

MIDDLEFIELD BANC CORP

Form DEF 14A

April 05, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

**SCHEDULE 14A
(RULE 14a-101)
SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

Middlefield Banc Corp.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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April 5, 2010

Dear Shareholders:

You are cordially invited to attend the 2010 Annual Meeting of Shareholders of Middlefield Banc Corp. The meeting will be held on Wednesday, May 12, 2010, 1:00 p.m. local time at SunValley Banquet & Party Center, 10000 Edwards Lane, Aurora, Ohio, 44202. The attached Notice of Annual Meeting of Shareholders and proxy statement discuss the business to be conducted at the meeting.

Your vote is important, regardless of the number of shares you own. **Please read the enclosed proxy statement and then complete, sign, and date the enclosed proxy and return it in the accompanying postage-paid return envelope as promptly as possible. You may also use the Internet to vote by following the instructions on your proxy card.** This will not prevent you from voting in person, but it will ensure that your vote is counted.

Thank you for your attention to this important matter.

Sincerely,

Richard T. Coyne
Chairman of the Board

15985 East High Street, P.O. Box 35 Middlefield, Ohio 44062 440/632-1666 888/801-1666 440/632-1700 (FAX)
www.middlefieldbank.com

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**Middlefield Banc Corp.
15985 East High Street
P.O. Box 35
Middlefield, Ohio 44062
(440) 632-1666**

Notice of Annual Meeting of Shareholders

Notice is hereby given that the 2010 Annual Meeting of Shareholders of Middlefield Banc Corp. will be held at SunValley Banquet & Party Center, 10000 Edwards Lane, Aurora, Ohio, 44202, on Wednesday, May 12, 2010, at 1:00 p.m. local time.

A proxy and a proxy statement for the 2010 Annual Meeting of Shareholders are enclosed. The purpose of the annual meeting is to consider and act upon

- (1) election of three directors to serve until the 2013 Annual Meeting of Shareholders or until their successors are elected and qualified,
- (2) ratification of the appointment of S.R. Snodgrass, A.C. as independent auditor for the fiscal year ending December 31, 2010, and
- (3) such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors is not aware of any other business to come before the annual meeting. Any action may be taken on the foregoing proposals at the 2010 annual meeting on the date specified or on any date or dates to which the annual meeting may be adjourned or postponed. The record date for determining shareholders entitled to notice of and to vote at the meeting is March 20, 2010.

Shareholders have a choice of voting on the Internet or by mailing a traditional proxy card. Your vote is important and, accordingly, you are urged to vote promptly by using the Internet or by signing, dating, and returning the enclosed proxy card in the postage-paid return envelope provided whether or not you expect to attend the annual meeting in person. If you vote by Internet, you do not need to return the proxy card. Internet voting information is provided on the proxy card.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on May 12, 2010. This Proxy Statement, the Proxy Card, the Chairman's letter, and the Annual Report to Shareholders are available at www.middlefieldbank.com or www.emeraldbank.com.

To obtain directions to attend the annual meeting and vote in person please contact our corporate headquarters at (440) 632-1666 or (888) 801-1666 during regular business hours.

By Order of the Board of Directors,

Kathleen M. Johnson
Secretary

Middlefield, Ohio
April 5, 2010

Thank you for acting promptly

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**Middlefield Banc Corp.
15985 East High Street
P.O. Box 35
Middlefield, Ohio 44062
(440) 632-1666**

Proxy Statement

Middlefield Banc Corp. (Middlefield), an Ohio corporation, is registered as a bank holding company with the Federal Reserve Board and owns all the capital stock of The Middlefield Banking Company (Middlefield Bank) and Emerald Bank. Middlefield s common stock is traded on Pink OTC Markets Inc. s over-the-counter securities market under the symbol MBCN. As used in this proxy statement, we, us, and our refer to Middlefield and/or its subsidiaries depending on the context. The term annual meeting, as used in this proxy statement, includes any adjournment or postponement of such meeting.

This proxy statement is furnished in connection with the solicitation by Middlefield s board of directors of proxies to be voted at the 2010 Annual Meeting of Shareholders. The annual meeting will be held on Wednesday, May 12, 2010, at 1:00 p.m. local time, at SunValley Banquet & Party Center, 10000 Edwards Lane, Aurora, Ohio, 44202. The accompanying Notice of Meeting and this Proxy Statement are first being mailed to shareholders on or about April 5, 2010.

