KULICH ROMAN
Form 4
January 03, 2007

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
KULICH ROMAN

(Last) (First) (Middle)

2277 FAIR OAKS BLVD, STE 440

(Street)

SACRAMENTO, CA 95825

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
MOLINA HEALTHCARE INC [MOH]

3. Date of Earliest Transaction (Month/Day/Year)
12/29/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Pres & CEO of Molina of MI

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	12/29/2006		A [(1)]		2	A	$ 32.51	5,966 [(2)]	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. De Se (In
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Options (Right to Buy)	$ 25.33							02/10/2005[(3)]	02/10/2014	Common Stock	20,000	
Stock Options (Right to Buy)	$ 44.29							07/01/2006[(4)]	07/01/2015	Common Stock	4,800	
Stock Options (Right to Buy)	$ 28.66							02/02/2007[(5)]	02/02/2016	Common Stock	8,100	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KULICH ROMAN 2277 FAIR OAKS BLVD, STE 440 SACRAMENTO, CA 95825			Pres & CEO of Molina of MI	

Signatures

Roman Kulich, by Jeff D. Barlow, Attorney-in-Fact.	01/03/2007
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The shares were acquired under the Molina Healthcare, Inc. 2002 Employee Stock Purchase Plan.

(2) 3,500 of the shares are subject to a restriction on transfer until August 2, 2007.

(3) The options vest in one-third increments on each of 2/10/2005, 2/10/2006, and 2/10/2007.

(4) The options vest in one-third increments on each of 7/1/2006, 7/1/2007, and 7/1/2008.

(5) The options vest in one-third increments on each of 2/2/2007, 2/2/2008, and 2/2/2009.

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	December 31, 2009			
	Level I	Level II	Level III	Total
Assets Measured on a Recurring Basis:				
U.S. government agency securities	$	$ 18,330	$	$ 18,330
Obligations of states and political subdivisions		56,720		56,720
Mortgage-backed securities		60,742		60,742
Total debt securities		135,792		135,792
Equity securities	919			919
Total	$ 919	$ 135,792	$	$ 136,711

Financial instruments are considered Level III when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. In addition to these unobservable inputs, the valuation models for Level III financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Level III financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. The Company has no securities considered to be Level III as of March 31, 2010.
The Company uses prices compiled by third party vendors due to the recent stabilization in the markets along with improvements in third party pricing methodology that have narrowed the variances between third party vendor prices and actual market prices.

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The following tables present the assets measured on a nonrecurring basis on the consolidated balance sheet at their fair value as of March 31, 2010 and December 31, 2009, by level within the fair value hierarchy. Impaired loans that are collateral dependent are written down to fair value through the establishment of specific reserves. Techniques used to value the collateral that secure the impaired loan include: quoted market prices for identical assets classified as Level I inputs; observable inputs, employed by certified appraisers, for similar assets classified as Level II inputs. In cases where valuation techniques included inputs that are unobservable and are based on estimates and assumptions developed by management based on the best information available under each circumstance, the asset valuation is classified as Level III inputs.

	(Dollar amounts in thousands) March 31, 2010			
	Level I	Level II	Level III	Total
Assets Measured on a non-recurring Basis:				
Impaired loans	$	$ 4,627	$ 2,136	$ 6,763
Other real estate owned		2,175		2,175

	December 31, 2009			
	Level I	Level II	Level III	Total
Assets Measured on a non-recurring Basis:				
Impaired loans	$	$ 5,644	$ 149	$ 5,793
Other real estate owned		2,164		2,164

The estimated fair value of the Company s financial instruments is as follows:

	March 31, 2010		December 31, 2009	
(Dollar amounts in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents	$ 41,654	$ 41,654	$ 41,153	$ 41,153
Investment securities Available for sale	164,852	164,852	136,711	136,711
Net loans	354,372	337,156	348,660	332,401
Bank-owned life insurance	7,773	7,773	7,706	7,706
Federal Home Loan Bank stock	1,887	1,887	1,887	1,887
Accrued interest receivable	2,093	2,093	1,411	1,411
Financial liabilities:				
Deposits	$ 522,278	$ 526,737	$ 487,106	$ 491,436
Short-term borrowings	6,772	6,772	6,800	68,003
Other borrowings	25,374	27,955	25,864	27,356
Accrued interest payable	931	931	905	905

Financial instruments are defined as cash, evidence of ownership interest in an entity, or a contract which creates an obligation or right to receive or deliver cash or another financial instrument from/to a second entity on potentially favorable or unfavorable terms.

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Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced liquidation sale. If a quoted market price is available for a financial instrument, the estimated fair value would be calculated based upon the market price per trading unit of the instrument.

If no readily available market exists, the fair value estimates for financial instruments should be based upon management s judgment regarding current economic conditions, interest rate risk, expected cash flows, future estimated losses, and other factors as determined through various option pricing formulas or simulation modeling. Since many of these assumptions result from judgments made by management based upon estimates which are inherently uncertain, the resulting estimated fair values may not be indicative of the amount realizable in the sale of a particular financial instrument. In addition, changes in assumptions on which the estimated fair values are based may have a significant impact on the resulting estimated fair values.

As certain assets such as deferred tax assets and premises and equipment are not considered financial instruments, the estimated fair value of financial instruments would not represent the full value of the Company.

The Company employed simulation modeling in determining the estimated fair value of financial instruments for which quoted market prices were not available based upon the following assumptions:

Cash and Cash Equivalents, Federal Home Loan Bank Stock, Accrued Interest Receivable, Accrued Interest Payable, and Short-Term Borrowings

The fair value is equal to the current carrying value.

Bank-Owned Life Insurance

The fair value is equal to the cash surrender value of the life insurance policies.

Investment Securities Available for Sale

The fair value of investment securities is equal to the available quoted market price. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities. Fair value for certain private-label collateralized mortgage obligations were determined utilizing discounted cash flow models, due to the absence of a current market to provide reliable market quotes for the instruments.

Loans

The fair value is estimated by discounting future cash flows using current market inputs at which loans with similar terms and qualities would be made to borrowers of similar credit quality. Where quoted market prices were available, primarily for certain residential mortgage loans, such market rates were utilized as estimates for fair value.

Deposits and Other Borrowed Funds

The fair values of certificates of deposit and other borrowed funds are based on the discounted value of contractual cash flows. The discount rates are estimated using rates currently offered for similar instruments with similar remaining maturities. Demand, savings, and money market deposits are valued at the amount payable on demand as of year-end.

Commitments to Extend Credit

These financial instruments are generally not subject to sale, and estimated fair values are not readily available. The carrying value, represented by the net deferred fee arising from the unrecognized commitment or letter of credit, and the fair value, determined by discounting the remaining contractual fee over the term of the commitment using fees currently charged to enter into similar agreements with similar credit risk, are not considered material for disclosure.

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NOTE 6 INVESTMENT SECURITIES AVAILABLE FOR SALE

The amortized cost and fair values of securities available for sale are as follows:

	March 31, 2010			
(Dollar amounts in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agency securities	$ 19,078	$ 94	$ (131)	$ 19,041
Obligations of states and political subdivisions:				
Taxable	5,384	10	(101)	5,293
Tax-exempt	62,044	1,173	(295)	62,922
Mortgage-backed securities	75,513	2,189	(996)	76,706
Total debt securities	162,019	3,466	(1,523)	163,962
Equity Securities	944	50	(104)	890
Total	$ 162,963	$ 3,516	$ (1,627)	$ 164,852

