

MIDDLEFIELD BANC CORP  
Form S-4/A  
November 22, 2016  
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As filed with the Securities and Exchange Commission on November 22, 2016

Registration No. 333-213889

**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**Amendment No. 2 of**  
**FORM S-4**  
**REGISTRATION STATEMENT**  
***UNDER***  
***THE SECURITIES ACT OF 1933***

**MIDDLEFIELD BANC CORP.**

**(Exact name of Registrant as Specified in its Charter)**

**Ohio**  
**(State or other Jurisdiction of**  
**Incorporation or Organization)**

**6712**  
**(Primary Standard Industrial**  
**Classification Code Number)**

**34-1585111**  
**(IRS Employer**  
**Identification Number)**

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**15985 East High Street**

**Middlefield, Ohio 44062-0035**

**(440) 632-1666**

**(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)**

**James R. Heslop, II**

**15985 East High Street**

**Middlefield, Ohio 44062-0035**

**(440) 632-1666**

**(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for service of process)**

*with copies to:*

**Francis X. Grady, Esq.**

**Grady & Associates**

**20220 Center Ridge Road, Suite 300**

**Rocky River, Ohio 44116-3501**

**(440) 356-7255**

**M. Patricia Oliver, Esq.**

**Tucker Ellis LLP**

**950 Main Avenue, Suite 1100**

**Cleveland, Ohio 44113**

**(216) 696-4149**

Approximate date of commencement of proposed sale of the securities to the public: as soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company)

Smaller reporting company

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus and proxy statement shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**PRELIMINARY SUBJECT TO COMPLETION DATED NOVEMBER 22, 2016**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

**Proxy Statement and Prospectus of**

**Middlefield Banc Corp.**

**MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT**

**Proxy Statement of**

**Liberty Bank, N.A.**

Middlefield Banc Corp. ( Middlefield ) and Liberty Bank, N.A. ( Liberty ) entered into an Agreement and Plan of Reorganization on July 28, 2016. We refer to the agreement as the Reorganization Agreement. A copy is attached to this joint proxy statement/prospectus as Annex A. The Reorganization Agreement provides that Liberty will merge into The Middlefield Banking Company, which is Middlefield's bank subsidiary. The merger is subject to a number of conditions, including but not limited to obtaining approval of Middlefield stockholders and approval of Liberty stockholders.

Approximately 45% of the Liberty shares of common stock exchanged in the merger will be exchanged for Middlefield common stock, and the remaining Liberty shares of common stock exchanged in the merger (approximately 55%) will be exchanged for cash. Each share of Liberty common stock not owned by Middlefield will be converted at the effective time of the merger into the right to receive either: (x) \$37.96 in cash or (y) 1.1934 shares of Middlefield common stock, subject to allocation procedures to ensure that approximately 45% of the outstanding shares of Liberty common stock are converted into Middlefield common stock and the remaining Liberty common stock is converted into cash. Excluding the 23,218 Liberty shares owned by Middlefield, which will be cancelled in the merger without consideration, the aggregate consideration payable to Liberty stockholders is approximately \$20.8 million in cash and approximately 557,079 shares of Middlefield common stock. On July 27, 2016, the day before execution of the Reorganization Agreement, the per share closing price of Middlefield common stock on the Nasdaq Capital Market was \$33.74. At that price the stock portion of the merger consideration would have a value of approximately \$18.8 million, and combined with the approximately \$20.8 million cash payable for 55% of Liberty common stock, the total merger consideration would be \$39.6 million, before the special dividend discussed below. Because the 1.1934 exchange ratio is fixed, the value of the stock portion of the total merger consideration will fluctuate with changes in the price of Middlefield stock. Holders of Liberty stock options and phantom shares also will receive cash for cancellation of those interests. Finally, in addition to the cash and stock merger consideration, Liberty

stockholders will receive a special dividend of approximately \$3.0 million in the aggregate, or \$3.13 per share, before merger closing. Middlefield will receive no merger consideration for its 23,218 Liberty shares but it will be entitled to a proportionate share of the special dividend payment. See *SUMMARY What Liberty stockholders will receive in the Merger*.

Middlefield will not issue fractional shares. A holder of Liberty common stock who would otherwise be entitled to a fractional share will instead receive cash, without interest, equal to the product of the fractional share to which the holder would otherwise be entitled multiplied by the volume-weighted average closing sale price of Middlefield common stock for the 30 trading days immediately before the effective time.

Middlefield and Liberty will each hold a meeting of stockholders to vote on adoption and approval of the Reorganization Agreement. The meeting of Middlefield's stockholders will be held at: 10:00 a.m. local time on January 10, 2017 at Middlefield, Ohio. The meeting of Liberty's stockholders will be held at: 9:00 a.m. local time on December 22, 2016 at Corporate College East, 4400 Richmond Road, Warrensville Heights, Ohio. At these meetings stockholders will be asked to approve and adopt the Reorganization Agreement and the merger transaction. Stockholders will also be asked to approve adjournment of the meeting, if adjournment is necessary to allow Middlefield or Liberty time to solicit additional proxies in favor of the Reorganization Agreement and the merger transaction. Liberty's stockholder meeting is an annual meeting, so Liberty stockholders will also be asked to act upon routine annual meeting proposals, including election of directors and ratification of the appointment of independent auditors.

This document is a proxy statement of both Middlefield and Liberty. It is also a prospectus for Middlefield's issuance of common stock in the merger. This joint proxy statement/prospectus describes Middlefield's special meeting, Liberty's annual meeting, and the merger proposal.

**The board of directors of Middlefield and the board of directors of Liberty approved the Reorganization Agreement and the merger transaction. They recommend that their stockholders vote FOR adoption and approval of the Reorganization Agreement and FOR adjournment of the meeting if adjournment is necessary.**

Middlefield's common stock trades on the Nasdaq Capital Market under the symbol MBCN. On July 27, 2016, the day before execution of the Reorganization Agreement, the closing price of Middlefield common stock was \$33.74 per share. On November 18, 2016 the closing price of Middlefield common stock was \$35.05 per share. Liberty common stock is privately held, not listed on a stock exchange, and not traded in the over-the-counter market.

**You are encouraged to read this document carefully, including the materials incorporated by reference into this document. In particular, you should read the Risk Factors section beginning on page 28 for a discussion of the risks related to the merger and the risks of owning Middlefield common stock.**

Regardless of whether you plan to attend your company's stockholder meeting, you are urged to vote by completing, signing, and returning the enclosed proxy card in the enclosed postage-paid envelope.

If you are a Liberty stockholder as of the November 25, 2016 record date but your shares are not voted in favor of adoption and approval of the Reorganization Agreement, you have the right to demand the fair cash value for your Liberty common stock but to do so you must adhere to the specific requirements of the National Bank Act, 12 U.S.C. §215, paragraphs (b), (c), and (d). See *DISSENTERS RIGHTS* on page 48 of this joint proxy statement/prospectus and the complete text of the National Bank Act dissenters' rights provision attached to this joint proxy statement/prospectus as Annex B. Holders of Middlefield common stock do not have dissenters' rights.

Not voting in person or by proxy or at the stockholder meeting will have the same effect as voting against adoption and approval of the Reorganization Agreement. We urge you to read carefully this joint proxy statement/prospectus, which contains a detailed description of your company's stockholder meeting, the merger proposal, and Middlefield common stock to be issued in the merger.

Sincerely,

Thomas G. Caldwell

President and Chief Executive Officer

Middlefield Banc Corp.

Sincerely,

William A. Valerian

Chairman, President and Chief Executive Officer

Liberty Bank, N.A.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of Middlefield common stock to be issued in the merger. Neither the Securities and Exchange Commission nor any state securities commission has determined whether this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The securities to be issued in the merger described in this joint proxy statement/prospectus are not savings accounts, deposit accounts, or other obligations of a bank or savings association and are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund, or any other federal or state governmental agency.**

**This joint proxy statement/prospectus is dated November 22, 2016 and it is first being mailed to Middlefield Banc Corp. stockholders and Liberty Bank, N.A. stockholders on or about November 28, 2016.**

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**NOTICE OF ANNUAL MEETING**

To the Stockholders of Liberty Bank, N.A.:

Liberty Bank, N.A.'s Annual Meeting will be held on December 22, 2016 at 9:00 a.m. Eastern Time at Corporate College East, 4400 Richmond Road, Warrensville Heights, Ohio 44128. The meeting is for the purpose of considering and acting upon proposals to:

1. adopt and approve the July 28, 2016 Agreement and Plan of Reorganization entered into by Middlefield Banc Corp., The Middlefield Banking Company, and Liberty Bank, N.A. and approve the transactions contemplated thereby,
2. adjourn the annual meeting if adjournment is necessary to allow solicitation of additional proxies because of insufficient votes to adopt and approve the Agreement and Plan of Reorganization and approve the transactions contemplated thereby,
3. elect twelve directors to serve until the earlier of (i) completion of the Merger or (ii) Liberty Bank's 2017 Annual Meeting and until their successors are elected and qualified,
4. ratify the appointment of Maloney + Novotny LLC as independent public accountants for the fiscal year ending December 31, 2016, and
5. transact any other business properly presented at the Meeting or at any adjournment.

Record holders of Liberty's common stock at the close of business on November 25, 2016 are entitled to receive notice of and to vote at the meeting and any adjournment or postponement. The affirmative vote of the holders of at least two-thirds of Liberty's outstanding common stock is required for adoption and approval of the Agreement and Plan of Reorganization and approval of the transactions contemplated thereby.

A joint proxy statement/prospectus and proxy card for the meeting are enclosed. A copy of the Agreement and Plan of Reorganization is attached as Annex A to the joint proxy statement/prospectus.