Purpose of the Meeting

At the annual meeting, we will ask Middlefield shareholders to

- (1) elect three directors to serve until the 2013 Annual Meeting of Shareholders or until their successors are elected and qualified, and
- (2) ratify the appointment of Middlefield s independent auditor.

Voting and Revocation of Proxies

Proxies solicited hereby may be used at the annual meeting only and will not be used for any other meeting. Proxies solicited by the board will be voted in accordance with the directions given. If no instructions are given, proxies will be voted in favor of the proposals set forth in this proxy statement.

The enclosed proxy is for use if you are unable to attend the annual meeting in person or if you wish to have your shares voted by proxy even if you attend the annual meeting. Whether or not you plan to attend the annual meeting, please vote your shares by (1) the Internet or (2) completing, signing, dating, and returning the enclosed proxy as soon as possible in the postage paid envelope provided. If you hold your shares in the name of a bank or broker, the availability of Internet voting will depend on the voting processes of the applicable bank or broker. Shareholders who execute proxies retain the right to revoke them at any time before completion of the annual meeting, but revocation will not affect a vote previously taken. You may revoke a proxy by

attending the annual meeting and advising Middlefield s Secretary that you intend to vote in person (but your attendance at the annual meeting will not constitute revocation of a proxy),

giving a subsequent proxy relating to the same shares, or

filing with the Secretary at or before the annual meeting a written notice of revocation bearing a later date than the proxy.

A written notice revoking a proxy should be delivered to Ms. Kathleen M. Johnson, Secretary, Middlefield Banc Corp., 15985 East High Street, P.O. Box 35, Middlefield, Ohio 44062. Unless revoked, the shares represented by proxies will be voted at the annual meeting.

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Record Date and Outstanding Shares; Quorum

If you were a shareholder at the close of business on March 20, 2010, you are entitled to vote at the annual meeting. As of March 20, 2010, there were 1,569,486 shares of Middlefield common stock issued and outstanding. When present in person or by proxy at the annual meeting, the holders of a majority of the shares of Middlefield common stock issued and outstanding and entitled to vote will constitute a quorum for the conduct of business at the meeting.

Vote Required

Shareholders are entitled to one vote for each share held. Shareholders are not entitled to cumulate their votes in the election or removal of directors or otherwise. Directors are elected by a plurality vote of shareholders present in person or by proxy and constituting a quorum, meaning the nominees receiving the greatest numbers of votes will be elected. The affirmative vote of a majority of the votes cast is needed to ratify the appointment of S.R. Snodgrass, A.C. as Middlefield's independent auditor for 2010.

Abstentions and Broker Non-Votes

Abstention may be specified on all proposals except the election of directors. Broker non-votes occur when brokers who hold their customers' shares in street name submit proxies for such shares on some matters, but not others. Generally, this would occur when brokers have not received any instructions from their customers. In these cases, the brokers, as the holders of record, are permitted to vote on routine matters. Effective January 1, 2010, brokers are no longer permitted to vote on the election of directors without instructions from their customers. Although they are counted for purposes of establishing that a quorum is present, abstentions and broker non-votes are not counted as votes cast. Accordingly, abstentions and broker non-votes have no effect on the election of directors or ratification of the appointment of Middlefield's independent auditor.

Expense of Soliciting Proxies

The cost of solicitation of proxies will be borne by Middlefield. We will reimburse brokerage firms and other custodians, nominees, and fiduciaries for reasonable expenses incurred by them in sending proxy material to the beneficial owners of common stock. In addition to solicitations by mail, directors, officers, and regular employees of Middlefield Bank may solicit proxies personally or by telephone without additional compensation.

Voting Securities and Principal Holders

No person is known by Middlefield to own beneficially more than 5% of the outstanding common stock. The following table shows the beneficial ownership of Middlefield common stock on March 20, 2010, by each director and director nominee and each executive officer identified in the Summary Compensation Table, and

all directors, nominees, and executive officers as a group.

For purposes of the table, a person is considered to beneficially own any shares over which he or she exercises sole or shared voting or investment power or of which he or she has the right to acquire beneficial ownership within 60 days. Unless otherwise indicated, voting power and investment power are exercised solely by the person named or they are shared with members of his or her household. Shares deemed to be outstanding for purposes of computing Percent of Stock are calculated on the basis of 1,569,486 shares outstanding, plus the number of shares each individual has the right to acquire within 60 days.