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agency securities	$ 18,657	$ 38	$ (365)	$ 18,330
Obligations of states and political subdivisions:				
Taxable	3,451	10	(86)	3,375
Tax-exempt	52,752	943	(349)	53,346
Mortgage-backed securities	60,055	1,817	(1,130)	60,742
Total debt securities	134,915	2,807	(1,930)	135,792
Equity Securities	944	80	(105)	919
Total	$ 135,859	$ 2,887	$ (2,035)	$ 136,711

The amortized cost and fair value of debt securities at March 31, 2010, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollar amounts in thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 2,061	$ 2,084
Due after one year through five years	7,760	8,111
Due after five years through ten years	23,223	23,748
Due after ten years	128,975	130,019

Total	$	162,019	$	163,962

Proceeds from sales of investment securities available for sale were $3.9 million and $0 during the three-months ended March 31, 2010 and March 31, 2009, respectively. Gross gains realized were $9,000 and $0, during the three-months ended March 31, 2010 and March 31, 2009, respectively.

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The following table shows the Company s gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position.

	March 31, 2010					
	Less than Twelve Months		Twelve Months or Greater		Total	
(Dollar amounts in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government agency securities	$ 9,368	$ (131)	$	$	$ 9,368	$ (131)
Obligations of states and political subdivisions	20,517	(289)	1,430	(107)	21,947	(396)
Mortgage-backed securities	4,822	(339)	3,835	(657)	8,657	(996)
Equity securities	580	(68)	11	(36)	591	(104)
Total	$ 35,287	$ (827)	$ 5,276	$ (800)	$ 40,563	$ (1,627)

	December 31, 2009					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government agency securities	$ 17,134	$ (365)	$	$	$ 17,134	$ (365)
Obligations of states and political subdivisions	21,594	(314)	1,417	(121)	23,011	(435)
Mortgage-backed securities	18,509	(334)	4,064	(796)	22,573	(1,130)
Equity securities	580	(68)	8	(37)	588	(105)
Total	$ 57,817	$ (1,082)	$ 5,489	$ (953)	$ 63,306	$ (2,035)

On a quarterly basis, the Company performs an assessment to determine whether there have been any events or economic circumstances indicating that a security with an unrealized loss has suffered other-than-temporary impairment (OTTI) pursuant to FASB ASC Topic 320 Investments Debt and Equity Securities. A debt security is considered impaired if the fair value is less than its amortized cost basis at the reporting date. The accounting literature requires the Company to assess whether the unrealized loss is other-than-temporary. Prior to the adoption of FSP FAS 115-2 which was subsequently incorporated into FASB ASC Topic 320 Investments Debt and Equity Securities, unrealized losses that were determined to be temporary were recorded, net of tax, in other comprehensive income for available for sale securities, whereas unrealized losses related to held-to-maturity securities determined to be temporary were not recognized. Regardless of whether the security was classified as available for sale or held to maturity, unrealized losses that were determined to be other-than-temporary were recorded to earnings. An unrealized loss was considered other-than-temporary if (i) it was probable that the holder would not collect all amounts due according to the contractual terms of the debt security, or (ii) the fair value was below the amortized cost of the debt security for a prolonged period of time and the Company did not have the positive intent and ability to hold the

security until recovery or maturity.

The Company adopted this ASC during the second quarter of 2009 which amended the OTTI model for debt securities. Under the new guidance, OTTI losses must be recognized in earnings if an investor has the intent to sell the debt security or it is more likely than not that it will be required to sell the debt security before recovery of its amortized cost basis. However, even if a Company does not expect to sell a debt security, it must evaluate expected cash flows to be received and determine if a credit loss has occurred.

Under this ASC, an unrealized loss is generally deemed to be other-than-temporary and a credit loss is deemed to exist if the present value of the expected future cash flows is less than the amortized cost basis of the debt security. As a result the credit loss component of an OTTI is recorded as a component of investment securities gains (losses) in the accompanying consolidated statement of income, while the remaining portion of the impairment loss is recognized in other comprehensive income, provided the Company does not intend to sell the underlying debt security and it is more likely than not that the company will not have to sell the debt security prior to recovery.