**Your vote is very important regardless of the number of shares you own. Please vote as soon as possible to make sure that your shares are represented at the meeting. If you are a holder of record, you may cast your vote in person at the meeting or, to ensure that your shares are represented at the meeting, you may vote your shares by completing, signing, and returning the enclosed proxy card. If your shares are held in a stock brokerage account or by a bank or other nominee (in street name), please follow the voting instructions of your broker, bank, or nominee.**

**The Liberty board of directors recommends that you vote (1) FOR adoption and approval of the Agreement and Plan of Reorganization, (2) FOR adjournment of the meeting, (3) FOR election of the identified director nominees, and (4) FOR ratification of the selection of independent auditors.**

By order of the Board of Directors,

William A. Valerian

Chairman of the Board, President &

Chief Executive Officer

Beachwood, Ohio  
November 22, 2016



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**NOTICE OF SPECIAL MEETING**

To the Stockholders of Middlefield Banc Corp.:

Middlefield Banc Corp.'s Special Meeting will be held on January 10, 2017 at 10:00 a.m. Eastern Time at The Middlefield Banking Company, 15985 East High Street, Middlefield, Ohio 44062. The meeting is for the purpose of considering and acting upon proposals to:

- 1) approve the transactions under the July 28, 2016 Agreement and Plan of Reorganization entered into by Middlefield Banc Corp., The Middlefield Banking Company, and Liberty Bank, N.A.,
- 2) approve issuance of up to 563,261 shares of Middlefield common stock in the merger,
- 3) adjourn the special meeting if adjournment is necessary to allow solicitation of additional proxies if there are insufficient votes to adopt and approve the Agreement and Plan of Reorganization, and
- 4) transact any other business properly presented at the Meeting or at any adjournment.

Record holders of Middlefield's common stock at the close of business on November 17, 2016 are entitled to vote at the meeting and any adjournment or postponement. The affirmative vote of the holders of at least two-thirds of Middlefield's outstanding common stock is required for adoption and approval of the Agreement and Plan of Reorganization.

A joint proxy statement/prospectus and proxy card for the meeting are enclosed. A copy of the Agreement and Plan of Reorganization is attached as Annex A to the joint proxy statement/prospectus.

**Your vote is very important regardless of the number of shares you own. Please vote as soon as possible to make sure that your shares are represented at the meeting. If you are a holder of record, you may cast your vote in person at the meeting or, to ensure that your shares are represented at the meeting, you may vote your shares by completing, signing, and returning the enclosed proxy card. You may also use the Internet to vote by following the instructions on your proxy card. If you vote by the Internet you do not need to return your proxy card. If your shares are held in a stock brokerage account or by a bank or other nominee (in street name), please follow the voting instructions of your broker, bank, or nominee.**

**The Middlefield board of directors recommends that you vote (1) FOR the Agreement and Plan of Reorganization, (2) FOR issuance of Middlefield common stock in the merger, and (3) FOR adjournment of the meeting.**

By order of the Board of Directors,

Kathleen M. Johnson

*Secretary*

Middlefield, Ohio  
November 22, 2016

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**WHERE YOU CAN FIND MORE INFORMATION**

Middlefield is a publicly traded company filing annual, quarterly, and other reports, proxy statements, and other business and financial information with the Securities and Exchange Commission (SEC). You may read and obtain copies of these documents at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Please call the SEC at (800) SEC-0330 for additional information about the public reference room. Middlefield files its annual, quarterly, and other reports, proxy statements, and other business and financial information with the SEC electronically. The SEC maintains a web site located at [www.sec.gov](http://www.sec.gov) containing this information. Information filed by Middlefield with the SEC is also available without charge through Middlefield's website at [www.middlefieldbank.com](http://www.middlefieldbank.com) under the Investor Relations tab.

Middlefield filed with the SEC a registration statement on Form S-4 to register the issuance of common stock to Liberty stockholders in the merger. This joint proxy statement/prospectus is part of that Form S-4 registration statement. As permitted by SEC rules, this document does not contain all of the information included in the registration statement or in the exhibits or schedules to the registration statement. You may read and request a copy of the registration statement, including any amendments, schedules, and exhibits at the address given below. Statements contained in this document regarding the contents of any contract or other document filed as an exhibit to the registration statement are not necessarily complete. In each case you should refer to the contract or other document filed as an exhibit. These documents are available without charge to you upon written or oral request at the following address and telephone number:

Middlefield Banc Corp.

15985 East High Street

P.O. Box 35

Middlefield, Ohio 44062-0035

Attention: Investor Relations

(440) 632-1666

**To obtain timely delivery of these documents, you must request the information no later than January 3, 2017 to receive them before the Middlefield special meeting and no later than December 15, 2016 to receive them before the Liberty annual meeting.**

Liberty is privately-held and does not file reports with the SEC.

Neither Middlefield nor Liberty has authorized anyone to provide you with information other than the information included in this document and any documents incorporated by reference. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information in this document and any documents incorporated by reference are accurate only as of their respective dates. Each of Middlefield's and Liberty's business, financial condition, results of operations, and prospects could have changed since those dates.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE STOCKHOLDER MEETINGS**

*The following questions and answers cover some of the questions most likely to arise about the stockholder meetings. We urge you to read carefully the remainder of this joint proxy statement/prospectus, including the annexes, because this section does not necessarily contain all information that is important to you.*

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: You are receiving this joint proxy statement/prospectus because Liberty Bank, N.A. ( Liberty ) agreed to merge into The Middlefield Banking Company by the terms of a July 28, 2016 Agreement and Plan of Reorganization (the Reorganization Agreement ) entered into by Liberty, Middlefield Banc Corp. ( Middlefield ), and The Middlefield Banking Company, and to be executed by MBC Interim Bank, an interim state-chartered commercial bank to be incorporated under the laws of the state of Ohio ( MBC Interim Bank ). The Middlefield Banking Company is and will remain a wholly owned subsidiary of Middlefield. Pursuant to the Reorganization Agreement, Liberty and MBC Interim Bank will merge with and into Liberty with Liberty surviving that merger (the Interim Merger ), and immediately thereafter Liberty will merge with and into The Middlefield Banking Company with The Middlefield Banking Company surviving that merger (the Bank Merger, and considered together with the Interim Merger, the Merger ). The Reorganization Agreement is attached to this joint proxy statement/prospectus as Annex A and is an integral part of this joint proxy statement/prospectus. The Merger cannot be completed unless Liberty stockholders and Middlefield Banc Corp. stockholders vote to approve and adopt the Reorganization Agreement and the transactions contemplated by the Reorganization Agreement. This joint proxy statement/prospectus contains important information about the Merger and the stockholder meetings of Middlefield and Liberty. You should read the joint proxy statement/prospectus, including its annexes, carefully. The enclosed proxy voting materials allow you to vote your company's common stock without attending the meeting.

**Q: What will Liberty stockholders receive in the Merger?**

A: Liberty stockholders will receive a combination of cash and Middlefield common stock, in addition to a special dividend of approximately \$3.13 per share in cash immediately prior to the completion of the Merger. Subject to Reorganization Agreement allocation procedures ensuring that approximately 45% of the outstanding Liberty common stock is converted into the right to receive Middlefield common stock and the remaining outstanding Liberty common stock is converted into the right to receive cash, at the effective time of the Merger Liberty common stock not owned by Middlefield will be converted into the right to receive either:

\$37.96 in cash, or

1.1934 shares of Middlefield common stock

On July 27, 2016, which was the day before public announcement of the proposed Merger, the closing price of Middlefield common stock on the Nasdaq Capital Market was \$33.74. Based on that price for the stock portion of the Merger consideration and \$37.96 per share for the cash portion, a Liberty stockholder who receives stock for 45% of

his or her common stock at the 1.1934 fixed exchange ratio and cash for 55% would receive total Merger consideration with an implied value of approximately \$39.00 per share, in addition to a special dividend of approximately \$3.13 per share in cash. As of November 18, 2016, the closing price for Middlefield common stock was \$35.05. At that price and giving effect to the 1.1934 fixed exchange ratio, the implied value of a share of Liberty common stock exchanged for Middlefield common stock is \$41.83. At this more recent price for Middlefield common stock, a Liberty stockholder who receives stock for 45% of his or her shares and cash for 55% would receive total Merger consideration with an implied value of approximately \$39.70 per share.



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Middlefield will not issue fractional shares. Instead, a holder of Liberty common stock who would otherwise be entitled to a fractional share (after taking into account all shares of Liberty common stock owned by the holder at the effective time of the Merger) will receive cash, without interest, in an amount equal to the product of the fractional share to which the holder would otherwise be entitled multiplied by the volume-weighted average closing sale price of Middlefield common stock for the 30 trading days immediately before the effective time.

It is not part of the Merger consideration, but the Reorganization Agreement also provides that Liberty will declare a special dividend to stockholders before the Merger closes (or becomes effective). The special dividend is currently estimated to be approximately \$3.0 million in the aggregate, or \$3.13 per share. Middlefield will receive no Merger consideration for its 23,218 Liberty shares but will be entitled to a proportionate share of the special dividend payment.

### **Q: Will Liberty stockholders be able to make an election for the form of merger consideration they desire to receive?**

A: Yes. If you are a Liberty stockholder you will have the opportunity to elect the form of consideration to be received for your shares, but your election will be subject to adjustment and allocation procedures set forth in the Reorganization Agreement ensuring that approximately 45% of the outstanding Liberty common stock is converted into the right to receive Middlefield common stock and the remaining outstanding Liberty shares are converted into the right to receive cash. Therefore, your ability to receive the cash or stock elections of your choice depends on the elections made by other Liberty stockholders. The allocation of the mix of consideration payable to Liberty stockholders in the Merger will not be known until Middlefield tallies the results of the cash and stock elections made by all Liberty stockholders, which will likely not occur until shortly after Merger closing.

