

MIDDLEFIELD BANC CORP

Form 424B3

February 16, 2007

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Filed under Rule 424(b)(3)  
Registration No. 333-140287

**Emerald Bank  
6215 Perimeter Drive  
Dublin, Ohio 43017  
(614) 793-4631**

**Notice of Annual Meeting of Shareholders  
to be held on March 29, 2007**

To the Shareholders of Emerald Bank:

Notice is hereby given that the annual meeting of Emerald Bank shareholders will be held on Thursday, March 29, 2007 at 1:00 p.m., Eastern Standard Time, at the main office of Emerald Bank, 6215 Perimeter Drive, Dublin, Ohio 43017. The meeting will be held for the purpose of considering and voting upon -

1. A proposal to adopt the November 15, 2006 Agreement and Plan of Merger, as amended, providing for the acquisition of Emerald Bank by Middlefield Banc Corp. through the merger of Emerald Bank into EB Interim Bank, a wholly owned subsidiary of Middlefield Banc Corp., and approve the transactions contemplated thereby, as described in the attached prospectus/proxy statement,

2. A proposal to elect one director for the term ending at the annual meeting in 2008,

3. A proposal to elect three directors for the term ending at the annual meeting in 2009,

4. A proposal to ratify the selection of Crowe Chizek and Company, LLC as independent auditor of Emerald Bank for the year ending December 31, 2007,

5. A proposal to adjourn the annual meeting to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the Agreement and Plan of Merger and approve the merger, and

6. Any other business that properly comes before the meeting or any adjournment or postponement of the meeting. The Board of Directors is not aware of any other business to be transacted at the meeting.

Holders of record of Emerald Bank common stock at the close of business on February 12, 2007 may vote on each matter presented at the meeting and any adjournment or postponement. Adoption of the merger agreement and approval of the merger requires the affirmative vote of at least a majority of the issued and outstanding shares of Emerald Bank common stock entitled to vote.

A copy of Emerald Bank's 2006 Annual Report will be mailed separately to you before the meeting.

**The Board of Directors of Emerald Bank unanimously recommends that you vote FOR the merger agreement and the transactions contemplated thereby.**

Emerald Bank shareholders may dissent from the merger. If you wish to exercise dissenters' rights, you must comply with the procedures specified in the Ohio General Corporation Law. See Dissenters' Rights in the accompanying prospectus/proxy statement for additional information.

**Your vote is very important, regardless of the number of Emerald Bank common shares that you own. Please vote as soon as possible to make sure that your shares are represented at the meeting. To vote your shares, you may complete and return the enclosed proxy card. If you are a holder of record, you also may cast your vote in person at the meeting.**

By Order of the Board of Directors,  
Glenn E. Aidt  
President and Chief Executive Officer  
Dublin, Ohio  
February 12, 2007

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**MIDDLEFIELD BANC CORP.**

**EMERALD BANK**

**PROSPECTUS**

**PROXY STATEMENT**

for the issuance of up to 100,000  
shares of Middlefield Banc Corp.  
common stock

for the Annual Meeting of  
Shareholders to be held on March 29, 2007 at 1:00  
p.m.,  
Eastern Standard  
Time

Middlefield Banc Corp. and Emerald Bank entered into an Agreement and Plan of Merger on November 15, 2006. The merger agreement provides for Middlefield's acquisition of Emerald Bank. The acquisition will be accomplished by the merger of Emerald Bank into an interim subsidiary organized by Middlefield on December 11, 2006. We cannot complete the merger unless the holders of a majority of the issued and outstanding shares of Emerald Bank common stock adopt the merger agreement and approve the merger. At the annual meeting Emerald Bank shareholders will consider and vote upon adoption of the merger agreement and approval of the transactions contemplated thereby. The date, time, and place of the annual meeting are -

**March 29, 2007 at 1:00 p.m., Eastern Standard Time**  
**Emerald Bank**  
**6215 Perimeter Drive**  
**Dublin, Ohio 43017**

When the acquisition of Emerald Bank occurs, shareholders will receive aggregate merger consideration of \$7,326,890, one half payable in cash and the other half in shares of Middlefield common stock. If a holder of options to acquire Emerald Bank common stock exercises those options before the merger occurs, the aggregate merger consideration will increase by the amount of cash paid to Emerald Bank by the option holder. Conversely, the aggregate merger consideration will decrease if Emerald Bank's shareholders' equity (after certain adjustments) is less than \$5.3 million at the end of the month immediately before the month in which the merger occurs.

Emerald Bank shareholders may elect to receive cash, Middlefield shares, or a combination of cash and Middlefield shares. The exact number of Middlefield shares to be received in exchange for each Emerald Bank share will be calculated according to a formula stated in the merger agreement and described in this prospectus/proxy statement. See "The Merger Agreement - Conversion of Emerald Bank shares and exchange ratio" beginning on page 31. Shareholders' elections are subject to reallocation, however, because one half of the aggregate merger consideration is payable in cash and the other half in Middlefield shares. As a result, we cannot assure you that you will receive the form of consideration you elect to receive. The exchange ratio will be determined after the date of the annual meeting. Therefore, when the annual meeting occurs you will not know the precise value of the stock merger consideration that you may receive. We estimate that Middlefield may issue up to 88,000 shares of common stock to Emerald Bank shareholders as a result of the merger.

Middlefield shares are not listed on any exchange but they are traded over the counter with the trading symbol MBCN. On February 8, 2007 the reported closing price for Middlefield shares was \$39.00 per share.

**Investment in Middlefield shares involves risks. For a discussion of these risks, see Risk Factors beginning on page 9 of this prospectus/proxy statement.**

Regardless of whether you plan to attend the Emerald Bank annual meeting, please complete, sign, and return the enclosed proxy card in the enclosed postage-paid envelope. Not voting will have the same effect as voting against the merger agreement and the transactions contemplated thereby. We urge you to read this prospectus/proxy statement carefully. It contains a detailed description of the merger, the merger agreement, and related matters.

**Middlefield securities are not savings accounts, deposit accounts, or other obligations of a bank or savings association. Middlefield securities are not insured by the Federal Deposit Insurance Corporation, the Deposit**

**Insurance Fund, or any other federal or state governmental agency. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the shares of Middlefield common stock to be issued in the merger or determined whether this prospectus/proxy statement is truthful or complete. A representation to the contrary is a criminal offense.**

This prospectus/proxy statement is dated February 12, 2007 and it is first being mailed to Emerald Bank shareholders on or about February 12, 2007

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**Additional Information**

Middlefield is required to file business and financial information with the Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q, and Current Reports on Form 8-K. Middlefield is also required to file proxy or information statements with the SEC. You may obtain any of these documents without charge by writing or calling Middlefield at -

**Middlefield Banc Corp.**

**15985 East High Street**

**P.O. Box 35**

**Middlefield, Ohio 44062**

**Attention: Mr. Donald L. Stacy**

**(440) 632-1666**

**To ensure timely delivery of these other documents, your request should be made no later than five business days before the annual meeting of Emerald Bank shareholders. Accordingly, requests should be received by Middlefield no later than March 21, 2007.**

You may also obtain these documents through the SEC's website at [www.sec.gov](http://www.sec.gov). See **Where You Can Find More Information** on page 90.

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**Questions and Answers About the Merger**

**Q: What am I being asked to vote on? What is the proposed transaction?**

A: You are being asked to approve a merger agreement providing for the acquisition of Emerald Bank by Middlefield Banc Corp. As a result of the merger, you may become a shareholder of Middlefield. The acquisition is structured as the merger of Emerald Bank into a subsidiary recently organized by Middlefield. The recently organized subsidiary will be the surviving entity in the merger, its name will be changed to Emerald Bank when the merger occurs, and it will continue to operate as a separate subsidiary of Middlefield after the merger.

**Q: Why are Emerald Bank and Middlefield entering into this transaction?**

A: Emerald Bank believes that the proposed acquisition will benefit its shareholders. Because it is a larger company, Middlefield can provide the capital and resources Emerald Bank needs to compete more effectively, including a broader array of products and services. From Middlefield's perspective, the acquisition will give Middlefield the opportunity to extend its banking franchise into one of the most prosperous portions of the state. To review the reasons for the merger in more detail, see The Proposed Merger (Proposal One) Background and reasons for the merger beginning on page 18.

**Q: What does Emerald Bank's board of directors recommend?**

A: Emerald Bank's board of directors unanimously recommends that you vote FOR approval of the merger. The board believes that the merger is in the best interests of Emerald Bank and its shareholders. To review the background and reasons for the merger in greater detail, see page 18.

**Q: What vote is required to approve the merger agreement?**

A: The merger will not be approved unless the holders of a majority of the issued and outstanding shares of Emerald Bank common stock vote in favor of it. Emerald Bank's President and Chief Executive Officer and another director of Emerald Bank have agreed to vote their shares in favor of the merger at the annual meeting. These shareholders own approximately 36.5% of Emerald Bank's outstanding shares. Middlefield's shareholders will not be voting on the merger agreement. See The Proposed Merger (Proposal One) Interests of Emerald Bank directors and officers in the merger on page 27.

**Q: Is completion of the merger subject to any conditions besides shareholder approval?**

A: Yes. Middlefield's acquisition of Emerald Bank cannot be completed unless Middlefield obtains Federal Reserve Board approval under the Bank Holding Company Act of 1956, FDIC approval under the Federal Deposit Insurance Act, and approval of the Ohio Division of Financial Institutions under Ohio banking law. There also are other closing conditions that must be satisfied, which are summarized in this prospectus/proxy statement.

**Q: When do you expect the merger to be completed?**

A: We will try to complete the merger as soon as reasonably possible. Assuming a majority of Emerald Bank's issued and outstanding shares vote in favor of the merger and assuming we obtain the necessary regulatory approvals, we expect to complete the merger by May 31, 2007.

**Q: Are there risks I should consider in my decision about the merger agreement?**

A: Yes. You should read this prospectus/proxy statement carefully, including the factors discussed in the section titled Risk Factors, which begins on page 9.

**Q: What price has Middlefield agreed to pay?**

A: Middlefield has agreed to pay a total of \$7,326,890 to acquire Emerald Bank, with one half of the price payable in cash and the other half in Middlefield common stock. If any of the outstanding options to acquire Emerald Bank stock are exercised, the total purchase price will be increased by the amount of cash received by Emerald Bank from the individual who exercised his or her stock options. Conversely, if Emerald Bank's shareholders' equity at the end of the month immediately before the merger occurs is not \$5.3 million or more, the total price to be paid by Middlefield will be reduced by the difference between \$5.3 million and Emerald Bank's actual shareholders' equity at month end. On December 31, 2006 Emerald Bank's shareholders' equity was approximately \$5.2 million. Although this figure is less than \$5.3 million, the calculation of Emerald Bank's shareholders' equity at the end of the month immediately before the merger occurs will exclude the impact that expenses associated with the merger have had and will have on Emerald Bank's shareholders' equity.

