

Dear Securities and Exchange Commission;

Mid-State Bancshares is an accelerated filer for purposes of Section 404 of the Sarbanes-Oxley legislation. We were fortunate to file our 10K in a timely manner and obtain an unqualified audit opinion from our independent public accounting firm. So our comments below are from the perspective of a firm who was able to comply this first year under the new requirements.

First of all, please be assured that our organization supports the spirit of the legislation in terms of the need for Public Companies to maintain quality internal controls and quality financial reporting. We have no disagreement with that. Unfortunately, this legislation has created an extremely, costly over-kill of the documentation of our internal controls and procedures which was of almost no value to management or our shareholders. The nearly one million dollars that we spent in 2004 to hire outside consultants and pay incremental Audit costs was a clear waste of shareholder funds. We already had very well functioning internal controls and procedures and did not need to tax our shareholders 2 ½ cents per share out of the \$1.47 that the Company earned for them this year. It strikes us that the 42% combined Federal and State incremental tax rates our Company pays is already a sufficient tax burden born by our shareholders.

In addition to the nearly one million dollars in incremental hard costs that our Company endured, we as staff members spent literally hundreds and hundreds of hours documenting the compliance effort. All this time and money spent has meant delays in our investments in new products, new software, new technologies and new sales efforts which would otherwise make our Company more profitable and more competitive.....qualities we believe our shareholders would rather have us pursue than create the mounds of paper and files to document 404 compliance.

And we can't help but wonder – "Would all of the provisions of 404 prevented the fraud that took place at Enron, WorldCom and the others?" "Didn't they have internal controls and procedures that could have been readily documented?" While internal controls and procedures may make fraud more difficult, they can't prevent it absolutely.....ethics is a critically important issue here also.

We would hope that the Commission could find a happy medium between the absolute stranglehold created by the 404 requirements and the lack of adequate controls in some companies that you (and all investors) are concerned about. Moreover, it strikes us that a renewed emphasis on ethics and integrity in all of Corporate America is imperative. This needs to start with our educational institutions and should extend through all levels of training received by financial reporting staff.

Please feel free to contact me at the number below if you have any further questions.

Sincerely,

Michael Gibson

Senior Vice President

Controller

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