It is unlikely that Liberty stockholders as a group will elect to receive precisely 55% of the Merger consideration in cash and the remainder in Middlefield common stock. For that reason the Reorganization Agreement contains procedures to be followed if Liberty stockholders in the aggregate elect to receive more or less of the Middlefield common stock than Middlefield has agreed to issue

***If Stock Is Oversubscribed:*** If Liberty stockholders elect to receive more shares of Middlefield common stock than Middlefield is issuing, all Liberty stockholders who elect to receive cash or who make no election will receive cash for their Liberty shares; stockholders who elect to receive Middlefield common stock will receive a *pro rata* portion of the available Middlefield shares, receiving cash for shares not converted into Middlefield common stock.

***If Stock Is Undersubscribed:*** If Liberty stockholders elect to receive fewer shares of Middlefield common stock than Middlefield is issuing, all Liberty stockholders who elect to receive Middlefield common stock will receive Middlefield common stock; stockholders who elect to receive cash or who make no election will be treated in the following manner:

if the number of shares held by Liberty stockholders who make no election is sufficient to make up the shortfall in the number of shares of Middlefield common stock that Middlefield is issuing, Liberty stockholders who elect cash will receive cash; stockholders who make no election will receive Middlefield common stock in such proportion as is necessary to make up the shortfall, receiving cash for the remainder, and

if the number of shares held by Liberty stockholders who make no election is not sufficient to make up the shortfall, Liberty stockholders who make no election will receive Middlefield common stock; Liberty stockholders who elect to receive cash will receive Middlefield common stock in such proportion as is necessary to make up the shortfall, receiving cash for the remainder.

**You might not receive the amount of cash or stock you elect. As a result of the allocation procedures and other limitations outlined in this document and in the Reorganization Agreement, you may receive Middlefield common stock or cash in amounts that vary from the amounts you elect to receive.**

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**Q: How do Liberty stockholders make their election to receive cash, Middlefield common stock, or a combination of both?**

A: Each Liberty stockholder of record will receive an election form to be completed and returned. The election deadline will be 5:00 p.m., Eastern Time, on January 3, 2017, which we refer to as the election deadline. A copy of the election form is being mailed separately to Liberty stockholders on or about the date of this joint proxy statement/prospectus.

If you own Liberty shares in street name through a bank, broker, or other nominee and you wish to make an election, you should seek instructions from the bank, broker, or other nominee holding your shares concerning how to make an election. If you do not send in the election form with your stock certificate(s) by the election deadline, you will be treated as though you made no election.

If a Liberty stockholder submits a valid election form and subsequently transfers any or all of the shares as to which an election has been made, that election will continue to apply to those shares in the hands of the transferee unless that election is changed or revoked in a timely fashion in the manner described below.

**Q: Will I be allowed to change my election?**

A: Yes. Until the election deadline you may change your election by submitting to American Stock Transfer & Trust Company, LLC, acting as Exchange Agent, written notice accompanied by a properly completed and signed, revised election form. After the election deadline you will not be allowed to change or revoke your election. If you instructed a bank, broker, or other financial institution to submit an election for your shares, you must follow their directions for changing those instructions.

**Q: What happens if I do not make a valid election to receive cash or Middlefield common stock?**

A: If you do not return a properly completed election form by the election deadline specified in the election form, your Liberty common stock will be considered non-election shares and will be converted into the right to receive the stock consideration or the cash consideration according to the allocation procedures specified in the Reorganization Agreement. Generally, if one form of consideration (cash or Middlefield common stock) is undersubscribed, Liberty common stock for which no election is validly made will be allocated to the undersubscribed form before shares electing the oversubscribed form are allocated to the undersubscribed form. If proration becomes necessary, shares for which a valid election is made will have priority over non-electing shares, although electing a particular form of consideration does not guarantee that your election will be honored in full.

**Q: What are the material U.S. federal income tax consequences of the Merger to Liberty stockholders?**

A: Tucker Ellis LLP has delivered its legal opinion, dated September 26, 2016, to the effect that the Merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended

(which we refer to as the Internal Revenue Code ). In addition, the completion of the Merger is conditioned on receipt of a tax opinion from Tucker Ellis LLP, dated as of the closing date, to the same effect. However, neither Liberty nor Middlefield has requested or received a ruling from the Internal Revenue Service that the Merger will qualify as a reorganization or as to any other aspect of the Reorganization Agreement or the transactions contemplated by it. The U.S. federal income tax consequences of the Merger to a Liberty stockholder will depend on the relative mix of cash and Middlefield common stock received by that Liberty stockholder. Liberty stockholders should not recognize any gain or loss for U.S. federal income tax purposes if they exchange their Liberty shares solely for shares of Middlefield common stock in the Merger, except with respect to cash received in lieu of fractional shares of Middlefield common stock. Liberty stockholders will recognize gain or loss if they exchange their Liberty shares solely for cash in the Merger. Liberty stockholders will recognize gain, but not loss, if they exchange their Liberty shares for a combination of Middlefield common stock and cash, but their taxable gain in that case will not exceed the cash they receive in the Merger. The special dividend is not part of the Merger consideration. It will be taxable to Liberty stockholders as ordinary income, taxable at preferential rates applicable to qualified dividends. Any gain recognized on the Merger consideration and any ordinary

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income from the special dividend could be subject to an additional tax on net investment income, depending on the individual's adjusted gross income, as described below under *THE MERGER Material U.S. Federal Income Tax Consequences Medicare Tax on Net Investment Income*. You should consult with your tax advisor for the specific tax consequences of the Merger and the special dividend to you. See *THE MERGER Material U.S. Federal Income Tax Consequences* on page 73.

**The consequences of the Merger to each Liberty stockholder depend on that stockholder's particular facts and circumstances. Accordingly, you are urged to consult your tax advisor to determine the tax consequences of the Merger to you.**

**Q: Is Liberty allowed to pay dividends before the effective date of the Merger?**

A: Yes. Under the terms of the Reorganization Agreement, Liberty is permitted to pay usual and customary cash dividends. The Reorganization Agreement also requires Liberty to declare a special dividend before closing. The amount of the special dividend may change, but it currently is estimated at approximately \$3.0 million in the aggregate, or \$3.13 per share.

**Q: When and where will the Middlefield and Liberty stockholder meetings be?**

A: Middlefield's special meeting of stockholders will be held at 10:00 a.m., local time, on January 10, 2017 at The Middlefield Banking Company, 15985 East High Street, Middlefield, Ohio 44062. The annual meeting of Liberty stockholders will be held at 9:00 a.m., local time, on December 22, 2016 at Corporate College East, 4400 Richmond Road, Warrensville Heights, Ohio 44128.

**Q: What proposals will be acted on at the Middlefield and Liberty stockholder meetings?**

A: Middlefield stockholders will be asked to (1) approve the transactions under the Reorganization Agreement, (2) approve issuance of up to 563,261 shares of Middlefield common stock in the Merger, (3) approve adjournment of the special meeting to allow additional time for proxy solicitation if there are not sufficient votes to approve the Reorganization Agreement transactions, and (4) vote on any other business properly presented.

Liberty stockholders will be asked to (1) adopt and approve the Reorganization Agreement and approve the transactions contemplated by the Reorganization Agreement, (2) approve adjournment of the annual meeting to allow additional time for proxy solicitation if there are not sufficient votes to adopt and approve the Reorganization Agreement and approve the transactions contemplated by the Reorganization Agreement, (3) elect twelve directors for the term expiring at the earlier of (i) completion of the Merger or (ii) the 2017 annual meeting and until their successors are elected and qualified, (4) ratify the selection of independent auditors, and (5) vote on any other business properly presented.

**Q: What do the Board of Directors of Middlefield and the Board of Directors of Liberty recommend regarding the proposals to be acted on at the stockholder meetings?**

Middlefield's board of directors believes that the Merger and other transactions under the Reorganization Agreement are in the best interests of Middlefield and its stockholders and recommends that Middlefield stockholders vote FOR the proposal to approve the transactions under the Reorganization Agreement, FOR the proposal to issue Middlefield common stock in the Merger, and FOR the proposal to adjourn the special meeting to solicit additional proxies if there are insufficient votes to approve the Reorganization Agreement transactions.

Liberty's board of directors also determined that the Reorganization Agreement is in the best interests of Liberty and its stockholders and recommends that Liberty stockholders vote FOR the proposal to adopt and approve the Reorganization Agreement and approve the transactions contemplated by the Reorganization Agreement and FOR the proposal to adjourn the annual meeting to solicit additional proxies if there are insufficient votes to adopt and approve the Reorganization Agreement and approve the transactions contemplated by the Reorganization Agreement. Regarding the other proposals to be presented at the annual meeting, Liberty's board of directors recommends that stockholders vote FOR election of the identified director nominees and FOR ratification of the selection of the independent auditor.

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**Q: Is my vote needed to adopt and approve the Reorganization Agreement and approve the transactions contemplated by the Reorganization Agreement and to approve the other proposals?**

A: Adoption and approval of the Reorganization Agreement and approval of the transactions contemplated by the Reorganization Agreement requires the affirmative vote of the holders of at least two-thirds of the shares of Liberty common stock outstanding. When Liberty's stockholder meeting is held, if there are insufficient votes to adopt and approve the Reorganization Agreement and approve the transactions contemplated by the Reorganization Agreement the meeting may be adjourned to allow solicitation of additional proxies. The affirmative vote of the holders of a majority of the shares represented at the meeting in person or by proxy and entitled to vote is necessary to approve adjournment. All of Liberty's directors entered into voting agreements with Middlefield as a condition to Middlefield's agreement to the Reorganization Agreement (the "Voting Agreements"), agreeing to vote their Liberty shares in favor of adoption and approval of the Reorganization Agreement and approval of the transactions contemplated by the Reorganization Agreement and in favor of the adjournment proposal. Excluding Liberty shares held by their immediate family members, Liberty's directors collectively own 354,986 shares of Liberty common stock, or approximately 34.3% of the shares outstanding. The form of Voting Agreement is an exhibit to the Reorganization Agreement included as Annex A to this joint proxy statement/prospectus. As a holder of 23,218 shares of Liberty common stock, or 2.2%, Middlefield intends to vote in favor of adoption and approval of the Reorganization Agreement, in favor of the adjournment proposal, in favor of election of the identified director nominees, and in favor of ratifying the selection of independent accountants.