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	Shares Beneficially Owned	Shares Acquirable Within 60 Days By Exercise Of Options⁽¹⁾	Percent of Stock
Directors, Director Nominees, and Named Executive Officers			
Thomas G. Caldwell, President & CEO	12,322(2)	16,079	1.8%
Richard T. Coyne, Chairman	5,329(3)	3,000	(10)
Frances H. Frank	8,049(4)	2,273	(10)
Jay P. Giles, Sr. Vice President/Sr. Loan Officer	1,274	7,725	(10)
James R. Heslop, II, EVP and COO	4,153(5)	14,098	1.2%
Kenneth E. Jones	3,685(6)	4,050	(10)
James J. McCaskey	1,943(7)	2,407	(10)
Donald L. Stacy, CFO and Treasurer	1,137(8)	8,937	(10)
William J. Skidmore	2,015	2,837	(10)
Robert W. Toth	3,481(9)	1,500	(10)
Carolyn J. Turk	2,932	1,500	(10)
Other executive officers (3 people)	575	25,262	1.6%
All directors, nominees, and executive officers as a group (14 people)	46,895	89,668	8.2%

(1) Options granted under Middlefield's 1999 Stock Option Plan or the 2007 Omnibus Equity Plan. Options granted under the plans vest and become exercisable one year after the grant date and

have ten-year terms.

- (2) Includes 12,022 shares held jointly with spouse and 185 shares held by Mr. Caldwell as custodian for his minor children.
- (3) Includes 453 shares held by Mr. Coyne's spouse.
- (4) Includes 4,234 shares held by Mrs. Frank's spouse. Mrs. Frank disclaims beneficial ownership of shares held by her spouse.
- (5) Includes 426 shares held by Mr. Heslop as custodian for his minor children.
- (6) Includes 271 shares held by Mr. Jones spouse. Mr. Jones disclaims beneficial ownership of shares held by his spouse.
- (7) Includes 1,457 shares held jointly with spouse and 486 shares held by Mr. McCaskey's

spouse in her retirement account.

- (8) Includes 14 shares held as joint tenant with minor child.
- (9) Includes 2,381 shares held jointly with spouse and 550 shares held by Mr. Toth and his spouse, respectively, in their retirement accounts.
- (10) Does not exceed 1%.

First Proposal Election of Directors

According to article III, section 2, of Middlefield's regulations, the board may consist of no fewer than five and no more than 25 directors, the precise number being fixed or changed from time to time within that range by the board or by majority vote of shareholders acting at an annual meeting. Currently, the number of directors is fixed at nine. For purposes of the 2010 annual meeting, the corporate governance and nominating committee has recommended Directors Caldwell, Skidmore, and Turk for re-election to the board, and the board has nominated such persons to serve as directors for three-year terms ending at the 2013 Annual Meeting of Shareholders, or until their successors are elected and qualified.

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The biographies of each of the nominees and continuing directors below contains information regarding the person's service as a director, business experience, director positions held currently or at any time during the last five years, information regarding involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes, or skills that caused the corporate governance and nominating committee and the board to determine that the person should serve as a Middlefield director.

Three Director Nominees and Six Continuing Directors Nominees for the Term Ending in 2013	Age	Director Since	Current Term Expires	Biography
Thomas G. Caldwell	52	1997	2010	Mr. Caldwell is President and Chief Executive Officer of Middlefield and Middlefield Bank and a director of Emerald Bank. Mr. Caldwell served as Vice President of Middlefield until October 2000, when he became its President and CEO. Mr. Caldwell's experience in the banking and financial services industry and significant leadership positions with Middlefield, Middlefield Bank, and Emerald Bank allow him to provide continued business and leadership expertise to the board and the board, at the recommendation of the corporate governance and nominating committee, has nominated him for re-election.
William J. Skidmore	53	2007	2010	Mr. Skidmore is Northeast Ohio Senior District Manager of Waste Management and has held progressively responsible positions with Waste Management and a predecessor company since 1978. He previously served on the Board of Directors of both First

County Bank in Chardon and of Metropolitan National Bank in Youngstown. He is a member and was the past President of the Chardon Rotary, a former President of the Chardon Chamber of Commerce, a former member of the business advisory committee of Kent State University (Geauga), and a past representative to the board of the National Solid Waste Management Association in Washington, D. C. Mr. Skidmore's business management and banking experience in the northeast Ohio market allow him to provide business and leadership expertise to the board and the board, at the recommendation of the corporate governance and nominating committee, has nominated him for re-election.

