

Luxury Expenditure Policy

This Policy fulfills the requirements under the American Recovery and Reinvestment Act of 2009 (ARRA) enacted February 17, 2009. ARRA requires each recipient of funds under the Capital Purchase Program (CPP) of the Troubled Assets Relief Program (TARP) to have in place a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the Department of the U.S. Treasury.

Mission Community Bancorp ("Company") and its subsidiary, Mission Community Bank ("Bank") prohibit excessive or luxury expenditures on entertainment and events, country club memberships, office or facility renovations, aviation or other transportation services or other activities or events that are not reasonable expenditures for conferences, staff development, reasonable performance incentives or other similar measure conducted in the normal course of business operations.

Renovations:

Renovations of facilities and office spaces should be relative to the approved project and current profit plan of the Company. An exception to this can be allowed if management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for customer use. At no time should renovations be done that would have the appearance of being extraordinary, or excessive from a shareholder perspective.

Entertainment:

Entertainment is defined as an activity that an Employee or Executive would use corporate funds for business development purposes relating to a current customer or prospective customer, or to further enhance the Company's marketing efforts.

Our policy is that all expenses incurred to the Bank would be for Company purposes, and used to drive business to the Bank. Occasional events such as taking customers or prospects on trips, playing golf, eating dinner, or taking them to other events the customer/prospect would find pleasurable is a necessary part of the Company's marketing efforts and is not deemed as "luxury" or a violation of this Policy. These expenses should be documented and detailed as to the benefit derived by the Bank through the normal accounts payable process.

Events and parties focused on customers for the purpose of attracting their business would not fall under this Policy.

Country Club Memberships:

Corporate funds may not be used for memberships in country clubs, yacht clubs or other primarily social or athletic clubs unless a significant business purpose is demonstrated and it is approved by the Board of Directors. These types of memberships are generally not tax deductible to the Bank under IRS rules. Country club expenses related to specific client meetings or outings are reimbursable, however, provided that there is a documented business purpose.

Conferences:

We encourage our staff to attend conferences that are appropriate educational opportunities. These conferences must be related to the financial services industry and have a direct correlation to their job. At times it may be appropriate that a spouse would travel to these conferences with Company attendees. Typically these conferences are sponsored by vendors, banking associations, or other industry related entities.

Employee Recognition/Holiday Parties:

We feel that employee recognition/holiday parties are part of an employee appreciation process. These events should be local in geographic nature, and may not cost the Bank more than an

average day's payroll per employee, on average. (Example: If the payroll is \$3.5 million annually divided by 260 days, equals \$13 thousand in expense available for an appropriate holiday party.)

Board/Management Retreats:

Retreats shall only be used for educational or business planning purposes, and should be kept in consideration and looked at, in the same view and discretion as all other expenses. Board education is a vital part of maintaining, and keeping a dynamic director base, and this Policy should not limit a retreat that is focused on strategic planning or education.

Aviation Services:

Transportation for Company staff to outlying locations, including bank locations, conferences, business development purposes and merger and acquisition research, should be conducted in the most cost appropriate way for the Company. Modes of transportation to be used may consist of vehicle, commercial air or rail service. The selection of transportation services will factor in cost, efficiency and timeliness of travel. Private air services are not allowed without the approval of the Chairman of the Company's Board of Directors.

Administration:

The CFO is responsible for the day-to-day administration of this Policy, and the CEO is accountable for overall adherence to this Policy and must approve any exceptions. Strict adherence to this Policy is mandated for all Company employees. Violations of this Policy shall be promptly reported to the Board of Directors. **Disciplinary action, up to and including immediate termination, may result when an employee violates this Policy. Progressive discipline usually involves verbal counseling and/or written warnings before an employee is suspended or terminated. However, exceptions or deviations from the progressive disciplinary procedure may occur when the Bank or Company deems that circumstances warrant skipping one or more steps in the process. Accordingly, circumstances may sometimes result in immediate suspension or termination of employment, and counseling or warnings may not be available in all circumstances.**

Following any approval of private air services by the Chairman, the CFO and the CEO shall certify that such approval was obtained and such certification shall be maintained in the Company's corporate records.

This Policy, and any amendments hereto, shall be posted on the Company's Internet website and provided to the U.S. Department of the Treasury.

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