For the proposal to elect directors at Liberty's annual meeting, directors are elected by plurality vote, which means the directors receiving the greatest number of votes are elected. The affirmative vote of the holders of a majority of the shares represented at the meeting in person or by proxy and entitled to vote is necessary to ratify selection of Liberty's independent auditor.

Similar to the approval standard applicable to the Liberty stockholder meeting, approval of the transactions under the Reorganization Agreement by Middlefield stockholders requires the affirmative vote of the holders of at least two-thirds of the shares of Middlefield common stock outstanding. If there are insufficient votes to approve the Reorganization Agreement transactions when Middlefield's stockholder meeting is held, the meeting may be adjourned to allow solicitation of additional proxies. The affirmative vote of the holders of a majority of the votes cast is necessary to approve adjournment. To approve issuance of Middlefield common stock in the Merger, the affirmative vote of a majority of the votes cast is necessary. Middlefield directors did not enter into agreements regarding voting of their shares of Middlefield common stock. Collectively they own approximately 102,153 shares, or approximately 4.6% of Middlefield's outstanding common stock, with the right to acquire 20,674 additional shares.

**Q: How do I vote?**

A: If you were the record holder of Middlefield common stock on the November 17, 2016 record date for the Middlefield special meeting or Liberty common stock on the November 25, 2016 record date for the Liberty annual meeting, you may vote by signing and returning your company's enclosed proxy card in the postage-paid envelope provided. If you are a Middlefield voter, you may vote through the Internet. Information for voting by the Internet is set forth in the enclosed proxy card instructions. You may also vote in person by attending your company's meeting.

If you hold Middlefield or Liberty common stock beneficially through a broker, bank, or other nominee, please see the discussion below regarding shares held in street name.

**Q: What will happen if I fail to vote or if I abstain from voting?**

A: If you are a Liberty stockholder and you do not return a proxy card or vote in person at the Liberty annual meeting or if you mark the proxy card or ballot **ABSTAIN** for the proposal to adopt and approve the Reorganization Agreement and approve the transactions contemplated by the Reorganization Agreement, this will have the same effect as a vote **AGAINST** that proposal. Marking your proxy card or ballot **ABSTAIN** will have the same effect as a vote **AGAINST** the adjournment proposal and the auditor



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ratification proposal. Failure to return your proxy card or vote in person will have no effect on the adjournment proposal, the proposal to elect directors, or the proposal to ratify the auditor selection. If you are a Middlefield stockholder and you do not return a proxy card or vote in person at the Middlefield special meeting or if you mark the proxy card or ballot **ABSTAIN** for the proposal to approve the transactions under the Reorganization Agreement, this will have the same effect as a vote **AGAINST** that proposal, but failing to vote or abstaining will have no effect on the adjournment proposal or the proposal to approve issuance of shares.

**Q: How will my shares be voted if I return a signed proxy card without marking voting instructions?**

A: If you are a Liberty stockholder and you sign, date, and return a proxy card without stating how you want your shares to be voted, your shares will be voted **FOR** adoption and approval of the Reorganization Agreement and approval of the transactions contemplated by the Reorganization Agreement, and if adjournment of the meeting is necessary to allow time for solicitation of additional proxies your shares will be voted **FOR** adjournment. Similarly, your shares will be voted **FOR** election of the identified director nominees and **FOR** ratification of the auditor selection if you return a valid proxy card without giving voting instructions.

If you are a Middlefield stockholder and you sign, date, and return a proxy card without giving voting instructions, your shares will be voted **FOR** approval of the transactions under the Reorganization Agreement and **FOR** approval of the share issuance, and if adjournment of the meeting is necessary to allow time for solicitation of additional proxies your shares will be voted **FOR** adjournment.

**Q: If my shares are held in a stock brokerage account or by a bank or other nominee in street name, will my broker, bank, or other nominee vote shares for me?**

A: No. If you do not provide the broker, bank, or nominee (the record holder of your shares) with instructions for voting your shares, the broker, bank, or other nominee will not be able to vote on any proposal other than ratification of independent auditors. Please follow the broker, bank, or other nominee's directions for giving voting instructions to the broker, bank, or nominee.

if you hold Liberty shares in street name through a broker, bank, or other nominee but do not give voting instructions to the broker, bank, or other nominee, the broker, bank, or other nominee may not vote your shares on the proposal to adopt and approve the Reorganization Agreement and the Merger or the proposal to adjourn the meeting, which broker non-votes will have the same effect as votes **AGAINST** those proposals. Failing to give voting instructions also will prevent the broker, bank, or other nominee from voting on the director election proposal, but directors nevertheless will be elected because directors are elected by a plurality; however, your broker, bank, or other nominee will be able to vote on the auditor ratification proposal without voting instructions,

if you are a Middlefield stockholder but do not give voting instructions to your broker, bank, or other nominee, the broker, bank, or other nominee may not vote your shares on the proposal to approve the transactions under the Reorganization Agreement, which broker non-vote will have the same effect as a vote

**AGAINST** that proposal. Although failing to give voting instructions also will prevent your broker, bank, or other nominee from voting on the proposal to issue common stock or the adjournment proposal, broker non-votes on those proposals have no effect because under Middlefield's regulations the proposals will be decided by a majority of votes actually cast.

Under applicable Financial Industry Regulatory Authority ( FINRA ) and stock exchange rules, brokers who hold shares in street name for a beneficial owner are allowed to vote in their discretion on routine proposals, even without voting instructions from beneficial owners. For proposals stock exchanges consider non-routine, however, brokers are not allowed to exercise voting discretion and cannot vote on those non-routine proposals unless the beneficial owner gives specific voting instructions. Except for the auditor ratification proposal to be acted on at the Liberty stockholder meeting, Middlefield and Liberty believe the

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proposals to be voted on at the stockholder meetings are non-routine and that brokers therefore will not be able to vote without specific voting instructions. Broker non-votes occur when a broker or nominee is not instructed by the beneficial owner of shares to vote on a particular proposal for which the broker does not have discretionary voting power.

**Q: May I change my vote after submitting a proxy?**

A: Yes, but only until a vote is taken. Middlefield stockholders who hold directly, not in street name, may revoke a proxy at any time before a vote is taken by (x) filing a written notice of revocation with Middlefield's Secretary, at 15985 East High Street, Middlefield, Ohio 44062-0035, (y) executing and returning another proxy card with a later date, or (z) attending the meeting and giving notice of revocation in person. Liberty stockholders may revoke a proxy at any time before a vote is taken by (x) filing a written notice of revocation with Liberty's Secretary, at 25201 Chagrin Boulevard, Suite 120, Beachwood, Ohio 44122, (y) executing and returning another proxy card with a later date, or (z) attending the meeting and giving notice of revocation in person. A revocation notice or a later dated proxy will not be effective unless actually received by Liberty prior to the vote.

***Your attendance at the meeting will not, by itself, revoke your proxy.***

If you hold shares in street name and gave voting instructions to the broker, bank, or nominee, you must follow the broker, bank or nominee's directions for changing your vote.

**Q: If I do not favor adoption and approval of the Reorganization Agreement and approval of the transactions contemplated by the Reorganization Agreement, what are my dissenters' rights?**

A: Under federal banking law Liberty stockholders may dissent from the Merger and elect to have the fair market value of their shares appraised, receiving payment for their shares in cash. To assert dissenters' right of appraisal, a stockholder must comply with the provisions of federal law, which include voting against the proposal to adopt and approve the Reorganization Agreement and approve the transactions contemplated by the Reorganization Agreement or giving notice to the presiding officer in writing at or before Liberty's meeting that the stockholder dissents. For more information see *DISSENTERS' RIGHTS* and the copy of the applicable statutory provision included as Annex B to this joint proxy statement/prospectus.

**Q: When will the Merger be completed?**

A: Middlefield and Liberty desire to complete the Merger in the first quarter of 2017, but achieving that goal is contingent on obtaining stockholder approvals and applicable governmental approvals and on satisfying all other conditions precedent to the Merger.

**Q: Should Liberty stockholders send in their share certificates now?**

A: No. Within five business days after the Merger is completed, the Exchange Agent for the Merger will send Liberty stockholders a letter of transmittal with instructions for delivering share certificates to the Exchange Agent. American Stock Transfer & Trust Company, LLC will act as Exchange Agent. Liberty stockholders must use the letter of transmittal to exchange Liberty share certificates for Merger consideration. Do not send in share certificates with your proxy form.

**Q: What do I need to do now?**

A: After carefully reviewing this joint proxy statement/prospectus, including its Annexes, please complete, sign, and date the enclosed proxy card and return it in the enclosed postage-paid envelope as soon as possible. By submitting your proxy, you authorize the individuals named in your company's proxy to vote your shares at your company's meeting of stockholders in accordance with your instructions. ***Your vote is very important. Regardless of whether you plan to attend the meeting, please submit your proxy with voting instructions to ensure that your shares are voted.***

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**Q: Are there risks that I should consider in deciding whether to vote in favor of the Reorganization Agreement and the other proposals?**

A: Yes. You should read and carefully consider the section of this joint proxy statement/prospectus captioned *RISK FACTORS*, which begins on page 28.

**Q: Who can answer my questions?**

A: If you have questions about the Merger or desire additional copies of this joint proxy statement/prospectus or additional proxy cards, please contact your company or its proxy solicitor at the applicable address below:

**Middlefield stockholders:**

Middlefield Banc Corp.