**Q: What will I be entitled to receive in the merger?**

A: Your per share merger consideration will consist of cash, Middlefield common stock, or a combination of cash and Middlefield stock. You have the opportunity to elect cash, Middlefield common stock, or a combination of cash and stock. If there are at completion of the merger 732,689 shares of Emerald Bank outstanding, which is the number outstanding on the date of this prospectus/proxy statement, and if Emerald Bank's adjusted shareholders' equity remains at \$5.3 million or more (after expenses

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associated with the merger are added back to shareholders' equity), each Emerald Bank shareholder will receive merger consideration of \$10.00 for each Emerald Bank share, consisting of \$10.00 in cash for each of your Emerald Bank shares if all of your shares are exchanged for cash, or Middlefield stock with a value of \$10.00 if instead all of your shares are exchanged for Middlefield shares. The exact number of Middlefield shares you will receive in exchange for each of your Emerald Bank shares depends upon the average closing price of Middlefield stock over the period that ends three business days before the merger occurs and that consists of the 20 most recent trading days on which trades in Middlefield stock actually occur. Middlefield will not issue fractional shares or certificates or scrip for fractional shares. Instead, Middlefield will pay to each holder of Emerald Bank shares who would otherwise be entitled to a fractional share an amount in cash, without interest, equal to the value of the fractional share multiplied by the exchange ratio. The closing price reported for Middlefield stock on November 14, 2006, the last trading day before our public announcement of the merger, was \$40.48. The closing price reported for Middlefield stock was \$39.00 on February 8, 2007, the most recent trading day before we completed this prospectus/proxy statement.

**Q: How do I make an election for the merger consideration?**

A: You will be provided with an election form allowing you to choose cash, Middlefield shares, or a combination of cash and Middlefield shares. The election form is separate from the proxy form. The proxy form should be returned to Emerald Bank. Please return the election form to Middlefield. The completed election form must be received by Middlefield on or before March 29, 2007, the date of the annual meeting.

**Q: Will I actually receive the form of merger consideration that I elect?**

A: Not necessarily. One half of the aggregate merger consideration will be paid by Middlefield in cash and the other half in Middlefield shares. Depending on the results of all shareholders' elections, Middlefield may have to reallocate the amount of stock or cash you receive to maintain the 50/50 allocation between cash and Middlefield shares. For example, if you elect to receive all cash consideration depending on the elections made by other Emerald Bank shareholders it is possible that you will receive a portion of the merger consideration in cash and a portion in Middlefield shares. The same possibility exists if you elect to receive all stock consideration. Please see "The Merger Agreement - Cash and stock elections," beginning on page 32.

**Q: What if I fail to make an election specifying how I desire to receive the merger consideration?**

A: If you do not submit a properly completed election form before 5:00 p.m., Eastern Standard Time, on March 29, 2007, or if you return an election form stating no preference between cash and Middlefield shares, your Emerald Bank shares will be considered non-election shares and the merger consideration you receive will be subject to the allocation procedures stated in Article Two of the merger agreement.

**Q: Why is my vote important?**

A: If you do not submit your proxy by mail or vote in person at the annual meeting, it will be more difficult for Emerald Bank to obtain the necessary quorum. Additionally, your failure to vote in person or by proxy has the same effect as voting against the merger. This is because the merger cannot be completed unless the agreement is approved by the holders of a majority of all issued and outstanding Emerald Bank shares.

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

A: After you carefully read and consider the information contained in this prospectus/proxy statement, please complete, sign, date, and mail your proxy form in the enclosed return envelope as soon as possible. This will allow your shares to be represented at the annual meeting. You may also vote in person at the meeting.

**Q: How will my proxy be voted?**

A: If you sign, date, and mail your proxy form, your proxy will be voted in accordance with your proxy instructions. If you sign, date, and send in your proxy form but you do not indicate how you want to vote, your proxy will be voted FOR approval of the merger agreement.

**Q: May I revoke my proxy and change my vote?**

A: Yes. You may change your vote or revoke your proxy before the annual meeting by filing with the secretary of Emerald Bank a duly executed revocation of proxy, submitting a new proxy form with a later date, or voting in person at the meeting. Mere presence at the meeting will not, however, constitute revocation of your proxy.

**Q: What if I oppose the merger? Do I have dissenters' rights?**

A: Yes. Shareholders who do not vote in favor of the merger agreement and who also comply with all of the procedures of the Ohio General Corporation Law will be entitled to receive payment in cash of the fair value of their common shares of Emerald Bank. A copy of the relevant sections of the Ohio General Corporation Law is attached as Appendix C to this document. The value received by a dissenting shareholder could be more or less than the merger consideration.

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**Q: What are the tax consequences of the merger to me?**

A: In general, the exchange of your Emerald Bank shares for Middlefield shares in the merger will be tax-free for United States federal income tax purposes. However, if you receive a combination of cash and Middlefield shares in exchange for your Emerald Bank shares, you will recognize gain, but not loss, in an amount limited to the amount of cash you receive in the merger. Additionally, you will recognize gain or loss on any cash that you receive instead of fractional shares of Middlefield stock. If you exchange your Emerald Bank shares solely for cash, you will recognize gain or loss as if you had received such cash in redemption of your Emerald Bank shares, subject to the provisions and limitations of section 302 of the Internal Revenue Code of 1986, as amended. ***You should consult with your tax adviser about the specific federal, state, local, and foreign tax consequences of the merger to you.*** See The Proposed Merger (Proposal One) Material federal income tax consequences beginning on page 28.

**Q: Should I send in my stock certificates now?**

A: We will provide an Election Form/Letter of Transmittal to you separately within the next two weeks. ***Please send the election form, the letter of transmittal, and your share certificates to Middlefield in the envelope that will also be provided to you.***

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

A: If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this prospectus/proxy statement or the enclosed proxy form, please call Mr. Glenn E. Aidt, Emerald Bank's President and CEO, at (614) 793-4631, or Mr. James R. Heslop II, Middlefield's Executive Vice President and Chief Operating Officer, at (440) 632-1666.

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**Summary**

This summary does not contain all of the information that may be important to you. Page references included in this summary direct you to a more detailed discussion of the summarized topics. You should read this entire prospectus/proxy statement and appendices before you decide how to vote. To obtain more information, see **Where You Can Find More Information** on page 90.

**The parties (page 30)**

**Middlefield Banc Corp.**

**15985 East High Street**

**P.O. Box 35**

**Middlefield, Ohio 44062**

**(440) 632-1666**

Middlefield is a bank holding company headquartered in Middlefield, Ohio. Middlefield's sole subsidiary is The Middlefield Banking Company, an Ohio-chartered commercial bank that began operations in 1901. The bank engages in a general banking business in northeastern Ohio through seven banking offices. The Middlefield Banking Company offices are located in Geauga, Portage, and Ashtabula Counties in Ohio, with a loan production office in Trumbull County as well. Middlefield had total assets of \$340.6 million at December 31, 2006. Net of unearned income, Middlefield's net loans were \$246.3 million at December 31, 2006. Its total deposits were \$271.1 million, and total shareholders' equity on December 31, 2006 was \$30.46 million. Middlefield common stock is traded over the counter with the trading symbol **MBCN**.

**Emerald Bank**

**6215 Perimeter Drive**

**Dublin, Ohio 43017**

**(614) 793-4631**

Established on June 1, 2004, Emerald Bank is an Ohio state-chartered savings bank headquartered in Dublin, Ohio. Emerald Bank does not have a parent company or subsidiaries. At December 31, 2006, Emerald Bank had total assets of \$41.2 million and total shareholders' equity of approximately \$5.2 million. Emerald Bank's common shares are not publicly traded on an exchange.

**The merger (page 18)**

So that the surviving entity will be a commercial bank rather than a savings bank, the transaction is structured as the merger of Emerald Bank into Middlefield's recently organized interim subsidiary, which until the merger occurs will be known as EB Interim Bank. EB Interim Bank will be the surviving entity in the merger. As the surviving entity in the merger, EB Interim Bank's name will be changed to Emerald Bank when the merger occurs and it will thereafter operate as a separate subsidiary of Middlefield. Middlefield currently has no intention to merge the surviving entity into The Middlefield Banking Company. The merger agreement is attached to this prospectus/proxy statement as Appendix A and is incorporated in this prospectus/proxy statement by reference. ***We encourage you to read the merger agreement carefully. It is the legal document that governs the merger.***

**What you will receive in the merger (page 31)**

The aggregate purchase price to be paid by Middlefield is \$7,326,890, or a per share price of \$10.00 based on the 732,689 common shares of Emerald Bank that currently are outstanding. The aggregate purchase price may be adjusted, however. If any holders of options to acquire Emerald Bank shares exercise those options before the merger occurs, the aggregate purchase price will be increased by the amount of any funds Emerald Bank receives as payment of the option exercise price. Conversely, if Emerald Bank's shareholders' equity is not at least \$5.3 million at the end of the month immediately before the merger occurs, the aggregate purchase price will be reduced by the difference between \$5.3 million and the month-end shareholders' equity. Calculated by Emerald Bank's independent public accounting firm, the month-end shareholders' equity will be determined in accordance with generally accepted accounting principles, except that Emerald Bank's costs associated with the merger transaction will be added to the calculation of shareholders' equity. These costs include Emerald Bank's legal fees, investment banking fees, fees for the retention of accounting personnel or services, retention payments to three officers, the accounting charge associated with increasing Emerald Bank's loan loss allowance for new loans, any costs incurred by Emerald Bank at the

direction of Middlefield, and compensation expenses associated with accelerated vesting of options to acquire Emerald Bank shares.

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When the merger occurs each outstanding Emerald Bank share excluding those for which dissenters' rights are properly exercised will be converted into the right to receive either Middlefield common stock, cash, or a combination of Middlefield common stock and cash. One half of the Emerald Bank shares outstanding when the merger occurs will be exchanged for cash and the other half for Middlefield common stock. The exact number of Middlefield shares that will be received in exchange for each Emerald Bank share will depend upon the average closing price of Middlefield common stock over the period that ends three business days before the merger occurs and that consists of the 20 most recent trading days on which trades in Middlefield stock actually occur. The precise length of the period over which the average closing price of Middlefield stock will be measured cannot be determined in advance because Middlefield stock historically has not traded each and every business day. The number of Middlefield shares that will be received in exchange for each Emerald Bank share will be based on a ratio - the *exchange ratio* - equal to the per share cash consideration divided by the average closing price of Middlefield stock in the 20 trading-day period.

### **Election procedures (page 32)**

Each Emerald Bank shareholder may elect (x) all cash, (y) all Middlefield shares, or (z) a combination of cash and Middlefield shares in exchange for his or her Emerald Bank shares. But because one half of the Emerald Bank shares will be exchanged for cash and the other half for Middlefield shares, shareholders' election rights are subject to reallocation, which means your election might not be honored in full. Subject to possible reallocation -

- a shareholder who makes the all-cash election will receive cash in an amount equal to the aggregate merger consideration divided by the number of shares outstanding when the merger occurs,
- a shareholder who makes the all-stock election will receive Middlefield shares based upon the exchange ratio,
- a shareholder who elects a combination of cash and Middlefield shares will receive (x) cash in an amount equal to the whole number of Emerald Bank shares the shareholder elects to exchange for cash multiplied by the per share cash consideration and (y) a number of Middlefield shares equal to the whole number of Emerald Bank shares the shareholder elects to exchange for Middlefield shares multiplied by the exchange ratio, and
- a shareholder who does not make an election between cash and stock and a shareholder who does not make a valid election will have made or will be deemed to have made a non-election. To ensure that one half of Emerald Bank's shares are exchanged for cash and the other half for Middlefield shares, Emerald Bank shareholders who make or who are deemed to have made a non-election will receive all cash, all Middlefield shares, or a combination of cash and Middlefield shares as determined by Middlefield.

