is present and votes in person at the meeting or has properly submitted a proxy card. As of April 30, 2010, the record date for the Annual Meeting, 4,366,927 shares of our common stock were outstanding and eligible to vote.

What vote is required to elect directors?

The director nominees who receive the highest number of FOR votes will be elected. You may vote FOR all or some of the nominees or WITHHOLD AUTHORITY for all or some of the nominees.

In connection with the election of directors, a shareholder may cumulate his or her votes by giving notice at the meeting prior to the voting of his or her intention to vote his or her shares cumulatively. If any shareholder has given such notice, all shareholders may cumulate their votes for candidates whose names properly were placed in nomination prior to the commencement of voting. Cumulative voting means that a shareholder has the right to vote the number of shares he or she owns of record as of April 30, 2010, multiplied by the number of directors to be elected. This total of votes may be cast for one nominee or it may be distributed on the same principal among more of the nominees. For example, if you own 10 shares of our common stock and four directors are being elected, you have 40 votes - you can cast all of them for one nominee, or split them among more nominees if you so choose. No shareholder, however, shall be entitled to cumulate votes (i.e., cast for any one or more nominees a number of votes greater than the number of shares of common stock of the Bank held by such shareholder) unless the name(s) of the nominee(s) has (have) been placed in nomination prior to the commencement of the voting and a shareholder has given notice at the meeting prior to the voting of the intention to cumulate votes.

The person or persons holding the proxies solicited by our Board will exercise their cumulative voting rights, at their discretion, to vote the shares covered by the proxies they hold in such a way as to ensure the election of as many of the three nominees of the Board as they deem possible. This discretion and authority of the proxy holders may be withheld by checking the box on the proxy card marked "withhold authority for all nominees." However, such an instruction will also deny the proxy holders the authority to vote for any or all of the nominees of the Board, even if cumulative voting is not called for at the Annual Meeting.

You may choose to withhold from the proxy holders the authority to vote for any of the individual candidates nominated by our Board by marking the appropriate box on the proxy card and striking out the names or filling in the circle next to the names of the disfavored candidates as they appear on the proxy card. In that event, the proxy holders will not cast any of your votes for candidates whose names have been crossed out or otherwise indicated by filling in the circle, whether or not cumulative voting is called for at the Annual Meeting. However, the proxy holders will retain the authority to vote for the candidates nominated by the Board whose names have not been struck out or otherwise indicated as disfavored

by filling in the circle and for any candidates who may be properly nominated at the Annual Meeting. If you wish to specify the manner in which your votes are allocated in the event of cumulative voting, you must appear and vote in person at the Annual Meeting. Ballots will be available at the Annual Meeting for shareholders who desire to vote in person.

How can I make a nomination?

If you wish to nominate someone for election to the Board at the Annual Meeting you must follow the procedures set forth in the Notice provided for the Annual Meeting that accompanied this Proxy Statement. The Chairman of the meeting may disregard your nomination if it does not meet any of these requirements.

What vote is required for ratification and approval of the other matters to be presented at the Annual Meeting?

Once a majority of the outstanding shares of our common stock is present (a quorum), the affirmative vote of shares present in person and by proxy will constitute approval and ratification of proposals.

How do abstentions and broker non-votes count?

Although abstentions and "broker non-votes" are not counted either "for" or "against" any proposals, if the number of abstentions or "broker non-votes" results in the votes "for" a proposal not equaling at least a majority of the quorum required for the meeting, the proposal will not be approved.

STOCK OWNERSHIP

Are there any beneficial owners of more than 5% of our common stock?

Currently, to our knowledge, two shareholders beneficially own more than 5% of the outstanding shares of our common stock. They are listed in the table below.

How many shares of stock do the Bank's directors and executive officers own?

The following table shows, as of April 30, 2010, the amount of our stock beneficially owned (unless otherwise indicated) by (a) each director and director nominee; (b) each of the current executive officers named in the Summary Compensation Table below; (c) each person known to us to be the beneficial owner of more than 5% of our stock; and (d) all of our directors, director nominees and

executive officers⁽¹⁾ as a group. Except as otherwise noted, we believe that the beneficial owners of the shares listed below, based on information furnished by such owners, have or share with a spouse voting and investment power with respect to the shares.