Attention: Investor Relations

15985 East High Street

P.O. Box 35

Middlefield, Ohio 44062-0035

(440) 632-1666

D.F. King & Co. (Middlefield's Proxy Solicitor)

48 Wall Street

New York, New York 10005

Toll-Free: (800) 967-5084

**Liberty stockholders:**

Liberty Bank, N.A.

Attention: Stockholder Relations

25201 Chagrin Boulevard, Suite 120

Beachwood, Ohio 44122

(216) 359-5500

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**SUMMARY**

*This summary highlights selected information from this joint proxy statement/prospectus. It does not necessarily contain all of the information that is important to you. You should read carefully this entire document, including its Annexes, and all other documents to which this joint proxy statement/prospectus refers before you decide how to vote. This summary includes page references directing you to more detailed information.*

**The Companies**

**Middlefield Banc Corp.**

15985 East High Street

P.O. Box 35

Middlefield, Ohio 44062-0035

Phone: (440) 632-1666

Middlefield is a one-bank holding company. Middlefield's principal subsidiary is The Middlefield Banking Company, an Ohio-chartered, nonmember commercial bank. Middlefield's other subsidiary, EMORECO Inc., is an asset resolution corporation dedicated to the resolution and disposition of troubled assets of a central-Ohio bank that Middlefield acquired in 2007, specifically nonperforming loans and other real estate owned (OREO) held by the acquired bank as the result of borrower defaults on real estate-secured loans. That bank, Emerald Bank, operated as a separate subsidiary of Middlefield from 2007 through 2013, merging into The Middlefield Banking Company on January 20, 2014. At the end of September 2016 The Middlefield Banking Company had total assets of \$760.6 million and more than 140 employees.

The Middlefield Banking Company offers a broad range of banking services, including online banking and bill payment services for individuals and online cash management services for business customers at [www.middlefieldbank.com](http://www.middlefieldbank.com). The Middlefield Banking Company's customers are small and medium-sized businesses, professionals, small business owners, and retail customers. Loan products include operational and working capital loans, loans to finance capital purchases, term business loans, residential construction loans, selected guaranteed or subsidized loan programs for small businesses, professional loans, residential and mortgage loans, and consumer installment loans to purchase automobiles or boats, make home improvements, and for other personal expenditures. The bank makes available customary deposit-related products and services, such as checking, savings, negotiable order of withdrawal accounts, money market accounts, time certificates of deposit, safe deposit facilities, and travelers' checks.

The Middlefield Banking Company operates in two distinct and very competitive markets, one in the northeastern Ohio counties of Geauga, Portage, Trumbull, Ashtabula, and Lake. The other market is central Ohio, specifically the Columbus area and Franklin County, the result of the 2007 acquisition of Emerald Bank. Ohio has a high concentration of financial service firms, many of which are significantly larger institutions with greater financial resources. Savings banks, savings and loan associations, commercial banks, mortgage banking companies, credit unions, insurance companies and other financial service companies compete to make loans. Savings and loan associations, savings banks, commercial banks, and credit unions compete for deposits, but non-depository entities such as mutual funds, securities and brokerage firms, and insurance companies also compete for depositors' funds.

The Middlefield Banking Company's operations have historically been concentrated in the area east of Liberty's market, in largely rural areas with a large Amish population. The Middlefield Banking Company's business originated in this market and was not an outgrowth of the nearby Cleveland-area or Akron-area markets. This includes Geauga County, where The Middlefield Banking Company's business began in 1901 and where four of its ten offices are located, and northern Portage County, where two offices are located, with a

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seventh office in Cortland in Trumbull County, an office in Orwell in southern Ashtabula County, and two offices in central Ohio, in Franklin County. The Middlefield Banking Company's eleventh banking office opened in October 2016 in Sunbury, also in central Ohio, in Delaware County. It also has a loan production office in Mentor, in Lake County. The Middlefield Banking Company's northeast Ohio market adjoins the market of Liberty, which is to the immediate west.

Middlefield common stock trades on the Nasdaq Capital Market under the symbol **MBCN**. Middlefield is subject to reporting requirements under the Securities Exchange Act of 1934, filing annual, quarterly, and current reports, proxy statements, and other information with the SEC.

### **Liberty Bank, N.A.**

25201 Chagrin Boulevard, Suite 120

Beachwood, Ohio 44122

Phone: (216) 359-5500

Liberty is a national bank established in October 1990. Liberty currently has approximately 40 employees. Liberty's three bank offices are in Twinsburg in northern Summit County and Beachwood and Solon in eastern Cuyahoga County, Ohio. Liberty common stock is not listed on an exchange or traded over the counter. From inception, Liberty has been associated with the Akron and Cleveland business community and has sought to be a community banking resource for individuals and small business customers seeking the personalized service and local decision-making that distinguish community banks from the much larger regional and national banking institutions dominating the banking markets in Akron and Cleveland.

After the Merger, The Middlefield Banking Company will conduct through Liberty's three bank offices the typical community banking business The Middlefield Banking Company has conducted through its offices since 1901. Both banks are community banks, and although Liberty serves the credit and deposit needs not only of local small businesses but also individuals, Liberty's identity, its physical branch presence, and its marketing focus are more characteristic of a small business bank. The Middlefield Banking Company actively seeks to serve the lending and deposits needs not only of business customers but also individuals, for example individuals seeking home mortgage credit who do not have a preexisting commercial borrowing or deposit relationship with The Middlefield Banking Company. Middlefield believes the Merger will have the consequence of Liberty's office locations being occupied by a community bank with a broader customer focus, with more active consumer marketing of The Middlefield Banking Company's products and services in its new market in Cuyahoga County and Summit County.

### **The Reorganization Agreement (page 78)**

If all of the Reorganization Agreement conditions are satisfied or waived, Liberty will merge into The Middlefield Banking Company, with The Middlefield Banking Company surviving. The Reorganization Agreement is Annex A to this joint proxy statement/prospectus and forms part of this joint proxy statement/prospectus. ***We encourage you to read the Reorganization Agreement carefully. It is the principal legal document governing the Merger.*** Immediately before Liberty merges into The Middlefield Banking Company, an interim bank subsidiary organized by Middlefield will merge into Liberty, with Liberty surviving momentarily before Liberty immediately thereafter merges into The Middlefield Banking Company.





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### **What Liberty stockholders will receive in the Merger (page 79)**

Liberty stockholders will be entitled to receive from Middlefield a combination of cash and Middlefield common stock when the Merger is completed, in addition to a special dividend of approximately \$3.13 per share in cash immediately prior to the completion of the Merger. Subject to allocation procedures in the Reorganization Agreement ensuring that approximately 45% of the outstanding Liberty common stock is converted into Middlefield common stock and the remaining outstanding Liberty common stock is converted into cash, at the effective time of the Merger Liberty common stock not owned by Middlefield will be converted into the right to receive either:

\$37.96 in cash, or

1.1934 shares of Middlefield common stock

Liberty stockholders will own up to approximately 20% of the Middlefield common stock outstanding after the Merger. Middlefield will not issue fractional shares. Instead, a holder of Liberty common stock who would otherwise be entitled to a fractional share (after taking into account all Liberty common stock owned by the holder at the effective time of the Merger) will receive cash, without interest, equal to the product of the fractional share to which the holder would otherwise be entitled multiplied by the volume-weighted average closing sale price of Middlefield common stock for the 30 trading days immediately before the effective time.

It technically is not part of the Merger consideration, but pursuant to the Reorganization Agreement, Liberty must declare a special dividend to stockholders before Merger closing. The special dividend is currently estimated to be approximately \$3.0 million in the aggregate, or \$3.13 per share. Middlefield will not receive Merger consideration for its 23,218 Liberty shares but will be entitled to a proportionate share of the special dividend payment.

### **What holders of Liberty stock options and phantom shares will receive (page 79)**

Liberty's compensation arrangements for officers and employees include equity-based awards, including stock options and phantom awards. There are option awards outstanding for 13,572 shares, all of which are vested, including options held by Liberty's Chief Credit Officer to acquire a total of 4,000 shares. At the effective time of the Merger each outstanding and unexercised option to purchase Liberty common stock will be cancelled in exchange for a cash payment equal to (x) the positive difference between \$41.09 and the exercise price of the option, multiplied by (y) the number of shares of Liberty common stock acquirable by option exercise. There are also outstanding 2,000 phantom share awards made in 2013. The phantom share awards consist of the right to a cash payment equal to the positive difference between Liberty's stock value on December 31, 2016 and the stock value on the award date, multiplied by the number of phantom shares awarded, with value being determined by Liberty's board of directors. The total cash payment for cancellation of the options and phantom awards is estimated to be \$161,931, of which \$62,986 is payable to Liberty's Chief Credit Officer. The \$41.09 figure is the sum of the \$37.96 per share cash Merger consideration and the \$3.13 per share special dividend.

### **Exchange of Liberty common stock certificates (page 79)**

When the Merger is complete, acting as exchange agent, American Stock Transfer & Trust Company, LLC will mail to Liberty stockholders transmittal materials and instructions for exchanging Liberty share certificates for Middlefield common stock to be issued by book-entry transfer.



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**Liberty annual meeting of stockholders (page 34)**

The Liberty annual meeting of stockholders will be held at 9:00 a.m., local time, on December 22, 2016 at Corporate College East, 4400 Richmond Road, Warrensville Heights, Ohio 44128 for the purpose of considering and voting on proposals to

adopt and approve the Reorganization Agreement and approve the transactions contemplated by the Reorganization Agreement,

adjourn the annual meeting if adjournment is necessary to allow solicitation of additional proxies because of insufficient votes to adopt and approve the Reorganization Agreement,

elect twelve directors to serve until the earlier of (i) completion of the Merger or (ii) the 2017 annual meeting and until their successors are elected and qualified,

ratify the appointment of Maloney + Novotny LLC as independent public accountants for the fiscal year ending December 31, 2016, and

transact any other business properly presented at the meeting or at any adjournment or postponement. The Liberty board of directors currently is not aware of any other business to be presented at the meeting. You are entitled to vote at the annual meeting if you owned Liberty common stock as of the close of business on the November 25, 2016 record date. As of that date a total of 1,035,272 shares of Liberty common stock were outstanding and eligible to vote at the Liberty annual meeting.