An Election Form/Letter of Transmittal will be provided separately to you. The Election Form/Letter of Transmittal allows each Emerald Bank shareholder to make the all-cash election, the all-stock election, or a combined cash and stock election. The Election Form/Letter of Transmittal also allows a shareholder to specify that he or she has no preference for cash or stock. Emerald Bank shareholders who wish to elect the type of merger consideration they will receive should carefully review and follow the instructions in the Election Form/Letter of Transmittal. The deadline for submitting an Election Form/Letter of Transmittal is the close of business on the date of the Emerald Bank shareholders' meeting.

### **Annual meeting of Emerald Bank shareholders (page 15)**

The annual meeting of Emerald Bank shareholders will be held on March 29, 2007 at 1:00 p.m., Eastern Standard Time, at the main office of Emerald Bank, 6215 Perimeter Drive, Dublin, Ohio 43017. The meeting will be held for the purpose of considering and voting upon -

1. A proposal to adopt the November 15, 2006 Agreement and Plan of Merger, as amended, providing for the acquisition of Emerald Bank by Middlefield Banc Corp. through the merger of Emerald Bank into EB Interim Bank, a wholly owned subsidiary of Middlefield Banc Corp., and approve the transactions contemplated thereby, as described in the attached prospectus/proxy statement,
2. A proposal to elect one director for the term ending at the annual meeting in 2008,
3. A proposal to elect three directors for the term ending at the annual meeting in 2009,



4. A proposal to ratify the selection of Crowe Chizek and Company, LLC as independent auditor of Emerald Bank for the year ending December 31, 2007,
5. A proposal to adjourn the meeting to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the Agreement and Plan of Merger and approve the merger, and

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6. Any other business that properly comes before the meeting or any adjournment or postponement of the meeting. The Board of Directors is not aware of any other business to be transacted at the meeting.

Holders of record of Emerald Bank common stock at the close of business on February 12, 2007 may vote on each matter presented at the meeting and any adjournment or postponement. As of February 12, 2007 there were 732,689 Emerald Bank shares outstanding and eligible to vote at the annual meeting.

**Required vote (page 16)**

Adoption of the merger agreement and approval of the merger requires the affirmative vote of the holders of a majority of all Emerald Bank shares issued and outstanding. In other words, the merger will be approved if at least 366,345 shares vote in favor of the merger. The proposal to adjourn the meeting to allow for solicitation of additional proxies by Emerald Bank will be approved if the holders of a majority of the Emerald Bank shares represented at the meeting in person or by proxy vote in favor of adjournment. Except for an adjournment of the meeting, no action can be taken at the meeting unless a quorum of shareholders is present. A quorum will exist if the holders of a majority of the Emerald Bank shares entitled to vote at the meeting are present in person or by proxy. Not voting will have the same effect as voting against adoption of the merger agreement and approval of the merger.

Emerald Bank's President and Chief Executive Officer Glenn E. Aidt and Director George J. Kontogiannis entered into voting agreements with Middlefield, agreeing to vote their shares in favor of the merger at the annual meeting. These shareholders own approximately 36.5% of Emerald Bank's outstanding shares. As a group, Emerald Bank's directors and executive officers collectively own 334,245 shares of the Emerald Bank shares outstanding, or approximately 45.6% of the outstanding shares. None of Emerald Bank's shares are owned by Middlefield or its directors or executive officers.

**Recommendation to shareholders**

Emerald Bank's board of directors believes the merger is in your best interests and urges you to vote **FOR** adoption of the merger agreement and approval of the merger.

**Reasons for the merger (page 18)**

Emerald Bank's board of directors considered numerous factors in its decision to recommend approval of the merger, including the following -

- information about the businesses, earnings, operations, financial condition, prospects, capital levels, and asset quality of Emerald Bank and Middlefield, both individually and as a combined company,
- perceived risks and uncertainties associated with Emerald Bank's execution of its strategic growth plans as an independent banking organization, including the need to access additional capital and enhance its product and service offerings to support future growth,
- the belief that the market value of Middlefield common stock is attractive, offering favorable prospects for future appreciation as a result of the proposed merger and other strategic initiatives being implemented by Middlefield,
- the fact that, in contrast to Middlefield stock, Emerald Bank common stock is privately held and a public market for the stock therefore does not exist, and
- the probability that the merger will be approved by the relevant bank regulatory authorities.

Middlefield's board of directors likewise concluded that the merger is in the best interests of Middlefield and its shareholders. Middlefield's board of directors considered a number of factors, including -

- management's view that the acquisition of Emerald Bank provides an attractive opportunity to expand into the prosperous and growing communities north of Columbus, Ohio,
- Emerald Bank's community banking focus, its commitment to superior customer service, and its compatibility with Middlefield and The Middlefield Banking Company,
- the probability that regulators will approve the merger without onerous conditions or delay.



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**Conditions to the merger (page 34)**

Middlefield's acquisition of Emerald Bank cannot be completed unless Emerald Bank shareholders approve the merger and unless Middlefield obtains Federal Reserve Board approval under the Bank Holding Company Act of 1956, FDIC approval under the Federal Deposit Insurance Act, and approval of the Ohio Division of Financial Institutions under Ohio banking law. Middlefield and Emerald Bank have filed the necessary applications. Although we anticipate that all required regulatory approvals will be obtained by or shortly after the annual meeting of Emerald Bank shareholders, none of the regulatory approvals had been obtained by the date of this prospectus/proxy statement.

**Opinion of financial advisor (page 20)**

Emerald Bank's board of directors received a fairness opinion from its financial advisor, Ryan Beck & Co., Inc. Ryan Beck & Co.'s opinion states that as of the date of the opinion the merger consideration payable under the merger agreement was fair from a financial point of view to Emerald Bank shareholders. The full text of Ryan Beck's fairness opinion, stating the assumptions made, matters considered, and qualifications and limitations affecting the reviews undertaken by Ryan Beck, is attached to this prospectus/proxy statement as Appendix B. **We encourage you to read the fairness opinion in its entirety.**

For its services to Emerald Bank associated with the merger agreement and the merger - including but not limited to rendering the fairness opinion - Ryan Beck will receive total fees of approximately \$173,000. Additionally, Emerald Bank has agreed to indemnify Ryan Beck and its directors, officers, and employees from liability in connection with the transaction and to hold Ryan Beck harmless from any losses, actions, claims, damages, expenses, or liabilities related to any of Ryan Beck's acts or decisions made in good faith and in the best interests of Emerald Bank.

**Material federal income tax consequences of the merger (page 28)**

We intend that the merger will be treated as a reorganization within the meaning of section 368(a) of the Internal Revenue Code of 1986, as amended, with the result that for federal income tax purposes (x) no gain or loss will be recognized by Middlefield, EB Interim Bank, or Emerald Bank as a result of the merger and (y) Emerald Bank shareholders who receive Middlefield common stock in exchange for Emerald Bank shares in the merger will recognize no gain or loss, other than the gain or loss associated with cash paid by Middlefield as a result of shareholders' elections and allocation method or cash paid by Middlefield instead of issuing fractional shares. It is not, however, a condition to completion of the merger that the merger be tax-free under the Internal Revenue Code of 1986. All Emerald Bank shareholders should consult with their own tax advisors to determine the specific tax consequences of the merger to them.

**Interests of directors and officers of Emerald Bank (page 27)**

In the merger agreement, Middlefield has agreed to indemnify, defend, and hold harmless and provide advancement of expenses to each person who is or who before the merger occurs becomes a director or officer of Emerald Bank against all costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in any legal proceedings that arise out of actions or omissions occurring on or before the date of the merger, including actions and omissions associated with the merger agreement and the merger itself. And for three years after the merger occurs, Middlefield must maintain directors and officers' liability insurance coverage for these individuals.

Three officers of Emerald Bank will also receive cash retention bonuses promptly after the merger occurs, provided these individuals remain with Emerald Bank through the date the merger occurs.

The Emerald Bank board was aware of these interests of directors and officers when the board approved the merger agreement. Emerald Bank's board took these interests into account when the board decided to approve the merger agreement and the merger.

**Resale of Middlefield Banc Corp. common stock (page 30)**

Middlefield has registered with the Securities and Exchange Commission under the Securities Act of 1933 the offer and sale of Middlefield common stock to be issued to Emerald Bank shareholders in the merger. As a result there will be no federal securities law restrictions on the sale or other transfer of the Middlefield shares issued in the merger, but shares issued to any Emerald Bank shareholders who are considered affiliates - as that term is used in the SEC's Rule 145 - will be subject to restrictions on transfer as a result of that rule.



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**Termination of the merger agreement (page 39)**

Middlefield and Emerald Bank may mutually agree to terminate the merger agreement and abandon the merger at any time before the merger occurs, whether before or after shareholder approval. Additionally, each of Middlefield and Emerald Bank has the right to terminate the merger agreement and abandon the merger before or after shareholder approval if various conditions to completion of the merger are not satisfied, as discussed at page 34.

If Emerald Bank accepts a competing acquisition proposal from an entity other than Middlefield and therefore exercises Emerald Bank's right to terminate the merger agreement, Emerald Bank will be required to pay \$300,000 in cash to Middlefield when the competing acquisition occurs.

**Dissenters' rights (page 17)**

You have the right under section 1701.85 of the Ohio General Corporation Law to dissent from the merger and to demand payment of the fair cash value of your Emerald Bank shares. These rights are known as dissenters' rights. To perfect your dissenters' rights, you must not vote in favor of the merger and you must follow the statutory procedures for exercising dissenters' rights. The complete text of section 1701.85 is attached to this prospectus/proxy statement as Appendix C.

**Table of Contents****Risk Factors**

In addition to the other information contained in this prospectus/proxy statement, including the information under the caption **Caution About Forward-Looking Statements** on page 12, you should consider the following risk factors carefully in your voting decision about the merger.

**Risks relating to the merger**

***Because the market price of Middlefield common stock fluctuates, you cannot be certain of the precise value of the stock portion of the merger consideration.*** You may elect to receive shares of Middlefield common stock in the merger. It is also possible that you will receive Middlefield shares even if you elect to receive cash only. The number of shares you receive will depend on your election and on other shareholders' elections. Changes in the market price of Middlefield common stock could result from a variety of factors, including general market and economic conditions, Middlefield's future financial condition and operating results, changes in Middlefield's business, operations, and prospects and regulatory considerations, factors that are not entirely within Middlefield's control. The price of Middlefield common stock at completion of the merger could be different from its price on the date the merger agreement was signed, from its price on the date of this prospectus/proxy statement, from its price on the date of the annual meeting, and from the average closing-price figure that is used to determine the number of Middlefield shares you receive. You will not be entitled to receive additional cash or shares in the merger if the price of Middlefield common stock when the merger occurs is less than the average closing-price figure. Because the merger will be completed after the annual meeting, you will not know at the annual meeting what the market value of Middlefield common stock will be when the merger occurs. See **The Merger Agreement – Conversion of Emerald Bank shares and exchange ratio.**

Middlefield common stock is traded over the counter in the Pink Sheets® with the trading symbol **MBCN**. Pink Sheets® is a centralized quotation service provided by Pink Sheets LLC, a privately owned company, which collects and publishes market maker quotes for over-the-counter securities. The maintenance of an active public trading market depends, however, upon the existence of willing buyers and sellers, which is beyond Middlefield's control or the control of any market maker.