<u>Name & Position With the Bank</u>	<u>Shares Owned Beneficially⁽²⁾</u>	<u>Percent of Class</u>
Casey Appell Executive Vice President/Lending	15,929	0.365%
James H. Avery Director	43,500	0.996%
Doug Bradley Senior Vice President/ Operations	32,400	0.742%
Samuel K. Collins, Jr. CEO/Chief Credit Officer/Director	00	0.000%
Jon M. Hastings Director	32,300	0.740%
Daniel L. Helbert Director	10,000 ⁽³⁾	0.229%
Bradley J. Lyon CFO/Vice Chairman of the Board/Director	357,800 ⁽⁴⁾	8.194%
Brian Rober Senior Vice President/ Controller	10,383	0.238%
John A. Ronca, Jr. Chairman of the Board/ Director	50,000	1.145%
Kenneth I. Rosenblum Director	2,500	0.057%
William S. Smith Director	17,351	0.397%
Virginia A. Varela President/Chief Operating Officer/Director	00	0.000%
All Directors and Executive Officers (10 in number)	572,163	13.102%
Patricia S. Lyon	1,067,020	24.434%

⁽¹⁾ As used throughout this Proxy Statement, the term "Executive Officer" means the Bank's CEO, COO and CFO. An officer who does not participate in major policy-making functions is not included in the definition of the term "Executive Officer."

- ⁽²⁾ For purposes of this table, a person is deemed to be the "beneficial owner" of any shares that such person has the right to acquire within 60 days. For purposes of computing the percentage of outstanding shares held by each person named above on a given date, any security that such person has the right to acquire within 60 days is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person or the percentage ownership of all directors and executive officers as a group.
- ⁽³⁾ Includes as outstanding stock options with 12,500 underlying shares that are exercisable on or before May 25, 2010.
- ⁽⁴⁾ Includes as outstanding stock options with 15,000 underlying shares that are exercisable on or before May 25, 2010.

PROPOSAL 1 - ELECTION OF DIRECTORS

Our Board has nominated Samuel K. Collins, Jr. to a two year term and Daniel L. Helbert, Bradley J. Lyon and Virginia A. Varela for three year terms as directors, to serve until their respective terms expire or until their successors are elected and qualified.

How many directors are nominated?

Our Bylaws, as amended, provide for a nine member Board. Approximately one-third of those directors are elected annually for three year terms.

What happens if a nominee refuses or is unable to stand for election?

The Board may reduce the number of seats on the Board or designate a replacement nominee. If the Board designates a substitute, shares represented by proxy will be voted FOR the substitute nominee unless the proxy withholds authority to vote for all nominees listed. The Board presently has no knowledge that any of the nominees will refuse or be unable to serve.

Who are the nominees?

Information regarding each of the nominees is provided below, including each nominee's name and age, principal occupation during the past five years, and the year first elected or proposed as a director.

<u>Name</u>	<u>Age</u>	<u>Year First Elected/Apptd</u>	<u>Business Experience During Past Five Years and Other Information</u>
Samuel K. Collins, Jr.	47	2010	Mr. Collins joined the Bank in March of 2010 as its Chief Executive Officer/Chief Credit Officer. For the previous 18 years, he worked for Union Savings Bank in Albuquerque, NM and held the positions of President/Chief Executive Officer for the most recent 15 years and Vice President/Chief Financial Officer for three years prior. Mr. Collins holds business/accounting degrees from Eastern New Mexico University and Pacific Western University.

<u>Name</u>	<u>Age</u>	<u>Year First Elected/Apptd</u>	<u>Business Experience During Past Five Years and Other Information</u>
Daniel L. Helbert	57	1999	Mr. Helbert has practiced family law in San Luis Obispo County since 1979. He obtained his Juris Doctor degree from McGeorge School of Law in 1977 and his Bachelor of Arts degree from the University of Nevada Las Vegas in 1973
Bradley J. Lyon	47	1999	An honors graduate of the Stonier Graduate School of Banking at the University of Delaware, Mr. Lyon has been a banker since receiving his bachelor's degree in finance from Brigham Young University in 1987. After graduation he began his career as a National Bank Examiner with the United States Treasury Department, then joined First Bank of San Luis Obispo in 1989 as Corporate Vice President. From 1993 to 1998 he was the senior vice president and chief financial officer of First Bank. Mr. Lyon was the founding President and Chief Financial Officer of the Bank. He was elected Chief Executive Officer of the Bank effective January 1, 2004. He became the Bank's Vice Chairman and Chief Financial Officer in March of 2010.
Virginia A. Varela	50	2009	Ms. Varela joined the Bank in October of 2009 as a Chief Risk Officer and became its President/Chief Operating Officer in March of 2010. Ms. Varela has a diverse banking background, working as a federal regulator for over 24 years. In 2008 she was a Senior Examiner with the Federal Reserve Bank of San Francisco. Prior to that, she worked with the OTS in various management positions in Washington DC and San Francisco, including as Assistant Director of the West Region for more than ten years. She holds BA degree in English Literature from UC Santa Cruz, a BS degree in Economics and a Masters in Business Administration from UC Berkeley, with continuing graduate work at Monterey Institute of International Studies.

INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS

The Board

Our Board oversees our business and monitors the performance of management. In accordance with corporate governance principles, the Board does not involve itself in day-to-day operations. The directors keep themselves informed through, among other things, discussions with the Chairman and the Chief Executive Officer (who is also a Board member) other key executives and our principal advisors (legal counsel, outside auditors and other consultants), by reading reports and other materials that we send them and by participating in Board and committee meetings. The Board met 12 times during 2009 and took no action by written consent. Each director attended at least 90% of the total number of meetings of the Board and committees on which he served.

Shareholder Communications to the Board

Our shareholders may communicate with the Board by mailing or delivering any such communication to our Board in care of our Chief Executive Officer as follows: Board, Attn: Samuel K. Collins, Jr., San Luis Trust Bank, 1001 Marsh Street, San Luis Obispo, California 93401.

It is our policy that all our Board members attend our shareholders meetings. Last year, all our directors attended the shareholders annual meeting.

Has the Board established an audit, nominating or compensation committee or any other committees that might perform the functions of those committees?

The named committees of the Board include the Loan Committee, Audit Committee, Asset/Liability Committee, Investment Committee and Compensation Committee. The Board did not have a Nominating Committee in 2009. The entire Board performed the customary function of that Committee. All directors serve on all committees except the Audit Committee, which is composed of those outside directors.

Nomination Functions of the Board

The Board does not have a standing nominating committee or a committee performing similar functions because the Board has historically performed these functions. All Board members participate in the nominating process. All of the directors meet the independence standards in accordance with the NASD's listing standards, except Mr. Bradley Lyon. The Board has not adopted a charter relative to nominations. The Board has not adopted a

policy with regard to the consideration of any director candidates recommended by our shareholders and believes it is appropriate to address each suggested nominee on a case-by-case basis when they are nominated in accordance with the provisions of our Bylaws. The minimum qualifications, qualities and skills that the Board believes must be met for any director candidate (including those that may be nominated by the Board) are as follows: 1) community banking board experience or comparable experience; 2) an understanding of financial matters including the capability of reading and understanding financial statements; and 3) an ability to support our Bank through expertise, business development or as otherwise determined. The Board has not established a process for identifying and evaluating nominees for director, including nominees recommended by our shareholders. It is anticipated that any proposed nominee, whether suggested by one of our shareholders or by a member of our Board, will receive the same consideration.

Audit Committee. The Audit Committee reviews and approves the services of the independent auditors, reviews the plan, scope and audit results of the internal auditors and the independent auditors, and reviews the reports of bank regulatory authorities. The Audit Committee also has oversight with respect to our financial reporting, including the Reports of Condition and Income filed with the FDIC and the Annual Report to the shareholders. In 2008 the Audit Committee adopted a written charter, which is reviewed annually. All members of our Audit Committee are independent, as defined by applicable rules of the NASD. There were 12 meetings of the Audit Committee during 2009.

The Audit Committee members are not professional auditors, and their functions are not intended to duplicate or to certify the activities of management or the independent auditors. In performing its functions, the Audit Committee acts only in an oversight capacity and necessarily relies on the work and assurances of our management, which has the primary responsibility for financial statements and reports, and of the independent auditors, who, in their report, express an opinion on the conformity of our annual financial statements to generally accepted accounting principles. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited consolidated financial statements and discussed such statements with management and the independent auditors.

Loan Committee. The Loan Committee formulates our lending policy and reviews certain loans of certain amounts and types as specified in our loan policy. It met 12 times in 2009.

Asset/Liability Committee. The Asset/Liability Committee oversees the implementation of our interest rate risk and internal asset review practices. It met 12 times in 2009.

