



**Comptroller of the Currency
Administrator of National Banks**

Licensing Department
250 E Street, S.W.
Washington, D.C. 20219

**Conditional Approval #969
September 2010**

August 27, 2010

Mr. George S. Leis
President & Chief Executive Officer
Pacific Capital Bank, National Association
20 East Carrillo Street
Santa Barbara, California 93101

Dear Mr. Leis:

The Office of the Comptroller of the Currency (“OCC”) hereby conditionally approves the application by Pacific Capital Bank, National Association (the “Bank”), for an increase in permanent capital. This approval is granted after a thorough review of the application, other materials you have supplied, and other information available to the OCC, including commitments and representations made during the application process. This approval is also subject to the condition set out herein.

National banks are required to obtain OCC approval for increases in permanent capital. In its regulations, the OCC has established a notice process for certain approvals of increases in capital that involve only common stock and cash consideration. Under that process, the bank submits a notice of the increase in capital, and the proposed increase is deemed approved by the OCC and certified seven days after the date on which OCC received the notice. 12 C.F.R. § 5.46(i)(3). However, the regulation also provides that a national bank may not use this process but must follow the full application process and obtain prior OCC approval to increase its permanent capital if the bank is “[r]equired to receive OCC approval pursuant to letter, order, directive, written agreement or otherwise.” 12 C.F.R. § 5.46(g)(1)(i)(A).

The Bank is wholly-owned by Pacific Capital Bancorp (“Company”). The Company and the Bank entered an Investment Agreement with SB Acquisition Company LLC (“SB Acquisition”) under which SB Acquisition would invest approximately \$500 million in newly issued common and preferred stock of the Company. SB Acquisition is a single purpose entity wholly-owned by Ford Financial Fund, L.P. (“Ford Financial”), formed for the purpose of making the investment in the Company. As a result of the investment, SB Acquisition will control the Company and indirectly control the Bank. SB Acquisition and Ford Financial applied to the Board of Governors of the Federal Reserve System for approval to become bank holding companies.

Ford Financial's plans for the Bank involve injecting capital into the Bank, stabilizing its operations, improving its policies, procedures, and performance, and then subsequently using the Bank as a platform for future acquisitions. In order to assist in the OCC's oversight of these efforts, the OCC determined to require the Bank to file an application and obtain prior OCC approval for the first capital increase that occurs in connection with SB Acquisition's investment in the Company. The OCC notified the Bank of this decision by letter dated August 13, 2010.

Pursuant to the OCC's August 13, 2010, letter and the requirements of 12 C.F.R. § 5.46 and in contemplation of SB Acquisition's investment in the Company and a planned initial injection of capital into the Bank of approximately \$490 million, the Bank applied to the OCC for prior approval for such increase. The OCC hereby approves the increase in capital, subject to the following condition:

The Bank shall enter into, and thereafter implement and adhere to, a written Operating Agreement with the OCC, in a form acceptable to the OCC, immediately after SB Acquisition's investment in the Company.

This condition of approval is a condition "imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of 12 U.S.C. § 1818. As such, the condition is enforceable under 12 U.S.C. § 1818.

This conditional approval, and the activities and communications by OCC employees in connection with the filings, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. Our approval is based on the representations made in the applications, other submissions, and other information available to the OCC as of this date. The OCC may modify, suspend, or rescind this conditional approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have any questions concerning this letter or the application process under 12 C.F.R. § 5.46, please contact Senior Licensing Analyst David Reilly at 202-874-5060.

Sincerely,

Lawrence E. Beard

Lawrence E. Beard
Deputy Comptroller, Licensing

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