***You may receive a form of consideration different from the form of consideration you elect.*** Although you are able to elect the form of consideration you wish to receive in the merger, your election is subject to possible reallocation to ensure that one half of the merger consideration is payable in cash and the other half in the form of Middlefield shares. If you elect to receive cash in exchange for all of your Emerald Bank shares but the available cash is oversubscribed, you will receive a portion of the merger consideration in the form of Middlefield shares. Likewise, if you elect to receive Middlefield shares in exchange for all of your Emerald Bank shares but the available Middlefield shares are oversubscribed, you will receive a portion of the merger consideration in cash. If you elect to receive a combination of cash and Middlefield shares and either the available Middlefield shares or the available cash is oversubscribed, you will not receive the specific combination of cash and Middlefield shares you elect.

***Middlefield could experience difficulties managing growth and effectively integrating Emerald Bank.*** There are risks associated with assessing the values, strengths, weaknesses, and profitability of acquisition candidates, including adverse short-term effects of acquisitions on operating results, diversion of management's attention, dependence on retaining key personnel, and risks associated with unanticipated problems. An acquisition's success depends in part on the acquirer's ability to integrate the operations of the acquired institution and achieve cost savings and operating efficiencies. Middlefield might not be able to achieve its strategic objectives in the merger. The costs or difficulties relating to the integration of Emerald Bank into the Middlefield organization may be greater than expected and the revenue gains or cost savings may be less than or take longer to realize than expected. Additionally, Emerald Bank could lose customers as a result of the merger. These factors could contribute to Middlefield not fully achieving the benefits it expects from the merger. This is Middlefield's first acquisition of another institution. Without the experience integrating acquired companies that many other banking organizations have, Middlefield therefore faces a greater risk that acquisition costs will exceed projections and that the benefits will be less than projected or more difficult to attain.

***The termination fee could discourage other companies from trying to acquire Emerald Bank even if another acquisition would offer greater immediate value to Emerald Bank shareholders.*** In the merger agreement Emerald

Bank has agreed to pay Middlefield a termination fee of \$300,000 if Emerald Bank's board of directors terminates the merger agreement and authorizes a competing acquisition by an entity other than Middlefield. The termination fee could have the effect of discouraging another company from trying to acquire Emerald Bank, even though a competing acquisition proposal might provide greater immediate value to Emerald Bank shareholders.

***The fairness opinion obtained by Emerald Bank from its financial advisor will not reflect changes in circumstances before the merger occurs.*** Emerald Bank's financial advisor, Ryan Beck & Co., Inc., delivered a fairness opinion to Emerald Bank's board of directors on November 15, 2006, which fairness opinion has been updated as of the date of this prospectus/proxy statement. The fairness opinion states that, as of the date of the opinion, the merger consideration set forth in the merger agreement



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was fair from a financial point of view to Emerald Bank shareholders. The fairness opinion does not reflect changes that could occur or that may have occurred after the date of this prospectus/proxy statement, including changes in the operation and prospects of Middlefield or Emerald Bank, changes in general market and economic conditions, or other factors. Any such changes or other factors on which the fairness opinion is based could alter the relative value of Middlefield and Emerald Bank.

***Some directors and officers of Emerald Bank have potential conflicts of interest in the merger.*** Some of the directors and officers of Emerald Bank have interests in the merger that are different from or in addition to their interests as Emerald Bank shareholders. For example, Glenn E. Aidt, President and Chief Executive Officer of Emerald Bank, is entitled under the merger agreement to receive a cash retention bonus of \$70,000 if he remains employed by Emerald Bank through the date the merger occurs. A retention bonus of \$65,000 will be payable to Michael J. Hufford, Emerald Bank's Senior Vice President and Chief Loan Officer. Additionally, Middlefield has agreed to maintain directors' and officers' liability insurance for the directors and officers of Emerald Bank for three years after the merger. See *The Proposed Merger (Proposal One) Interests of Emerald Bank directors and officers in the merger* beginning on page 27 of this prospectus/proxy statement.

***Emerald Bank shareholders will not control Middlefield's future operations.*** Emerald Bank shareholders in the aggregate will own approximately 6% of the approximately 1.5 million Middlefield shares that will be outstanding after the merger. As a result, former Emerald Bank shareholders will not have a significant impact on the election of directors or on whether future proposals submitted to a vote of Middlefield shareholders are approved or rejected.

**Risks relating to Middlefield's business**

***Changes in interest rates could have a material adverse effect on Middlefield's financial condition and results of operations.*** Middlefield's earnings depend substantially on interest rate spread, which is the difference between (x) the rates Middlefield earns on loans, investment securities, and other interest-earning assets and (y) the interest rates Middlefield pays on deposits and borrowings. These rates are highly sensitive to many factors beyond Middlefield's control, including general economic conditions and the policies of various governmental and regulatory authorities. Although Middlefield attempts to manage the risks of operating in a changing interest rate environment, Middlefield cannot assure you that its efforts will effectively avoid undue interest-rate risk.

***Middlefield's market is very competitive and Middlefield does not have the same financial and other resources that larger competitors have. This could affect Middlefield's ability to compete for large commercial loan originations and its ability to offer products and services competitors provide to customers.*** Middlefield faces competition making loans and competition gathering deposits. Competition is based on interest rates and other credit and service charges, the quality of services rendered, the convenience of banking facilities, the range and type of products offered and, in the case of loans to larger commercial borrowers, lending limits, among other factors. Competition for loans comes principally from commercial banks, savings banks, savings and loan associations, credit unions, mortgage banking companies, insurance companies, and other financial service companies. The most direct competition for deposits has historically come from commercial banks, savings banks, and savings and loan associations, but competition for deposits also comes from non-depository institutions such as mutual funds, securities and brokerage firms, and insurance companies. Competition among financial institutions and other financial service organizations is increasing with the continuing consolidation of the financial services industry. The northeastern Ohio market in which Middlefield currently operates and the Columbus market in which Emerald Bank operates have a high concentration of financial institutions. Many of the competing financial institutions have significantly greater financial, staff, and other resources and higher lending limits. More geographically diversified than Middlefield, many of the competitors are therefore less vulnerable to adverse changes in the local economy. And many of these competitors offer services that Middlefield does not or cannot provide. For example, larger competitors' greater resources offer advantages such as the ability to price services at lower, more attractive levels, and the ability to provide larger credit facilities than Middlefield can provide. Likewise, some of the competitors are not subject to the same kind and amount of regulatory restrictions and supervision to which Middlefield is subject. Because Middlefield is a community-banking organization of relatively modest size, it is on occasion unable to make commercial loans in amounts competitors can offer.

***The business of banking is changing rapidly with changes in technology, which poses financial and technological challenges to small and mid-sized institutions.*** With frequent introductions of new technology-driven products and services, the banking industry is undergoing rapid technological changes. In addition to enhancing customer service, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Financial institutions' success is increasingly dependent upon use of technology to provide products and services that satisfy customer demands and to create additional operating efficiencies. Many of Middlefield's competitors have substantially greater resources to invest in technological improvements, which could enable them to perform various banking functions at lower costs than Middlefield, or to provide products and services that Middlefield is not able to provide economically. Middlefield cannot assure you that it will be able to develop and implement new technology-driven products or services or that it will be able to successfully market the products or services to customers.

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Because of the demand for technology-driven products, banks rely increasingly on unaffiliated vendors to provide data processing services and other core banking functions. The use of technology-related products and services exposes banks to various risks, particularly transaction, strategic, reputation, and compliance risk. Middlefield cannot assure you that it will be able to successfully manage the risks associated with its dependence on technology.

***The banking industry is heavily regulated; the compliance burden to the industry is considerable; the principal beneficiary of federal and state regulation is the public at large and depositors, not stockholders.*** Middlefield and The Middlefield Banking Company which currently is Middlefield's sole subsidiary are and will remain subject to extensive state and federal government supervision and regulation. Affecting many aspects of the banking business, including permissible activities, lending, investments, payment of dividends, the geographic locations in which services can be offered, and numerous other matters, state and federal supervision and regulation are intended principally to protect depositors, the public, and the deposit insurance fund administered by the FDIC. Protection of shareholders is not a goal of banking regulation.

Applicable statutes, regulations, agency and court interpretations, and agency enforcement policies have undergone significant changes, some retroactively applied, and could change significantly again. Changes in applicable laws and regulatory policies could adversely affect the banking industry generally or Middlefield and its subsidiaries in particular. The burdens of federal and state banking regulation could place banks in general at a competitive disadvantage compared to less regulated competitors. Middlefield gives you no assurance that it will be able to adapt successfully to industry changes caused by governmental actions.

Federal and state banking agencies require banks and bank holding companies to maintain capital. Failure to maintain adequate capital or to comply with applicable laws, regulations, and supervisory agreements could subject a bank or bank holding company to federal or state enforcement actions, including termination of deposit insurance, imposition of fines and civil penalties, and, in the most severe cases, appointment of a conservator or receiver for a depository institution.

***Success in the banking industry requires disciplined management of lending risks.*** There are many risks in the business of lending, including risks associated with the duration over which loans may be repaid, risks resulting from changes in economic conditions, risks inherent in dealing with individual borrowers, and risks resulting from changes in the value of loan collateral. Middlefield maintains an allowance for loan losses based on historical experience, an evaluation of economic conditions, and regular reviews of delinquencies and loan portfolio quality, among other things. Middlefield's judgment about the adequacy of the loan loss allowance is based on assumptions that Middlefield believes are reasonable but that might nevertheless prove to be incorrect. Middlefield gives you no assurance that the allowance will be sufficient to absorb future charge-offs. Additions to the loan loss allowance could occur, which would decrease net income and capital.

***An economic downturn in our market area would adversely affect our loan portfolio and our growth prospects.*** The lending market of The Middlefield Banking Company currently is concentrated in northeastern Ohio, particularly Geauga, Portage, Ashtabula, and Trumbull Counties. Also a community-banking institution, Emerald Bank's market is concentrated in the Columbus, Ohio area. A significant percentage of each bank's loans is secured by real estate collateral, primarily residential mortgage loans. Commercial and industrial loans to small and medium-sized businesses also represent a significant percentage of The Middlefield Banking Company's loan portfolio. The asset quality of a community-banking institution's loan portfolio is largely dependent upon the economy and real estate markets in its local area. A downturn in the local economy would adversely affect operations and limit future growth potential.

***Middlefield common stock is very thinly traded, and it is therefore susceptible to wide price swings.*** Middlefield common stock is not traded or authorized for quotation on an exchange. However, the stock trades over the counter and bid prices for Middlefield common stock appear from time to time in the Pink Sheets®, a centralized quotation service provided by Pink Sheets LLC, a privately owned company, which collects and publishes market maker quotes for over-the-counter securities. Thinly traded, illiquid stocks such as Middlefield common stock are more susceptible to significant and sudden price changes than stocks that are widely followed by the investment community and actively traded on an exchange. The liquidity of common stock depends upon the presence in the marketplace of willing buyers and sellers. We cannot assure you that you will be able to find a buyer for your Middlefield shares.

Middlefield currently does not intend to seek listing of its common stock on a securities exchange. But even if Middlefield were to successfully list its common stock on a securities exchange, Middlefield nevertheless could not assure you that an organized public market for the securities will develop or that there will be any private demand for the stock. Middlefield could also fail subsequently to satisfy the standards for continued exchange listing, such as standards having to do with the minimum number of public shareholders or the aggregate market value of publicly held shares. A stock that is not listed on a securities exchange might not be accepted as collateral for loans. If accepted as collateral, the stock's value could nevertheless be substantially discounted. Therefore, Middlefield common stock should be considered a long-term investment and holders of Middlefield stock should be

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prepared to bear the economic risk of an investment in the common stock for an indefinite period. Investors who need or desire to dispose of all or a part of their investments in common stock might not be able to do so except by private, direct negotiations with third parties.

