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PE firm injecting \$9.45M into Ohio-based Middlefield Banc Corp.

By [Lindsey White](#)

Middlefield, Ohio-based [Middlefield Banc Corp.](#) on Aug. 18 said Bank Opportunity Fund, an affiliate of [Hovde Private Equity Advisors LLC](#), agreed to buy about \$9.45 million of the bank's common stock as part of a broader capital raise of about \$11.4 million.

Under the terms of an agreement reached Aug. 15, Bank Opportunity Fund will pay \$16 per share cash for Middlefield's common stock. When the sale closes, Middlefield will issue warrants to Bank Opportunity Fund to acquire a number of shares equal to 15% of the number of shares sold to the investor, also at \$16 per share, subject to adjustment. Upon closing, Bank Opportunity Fund will own up to a 24.9% stake in the bank, including shares acquirable by exercise of warrants.

Middlefield Banc, the parent company of [Middlefield Banking Co.](#) and Dublin, Ohio-based [Emerald Bank](#), plans to use the proceeds to make capital contributions to its subsidiary banks and to strengthen their balance sheets, as well as for other general corporate purposes.

In a statement, Hovde President and Chief Investment Officer Eric Hovde said the investment is intended to grow the Middlefield franchise organically and through open-bank and FDIC-assisted deals in Ohio, a market that he said offers "very compelling growth opportunities in the owner-managed business and professional segment."

Hovde will join the boards of Middlefield Banc and its banking subsidiaries.

According to a Form 8-K filed Aug. 18, from about Aug. 9 through Aug. 12 Middlefield sold 93,400 shares of its common stock in a private equity offering, raising capital of \$1,494,400, before taking into account commissions of roughly \$68,160. The shares were sold to purchasers qualifying as accredited investors, including directors and officers and an institutional purchaser.

Middlefield Executive Vice President and COO James Heslop II told SNL that Bank Opportunity Fund's \$9.45 million investment is expected to come in around the fourth quarter, pending regulatory approval.

Once that investment is approved and funded, Middlefield Banc will receive an additional \$500,000 from another investor that does not have to go through the approval process, given that this investor holds a stake of less than 5%, Heslop said.

Donnelly Penman & Partners served as sole placement agent for the transaction. Grady & Associates acted as the legal adviser to Middlefield Banc Corp.

Article amended at 2:54 p.m. Aug. 18, 2011 to include information about advisers.