Debt securities issued by U.S. government agencies, U.S. government-sponsored enterprises, and state and political subdivisions accounted for more than 87% of the total available-for-sale portfolio as of March 31, 2010 and no credit losses are expected, given the explicit and implicit guarantees provided by the U.S. federal government and the lack of significant unrealized loss positions within the obligations of state and political subdivisions security portfolio. The Company s assessment was concentrated mainly on private-label collateralized mortgage obligations of approximately $20.5 million for which the Company evaluates credit losses on a quarterly basis. Gross unrealized gain and loss positions related to these private-label collateralized mortgage obligations amounted to $1.1 million and $670,000, respectively. The Company considered the following factors in determining whether a credit loss exists and the period over which the debt security is expected to recover:

The length of time and the extent to which the fair value has been less than the amortized cost basis.

Changes in the near term prospects of the underlying collateral of a security such as changes in default rates, loss severity given default and significant changes in prepayment assumptions;

The level of cash flows generated from the underlying collateral supporting the principal and interest payments of the debt securities; and

Any adverse change to the credit conditions and liquidity of the issuer, taking into consideration the latest information available about the overall financial condition of the issuer, credit ratings, recent legislation and government actions affecting the issuer s industry and actions taken by the issuer to deal with the present economic climate.

For the three months ended March 31, 2010, there were no available-for-sale debt securities with an unrealized loss that suffered OTTI.

NOTE 7 SUBSEQUENT EVENTS

None

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides further detail to the financial condition and results of operations of the Company. The MD&A should be read in conjunction with the notes and financial statements presented in this report.

CHANGES IN FINANCIAL CONDITION

General. The Company s total assets ended the March 31, 2010 quarter at $594.0 million, an increase of $35.4 million or 6.3% from December 31, 2009. Investment securities available for sale and net loans increased $28.1 million, and $5.7 million, respectively. The increase in total assets reflected a corresponding increase in total liabilities of $34.3 million or 6.6% and an increase in stockholders equity of $1.0 million or 2.8%. The increase in total liabilities was the result of deposit growth of $35.2 million or 7.2%. This was partially offset by decreases to other borrowing and short term borrowing of $491,000 and $28,000, respectively, for the quarter. The increase in stockholders equity was the result of an increase in accumulated other comprehensive income, retained earnings and common stock of $686,000, 237,000 and 116,000, respectively.

Cash on hand and due from banks. Cash on hand and due from banks, Federal funds sold and interest-bearing deposits in other institutions represent cash and cash equivalents. Cash equivalents increased a combined $501,000 or 1.2% to $41.7 million at March 31, 2010 from $41.2 million at December 31, 2009. Deposits from customers into savings and checking accounts, loan and security repayments and proceeds from borrowed funds typically increase these accounts. Decreases result from customer withdrawals, new loan originations, security purchases and repayments of borrowed funds.

Investment securities. Investment securities available for sale ended the March 31, 2010 quarter at $164.9 million an increase of $28.1 million or 20.6% from $136.7 million at December 31, 2009. During this period the Company recorded purchases of available for sale securities of $37.9 million, consisting of purchases of mortgage backed securities, municipal and U. S. government bonds. Offsetting some of the purchases of securities were repayments and maturities of $7.0 million and sales of mortgage backed securities totaling $3.9 million during the three months ended March 31, 2009. In addition, the securities portfolio increased approximately $686,000 due to an increase in the fair

value. These fair value adjustments represent temporary fluctuations resulting from changes in market rates in relation to average yields in the available for sale portfolio. If securities are held to their respective maturity dates, no fair value gain or loss is realized.