***Government regulation could restrict our ability to pay cash dividends.*** Dividends from The Middlefield Banking Company currently are the only significant source of cash for Middlefield. Statutory and regulatory limits could prevent the bank from paying dividends or transferring funds to Middlefield. As of September 30, 2006 The Middlefield Banking Company could have declared dividends of approximately \$6.5 million to Middlefield without having to obtain advance regulatory approval. Middlefield cannot assure you that subsidiaries' profitability will continue to allow dividends payments to Middlefield. Although Middlefield has paid regular quarterly cash dividends, it therefore cannot assure you of regular cash dividends in the future.

***Middlefield could incur liabilities under federal and state environmental laws if we foreclose on commercial properties.*** A large percentage of the loans of The Middlefield Banking Company are secured by real estate. Although the vast majority of these loans are residential mortgage loans with little associated environmental risk, some are commercial loans secured by property on which manufacturing and other commercial enterprises are carried on. As of September 30, 2006 Middlefield's bank subsidiary did not own any property acquired by foreclosure. However, the bank has in the past and could again acquire property by foreclosing on loans in default. Under federal and state environmental laws, the bank could face liability for some or all of the costs of removing hazardous substances, contaminants, or pollutants from properties acquired in this fashion. Although other persons might be primarily responsible for these costs, they might not be financially solvent or they might be unable to bear the full cost of clean up. Regardless of whether it forecloses on property, it is also possible that a lender exercising unusual influence over a borrower's commercial activities could be required to bear a portion of the clean-up costs under federal or state environmental laws.

#### **Caution About Forward-Looking Statements**

Some of the statements in this prospectus/proxy statement are not statements of historical fact but rather are forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements include but are not limited to statements specifically identified as forward-looking statements within this prospectus/proxy statement. In addition, statements in Middlefield's future filings with the Securities and Exchange Commission, in press releases, and in oral and written statements made by or with the approval of Middlefield that are not statements of historical fact constitute forward-looking statements, within the meaning of the Private Securities Litigation Reform Act. Examples of forward-looking statements include (x) projections of income or expense, earnings per share, the payment or non-payment of dividends, capital structure, and other financial items, (y) statements of the plans and objectives of Middlefield or its board of directors and management, including those relating to products or services, and (z) statements of future economic performance. Words such as may, will, should, could, would, plan, potential, estimate, project, believe, intend, anticipate, expect, target, and similar expressions identify forward-looking statements but are not the exclusive means to identify forward-looking statements.

The Private Securities Litigation Reform Act provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying the important factors that could cause actual results to differ materially from those discussed in the forward-looking statements. We desire to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act.

Forward-looking statements are subject to significant risks, assumptions, and uncertainties and could be affected by many factors, including but not limited to the matters discussed under the caption "Risk Factors" beginning on page 9 as well as -

- the strength of the United States economy in general and the strength of the local economies in which we conduct our operations; general economic conditions, either nationally or regionally, may be less favorable than we expect, resulting in a deterioration in the credit quality of our loan assets, among other things

-

the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest-rate policies of the Federal Reserve Board

- inflation, interest rate, market, and monetary fluctuations
- the development and acceptance of new products and services of Middlefield and subsidiaries and the perceived overall value of these products and services by users, including the features, pricing, and quality compared to competitors products and services
- the willingness of users to substitute our products and services for those of competitors

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- the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities, and insurance)
- changes in consumer spending and saving habits

Because of these and other uncertainties, Middlefield's actual future results, performance, or achievements or industry results could be materially different from the results suggested by the forward-looking statements. Additionally, Middlefield's future results of operations will not necessarily be similar to Middlefield's historical results of operations. You should not place undue reliance on forward-looking statements, which are effective solely as of the dates on which they are made. Except as required under federal securities law, Middlefield undertakes no obligation to update its forward-looking statements to account for events and changing circumstances after the dates on which the forward-looking statements are made. Middlefield qualifies all of its forward-looking statements by these cautionary statements.

**Comparative Common Stock Data**

The historical per share earnings (loss), dividends, and book value of Middlefield and Emerald Bank shown in the table to follow are derived from their audited financial statements as of and for the year ended December 31, 2005 and the unaudited financial statements for the nine months ended September 30, 2006. The *pro forma* comparative per share data for Middlefield common stock and Emerald Bank common stock give effect to the merger using the purchase method of accounting. You should read this information in conjunction with the historical financial information for Middlefield and for Emerald Bank included elsewhere in this prospectus/proxy statement, including Middlefield's financial statements and related notes. The per share *pro forma* information assumes that (x) 366,345 shares of Emerald Bank common stock are converted into the right to receive cash consideration of \$10.00 per share and (y) 366,344 shares are converted into Middlefield shares at the exchange ratio. Because there is no established trading market for Emerald Bank shares, there is no readily obtainable market price for Emerald Bank shares. The *pro forma* data are not necessarily indicative of actual results had the merger been completed at the beginning of the period indicated. The *pro forma* data are not necessarily indicative of future operations of the combined entity.

	As of and for the nine months ended September 30, 2006	As of and for the year ended December 31, 2005
<b>Earnings per share: Basic</b>		
Middlefield historical	\$ 1.93	\$ 2.64
Emerald Bank historical	(0.59)	(1.07)
<i>Pro forma</i> combined	1.53	1.96
Equivalent <i>pro forma</i> for one share of Emerald Bank common stock (1)	0.38	0.48
<b>Earnings per share: Diluted</b>		
Middlefield historical	\$ 1.90	\$ 2.60
Emerald Bank historical	(0.59)	(1.07)
<i>Pro forma</i> combined	1.51	1.93
Equivalent <i>pro forma</i> for one share of Emerald Bank common stock (1)	0.37	0.48
<b>Cash dividends declared per share</b>		
Middlefield historical	\$ 0.68	\$ 0.87
Emerald Bank historical	0.00	0.00
<i>Pro forma</i> combined (2)	0.64	0.75
Equivalent <i>pro forma</i> for one share of Emerald Bank common stock (1) (2)	0.16	0.19

**Book value per share**

Middlefield historical	\$ 20.74	\$ 19.25
Emerald Bank historical	7.44	8.00
<i>Pro forma</i> combined	21.95	20.56
Equivalent <i>pro forma</i> for one share of Emerald Bank common stock (1)	5.42	5.08

(1) The Emerald Bank equivalent *pro forma* information shows the effect of the merger from the perspective of an owner of Emerald Bank common stock. We calculated the Emerald Bank equivalent by using an assumed exchange ratio of 0.2471 shares of Middlefield common stock for each share of Emerald Bank common stock the exchange that would apply if the average closing price of Middlefield stock during the averaging period is \$40.48 per share and assuming that 50% of the outstanding common stock of Emerald Bank is converted into



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Middlefield stock. The actual exchange ratio will depend on the average closing price of Middlefield stock over the 20-trading day period before the merger occurs. The applicable formulas and other assumptions used to calculate the relevant exchange ratios are described under the heading The Merger Agreement Conversion of Emerald Bank shares and exchange ratio beginning on page 31 of this prospectus/proxy statement. We give you no assurance about what the market price of Middlefield common stock will be when the merger occurs or what the average closing price of Middlefield common stock will be when the exchange ratio is determined at completion of the merger.

(2)

Assumes no changes in Middlefield's cash dividends per share.

Middlefield's ability to pay dividends in the future is limited by restrictions imposed by Federal and state regulatory authorities.

Please refer to Note 18

Regulatory Restrictions of Notes to Consolidated Financial Statements for a discussion of those restrictions.

Neither Middlefield's nor Emerald Bank's common stock is listed on any exchange or quoted in the automated quotation system of a registered securities association. However, Middlefield shares are traded over the counter with the trading symbol MBCN. Price information for Middlefield common stock is available through the Pink Sheets®. There is no established public trading market for Emerald Bank shares. Middlefield common stock is held of record by approximately 932 shareholders. Emerald Bank common stock is held of record by approximately 100 shareholders.

The table to follow shows quarterly cash dividends paid by Middlefield in 2006, 2005, and 2004. Emerald Bank has not paid dividends, and because it has not yet realized any net income it is not able to pay cash dividends. The table to follow also shows the range of high and low closing prices for Middlefield common stock quoted through the Pink Sheets® in each quarter of 2006, 2005, and 2004. Prices shown do not include retail mark-ups, mark-downs, or commissions. The figures presented are adjusted for stock dividends.

	<b>High</b>	<b>Low</b>	<b>Cash dividends per share</b>
<b>Year ended December 31, 2004</b>			
first quarter	\$28.11	\$26.35	\$ 0.181
second quarter	28.94	27.43	0.181
third quarter	31.10	28.51	0.190
fourth quarter	33.33	30.91	0.200
<b>Year ended December 31, 2005</b>			
first quarter	\$37.65	\$34.47	\$ 0.200
second quarter	40.82	34.47	0.200
third quarter	37.19	35.60	0.213
fourth quarter	39.05	35.83	0.224

**Year ended December 31, 2006**

first quarter	\$40.00	\$37.64	\$ 0.224
second quarter	40.48	39.05	0.224
third quarter	40.95	39.05	0.229
fourth quarter	42.25	39.76	0.240

There were 1,425,217 shares of Middlefield common stock issued and outstanding on February 8, 2007. Additionally, 146,507 shares of common stock were reserved for issuance on that date under Middlefield's 1999 Stock Option Plan, which may be issued in the form of restricted stock or in the form of options to acquire common stock. The number of shares issuable under outstanding options that had not been exercised, the weighted-average exercise price of those options, and the number of shares remaining available for grant as of December 31, 2006 are -

**Middlefield Equity Compensation Plan Information as of December 31, 2006**

	<b>Number of securities to be issued upon exercise of outstanding options</b>	<b>Weighted-average exercise price of outstanding options</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding outstanding options)</b>
Middlefield equity compensation plans approved by security holders	73,607	\$ 27.54	72,900
Middlefield equity compensation plans not approved by security holders	0	\$ 0.00	0
Total	73,607		72,900

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There were 732,689 shares of Emerald Bank common stock issued and outstanding on February 8, 2007. Additionally, 47,623 shares of common stock were reserved for issuance on that date under Emerald Bank's 2003 Stock Option Plan. The 2003 Stock Option Plan provides solely for the grant of options to acquire Emerald Bank common stock. The number of shares issuable under outstanding options that had not been exercised, the weighted-average exercise price of those options, and the number of shares remaining available for grant as of December 31, 2006 are -

**Emerald Bank Equity Compensation Plan Information as of December 31, 2006**

	<b>Number of securities to be issued upon exercise of outstanding options</b>	<b>average exercise price of outstanding options</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding outstanding options) *</b>
Emerald Bank equity compensation plans approved by security holders	47,623	\$ 10.00	0
Emerald Bank equity compensation plans not approved by security holders	0	\$ 0.00	0
Total	47,623		0

\* The merger agreement provides that no more options to acquire common stock will be granted by Emerald Bank

Options that remain outstanding when the merger occurs will be replaced by options to acquire Middlefield common stock at the exchange ratio, the number acquirable being multiplied by the exchange ratio and the exercise price being divided by the exchange ratio. To illustrate, if the exchange ratio is 0.2471, the 47,623 options to acquire Emerald Bank common stock at \$10.00 per share outstanding at December 31, 2006 will be replaced by options to acquire 11,766 Middlefield common stock at \$40.47 per share.