Carolyn J. Turk

53

2004

2010

Ms. Turk is the Controller of Molded Fiber Glass Companies and a licensed CPA. Molded Fiber Glass Companies, located in Ashtabula, Ohio, is a manufacturer of reinforced fiber glass products with 15 entities in the U.S. and Mexico. Ms. Turk's business and accounting experience allow her to provide accounting and financial management expertise to the board and the board, at the recommendation of the corporate governance and nominating committee, has nominated her for

re-election.

Six Continuing Directors

Frances H. Frank	62	1995	2011	Ms. Frank is the Secretary and Treasurer of The Frank Agency, Inc., a general insurance agency located in Middlefield, Ohio. Ms. Frank's extensive experience in the insurance industry and her service as a director of Middlefield since 1995 allow her to provide continued business and leadership expertise to the board.
Kenneth E. Jones	61	2008	2011	Mr. Jones is the Chairman of the Board of Emerald Bank. A self-employed financial consultant and advisor, Mr. Jones earned a B.S. in Nuclear Engineering from the University of Virginia in 1970 and an M.B.A. from the University of Virginia in 1972. He is also licensed in Ohio as a CPA (inactive). Mr. Jones is a former director of Applied Innovation, Inc. of Dublin, Ohio (Nasdaq), and served as Chairman of its Audit Committee. Mr. Jones financial and business experience and his service as a director of Middlefield since 2008 allow him to provide continued business and leadership expertise to the board.

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Three Director Nominees and Six Continuing Directors	Age	Director Since	Current Term Expires	Biography
James J. McCaskey	46	2004	2011	<p>Mr. McCaskey is the President of McCaskey Landscape & Design, LLC, a design-build landscape development company. Mr. McCaskey is also a member of the Board of Directors and current President of the Ohio Landscape Association. Previously, he was the Vice President of Sales for the Pattie Group, also a design-build landscape development company, with which he had been employed for seventeen years. Mr. McCaskey also serves on the Advisory Board of Kent State University Geauga and is a Chardon Rotarian (and past board member). Mr. McCaskey's extensive business management experience and service as a director of Middlefield since 2004 allow him to provide continued business and leadership expertise to the board.</p>
Richard T. Coyne	74	1997	2012	<p>Mr. Coyne is the Chairman of the Board of Middlefield and Middlefield Bank and has been a director of Emerald Bank since April 19, 2007. Mr. Coyne retired in May 2006 from his position as General Manager with Jaco Products, a production plastic components manufacturer located in Middlefield, Ohio. He also</p>

retired from his position as Vice President Operations for Capital Plastics, a coin and currency holder manufacturer located in Massillon, Ohio. Mr. Coyne serves as a management counselor for SCORE and as a resource partner with the U. S. Small Business Administration located on the Geauga Campus of Kent State University. Mr. Coyne's extensive business management experience and service as a director of Middlefield since 1997 allow him to provide continued business and leadership expertise to the board as its Chairman.

James R. Heslop, II

56 2001 2012

Executive Vice President and Chief Operating Officer of Middlefield Bank since 1996, Mr. Heslop became Executive Vice President and Chief Operating Officer of Middlefield on October 30, 2000. He became a director of Middlefield Bank in July 1999 and a director of Middlefield on November 19, 2001. From July 1993 until joining Middlefield Bank in April 1996, Mr. Heslop was a director, President, and Chief Executive Officer of First County Bank in Chardon, Ohio, an institution with total assets exceeding \$40 million. First County Bank was an affiliate of FNB Corporation of Hermitage, Pennsylvania. Mr. Heslop earned a B.S. in Business Administration from Wheeling College, an M.B.A. from Tiffin

University, and is a graduate of the Graduate School of Banking at the University of Wisconsin-Madison.

Mr. Heslop's education, experience in the banking and financial services industry, and significant leadership positions with Middlefield and Middlefield Bank allow him to provide continued business and leadership expertise to the board.

Robert W. Toth

65

2009

2012

Mr. Toth retired in 2007 as the President of Gold Key Processing, Ltd., headquartered in Middlefield. Mr. Toth is a graduate of Ohio University with a B.B.A. in accounting. Prior to joining Gold Key, he was Vice President Finance and Administration for Burton Rubber Processing, Inc. Having begun his career with Amsted Industries in Chicago, Illinois, Mr. Toth has held progressively responsible positions with Warner and Swasey Co. and Missouri Portland Cement Co. He has a long record of community service and presently sits on the Board of the Geauga County Library Foundation. Mr. Toth's extensive business management and community service experience allow him to provide continued business and leadership expertise to the board.