Supervisory Monitoring Committee. The Supervisory Monitoring Committee oversees the Bank's compliance with supervisory orders and directives. The Committee meets monthly and met twice in 2009 (since its inception).

Report of the Audit Committee

The Audit Committee discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees) as amended, including the auditor's judgment about the quality as well as the acceptability of our accounting principles, as applied in its financial reporting.

Our independent auditors provided to the Audit Committee the written disclosures and the letter from the independent auditors required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Audit Committee discussed with the independent auditors the firm's independence.

Based on the Audit Committee's above review of the audited financial statements and discussion with management and the independent auditors, the Audit Committee's review of the representations of management and the report of the independent auditors to the Audit Committee, the Audit Committee recommended that the Board include the audited consolidated financial statements in our Annual Report to shareholders for the year ended December 31, 2009.

Respectfully submitted by the members of the Audit Committee:

James H. Avery (Chairman)
Kenneth I. Rosenbaum
William S. Smith

How are directors compensated?

During 2009, our non-officer directors received fees per Board meeting attended as follows: Jon M. Hastings, \$3,413; James H. Avery, \$3,675; Daniel L. Helbert, \$2,888; John A. Ronca Jr., \$3,675; Kenneth I. Rosenblum, \$4,463; and William S. Smith, \$4,463. Total fees of \$275,362 were paid in 2009.

Are there any family relationships between any director or executive officer of the Bank?

No.

EXECUTIVE MANAGEMENT AND COMPENSATION

Who are the executive officers of the Bank that are not also directors or nominees of the Bank?

Casey Appell, Doug Bradley and Brian Rober are neither directors nor nominees.

SUMMARY COMPENSATION TABLE

The following section describes the compensation that we pay our Chief Executive Officer and the only other executive officer (the "Named Executives"). This section includes a detailed table showing compensation of the Named Executives for the last three years and information about other benefits.

Annual Compensation ⁽¹⁾					Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) ⁽¹⁾	Restricted Stock Award(s) (\$)	Securities Underlying Options/SARs (#)	LTIP Payouts (\$)	All Other Compensation (\$)
Casey Appell Executive Vice President/Lending	2009	212,419	5,000	(2)	15,202	-0-	-0-	-0-
	2008	165,000	81,119	(2)	6,621	-0-	-0-	-0-
	2007	150,000	41,450		32,494 (3)	-0-	-0-	-0-
Samuel K. Collins, Jr. Chief Executive Officer and Chief Credit Officer ⁽⁴⁾	2009	-0-	-0-		-0-	-0-	-0-	-0-
Bradley J. Lyon Chief Financial Officer	2009	233,000	-0-	(2)	17,609 (5)	-0-	-0-	-0-
	2008	223,291	241,657		22,341 (6)	-0-	-0-	-0-
	2007	179,431	277,672		21,797 (7)	-0-	-0-	-0-
Virginia Varela President and Chief Risk Officer	2009	50,455	16,500		694 (8)	0-	0-	0-

(1) Prerequisites and other personal benefits, securities or property unless the aggregate amount of such compensation is the lesser of \$50,000 or 10% of the total of annual salary and bonus is reported in the salary/bonus columns. Each prerequisite or other personal benefit exceeding 25% of the total prerequisites and other personal benefits must be identified by type and amount in a footnote or accompanying narrative discussion.

(2) Bonuses recognized in 2009 were accrued from the year 2008 and bonuses recognized in 2008 were accrued from the year 2007.

(3) Includes non-cash compensation of \$10,804 for car usage.

(4) Mr. Collins joined the Bank on March 29, 2010.

(5) Includes non-cash compensation of \$2,287 for car usage.

(6) Includes non-cash compensation of \$2,356 for car usage.

(7) Includes non-cash compensation of \$2,358 for car usage.

(8) Includes non-cash compensation of \$694 for fitness center membership.

Executive Employment Agreements

We entered into an employment agreement with Bradley Lyon effective January 1, 2008.

That three-year Agreement provides for an annual base salary of \$233,402, a bonus keyed to our profitability, five weeks vacation, a Bank-owned automobile, group medical, dental and optical coverage and term life insurance benefits of \$275,000.

We entered into an employment agreement with Casey Appell on January 1, 2008.

That three-year Agreement provides for an annual base salary of \$165,000, a bonus keyed to our profitability, four weeks' vacation, a Bank-owned automobile, group medical, dental and optical coverage and term life insurance benefits of \$1,000,000.