**The Annual Meeting of Emerald Bank Shareholders****Purpose, time and place of the meeting**

Emerald Bank's board of directors is soliciting your proxy for use at the annual meeting of Emerald Bank shareholders to be held on Thursday, March 29, 2007 at 1:00 p.m., Eastern Standard Time, at the main office of Emerald Bank, 6215 Perimeter Drive, Dublin, Ohio 43017, including any adjournment or postponement of that meeting. At the meeting, Emerald Bank shareholders will consider and vote upon -

- 1) a proposal to adopt the Agreement and Plan of Merger, as amended, by and among Emerald Bank, Middlefield Banc Corp., and EB Interim Bank and to approve the merger of Emerald Bank into EB Interim Bank,
- 2) A proposal to elect one director for the term ending at the annual meeting in 2008,

- 3) A proposal to elect three directors for the term ending at the annual meeting in 2009,
- 4) A proposal to ratify the selection of Crowe Chizek and Company, LLC as independent auditor of Emerald Bank for the year ending December 31, 2007,
- 5) if adjournment is necessary for solicitation of additional proxies by the board of directors, a proposal to adjourn the meeting if there are insufficient votes when the meeting is held to adopt the Agreement and Plan of Merger, as amended, and approve the merger, and
- 6) any other business properly presented at the meeting or any adjournment or postponement. Emerald Bank's board of directors knows of no other business to be presented at the meeting.

Emerald Bank's board of directors has unanimously approved the merger agreement and the merger and recommends that you vote **FOR** adoption of the merger agreement and approval of the merger. The board also recommends that you vote **FOR** election of the nominees identified herein, **FOR** ratification of the board's selection of Crowe Chizek and Company, LLC to serve as Emerald Bank's independent auditor, and **FOR** adjournment of the meeting, if action on the adjournment proposal is taken at the meeting.

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**Record date; Emerald Bank common shares outstanding and entitled to vote**

Emerald Bank's board of directors fixed the close of business on February 12, 2007 as the record date for determining the Emerald Bank shareholders entitled to vote at the annual meeting. You are entitled to vote at the meeting if you were a record holder of Emerald Bank shares at the close of business on the record date. At the close of business on February 12, 2007 there were 732,689 Emerald Bank shares issued and outstanding and entitled to vote at the meeting. The Emerald Bank shares were held of record by approximately 100 shareholders.

You may vote cumulatively in the election of directors if any shareholder follows the procedures specified in the Ohio General Corporation Law for invoking cumulative voting rights. When shares are voted cumulatively, you multiply the number of shares you own by the number of directors to be elected to determine the total number of votes you may cast. You may give any one or more of the nominees any portion of the total number of your votes. To invoke the right to vote cumulatively in the election of directors, according to Ohio General Corporation Law section 1701.55(C) you must give advance written notice of your desire that voting in the election of directors be cumulative. The notice must be given to Emerald Bank's President, a Vice President, or Secretary at least 48 hours before the time fixed for holding the meeting to elect directors. If at the convening of the meeting an announcement of the cumulative voting notice is then made by the chairman of the meeting or by or on behalf of the shareholder giving the notice, every shareholder will have cumulative voting rights in the election of directors. Proxies solicited by the board of directors would also be voted cumulatively if that occurs. For all purposes other than election of directors, each share is entitled to one vote.

**Votes required; quorum**

Because at least two thirds of Emerald Bank's board of directors approved the merger agreement and the merger, the affirmative vote of the holders of a majority of the Emerald Bank shares outstanding and entitled to vote at the annual meeting is sufficient under Emerald Bank's articles of incorporation and the Ohio General Corporation Law for adoption of the merger agreement and approval of the merger. Directors are elected by a plurality vote. Accordingly, nominees receiving the greatest number of votes will be elected. Votes that are withheld in the election of directors will therefore have no effect. The affirmative vote of the holders of a majority of the Emerald Bank shares represented in person or by proxy at the meeting is sufficient to adjourn the meeting. The proposal to adjourn the meeting will be presented if when the meeting is held there are insufficient votes to adopt the merger agreement and approve the merger.

As of the February 12, 2007 record date, directors and executive officers of Emerald Bank and their respective affiliates beneficially owned an aggregate of 334,245 Emerald Bank shares, excluding outstanding stock options, or approximately 45.6% of the Emerald Bank shares outstanding on the record date. As of the date of this prospectus/proxy statement, neither Middlefield nor any of its directors, executive officers, or affiliates beneficially owns any Emerald Bank shares.

A quorum consisting of the holders of a majority of the outstanding Emerald Bank shares must be present in person or by proxy at the Emerald Bank annual meeting before any action other than adjournment can be taken. A properly executed proxy card marked abstain will not be voted on adoption of the merger agreement and approval of the merger but will count toward determining whether a quorum is present. Brokers who hold Emerald Bank shares in street name on behalf of beneficial owners cannot vote those Emerald Bank shares on the proposal to adopt the merger agreement and approve the merger without specific instructions from the beneficial owners. Adoption of the merger agreement and approval of the merger requires the affirmative vote of the holders of a majority of all Emerald Bank shares outstanding and entitled to vote at the meeting. Accordingly, if you abstain or if you do not instruct your broker how to vote this will have the same effect as a vote against adoption of the merger agreement and approval of the merger.

**Solicitation and revocation of proxies**

A proxy card for use at the annual meeting accompanies each copy of this prospectus/proxy statement mailed to Emerald Bank shareholders. Emerald Bank's board of directors is soliciting your proxy. Regardless of whether you attend the meeting, the board of directors urges you to sign, date, and return the enclosed proxy card. If you return your properly executed proxy card before the annual meeting and do not revoke it before it is used, your Emerald Bank shares represented by the proxy card will be voted at the meeting or, if appropriate, at any adjournment. Your

Emerald Bank shares will be voted as you instruct on the proxy card. If you return a properly executed proxy card without voting instructions, however, your proxy card will be voted **FOR** adoption of the merger agreement and approval of the merger, **FOR** election of the nominees identified herein, **FOR** ratification of the board's selection of Crowe Chizek and Company, LLC to serve as Emerald Bank's independent auditor, and, if the adjournment proposal is presented at the meeting, **FOR** approval of adjournment to solicit additional proxies.

If you have returned a properly executed proxy card, you may revoke it at any time before a vote is taken at the annual meeting by -

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- filing a written notice of revocation with the Secretary of Emerald Bank at 6215 Perimeter Drive, Dublin, Ohio 43107,
- executing and returning another proxy card with a later date, or
- attending the meeting and giving notice of revocation in person. However, your attendance at the meeting will not constitute revocation of your proxy.

If you are an Emerald Bank shareholder whose shares are not registered in your own name, you will need additional documentation from your record holder to vote your Emerald Bank shares in person at the annual meeting.

We do not expect any matter other than adoption of the merger agreement and approval of the merger, election of directors, ratification of selection of the independent auditor, and if necessary approval of adjournment of the annual meeting, to be presented to shareholders for their consideration and vote at the Emerald Bank meeting. If any other matters are properly presented at the meeting, however, Emerald Bank shares represented by properly executed proxy cards will to the extent permitted under applicable law be voted in the discretion of the persons named in the proxy card in accordance with their best judgment.

Middlefield has agreed to bear the costs of printing and mailing this prospectus/proxy statement, but Emerald Bank will bear all other costs of solicitation. Proxies may be solicited by mail and may also be solicited for no additional compensation by directors, officers, and employees of Emerald Bank. Emerald Bank will also pay the standard charges and expenses of brokerage houses, voting trustees, banks, associations, and other custodians, nominees, and fiduciaries who are record holders of Emerald Bank shares not beneficially owned by them for forwarding the proxy materials to and obtaining proxies from the beneficial owners of Emerald Bank shares entitled to vote at the annual meeting.

**Dissenters Rights**

There are a number of steps you must take if you wish to exercise dissenters rights. For a complete description of the procedures for exercising dissenters rights, you should read the provisions of 1701.85 of the Ohio General Corporation Law, a copy of which is included as Appendix C to this prospectus/proxy statement. If you fail to abide by any one of the required procedures, you will forfeit your dissenters rights. If you are considering dissenting, you should consult your own legal advisor. To exercise dissenters rights -

- 1) you must be a holder of record of Emerald Bank shares on the February 12, 2007 record date for the meeting
- 2) you must not vote in favor of adoption of the merger agreement and approval of the merger. If you vote by proxy but you wish to exercise dissenters rights, you should mark the box **Against** or the box **Abstain** on the form of proxy
- 3) no later than ten days after the meeting of Emerald Bank shareholders you must deliver to Emerald Bank a written demand for payment of the fair cash value of the Emerald Bank shares for which you seek relief as a dissenter. Your written demand should be sent to Emerald Bank, 6215 Perimeter Drive, Dublin, Ohio 43017, Attention: Mr. Glenn E. Aidt. Voting against adoption of the merger agreement and approval of the merger will not satisfy this requirement for a written demand
- 4) your written demand for payment must state (x) your name and address, (y) the number of shares of Emerald Bank common stock you hold, and (z) the amount you consider to be the fair cash value of your shares

If you and Emerald Bank do not reach an agreement about the fair cash value of your Emerald Bank shares, you must file a complaint in the Court of Common Pleas of Franklin County, Ohio for a determination of the fair cash value of the shares within three months after you make your written demand for payment. The procedures specified in section 1701.85 of the Ohio General Corporation Law will be used to determine the fair cash value of your Emerald Bank shares. That section states that the term fair cash value means the amount that a willing seller under no compulsion to sell would be willing to accept and that a willing buyer under no compulsion to purchase would be willing to pay, or if less the amount demanded by the dissenting shareholder. Fair cash value is determined as of the



day before the annual meeting, excluding any appreciation or depreciation in market value of your Emerald Bank common shares resulting from the merger. The fair cash value of your Emerald Bank shares may be greater than, the same as, or less than the estimated \$10.00 per share consideration payable in the merger. The costs of the court proceeding, including reasonable compensation to appraisers, will be assessed as the court considers equitable in accordance with section 1701.85 of the Ohio General Corporation Law.

If Emerald Bank sends you a request for the certificate or certificates representing your dissenting shares, you must deliver the certificate or certificates within 15 days after Emerald Bank sends the request to you. Emerald Bank may endorse the certificate or certificates with a legend stating that the shareholder has demanded the fair cash value of the shares represented by the certificate or certificates, promptly returning the endorsed certificate or certificates to you. If you fail to deliver the certificate or certificates

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within 15 days after Emerald Bank sends you the request, your rights as a dissenting shareholder will terminate if Emerald Bank notifies you within 20 days after the 15-day period that Emerald Bank elects to terminate your rights as a dissenting shareholder.

Your right to receive the fair cash value of your dissenting shares will terminate in any of the following cases -

- 1) if the merger does not occur
- 2) if your shares are voted in favor of adoption of the merger agreement and approval of the merger at the annual meeting of Emerald Bank shareholders
- 3) if you fail to deliver to Emerald Bank a written demand for payment of the fair cash value of your share within ten days after the meeting of Emerald Bank shareholders
- 4) if you and Emerald Bank do not reach agreement about the fair cash value of your dissenting shares, and you fail to file a complaint with the Franklin County, Ohio Court of Common Pleas for a determination of the fair cash value of your dissenting shares

Because a proxy that does not contain voting instructions will be voted for adoption of the merger agreement and approval of the merger, if you wish to exercise dissenters' rights you must either (x) not sign and return the proxy or (y) if you sign and return the proxy, vote against or abstain from voting on the proposal to adopt the merger agreement and approve the merger.