Directors of Middlefield's bank subsidiaries, Middlefield Bank and Emerald Bank, are elected annually and do not serve staggered terms. Middlefield Bank currently has nine directors. Except for Mr. Jones, the directors identified in the table above are expected to be nominated and elected to continue serving as directors of Middlefield Bank for the following year. Emerald Bank has seven directors that are expected to be nominated and elected to continue serving for the following year. Messrs. Caldwell, Coyne, and Jones also serve as directors of Emerald Bank.

There are no family relationships among any of Middlefield's directors or executive officers. Executive officers who do not also serve as directors are

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Name	Age	Principal Occupation in the Last 5 Years
Jay P. Giles	60	Mr. Giles is Senior Vice President/Senior Loan Officer. He joined Middlefield Bank in September 1998, having previously served as Vice President and Senior Commercial Lender at Huntington National Bank in Burton, Ohio, since 1985
Teresa M. Hetrick	46	Ms. Hetrick is Senior Vice President Operations/Administration. Ms. Hetrick served as Vice President and Secretary of First County Bank in Chardon, Ohio, before joining Middlefield Bank in December 1996
Jack L. Lester	64	Mr. Lester is Vice President Compliance and Security Officer. He joined Middlefield Bank in August 1990 as a loan officer and has served in his current position since 1991
Donald L. Stacy	56	Mr. Stacy joined Middlefield Bank in August 1999 and serves as its Senior Vice President and Chief Financial Officer. Mr. Stacy also serves as Emerald Bank's Chief Financial Officer. On October 30, 2000, he was appointed as the Treasurer and Chief Financial Officer of Middlefield. He previously served for 20 years with Security Dollar Bank and Security Financial Corp. in Niles, Ohio, where he was Senior Vice President and Treasurer
Alfred F. Thompson, Jr.	50	Mr. Thompson is Middlefield Bank's Vice President/Loan Administration. Mr. Thompson has been with Middlefield Bank since March 1996. He was promoted from loan officer to Assistant Vice President in 1997, and promoted again to his current position in 1998. Before joining Middlefield Bank, Mr. Thompson served as Loan Officer in the Small Business Group of National City Bank, Northeast

Corporate Governance

Middlefield periodically reviews its corporate governance policies and procedures to ensure that it meets the highest standards of ethical conduct, reports with accuracy and transparency, and maintains full compliance with laws, rules, and regulations. As part of the corporate governance process, the board reviews and adopts corporate governance policies and practices for Middlefield.

Director Independence. A majority of Middlefield's directors are independent, as the term independence is defined in Rule 5605(a)(2) of the National Association of Securities Dealers, Inc. (Nasdaq) listing standards and as defined by Rule 10A-3(b)(1)(ii) promulgated by the Securities and Exchange Commission (SEC). Under Nasdaq Rule 5605(a)(2), a director of Middlefield is independent if he or she

is not employed by Middlefield now and was not employed by Middlefield during the last three years,

is not a family member of an individual who is or was during the last three years employed by Middlefield as an executive officer. The term family member includes a person's spouse, parents, children, and siblings, whether by blood, marriage, or adoption, or anyone else residing in such person's home,

has not accepted and his or her family members have not accepted any payments from Middlefield exceeding \$120,000 during any period of 12 consecutive months within the 3 years preceding the determination of independence (other than compensation for board or board committee service, compensation paid to a family member who is a non-executive employee of Middlefield, benefits under a tax-qualified retirement plan, or non-discretionary compensation),

is not and his or her family members are not a partner in or a controlling shareholder or an executive officer of any organization to which Middlefield made or from which Middlefield received payments for property or

services in the last three years exceeding 5% of the recipient's consolidated gross revenues for that year or \$200,000, whichever is greater (other than payments arising solely from investments in Middlefield securities or payments under non-discretionary charitable contribution matching programs),

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is not and his or her family members are not a current partner or employee of Middlefield's outside auditor (S.R. Snodgrass, A.C.) or a former partner or employee of Middlefield's outside auditor who worked on Middlefield's audit during the last three years, and

is not and his or her family members are not employed as an executive officer of another entity on whose compensation committee any of Middlefield's executive officers served during the past three years.

Applying these standards, the board has determined that all of the current directors and director nominees were independent directors within the meaning of Nasdaq Rule 5605(a)(2) and the applicable rules and regulations of the SEC except for Messrs. Caldwell and Heslop. All directors serving on the corporate governance and nominating committee, audit committee, compensation committee, and equity plan committee in 2009 were considered by the board to be independent directors within the meaning of Nasdaq Rule 5605(a)(2) and the applicable rules and regulations of the SEC.