We entered into a three-year employment agreement with Virginia Varela on September 28, 2009.

That agreement provides for an annual base salary of \$215,000, a bonus keyed to our profitability, four weeks' vacation, mileage stipend and annual membership at a local fitness center.

We entered into a three-year employment agreement with Samuel K. Collins, Jr. on March 29, 2010.

That agreement provides for an annual base salary of \$225,000, a bonus keyed into our profitability, twenty days of vacation leave, automobile allowance, group medical coverage, term life insurance benefits of \$1,000,000, stock options and a Bank-owned Blackberry mobile phone.

There were no grants or exercises of options to purchase common stock during 2009.

CERTAIN RELATIONSHIPS AND OTHER TRANSACTIONS

Transactions with Management and Others

There have been no transactions, or series of similar transactions, during 2009, or any currently proposed transaction, or series of similar transactions, to which we were or are a party, in which the amount involved exceeded or will exceed \$60,000 and in which any of our directors (or director nominees), our executive officers or any shareholder owning of record or beneficially 5% or more of our outstanding voting securities, or any member of the immediate family of any of the foregoing persons, had, or will have, a direct or indirect material interest except as described under the headings INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS, EXECUTIVE MANAGEMENT AND COMPENSATION AND SUMMARY COMPENSATION TABLE.

Indebtedness of Management

We have had, and expect in the future to have, banking transactions in the ordinary course of its business with many of our directors and officers and their associates, including transactions with corporations of which such persons are directors, officers or controlling shareholders, on substantially the same terms (including interest rates and collateral) as those prevailing for comparable transactions with others. In 2009 management believes that such banking transactions did not involve more than the normal risk of collectability or present other unfavorable features. Loans to our executive officers are subject to limitations as to amount and purposes prescribed by federal laws and regulations

PROPOSAL 2 - TO RATIFY AND APPROVE THE APPOINTMENT OF PERRY-SMITH LLP AS THE BANK'S INDEPENDENT AUDITORS.

The Audit Committee has selected and the Board has affirmed the firm of Perry-Smith LLP ("Perry") as our independent auditors for the 2010 fiscal year. Representatives of Perry are not expected to be present at the Annual Meeting. Perry has audited our accounts since 2009. Perry is considered well qualified by the Audit Committee. Audit services include the annual audit examination, limited reviews of unaudited quarterly financial data and assistance in filings with various regulatory authorities and aid with the Annual Report to Shareholders and discussions regarding accounting principles and practices we follow in preparing our financial statements.

Audit Fees

The aggregate fees billed by Perry for professional services rendered for the audit of our annual financial statements for the year 2009, and the review of the financial statements included in our Annual Report for 2009, was \$125,490.

Audit-Related Fees and Tax Fees

The aggregate fee billed by Perry in 2009 for professional services rendered for assurance and related service and for the preparation of our tax returns was \$31,990.

All Other Fees

No services other than those covered under "Audit Fees" and "Audit-Related Fees and Tax Fees" have been approved by the Audit Committee.

In evaluating whether to appoint Perry to perform the audit of the our financial statements for the year ending December 31, 2009 the Audit Committee considered whether the provision of non-audit services by Perry in 2009 was compatible with its independence from the Bank. None of the time devoted by Perry on its engagement to audit our financial statements for the year ended December 31, 2009 is attributable to work performed by persons other than Perry employees.

Necessary Approval

The affirmative vote in person or by proxy of the holders of a majority of a quorum of the outstanding shares of common stock entitled to vote on at the Annual Meeting will constitute approval of the appointment of Perry-Smith LLP as our independent auditors.

Board Recommendation

The Board recommends a vote FOR Proposal 2 to ratify and approve the appointment of Perry-Smith LLP as our independent auditors.

OTHER MATTERS


The Board has no knowledge of any other matter that may come before the meeting, and does not intend to present any other matters. However, if any other matters shall come before the meeting or any adjournment or postponement thereof (including the election of any one or more substitutes for any of the foregoing nominees who are unable to, or for good reason will not, serve on the Board), the persons named as proxies will have the discretion and authority to vote the shares represented by a Proxy in accordance with their best judgment.

ANNUAL DISCLOSURE STATEMENT

We are mailing our Annual Report for 2009, along with the opinion of Perry-Smith, our independent auditors, with this proxy statement.

By Order of the Board

San Luis Obispo, California
June 1, 2010



Eric J. Wells
Secretary