**Middlefield special meeting of stockholders (page 44)**

A special meeting of stockholders of Middlefield will be held at 10:00 a.m., local time, on January 10, 2017 at The Middlefield Banking Company, 15985 East High Street, Middlefield, Ohio, 44062 for the purpose of considering and voting on proposals to

approve the transactions under the Reorganization Agreement,

issue up to 563,261 shares of Middlefield common stock in the Merger,

adjourn the special meeting if adjournment is necessary to allow solicitation of additional proxies because of insufficient votes to adopt and approve the Reorganization Agreement, and

transact any other business properly presented at the special meeting or any adjournment or postponement. The Middlefield board of directors currently is not aware of any other business to be presented at the meeting.

You are entitled to vote at the special meeting if you owned Middlefield common stock as of the close of business on the November 17, 2016 record date. As of that date a total of 2,250,893 shares were outstanding and eligible to vote at the Middlefield special meeting.

**Required vote (pages 34, 44)**

*Liberty.* A quorum will exist at Liberty's annual meeting if a majority of the outstanding common stock is represented in person or by proxy. The Reorganization Agreement will be adopted and approved and the transactions contemplated by the Reorganization Agreement will be approved if they receive the affirmative vote of the holders of at least two-thirds of Liberty's outstanding common stock. If there are insufficient votes to adopt and approve the Reorganization Agreement and approve the transactions contemplated by the Reorganization Agreement when the meeting is held, the meeting may be adjourned to allow solicitation of additional proxies. The affirmative vote of the holders of a majority of the shares represented at the meeting in person or by proxy and entitled to vote is necessary to approve adjournment.

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All of Liberty's directors agreed to vote their Liberty shares in favor of adoption and approval of the Reorganization Agreement and approval of the transactions contemplated by the Reorganization Agreement, in favor of the adjournment proposal and in favor of entering into voting agreements with Middlefield as a condition to Middlefield's agreement to enter into the Reorganization Agreement ( Voting Agreements ). Excluding Liberty shares held by their immediate family members, Liberty's directors collectively own 354,986 shares of Liberty common stock, or approximately 34.3% of the shares outstanding. The form of Voting Agreement is an exhibit to the Reorganization Agreement attached as Annex A to this joint proxy statement/prospectus. As a group, Liberty's directors, executive officers, and affiliates own 357,889 shares of Liberty common stock, or 34.6% of shares outstanding, with the right to acquire an additional 4,000 shares. As a holder of 23,218 shares of Liberty common stock, or 2.2%, Middlefield intends to vote in favor of adoption and approval of the Reorganization Agreement and approval of the transactions contemplated under the Reorganization Agreement and in favor of the adjournment proposal.

For the proposal to elect directors at Liberty's annual meeting, directors are elected by plurality vote, which means the directors receiving the greatest number of votes are elected. The affirmative vote of the holders of a majority of the shares represented at the meeting in person or by proxy and entitled to vote is necessary to ratify selection of Liberty's independent auditor. Middlefield intends to vote in favor of electing the director nominees identified in this joint proxy statement/prospectus and in favor of ratifying the selection of Liberty's independent auditor.

*Middlefield.* A quorum at Middlefield's special meeting is a majority of the shares outstanding, whether present in person or by proxy. The Reorganization Agreement will be adopted and approved if it receives the affirmative vote of the holders of at least two-thirds of Middlefield's outstanding common stock. If there are insufficient votes to adopt and approve the Reorganization Agreement when the meeting is held, the meeting may be adjourned to allow solicitation of additional proxies. The affirmative vote of the holders of a majority of the votes cast is necessary to approve adjournment. To approve issuance of Middlefield common stock in the Merger, the affirmative vote of a majority of the votes cast is necessary.

As a group, Middlefield's directors, executive officers, and affiliates own 106,138 shares of Middlefield common stock, or 4.72% of shares outstanding, with the right to acquire 28,249 additional shares.

**Recommendation to Liberty stockholders (page 55)**

Liberty's board of directors unanimously approved the Reorganization Agreement and the transactions contemplated by the Reorganization Agreement. Liberty's board believes the Merger is in the best interests of Liberty and its stockholders. The board unanimously recommends that Liberty stockholders vote **FOR** adoption and approval of the Reorganization Agreement and approval of the transactions contemplated by the Reorganization Agreement and, if the adjournment proposal is presented for a vote, **FOR** adjournment to allow additional proxy solicitation. Liberty's board considered many factors in this decision, which are described in the section captioned *THE MERGER Background of the Merger* beginning on page 49 and *THE MERGER Liberty's Reasons for the Merger* beginning on page 53 of this joint proxy statement/prospectus. Liberty's board also recommends that stockholders vote **FOR** election of the identified director nominees and **FOR** ratification of the selection of independent accountants.

**Opinion of Liberty's Financial Advisor (page 55)**

On July 27, 2016 Liberty's financial advisor, Boenning & Scattergood, Inc. ( Boenning ), delivered to Liberty's board of directors a written opinion concerning the fairness, from a financial point of view, of the Merger consideration to be received by the holders of Liberty common stock. The full text of the opinion,



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describing the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Boenning, is attached as Annex C to this joint proxy statement/prospectus.

**Boenning's opinion was for the information of and was directed to Liberty's board for the board's consideration of the financial terms of the Merger. The opinion does not pertain to Liberty's underlying business decision to engage in the Merger or enter into the Reorganization Agreement. The opinion does not constitute a recommendation to the Liberty board regarding the Merger and it does not constitute a recommendation to any holder of Liberty common stock or any stockholder of any other entity regarding how to vote on the Merger or on any other proposal.**

### **Recommendation to Middlefield stockholders (page 63)**

Middlefield's board of directors also unanimously approved the Reorganization Agreement. Middlefield's board believes the Merger is in the best interests of Middlefield and its stockholders. The board unanimously recommends that Middlefield stockholders vote **FOR** approval of the transactions contemplated by the Reorganization Agreement, **FOR** issuance of up to 563,261 shares of common stock in the Merger, and **FOR** adjournment to allow additional proxy solicitation if the adjournment proposal is presented for a vote. In reaching this decision Middlefield's board of directors considered many factors as described in the section captioned *THE MERGER Background of the Merger* beginning on page 49 and *THE MERGER Middlefield's Reasons for the Merger* beginning on page 62 of this joint proxy statement/prospectus.

### **Opinion of Middlefield's Financial Advisor (page 63)**

Middlefield's financial advisor, Donnelly Penman & Partners Inc., delivered to Middlefield's board of directors a July 27, 2016 opinion concerning the fairness to Middlefield stockholders, from a financial point of view, of the consideration being paid. Describing the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Donnelly Penman & Partners Inc., the full text of the opinion is attached as Annex D to this joint proxy statement/prospectus.

**Donnelly Penman & Partners Inc.'s opinion was for the information of and was directed to Middlefield's board for its consideration of the financial terms of the Merger. The opinion does not pertain to Middlefield's underlying business decision to engage in the Merger or enter into the Reorganization Agreement. The opinion does not constitute a recommendation to the Middlefield board regarding the Merger and it does not constitute a recommendation to any Middlefield stockholder regarding how to vote on the Merger or on any other proposal.**

### **Material U.S. federal income tax consequences (page 73)**

The U.S. federal income tax consequences of the Merger to a Liberty stockholder will depend on the relative mix of cash and Middlefield common stock received by such Liberty stockholder. Liberty stockholders should not recognize any gain or loss for U.S. federal income tax purposes if they exchange their Liberty shares solely for shares of Middlefield common stock in the Merger, except with respect to cash received in lieu of fractional shares of Middlefield common stock. Liberty stockholders will recognize gain or loss if they exchange their Liberty shares solely for cash in the Merger. Liberty stockholders will recognize gain, but not loss, if they exchange their Liberty shares for a combination of Middlefield common stock and cash, but their taxable gain in that case will not exceed the cash they receive in the Merger. **The tax consequences of the Merger to each Liberty stockholder will depend on such Liberty stockholder's own situation. Liberty stockholders should consult with their own tax advisors for a full understanding of the tax consequences of the Merger to them.** Tucker Ellis LLP has delivered a tax opinion,



dated September 26, 2016, to the effect that the Merger qualifies as a reorganization under Section 368(a) of the Internal Revenue Code. In addition, the completion of

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the Merger is conditioned on receipt of a tax opinion from Tucker Ellis LLP, dated the closing date, to the same effect as the opinion described in the preceding sentence. The opinion will not bind the Internal Revenue Service, which could take a different view.

See *THE MERGER Material U.S. Federal Income Tax Consequences* for a more detailed discussion of the tax consequences of the Merger.