### **The Proposed Merger (Proposal One)**

#### **The merger**

After entering into the merger agreement, Middlefield organized a new subsidiary under Ohio commercial bank law. The new subsidiary's purpose is to complete the merger with Emerald Bank. So that the surviving entity will be a commercial bank rather than a savings bank, the transaction is structured as the merger of Emerald Bank into Middlefield's new subsidiary, which until the merger occurs will be known as EB Interim Bank. EB Interim Bank will be the surviving entity in the merger. Until the merger occurs the new interim subsidiary will conduct no business whatsoever and its activities will be confined to those necessary for completion of the merger. As the surviving entity in the merger, EB Interim Bank's name will be changed to Emerald Bank when the merger occurs and it will thereafter operate as a separate subsidiary of Middlefield. Middlefield currently has no intention to merge the surviving entity into Middlefield's existing subsidiary bank, The Middlefield Banking Company.

#### **Background and reasons for the merger**

***Background of the Merger; Emerald's Reasons for the Merger; and Recommendation of the Emerald Board.***  
In October 2003, Emerald Bank incorporated under Ohio law as a newly-formed state-chartered savings bank. Initially capitalized with \$7.3 million in proceeds from a private placement of Emerald Bank common shares at \$10.00 per share, Emerald Bank assembled a management team that worked diligently to accomplish the bank's goals. A combination of an increase in competition in the Dublin market, a challenging interest rate environment and the increased cost of regulation made the accomplishment of Emerald Bank's goals increasingly difficult. As a result, the board of directors and management became progressively concerned over their struggles in reaching their goals and objectives.

In April 2006, the outside members of the Emerald Bank board of directors informally met with representatives of Ryan Beck and Co., Inc. ( Ryan Beck ), an investment banking firm, to discuss strategic alternatives for Emerald Bank, including a possible merger with another financial institution or a capital infusion. Although the directors decided at the time not to pursue a formal process to investigate potential merger partners or other options, they authorized Ryan Beck to canvas selected potential candidates on an informal basis with the idea that Emerald Bank would consider a possible merger with another financial institution or a capital infusion if the terms of the transaction would provide the Emerald Bank shareholders with a fair value for their shares.

As the Emerald Bank management team continued working to meet the objectives and goals of the Emerald Bank business plan, Ryan Beck conducted informal conversations with multiple financial institutions to gauge the interest of possible acquirors. Institutions expressing a possible interest were required to sign a confidentiality agreement,

upon the receipt of which Ryan Beck forwarded certain financial information on Emerald Bank.

In early September 2006, Ryan Beck and the Emerald Bank board of directors received non-binding indications of interest from two financial institutions and one investor group. Middlefield proposed a transaction at \$9.00 to \$10.00 value per share, depending upon the results of a due diligence review of Emerald Bank. The other financial institution proposed a merger of equals on the basis of an exchange of Emerald Bank's shares for the institution's shares at an amount equal to Emerald Bank's book value, then approximately \$7.44. The investor group proposed a transaction in which the investor group would obtain control of Emerald Bank through the purchase of 300,000 newly issued Emerald Bank shares at \$10.00 per share.

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On September 21, 2006, the Emerald Bank board met with Ryan Beck to discuss each of these indications of interests, and then on September 22, 2006 management of Emerald Bank made a presentation to the board of directors at a separate meeting regarding the possibility of remaining independent. While independence was a viable option, the board of directors initially decided not to focus on the indication of the other financial institution because the \$7.44 per share value of the indication was substantially less than the value of the \$9.00 to \$10.00 per share value of the Middlefield indication. In addition, the board of directors rejected the investor group's change of control indication on the basis of the execution risks inherent with a change of control involving a new investor group, and the lack of liquidity and lack of a dividend that would result from that transaction.

The directors reviewed certain financial and other information about Middlefield, discussed the business and operating prospects for Middlefield over the next several years and compared such information to the operating prospects for Emerald Bank on a stand-alone basis. The directors agreed to invite Middlefield to conduct a due diligence review of the books and records of Emerald Bank but made it clear that Emerald Bank's board would only be interested in an offer at \$10.00 per share or higher. On September 26 and 27, 2006, Middlefield performed due diligence. On October 12, 2006, Middlefield submitted a final proposal to acquire Emerald Bank for \$10.00 per share, the high end of its range, in accordance with the terms and subject to the conditions eventually set forth in the Agreement.

The Emerald Bank board of directors met on October 13, 2006, to discuss the final proposal of Middlefield. Representatives of Ryan Beck discussed an overview of the transaction and the per share consideration, as well as analyses of Middlefield's historical financial results, ability to finance the transaction, stock performance and peer group comparisons. Based on the Ryan Beck analyses and the directors' continued assessment of opportunities to increase shareholder value, the board of directors of Emerald Bank concluded that the Middlefield proposal deserved further consideration and requested that Ryan Beck continue to negotiate additional terms with Middlefield Banc Corp.

On October 16, 2006, representatives of Ryan Beck met with the Emerald Bank board of directors to discuss the results of their negotiations. After lengthy discussion of whether to proceed with negotiations with Middlefield, the directors concluded that Emerald Bank would proceed with the negotiation of a merger agreement with Middlefield because Middlefield's proposal would immediately increase shareholder value to their initial investment and fill the start-up deficit. The directors also noted that Middlefield's financial performance was far superior to Emerald Bank's, and that the proposed transaction with Middlefield would result in far greater liquidity for Emerald Bank shares as well as the potential for dividend income.

Subsequently, the directors each received a draft of the merger agreement and related documents. At a meeting on November 6, 2006, the directors reviewed in detail the terms and conditions of the draft with Emerald Bank's counsel. Among the terms and conditions discussed were the stock/cash split in the Middlefield consideration, the structure of the merger, the representations, warranties and covenants of each of Middlefield and Emerald Bank and related matters.

The directors further considered Middlefield's requirement that shareholders' equity be at least \$5.3 million at closing and the dollar for dollar reduction in the aggregate consideration in the event the shareholders' equity fell below \$5.3 million. Representatives of Ryan Beck then discussed the potential financial effect on the value shareholders would receive as consideration if the shareholders' equity was below \$5.3 million and if the closing date occurred in the second half of 2007. After lengthy discussion of whether to proceed with the proposed transaction, the directors concluded that Emerald Bank would proceed with the negotiation of the merger agreement with Middlefield since the likely effect of any shortfall in shareholders' equity on the consideration received per share by the shareholders would be very small.

Between November 6 and November 14, 2006, Emerald Bank and Middlefield worked through final issues and completed the final draft of the merger agreement. At the same time, Ryan Beck and Emerald Bank management finished their due diligence review of Middlefield. On November 14, 2006, the Emerald Bank board of directors convened to consider the merger agreement, the due diligence and related matters. Counsel to the Emerald Bank board of directors summarized the terms of the merger agreement and the negotiation thereof since the last meeting of the board of directors, highlighting any provisions that had changed since the directors last reviewed the merger

agreement.

On November 15, 2006, the Emerald Bank board of directors met to consider the merger. Ryan Beck presented its opinion that the merger was fair to Emerald Bank shareholders as of such date from a financial point of view. The directors then concluded that the terms and conditions of the merger agreement were fair to, and in the best interests of, Emerald Bank shareholders and authorized the execution of the merger agreement by Emerald Bank.

***Middlefield's reasons for the merger.*** Middlefield believes the merger will benefit Middlefield's shareholders because it will enable Middlefield to establish a presence in Emerald Bank's market and strengthen Middlefield's competitive position. Emerald Bank's market immediately northwest of Columbus, Ohio is one of the most prosperous in the state and is experiencing very rapid growth. Middlefield believes the acquisition of an existing banking franchise is preferable to more gradual expansion into that market by other methods, such as by establishment of branches or formation of a local bank subsidiary. Building upon

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Emerald Bank's community banking focus, Middlefield believes that it can improve upon Emerald Bank's existing franchise because the surviving bank in the merger will be a commercial bank rather than a savings bank, without the restrictions imposed under Ohio savings bank law on loans not secured by real estate and with the resources and commitment to pursue commercial, commercial real estate, residential, consumer, and other lending opportunities more aggressively within Emerald Bank's market.

**Opinion of Emerald Bank's financial advisor**

Ryan Beck acted as financial advisor to Emerald Bank in connection with its potential acquisition by Middlefield Banc Corp., pursuant to the merger agreement. Ryan Beck, as a customary part of its business, is continually engaged in the valuation of financial institutions in connection with mergers, acquisitions and other securities-related transactions. Emerald Bank selected Ryan Beck as its financial advisor based on Ryan Beck's qualifications, expertise and reputation as a nationally recognized specialist in the financial services industry with extensive experience in advising banks and thrifts.

On November 15, 2006, the Emerald Bank board held a meeting to evaluate the proposed merger with Middlefield. In its capacity as Emerald Bank's financial advisor, Ryan Beck participated in the negotiations with respect to the pricing and other terms and conditions of the merger, but the decision as to whether to accept the Middlefield proposal and the pricing of the merger was made by the board of directors of Emerald Bank. At the November 15 meeting, Ryan Beck rendered an oral opinion to Emerald Bank's board (the written opinion was delivered separately and dated as of November 15, 2006) and reconfirmed the opinion in writing as of the date of this prospectus/proxy statement, (a copy of which is attached as Appendix B), that based on and subject to the assumptions, factors, and limitations as set forth in the attached opinion and as described below, the consideration offered to Emerald Bank shareholders was fair as of the respective dates from a financial point of view. No limitations were imposed by the Emerald Bank board of directors upon Ryan Beck with respect to the investigations made or procedures followed by it in arriving at its opinion.

**The full text of Ryan Beck's opinion, which sets forth assumptions made and matters considered, is attached as Appendix B to this prospectus/proxy statement. Shareholders of Emerald Bank are urged to read the attached Ryan Beck opinion in its entirety. The Ryan Beck opinion is directed only to the financial fairness of the consideration offered to Emerald Bank shareholders and does not constitute a recommendation to any shareholder as to how such shareholder should vote at the annual meeting. Ryan Beck has not considered, nor is it expressing any opinion herein with respect to, the price at which Middlefield's common stock will trade following consummation of the merger. The summary of the Ryan Beck opinion set forth in this prospectus/proxy statement is qualified in its entirety by reference to the full text of the Ryan Beck opinion. In rendering its opinion, Ryan Beck does not admit that it is an expert within the meaning of the term "expert" as used within the Securities Act of 1933 and the rules and regulations promulgated thereunder, or that its opinion constitutes a report or valuation within the meaning of Section 11 of the Securities Act of 1933 and the rules and regulations promulgated thereunder.**

*Material and Information Considered with Respect to the Proposed Merger.* In connection with its opinion, Ryan Beck reviewed the following information:

The merger agreement and related documents;

Middlefield's annual reports on Form 10-K, including audited financial statements, for the years ended December 31, 2005, 2004 and 2003;

Middlefield's quarterly reports on Form 10-Q for the quarters ended September 30, 2006, June 30, 2006 and March 31, 2006;

Emerald Bank's annual reports, including audited financial statements, for the years ended December 31, 2005 and 2004;

Emerald Bank's quarterly call reports for the periods ended September 30, 2006, June 30, 2006 and March 31, 2006;

Certain other public and non-public information, primarily financial in nature, related to the respective businesses, earnings, assets and prospects of Emerald Bank and Middlefield provided to Ryan Beck by management of the respective companies or obtained by Ryan Beck from other sources;

The publicly available financial data of commercial banking organizations which Ryan Beck deemed generally comparable to Emerald Bank and Middlefield;

The historical stock prices and trading volumes of Middlefield's common stock; and

The terms of acquisitions of banking organizations which Ryan Beck deemed generally comparable in whole or in part to Emerald Bank.