Leadership Structure of the Board. The office of Chairman of the Board and the office of President and Chief Executive Officer have traditionally been separate at Middlefield. Middlefield believes that separation of these two offices is consistent with the board's responsibility for oversight of management and of Middlefield's affairs generally. Moreover, the board recognizes the time, effort, and energy that the Chief Executive Officer and President is required to devote to his position, as well as the commitment required to serve as Middlefield's Chairman of the Board. The board believes that having an independent outside director serve as Middlefield's Chairman of the Board is the appropriate leadership structure at this time and demonstrates Middlefield's commitment to good corporate governance.

Risk Oversight. The board is actively involved in oversight of the risks that could affect Middlefield. This oversight is conducted primarily through committees of the board, but the full board has retained responsibility for general oversight of risks. Board committees exercising oversight of risks include (i) an audit committee that takes into account financial reporting and legal and compliance risks, (ii) a compensation committee that is responsible for risks relating to Middlefield's employment policies and compensation and benefits systems (other than the 2007 Omnibus Equity Plan), (iii) a corporate governance and nominating committee that oversees risks relating to management and board succession planning and Middlefield's ethics and business practices, and (iv) other bank committees, such as the loan and asset/liability management committees, that are responsible for exercising oversight of the risks associated with the business of banking. The board satisfies its risk oversight responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within Middlefield, Middlefield Bank, and Emerald Bank.

Code of Ethics. Updated and revised in 2008, Middlefield's Code of Ethics is designed to promote the highest standards of ethical conduct by directors, executive officers, and employees. The Code of Ethics requires that directors, executive officers, and employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner, and otherwise act with integrity and in Middlefield's best interest. Under the terms of the Code of Ethics, directors, executive officers, and employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Ethics. Middlefield's Code of Ethics also incorporates a Code of Ethics for Financial Professionals, which applies to the principal executive officer, principal financial officer, principal accounting officer or controller, or person performing similar functions. The Code of Ethics for Financial Professionals is used to assure that Middlefield maintains the highest integrity with respect to the preparation and reporting of financial information related to Middlefield and to assure full, fair, accurate, timely, and understandable disclosure in SEC reports and other public communications. The Code of Ethics is available at www.middlefieldbank.com and www.emeraldbank.com.

To encourage compliance with the Code of Ethics, Middlefield has procedures to receive, retain, and address complaints received regarding accounting, internal accounting controls, or auditing matters. These procedures ensure that individuals may submit concerns regarding questionable accounting or auditing matters in a confidential and anonymous manner.

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Shareholder Communications. Shareholders may use the following process to send communications to the board and/or individual directors. If the concern relates to Middlefield's financial statements, accounting practices, or internal controls, the concern should be submitted in writing to the chairman of the audit committee in care of Ms. Kathleen M. Johnson, Secretary, at Middlefield Banc Corp., 15985 East High Street, P.O. Box 35, Middlefield, Ohio 44062. If the concern relates to Middlefield's governance practices, business ethics, or corporate conduct, the concern should be submitted in writing to the chairman of the corporate governance and nominating committee in care of Ms. Kathleen M. Johnson, Secretary, at the same address as above. If the shareholder is unsure as to which category his or her concern relates, he or she may communicate it to any one of the independent directors in care of Ms. Kathleen M. Johnson, Secretary.

Board Committees. The standing committees of the board are the corporate governance and nominating committee, the compensation committee, the audit committee, and the equity plan committee.

2009 Corporate Governance and Nominating Committee	2009 Compensation Committee	2009 Audit Committee	2009 Equity Plan Committee
Richard T. Coyne*	Frances H. Frank+	Richard T. Coyne	Richard T. Coyne*
James J. McCaskey	James J. McCaskey#	Kenneth E. Jones	James J. McCaskey#
William J. Skidmore	William J. Skidmore*	Carolyn J. Turk, C.P.A.*	Carolyn J. Turk, C.P.A.
	Robert Toth+	Robert W. Toth+	William Skidmore+
	Donald Villers#		

* Committee
Chairman

served on the
committee until
May 13, 2009

+ served on the
committee
beginning
May 13, 2009

Corporate Governance and Nominating Committee. The charter and guidelines of the corporate governance and nominating committee were adopted by the board in February 2004, and amended in August 2009. A current copy of the charter and guidelines is available at www.middlefieldbank.com and www.emeraldbank.com. A copy of the charter and guidelines is also available in print to shareholders upon request, addressed to Middlefield's Secretary, Ms. Kathleen M. Johnson, at Middlefield Banc Corp., 15985 East High Street, P.O. Box 35, Middlefield, Ohio 44062. Members of the committee are appointed by the board. The committee was composed in 2009 of Directors Coyne (chairman of the committee), McCaskey, and Skidmore. The corporate governance and nominating committee met four times in 2009.