**Interests of directors and certain executive officers of Liberty (page 72)**

Directors and certain executive officers of Liberty have employment and other compensation agreements or economic interests that give them interests in the Merger that are somewhat different from or in addition to their interests as Liberty stockholders. These interests and agreements include:

two members of the Liberty board of directors will be appointed to Middlefield's board of directors. These directors are Chairman, President, and CEO William A. Valerian and Director Thomas W. Bevan,

all outstanding stock options issued by Liberty to officers and employees will be cancelled in exchange for cash equal to (x) the positive difference between \$41.09 and the exercise price of the option, multiplied by (y) the number of shares of Liberty common stock acquirable by option exercise; of the \$161,931 total payable in cancellation of options and phantom stock, \$62,986 will be paid to Senior Vice President and Chief Credit Officer Craig E. Reay. Mr. Valerian's son holds 1,000 phantom shares, which will be cancelled in exchange for \$15,200 in cash,

Liberty's CEO William A. Valerian and CFO Richard C. Ebner have employment agreements with Liberty. The employment agreements provide that they are entitled to a payment equal to 2.5 times salary when a change in control occurs, payable in equal installments over 30 months, plus payments for the cost of life insurance, long-term disability, and medical benefits over those 30 months. The Merger will constitute a change in control under those employment agreements. Mr. Valerian's total payments are estimated to be \$929,502 and Mr. Ebner's are estimated to be \$716,900,

certain Liberty officers will receive retention bonuses to remain with Liberty through consummation of the Merger,

the Reorganization Agreement provides that Middlefield will consult with Liberty about forming a Northeast Ohio Advisory Board, which would include some of Liberty's current directors, and

the Reorganization Agreement preserves for six years the rights of Liberty's officers and directors to continued indemnification coverage and continued coverage under directors' and officers' liability insurance policies. Each of Middlefield's and Liberty's board of directors was aware of these interests and considered them in approving the Reorganization Agreement and the transactions contemplated by the Reorganization Agreement. See *THE MERGER Interests of Liberty Directors and Executive Officers in the Merger* beginning on page 72 of this joint

proxy statement/prospectus.

**Dissenters' rights of Liberty stockholders (page 48)**

The National Bank Act gives Liberty stockholders the right to dissent from the Merger and elect to have the fair market value of their shares appraised, receiving payment for their shares in cash. To assert dissenters' rights of appraisal, a stockholder must comply with the requirements of the National Bank Act, which include voting against the proposal to adopt and approve the Reorganization Agreement and approve the transactions contemplated by the Reorganization Agreement or giving notice in writing at or before Liberty's meeting that the

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stockholder dissents by giving notice to the presiding officer. For more information, see *DISSENTERS RIGHTS* and the copy of the applicable statutory provision attached as Annex B to this joint proxy statement/prospectus.

A Liberty stockholder who has questions regarding dissenters' rights should consult his or her legal advisers.

### **Differences in stockholder rights (page 91)**

Liberty stockholders who receive Middlefield common stock will be Middlefield stockholders when the Merger is completed. As such, their rights will be governed by Middlefield's Second Amended and Restated Articles of Incorporation and Regulations, as well as Ohio law. For a summary of significant differences between the rights of Middlefield stockholders and the rights of Liberty stockholders, see *COMPARISON OF RIGHTS OF LIBERTY AND MIDDLEFIELD STOCKHOLDERS* beginning on page 91 of this joint proxy statement/prospectus.

### **Conditions to the Merger (page 88)**

As more fully described in this joint proxy statement/prospectus and in the Reorganization Agreement, completion of the Merger depends on adoption and approval of the Reorganization Agreement by Middlefield stockholders and by Liberty stockholders, and satisfaction or waiver of other customary merger closing conditions. Middlefield and Liberty desire to complete the Merger in the first quarter of 2017. See *THE REORGANIZATION AGREEMENT Conditions to the Merger* beginning on page 88 of this joint proxy statement/prospectus.

### **Termination; Termination Fee (page 89)**

The Reorganization Agreement may be terminated before the effective time of the Merger, whether before or after approval by Liberty stockholders and Middlefield stockholders:

by mutual written consent of Middlefield and Liberty,

by either Middlefield or Liberty if the other party breaches its covenants or representations and warranties and the breach is not cured within 30 days after written notice or by its nature cannot be cured (provided the terminating party is not also in breach of its covenants or representations and warranties),

by either Middlefield or Liberty if the Merger does not occur by May 30, 2017 (or a later date the parties may agree to), unless the failure to close by that date is the result of the terminating party's breach of covenants or representations and warranties in the Reorganization Agreement,

by either Middlefield or Liberty if the Liberty stockholders or the Middlefield stockholders do not vote to approve the Reorganization Agreement,

by either party if a required governmental approval is denied by final, non-appealable action, or if a governmental entity issues a final, non-appealable order, injunction, or ruling enjoining or otherwise prohibiting consummation of the Merger,

by Middlefield if Liberty becomes subject to a formal bank regulatory enforcement action,

by Middlefield if Liberty's board fails to recommend adoption and approval of the Reorganization Agreement to Liberty stockholders or withdraws or adversely changes the recommendation in favor of the Reorganization Agreement, or if Liberty accepts a competing acquisition proposal, and

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by Liberty if it accepts a superior acquisition proposal, but Liberty's termination right is conditioned on Liberty giving to Middlefield notice of the superior proposal and the opportunity to modify Middlefield's merger proposal.

Liberty may be required to pay a termination fee of \$1.65 million to Middlefield if (i) the Reorganization Agreement is terminated as described in the seventh and eighth bullet points above or (ii) if a competing acquisition proposal is made known to Liberty, Middlefield subsequently terminates the Reorganization Agreement, and Liberty enters into a definitive agreement relating to the competing acquisition proposal within one year of the termination of the Reorganization Agreement. See *THE REORGANIZATION AGREEMENT Termination; Termination Fee* beginning on page 89.

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**SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL DATA**

The following unaudited pro forma condensed combined consolidated balance sheet as of September 30, 2016 and the unaudited pro forma condensed combined consolidated statements of income for the nine months ended September 30, 2016 and for the year ended December 31, 2015 are based on the historical financial statements of Middlefield and Liberty after giving effect to the Merger. The Merger will be accounted for using the acquisition method of accounting in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 805, Business Combinations ( ASC 805 ).

The unaudited pro forma condensed combined consolidated statements of income for the nine months ended September 30, 2016 and for the year end December 31, 2015 give effect to the Merger as of the beginning of all periods presented. The unaudited pro forma condensed combined consolidated balance sheet as of September 30, 2016 assumes that the Merger took place on September 30, 2016.

The unaudited condensed combined consolidated balance sheet and statement of income as of and for the nine months ended September 30, 2016 were derived from Middlefield s unaudited condensed financial statements and Liberty s unaudited condensed financial statements and as of and for the nine months ended September 30, 2016. The unaudited condensed statement of income for the year ended December 31, 2015 was derived from Middlefield s and Liberty s audited statements of income for the year ended December 31, 2015.

The pro forma condensed combined consolidated financial statements reflect management s best estimate of the fair value of the tangible and intangible assets acquired and liabilities assumed. As final valuations are performed, increases or decreases in the fair value of assets acquired and liabilities assumed will result in adjustments, which may be material, to the balance sheet and/or statement of income.

As required, the unaudited pro forma condensed combined consolidated financial data includes adjustments which give effect to the events that are directly attributable to the Merger, expected to have a continuing impact and are factually supportable. We expect that we will incur reorganization and restructuring expenses as a result of combining our companies. We also anticipate that the Merger will provide the combined company with financial benefits that include reduced operating expenses (as compared to the sum of expenses from each company while operating separately) and the opportunity to earn more revenue. The pro forma information does not take into account these expected expenses or anticipated financial benefits, and does not attempt to predict or suggest future results.

The unaudited pro forma condensed combined consolidated financial statements are provided for informational purposes only and are subject to a number of uncertainties and assumptions and do not purport to represent what the companies actual performance or financial position would have been had the Merger occurred on the dates indicated and does not purport to indicate the financial position or results of operations as of any date or for any future period.

Please refer to the following information in conjunction with the accompanying notes to these pro forma financial statements and the historical financial statements and the accompanying notes thereto and the section MANAGEMENT S DISCUSSION AND ANALYSIS OF MIDDLEFIELD S FINANCIAL CONDITION AND RESULTS OF OPERATIONS in this joint proxy statement/prospectus.

**The unaudited pro forma stockholders equity and net income are qualified by the statements set forth under this caption and should not be considered indicative of the market value of Middlefield common stock or the actual or future results of operations of Middlefield for any period. Actual results may be materially different from the pro forma information presented.**





**Table of Contents****UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED BALANCE SHEET****AS OF SEPTEMBER 30, 2016**

(Dollars in Thousands, Except Per Share Amounts)

	<b>HISTORICAL</b>				
	<b>Middlefield</b>				
	<b>Banc Corp.</b>	<b>Liberty Bank, N.A.</b>	<b>Pro Forma Adjustments</b>		<b>Combined Pro Forma</b>
<b>ASSETS</b>					
Cash and due from banks	\$ 21,976	\$ 22,804	\$ (2,933)	<b>A</b>	\$ 32,627
			(1,487)	<b>B</b>	
			(7,166)	<b>C</b>	
			(567)	<b>D</b>	
Fed funds sold	1,300				1,300
<b>Cash and cash equivalents</b>	<b>23,276</b>	<b>22,804</b>	<b>(12,153)</b>		<b>33,927</b>
Investment securities available for sale, at fair value	123,054		(580)	<b>E</b>	122,474
Loans held for sale	880	358			1,238
Loans	586,329	197,400	(3,860)	<b>F</b>	779,869
Less allowance for loan and lease losses	6,334	3,276	(3,276)	<b>G</b>	6,334
<b>Net loans</b>	<b>579,995</b>	<b>194,124</b>	<b>(584)</b>		<b>773,535</b>
Premises and equipment, net	9,921	358			10,279
Goodwill	4,559		11,357	<b>H</b>	15,916
Core deposit intangibles	46		582	<b>I</b>	628
Bank owned life insurance	13,438	1,653			15,091
Other real estate owned	1,205				1,205
Accrued interest and other assets	5,884	2,171	79	<b>J</b>	8,134
<b>TOTAL ASSETS</b>	<b>\$ 762,258</b>	<b>\$ 221,468</b>	<b>\$ (1,299)</b>		<b>\$ 982,427</b>
<b>LIABILITIES</b>					
Noninterest-bearing demand	\$ 136,320	\$ 29,515			\$ 165,835
Interest-bearing demand	67,061	30,197			97,258
Money market	77,774	82,886			160,660
Savings	173,272	9,953			183,225
Time	184,915	35,689	224	<b>K</b>	220,828
<b>Total deposits</b>	<b>639,342</b>	<b>188,240</b>	<b>224</b>		<b>827,806</b>
Short-term borrowings	32,803				32,803
Other borrowings	9,713		12,000	<b>L</b>	21,713
Accrued interest and other liabilities	2,208	1,806			4,014
<b>TOTAL LIABILITIES</b>	<b>\$ 684,066</b>	<b>\$ 190,046</b>	<b>\$ 12,224</b>		<b>\$ 886,336</b>

