



Middlefield Banc Corp. has agreed to acquire Liberty Bank, N.A.

The Transaction (link to press release)

On July 28, 2016, Middlefield Banc Corp. (“Middlefield” or the “Company”) (NASDAQ: MBCN), the bank holding company for The Middlefield Banking Company, and Liberty Bank, N.A. (“Liberty”) announced Middlefield has entered into an Agreement and Plan of Reorganization (the “Agreement”) with Liberty.

Under the terms of the Agreement, Liberty shareholders will have the option to receive either 1.1934 shares of MBCN stock or \$37.96 of cash in addition to receiving a special dividend immediately prior to closing of approximately \$3.13 a share. Based on the 20 day average stock price of MBCN of \$32.30 as of July 26, 2016, the indicated transaction value would be approximately \$40.8 million (cash consideration of approximately \$20.0 million plus an indicated stock consideration of \$16.6 million plus a \$3.0 million special dividend plus \$1.1 million paid to option and phantom stock holders). On a per share basis, the indicated value to Liberty shareholders is \$41.09 for those receiving cash and \$3.13 plus 1.1934 shares of MBCN for those receiving stock (together, \$41.68 based on the 20 day average). In aggregate (subject to proration), 45% of Liberty’s shares of common stock will be converted into Middlefield’s common stock.

Upon completion of the transaction and after adjusting for the special cash dividend paid to Liberty shareholders and purchase accounting, Middlefield will have approximately \$970 million in total assets, approximately \$820 million in total deposits, and 13 branches in the state of Ohio among a seven county operating footprint. Middlefield’s branch network will expand in the Cleveland MSA by adding Liberty’s three branches located in Beachwood, Twinsburg, and Solon, Ohio.

Middlefield expects the transaction to be accretive to earnings in year one and to earn back the tangible book value dilution created from the transaction in less than four years. After completion of the transaction, Middlefield anticipates it will remain well-capitalized.

The transaction has been approved by the Boards of Directors of both Middlefield and Liberty. Completion of the transaction is subject to customary closing conditions, including the receipt of required regulatory approvals and the approval of both Middlefield’s shareholders and Liberty’s shareholders.

Donnelly Penman & Partners acted as financial advisor to Middlefield, assisted in the negotiations in connection with the transaction, and delivered a Fairness Opinion. Grady & Associates acted as legal counsel to Middlefield. Please contact [John Donnelly](#) at (313) 393-3054, [Andrew Christians](#), CFA at (313) 393-3074 or [Gregory Cunningham](#) at (313) 393-3070 for further information.

Middlefield Banc Corp.

Middlefield Banc Corp. is headquartered in Middlefield, Ohio, is a bank holding company with total assets of \$760.1 million at June 30, 2016. The bank operates 10 full service banking centers and an LPL Financial® brokerage office serving Chardon, Cortland, Dublin, Garrettsville, Mantua, Middlefield, Newbury, Orwell, and Westerville. The bank also operates a Loan Production Office in Mentor, Ohio.

Announced July 2016

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Transaction Value: \$40.8 Million

Buy Side Advisory and Fairness Opinion

Liberty Bank

Founded in 1990, the Beachwood, Ohio-based Liberty Bank, N.A. is a full-service community national bank with assets of approximately \$223 million at June 30, 2016. With branch offices in Beachwood, Solon, and Twinsburg and a loan production office in Wooster, Ohio, the independently-owned bank specializes in providing innovative personal and business financing solutions with competitive rates and a high level of personalized customer service. Liberty Bank continues to be recognized as one of the nation's strongest financial institutions by receiving a 5-Star Superior rating from Bauer Financial, Inc. Liberty Bank is also a Preferred Lender for the Small Business Administration.

Donnelly Penman & Partners

Donnelly Penman & Partners is one of the largest independently owned investment banking firms headquartered in the Midwest. We provide comprehensive advisory services to both public and private companies, including mergers and acquisitions, capital raising, due diligence, and general financial advisory services. In addition, we are a [FINRA](#) licensed broker dealer and member [SIPC](#).

Donnelly Penman & Partners is owned by the employees of the firm, who have successfully completed more than 290 transactions and advisory engagements since the firm's inception in September 2000. Its principals have more than 110 years of investment banking experience collectively.