The corporate governance and nominating committee recommends to the board the slate of director nominees to be proposed by the board for election by the shareholders, any director nominees to be elected by the board to fill interim director vacancies, and the directors to be selected for membership on and chairmanship of the committees of the

board. In addition, this committee addresses general corporate governance matters on behalf of the board and annually reviews with the board the requisite skills and criteria for new members. The committee also reviews the composition and function of the board as a whole.

Several factors are considered by the committee when selecting individuals to be nominated for election to the board. A candidate must meet any qualification requirements set forth in any corporate governance documents such as the committee's charter and/or guidelines. A candidate must also not have been subject to certain criminal or regulatory actions. The committee does not have a policy for the consideration of diversity in the nomination process, but the committee takes into account in its deliberations all facets of a potential nominee's background, including the following criteria in selecting nominees:

personal qualities and characteristics;

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accomplishments and reputation in the business community;

financial, regulatory, and business experience;

current knowledge and contacts in the communities in which Middlefield does business;

ability and willingness to commit adequate time to board and committee matters;

fit of the individual's skills with those of other directors and potential directors in building a board that is effective and responsive to Middlefield's needs;

independence; and

any other factors the board deems relevant, including diversity of viewpoints, background, experience, and other demographics.

In addition, prior to nominating a director for re-election to the board, the committee considers and reviews the director's board and committee attendance and performance; length of board service; experience, skills, and contributions that the director brings to the board; and independence. The committee's goal is to identify individuals who will enhance and add valuable perspective to the board's deliberations and who will assist Middlefield in its effort to capitalize on business opportunities in a challenging and highly competitive market.

Middlefield's corporate governance guidelines establish stock ownership guidelines for directors. The guidelines state that within three years of being elected, directors must own Middlefield stock equal to two times the directors' projected annual yearly compensation. As of December 31, 2009, two times the directors' projected annual yearly compensation is \$39,600. Middlefield's corporate governance guidelines also establish a director retirement age. Upon reaching the age of 75, directors may serve on the board until their term ends, but directors may not stand for re-election after their 75th birthday.

The committee will consider director nominees recommended by shareholders. A shareholder may submit a nomination for director by following the procedures specified in article III, section 4, of Middlefield's regulations. Among other things, these procedures require that the shareholder deliver to Middlefield's Secretary a written notice stating the name and age of each nominee, the nominee's principal occupation, and the number of shares of Middlefield common stock the shareholder beneficially owns. The written consent of the nominee to serve as a director must also be provided by the shareholder making the nomination. The information must be provided to the Secretary at least 60 days before the date corresponding to the date on which Middlefield's proxy materials were mailed to shareholders for the previous year's annual meeting, and no more than 120 days before that date. A nomination made by a shareholder who does not comply with these procedures will be disregarded.

To identify nominees, the committee relies on personal contacts as well as its knowledge of members of the local communities. The committee also considers director candidates recommended by shareholders in accordance with the policies and procedures set forth above. The committee determines whether a candidate is eligible and qualified for service on the board by evaluating the candidate under the selection criteria set forth above. Middlefield has not previously used an independent search firm to identify nominees. Directors of Middlefield Bank are elected and nominated solely by Middlefield's and Middlefield Bank's board. Similarly, directors of Emerald Bank are elected and nominated solely by Middlefield's and Emerald Bank's board.

Compensation Committee. The compensation committee establishes the base salary of each executive officer as well as the executives' award levels under the annual incentive plan. The committee is also responsible for administration of other executive benefits and plans, including the executive deferred compensation agreements entered into by the Bank with Messrs. Caldwell, Heslop, and Stacy. Middlefield approved a compensation committee charter in April of 2004 to help establish compensation policies that will enable Middlefield to attract, motivate, and retain high quality leadership. The compensation committee's decisions about compensation for named executive officers' performance takes into account the views of Middlefield's Chief Executive Officer. But

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for its review of the Chief Executive Officer's compensation, the compensation committee reviews reports submitted by each director. The compensation committee has engaged compensation consultants and advisors from time to time to provide input on both board and executive compensation issues. In 2009, the members of Middlefield's compensation committee and Middlefield Bank's compensation committee were Directors Frank, McCaskey, Skidmore (chair of the committee), Toth, and Villers. Directors McCaskey and Villers served on the compensation committee until May 13, 2009, and were replaced by Directors Frank and Toth. Middlefield's compensation committee met three times in 2009.