<b>EQUITY</b>					
Common stock	\$ 47,812	\$ 9,603	\$ (9,603)	<b>M</b>	\$ 65,887
			18,075	<b>N</b>	
Surplus / additional paid in capital		16,977	(16,977)	<b>M</b>	
Retained earnings	40,282	4,842	(4,842)	<b>M</b>	40,106
			(567)	<b>D</b>	
			391	<b>E</b>	
Accumulated other comprehensive income	3,616				3,616
Treasury stock	(13,518)				(13,518)
<b>TOTAL STOCKHOLDERS EQUITY</b>	\$ 78,192	\$ 31,422	\$ (13,523)		\$ 96,091
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>					
	\$ 762,258	\$ 221,468	\$ (1,299)		\$ 982,427

*See accompanying notes to the unaudited pro forma condensed combined consolidated financial statements.*

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**UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED STATEMENT OF INCOME  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Dollars in Thousands, Except Per Share Amounts)

	<b>HISTORICAL</b>				<b>Combined Pro Forma</b>
	<b>Middlefield Banc Corp.</b>	<b>Liberty Bank, N.A.</b>	<b>Pro Forma Adjustments</b>		
<b>INTEREST INCOME</b>					
Interest and fees on originated loans	\$ 18,949	\$ 7,202	\$ 271	<b>F</b>	\$ 26,422
Interest-bearing deposits in other institutions	42	119			161
Federal funds sold	16				16
Investment securities:	3,092				3,092
Dividends on stock	74	34			108
<b>Total interest income</b>	<b>22,173</b>	<b>7,355</b>	<b>271</b>		<b>29,799</b>
<b>INTEREST EXPENSE</b>					
Deposits	2,665	621	(146)	<b>K</b>	3,140
Short-term borrowings	282				282
Other borrowings	53		348	<b>L</b>	401
Trust preferred securities	117				117
<b>Total interest expense</b>	<b>3,117</b>	<b>621</b>	<b>202</b>		<b>3,940</b>
<b>Net interest income</b>	<b>19,056</b>	<b>6,734</b>	<b>69</b>		<b>25,859</b>
Provision for loan losses	315				315
<b>Net interest income after provision for loan and lease losses</b>	<b>18,741</b>	<b>6,734</b>	<b>69</b>		<b>25,544</b>
<b>NONINTEREST INCOME</b>					
Service charges on deposit accounts	1,443	240			1,683
Investment securities gains, net	303				303
Earnings on bank-owned life insurance	298	27			325
Gains on sale of loans	322	530			852
Other income	693	285			978
<b>Total noninterest income</b>	<b>3,059</b>	<b>1,082</b>			<b>4,141</b>
<b>NONINTEREST EXPENSE</b>					
Salaries and employee benefits	7,740	3,258			10,998
Occupancy expense	933	390			1,323
Equipment expense	700	152			852

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Data processing costs	928	315			1,243
Core deposit intangible amortization	30		50	<b>I</b>	80
Other expense	5,584	1,185			6,769
<b>Total noninterest expense</b>	<b>15,915</b>	<b>5,300</b>	<b>50</b>		<b>21,265</b>
Income before taxes	5,885	2,516	19		8,420
Income taxes	1,129	856	7	<b>O</b>	1,992
<b>NET INCOME</b>	<b>\$ 4,756</b>	<b>\$ 1,660</b>	<b>\$ 12</b>		<b>\$ 6,428</b>
Less: Income attributable to common stock subject to possible conversion					
Pro forma net income attributable to common stock not subject to possible conversion	\$ 4,756	\$ 1,660	\$ 12		\$ 6,428
Pro forma net income per common share basic	\$ 2.31	\$ 1.73			\$ 2.59
Pro forma net income per common share diluted	2.30	1.71			2.58
Weighted average number of shares outstanding basic	2,059,656	959,115	515,695	<b>N</b>	2,480,352
Weighted average number of shares outstanding diluted	2,068,532	969,433	515,695	<b>N</b>	2,488,874

*See accompanying notes to the unaudited pro forma condensed combined financial statements.*

**Table of Contents****UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED STATEMENT OF INCOME  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

(Dollars in Thousands, Except Per Share Amounts)

	<b>HISTORICAL</b>				<b>Combined Pro Forma</b>
	<b>Middlefield Banc Corp.</b>	<b>Liberty Bank, N.A.</b>	<b>Pro Forma Adjustments</b>		
<b>INTEREST INCOME</b>					
Interest and fees on originated loans	\$ 23,824	\$ 8,282	\$ 359	<b>F</b>	\$ 32,465
Interest-bearing deposits in other institutions	33	91			124
Federal funds sold	13				13
Investment securities:	4,627				4,627
Dividends on stock	98	66			164
<b>Total interest income</b>	<b>28,595</b>	<b>8,439</b>	<b>359</b>		<b>37,393</b>
<b>INTEREST EXPENSE</b>					
Deposits	3,426	950	(167)	<b>K</b>	4,209
Short-term borrowings	194				194
Other borrowings	83		464	<b>L</b>	547
Trust preferred securities	117				117
<b>Total interest expense</b>	<b>3,820</b>	<b>950</b>	<b>297</b>		<b>5,067</b>
<b>Net interest income</b>	<b>24,775</b>	<b>7,489</b>	<b>62</b>		<b>32,326</b>
Provision for loan losses	315				315
<b>Net interest income after provision for loan and lease losses</b>	<b>24,460</b>	<b>7,489</b>	<b>62</b>		<b>32,011</b>
<b>NONINTEREST INCOME</b>					
Service charges on deposit accounts	1,874	282			2,156
Investment securities gains, net	323				323
Earnings on bank-owned life insurance	624	54			678
Gains on sale of loans	329	476			805
Other income	894	330			1,224
<b>Total noninterest income</b>	<b>4,044</b>	<b>1,142</b>			<b>5,186</b>
<b>NONINTEREST EXPENSE</b>					
Salaries and employee benefits	9,751	3,703			13,454
Occupancy expense	1,253	493			1,746
Equipment expense	944	212			1,156

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Data processing costs	1,071	418			1,489
Core deposit intangible amortization	40		67	<b>I</b>	107
Other expense	7,018	1,070			8,088
<b>Total noninterest expense</b>	<b>20,077</b>	<b>5,896</b>	<b>67</b>		<b>26,040</b>
Income before taxes	8,427	2,735	(5)		11,157
Income taxes	1,562	943	(2)	<b>O</b>	2,503
<b>NET INCOME</b>	<b>\$ 6,865</b>	<b>\$ 1,792</b>	<b>\$ (3)</b>		<b>\$ 8,654</b>
Less: Income attributable to common stock subject to possible conversion	\$	\$	\$		\$
Pro forma net income attributable to common stock not subject to possible conversion	\$ 6,865	\$ 1,792	\$ (3)		\$ 8,654
Pro forma net income per common share basic	\$ 3.41	\$ 1.88			\$ 3.42
Pro forma net income per common share diluted	3.39	1.86			3.41
Weighted average number of shares outstanding basic	2,014,966	954,033	515,695	<b>N</b>	2,530,130
Weighted average number of shares outstanding diluted	2,024,120	962,091	515,695	<b>N</b>	2,539,284

*See accompanying notes to the unaudited pro forma condensed combined financial statements.*

**Table of Contents****Notes to Unaudited Pro Forma Condensed Combined Consolidated Balance Sheets and Income Statements****(Dollars in thousands)****1) Description of the Merger and Basis of Preparation****The Merger**

Upon consummation of the Merger Middlefield Banc Corp. will continue to operate as a bank holding company under that name. Pursuant to the Reorganization Agreement, Liberty will merge with and into The Middlefield Banking Company, a subsidiary of Middlefield, with The Middlefield Banking Company being the surviving entity and remaining Middlefield s wholly owned subsidiary.

**Basis of Presentation**

The unaudited pro forma condensed combined consolidated financial statements have been prepared based on Middlefield s and Liberty s historical financial information. Certain disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted as permitted by SEC rules and regulations.

These unaudited pro forma condensed combined consolidated financial statements are not necessarily indicative of the results of operations that would have been achieved had the Merger actually taken place at the dates indicated and do not purport to be indicative of future financial condition or operating results.

**2) Acquisition Method**

The pro forma condensed combined consolidated financial statements reflect the accounting for the transaction in accordance with ASC 805. Under the acquisition method, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values, with any excess of the purchase price over the estimated fair value of the identifiable net assets acquired recorded as goodwill.

The purchase price allocation for Liberty is summarized as follows (in thousands):

Cash to holders of Liberty common stock	\$ 19,166
Value of Liberty common stock owned by Middlefield	971
Middlefield common stock to holders of Liberty common stock	18,075
<b>Total purchase price</b>	<b>38,212</b>
Allocated to:	
Historical book value of Liberty s assets and liabilities	31,422
Pre-closing special dividend to Liberty s common stockholders	(2,933)
Pre-closing cash out of existing Liberty stock options	(1,487)
Historical book value of Liberty s assets and liabilities to be allocated	27,002

To adjust Liberty's assets and liabilities to fair value:

Loans	(3,860)
Elimination of allowance for loan and lease losses	3,276