Additionally, Ryan Beck:

Conducted or reviewed such other studies, analyses, inquiries and examinations as it deemed appropriate;

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Analyzed the impact of the merger on Middlefield;

Considered the future prospects of Emerald Bank in the event it remained independent; and

Participated in meetings and telephone conferences with certain members of Emerald Bank's and Middlefield's senior management to discuss Emerald Bank's and Middlefield's past and current business operations, regulatory standing, financial condition, strategic plan and future prospects, including any potential operating efficiencies and synergies that may arise from the Merger.

In connection with its review, Ryan Beck relied upon and assumed, without independent verification, the accuracy and completeness of the financial and other information regarding Emerald Bank and Middlefield that was publicly available or provided to Ryan Beck by Emerald Bank and Middlefield. Ryan Beck is not an expert in the evaluation of loan portfolios or the allowance for loan losses. Therefore, Ryan Beck has not assumed any responsibility for making an independent evaluation of the adequacy of the allowance for loan losses set forth in the consolidated balance sheets of Emerald Bank and Middlefield as of September 30, 2006, and Ryan Beck has assumed such allowances were adequate and complied fully with applicable law, regulatory policy, sound banking practice and policies of the Securities and Exchange Commission as of the date of such financial statements. Ryan Beck discussed certain operating forecasts and financial projections (and the assumptions and bases therefore) with the management of Emerald Bank and Middlefield. Ryan Beck assumed that such forecasts and projections reflected the best currently available estimates and judgments of management. Ryan Beck was not retained to nor did it make any independent evaluation or appraisal of the assets or liabilities of Emerald Bank or Middlefield nor did Ryan Beck review any loan files of Emerald Bank or Middlefield. Ryan Beck also assumed that the merger in all respects is, and will be, undertaken and consummated in compliance with all laws and regulations that are applicable to Emerald Bank and Middlefield.

The preparation of a fairness opinion for a transaction such as the merger involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, Ryan Beck's opinion is not readily conducive to summary description. In arriving at its opinion, Ryan Beck performed a variety of financial analyses. Ryan Beck believes that its analyses must be considered as a whole and that the consideration of portions of such analyses and the factors considered therein, or any one method of analysis, without considering all factors and analyses, could create an incomplete view of the analyses and the process underlying Ryan Beck's opinion. No one method of analysis was assigned a greater significance than any other.

The forecasts and projections utilized in the analysis were based on information provided by Emerald Bank and Middlefield management. Emerald Bank and Middlefield do not publicly disclose internal management projections of the type discussed with Ryan Beck in connection with the review of the merger. Such projections were not prepared with a view towards public disclosure. The public disclosure of such projections could be misleading since the projections were based on numerous variables and assumptions which are inherently uncertain, including without limitation, factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in such projections.

In its analyses, Ryan Beck made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of Emerald Bank or Middlefield. Any estimates contained in Ryan Beck's analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such estimates. Estimates of values of companies do not purport to be appraisals nor do they necessarily reflect the prices at which companies or their securities may actually be sold.

Ryan Beck's opinion was based solely upon the information available to it and the economic, market and other circumstances as they existed as of the date of the opinion. Events occurring after such date could materially affect the assumptions and conclusions contained in Ryan Beck's opinion. Ryan Beck has not undertaken to reaffirm or revise its opinion or otherwise comment upon any events occurring after the date of its reconfirmed opinion. Ryan Beck did not and does not express any opinion as to the price or range of prices at which Middlefield's common stock might trade subsequent to the merger.



The following is a brief summary of the analyses and procedures performed by Ryan Beck in the course of arriving at its opinion. The summary does not purport to be a complete description, but is a brief summary of the material analyses and procedures performed by Ryan Beck in the course of arriving at its opinion.

*Analysis of Selected Publicly Traded Companies.* Ryan Beck compared Emerald Bank's financial data as of September 30, 2006, to a peer group of nine banking organizations in the Midwest with assets less than \$200 million that had sustained losses for the last twelve months and for which public trading and pricing information was available. Ryan Beck deemed this group to be generally comparable to Emerald Bank.

The results of the comparisons are reflected in the following table. The financial data and ratios shown in the table are as of or for the twelve months ended September 30, 2006 for Emerald Bank and as of the most recent twelve month period available for the peer group companies. The market valuation multiples are based on market prices as of November 10, 2006.

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<b>Capitalization</b>	<b>Emerald Bank</b>	<b>(1)</b>	<b>Peer Average</b>	<b>(1)</b>	<b>Peer Median</b>	<b>(1)</b>
Total Assets (000s)	\$	37,935	\$	89,115	\$	74,490
Total Deposits (000s)		28,752		64,357		56,174
Total Shareholders Equity (000s)		5,452		7,274		7,138
Total Equity / Assets		14.37	%	6.02	%	9.03
Tangible Equity / Tangible Assets		14.37		6.01		9.03
Tier 1 Capital / Risk-Adjusted Assets		23.08		11.75		11.01
Total Capital / Risk-Adjusted Assets		24.08		13.36		11.98
Total Borrowings / Total Assets		8.57		15.87		16.28

**Asset Quality**

Non-Performing Loans / Loans		1.28		2.45		0.32
Loan Loss Reserves / NPAs		68.56		195.58		179.82
Loan Loss Reserves / Loans		0.88		1.15		1.17
Non-Performing Assets / Assets		0.93		2.58		0.27
Non-Performing Assets + 90 Days Past Due / Assets		0.93		2.61		0.31
Non-Performing Assets / Equity		4.72		6.28		1.87

**Loan & Deposit Composition**

Total Loans / Total Assets		72.87		76.54		79.88
Total Loans / Deposits		96.14		103.98		103.59
1-4 Family Loans / Total Loans		59.13		48.18		46.79
5+ Family Loans / Total Loans		7.04		2.60		1.11
Construction & Development Loans / Total Loans		10.37		8.54		4.58
Other Real Estate Loans / Total Loans		18.42		17.25		17.63
Real Estate Loans / Total Loans		94.96		76.57		77.39
Consumer Loans / Total Loans		2.19		10.88		5.44
Commercial Loans / Total Loans		2.02		11.94		11.21
Non-Interest Bearing Deposits / Total Deposits		1.14		9.79		7.49
Transaction Accounts / Total Deposits		52.82		42.83		42.83
Total CDs / Total Deposits		47.18		57.17		57.17
Time Deposits > \$100,000 / Total Deposits		19.30		20.44		20.44

**Performance**

Return on Average Assets		(2.37)		(1.06)		(0.56)
Return on Average Equity		(10.55)		(23.28)		(4.62)
Net Interest Margin		2.69		2.86		2.74
Yield / Cost Spread		1.72		2.47		2.17
Yield on Interest Earning Assets		6.04		6.38		6.47
Cost of Interest Bearing Liabilities		4.32		3.73		3.53
Non Interest Income / Average Assets		0.12		0.70		0.79
Non Interest Expense / average Assets		4.65		4.21		3.74
Salary Expense / Total Revenue		82.99		61.83		49.62
Occupancy & Equipment Expense / Average Assets		0.86		0.64		0.55

Efficiency Ratio	172.09	118.58	118.51
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**Growth Rates**

Asset Growth	109.24	9.19	5.50
Loan Growth Rate	83.17	22.22	15.80
Deposit Growth Rate	164.82	16.48	10.21
EPS Growth Rate	NM	NM	NM

**Market Statistics**

Stock Price at November 10, 2006	NM					
Price / LTM EPS	NA	x	NM	x	NM	x
Price / Book Value	NA	%	115.30	%	93.86	%
Price / Tangible Book Value	NA		115.31		93.86	
Market Capitalization (\$M)	NA	\$	10.52	\$	6.59	
Dividend Yield	NA	%	0.44	%	0.00	%

(1) As of or for the most recent twelve-month period available for the peer group. Emerald Bank data as of September 30, 2006.

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Ryan Beck noted that 94.96% of Emerald Bank's loan portfolio is real estate oriented, significantly higher than the peer group median of 77.39%. Approximately 59.13% of Emerald Bank's loans are 1-4 family loans, higher than the peer group median of 46.79%. Emerald Bank's portfolio of construction & development loans at 10.37% was higher than the peer median of 4.58%. Emerald Bank's commercial loans at 2.02% of total loans were significantly lower than the peer group median of 11.21%. Emerald Bank's transaction account deposits equaled 52.82% of total deposits, higher than the peer group median of 42.83% but Emerald Bank's non-interest bearing demand deposits were only 1.14% of total deposits, significantly lower than the peer group median of 7.49%. Emerald Bank's jumbo deposits, or time deposits with balances greater than \$100,000, represented 19.30% of total deposits, slightly lower than the peer median of 20.44%.

Emerald Bank's return on average assets of -2.37% was significantly less than the peer group median of -0.56% and Emerald Bank's return on average equity of -10.55% was also less than the peer group median of -4.62%. Contributing to Emerald Bank's performance was its net interest margin of 2.69%, which was lower than the peer group median of 2.74%. Emerald Bank's efficiency ratio of 172.09% was significantly higher than the peer group median of 118.51%. Ryan Beck also noted that Emerald Bank's non-interest income as a percentage of average assets at 0.12% was significantly lower than the peer group median of 0.79%.

Additionally, Ryan Beck noted that Emerald Bank had non-performing loans as a percentage of total loans of 1.28%, which was significantly higher than the peer median of 0.32%. At 0.88%, Emerald Bank maintained a level of loan loss reserves as a percentage of total loans below the peer median of 1.17%. Emerald Bank's capital ratios were significantly higher than the peer group medians as evidenced by its tangible equity to tangible assets ratio of 14.37% compared to 9.03% for the peer group.

There was no recent trading activity in Emerald Bank's stock. The peer group median was at 93.86% of book value and tangible book value. Price-to-earnings ratios were not meaningful for either Emerald Bank or for the peer group median. Emerald Bank does not pay a dividend, and the peer group median dividend yield was also zero.

Ryan Beck also compared Middlefield's financial data as of September 30, 2006, to a peer group of 16 banking organizations with assets between \$150 million and \$450 million, and with latest twelve months return on average assets greater than 1.00% and less than 1.50% located nationwide for which public trading and pricing information was available. Ryan Beck deemed this group to be generally comparable to Middlefield.

The results of the comparisons are reflected in the following table. The financial data and ratios shown in the table are as of or for the twelve months ended September 30, 2006 for Middlefield and as of the most recent twelve month period available for the peer group companies. The market valuation multiples are based on market prices as of October 30, 2006.

	<b>Middlefield</b>		<b>Peer</b>		<b>Peer</b>	
<b>Capitalization</b>	<b>Banc Corp.</b>	<b>(1)</b>	<b>Average</b>	<b>(1)</b>	<b>Median</b>	<b>(1)</b>
Total Assets (000s)	\$ 325,675		\$ 375,989		\$ 395,306	
Total Deposits (000s)	264,706		302,656		307,069	
Total Shareholders Equity (000s)	29,567		35,201		33,676	
Total Equity / Assets	9.08	%	9.44	%	9.21	%
Tangible Equity / Tangible Assets	9.08		8.87		8.70	
Tier 1 Capital / Risk-Adjusted Assets	12.84		13.72		15.23	
Total Capital / Risk-Adjusted Assets	14.09					