Equity Plan Committee. The equity plan committee administers the 2007 Omnibus Equity Plan. The charter of the equity plan committee was adopted by the board in October 2008. The equity plan committee has final authority to make awards to employees and establish award terms. The amount and terms of equity awards to non-employee directors, however, must be established by the entire board of directors. The equity plan committee may make awards to any employee of Middlefield or any of its subsidiaries. However, the board alone may make awards to non-employee directors, meaning any director of Middlefield or a subsidiary who is not also an employee of Middlefield or a subsidiary. The selection of participants and the nature and size of awards are within the discretion of the equity plan committee, or the discretion of the board in the case of awards to non-employee directors. In 2009, the equity plan committee was composed of Directors Coyne (chairman of the committee), McCaskey, Turk, and Skidmore and met two times. Director McCaskey served on the equity plan committee until May 13, 2009, and was replaced by Director Skidmore. The board believes that each of these individuals satisfies the independence requirements of Internal Revenue Code (IRC) section 162(m), SEC Rule 16b-3, and Nasdaq Rule 5605(a)(2).

Audit Committee. The audit committee appoints Middlefield's independent public auditor, reviews and approves the audit plan and fee estimate of the independent public auditor, appraises the effectiveness of the internal and external audit efforts, evaluates the adequacy and effectiveness of accounting policies and financial and accounting management, supervises the internal auditor, and reviews and approves the annual financial statements. The audit committee has the authority to engage separate legal counsel and other advisors, as necessary, to execute its duties. The audit committee members in 2009 were Directors Coyne, Jones, Turk (chair of the committee), and Toth. Director Toth served on the audit committee beginning May 13, 2009. The audit committee met five times in 2009.

Middlefield's board adopted a written charter for the audit committee in August 2001. The charter is reviewed on an annual basis, and was revised in February 2010. A current copy of the audit committee charter is available at www.middlefieldbank.com and www.emeraldbank.com.

Audit Committee Independence. Middlefield believes that none of the directors who serve on the audit committee have a relationship with Middlefield or its subsidiaries that would interfere with the exercise of independent judgment in carrying out their responsibilities as directors. The board, in its business judgment, has determined that all members of the audit committee meet the current independence requirements of the Nasdaq Stock Market and applicable rules and regulations of the SEC, and that Messrs. Coyne and Jones and Ms. Turk satisfy the requirements for an audit committee financial expert promulgated by the SEC.

Audit Committee Report. The audit committee has submitted the following report for inclusion in this proxy statement

The Audit Committee has reviewed and discussed the audited financial statements for the year ended December 31, 2009, and has discussed the audited financial statements with management. The Audit Committee has also discussed with S.R. Snodgrass, A.C., Middlefield's independent auditor, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee has received the written disclosures and the letter from S.R. Snodgrass, A.C. required by Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), and has discussed with S.R. Snodgrass, A.C. its independence. Based on this, the Audit Committee recommended to the board that the audited financial statements be included in Middlefield's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee

Richard T. Coyne

Kenneth E. Jones

Robert W. Toth

Carolyn J. Turk, CPA

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Board and Committee Meetings. Middlefield's board held nine meetings in 2009. The individuals who served in 2009 as directors of Middlefield attended at least 75% of (i) the total number of board meetings and (ii) the total number of meetings held by all committees on which he or she served.

The board encourages directors to attend the annual meeting of shareholders. All directors who served in 2009 attended the 2009 annual meeting.

2009 DIRECTOR COMPENSATION

The following table shows the compensation of directors for their service in 2009, other than Directors Caldwell and Heslop. The director compensation information to follow represents compensation for the full year, through December 31, 2009. The majority of director compensation is paid by Middlefield Bank for directors' service on Middlefield Bank's board and board committees, but compensation shown in the table is aggregate compensation paid for directors' service to Middlefield, Middlefield Bank, and Emerald Bank. Information about compensation paid to and earned by Directors Caldwell and Heslop is included elsewhere in this proxy statement.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards ⁽¹⁾⁽²⁾ (\$)	Nonqualified			Total (\$)
				Non-Equity Incentive Plan Compensation (\$)	Deferred Compensation Earnings (\$)	All Other Compensation ⁽³⁾ (\$)	
Richard T. Coyne	32,700	0	0	n/a	0	2,042	34,742

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