Loans receivable. The loans receivable category consists primarily of single family mortgage loans used to purchase or refinance personal residences located within the Company s market area and commercial real estate loans used to finance properties that are used in the borrowers businesses or to finance investor-owned rental properties, and to a lesser extent commercial and consumer loans. Net loans receivable increased $5.7 million or 1.6% to $354.4 million as of March 31, 2010 from $348.7 million at December 31, 2009. Included in this amount was an increase in the commercial and industrial loan portfolio of $2.2 million or 3.8% and real estate and construction loans of $2.9 million or 37.5% during the three months ended March 31, 2010. The Company s lending philosophy is to focus on the commercial loans and to attempt to grow that segment of the portfolio. To attract and build the commercial loan portfolio, the Company has taken a proactive approach in contacting new and current clients to ensure that the Company is servicing its client s needs. These lending relationships generally offer more attractive returns than residential loans and also offer opportunities for attracting larger balance deposit relationships. However, the shift in loan portfolio mix from residential real estate to commercial oriented loans may increase credit risk.

Allowance for Loan Losses and Asset Quality. In the first quarter of 2010, the combination of sustained weakness in commercial real estate values and a recessionary economy continued to have an adverse impact on the financial condition of commercial borrowers. These factors resulted in the Company downgrading loan quality ratings of several commercial loans during the first quarter. The distressed commercial real estate market also caused certain existing impaired commercial real estate loans to become under-collateralized during the quarter, resulting in the loans being charged down to the estimated net realizable value of the underlying collateral.

The Company increased the allowance for loan losses to $5.3 million, or 1.47% of total loans, at March 31, 2010, compared to $4.9 million, or 1.40%, at December 31, 2009. The increase in the allowance for loan losses was necessitated by loan downgrades and an increase to specific reserves for impaired commercial real estate loans discussed above, coupled with the impact of charge-offs remaining at an elevated level. First quarter 2010 net loan charge-offs totaled $97,000, or 0.03% of average loans, compared to $90,000, or 0.03%, for the first quarter of 2009. To maintain the adequacy of the allowance for loan losses, the Company recorded a first quarter provision for loan losses of $439,000, versus $154,000 for the first quarter of 2009.

Management analyzes the adequacy of the allowance for loan losses regularly through reviews of the performance of the loan portfolio considering economic conditions, changes in interest rates and the effect of such changes on real estate values and changes in the amount and composition of the loan portfolio. The allowance for loan losses is a material estimate that is particularly susceptible to significant changes in the near term. Such evaluation, which includes a review of all loans for which full collectibility may not be reasonably assured, considers among other matters, historical loan loss experience, the estimated fair value of the underlying collateral, economic conditions, current interest rates, trends in the borrower s industry and other factors that management believes warrant recognition in providing for an appropriate allowance for loan losses. Future additions to the allowance for loan losses will be dependent on these factors. Additionally, the Company utilizes an outside party to conduct an independent review of commercial and commercial real estate loans. The Company uses the results of this review to help determine the effectiveness of the existing policies and procedures, and to provide an independent assessment of the allowance for loan losses allocated to these types of loans. Management believes that the allowance for loan losses was appropriately stated at March 31, 2010. Based on the variables involved and the fact that management must make judgments about outcomes that are uncertain, the determination of the allowance for loan losses is considered a critical accounting policy.

Non-performing assets. Non-performing assets includes non-accrual loans, troubled debt restructurings (TDR), loans 90 days or more past due, assets purchased by EMORECO from EB in November 2009, other real estate, and repossessed assets. A loan is classified as non-accrual when, in the opinion of management, there are serious doubts about collectibility of interest and principal. At the time the accrual of interest is discontinued, future income is recognized only when cash is received. TDRs are those loans which the Company, for economic or legal reasons related to a borrower s financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The Company had one TDR with a balance of $463,000 as of March 31, 2010. Non-performing loans amounted to $18.1 million or 5.0% and $16.3 million or 4.6% of total loans at March 31, 2010 and December 31, 2009, respectively. The increase in nonperforming loans has occurred primarily in the commercial loan

portfolio and in one-to-four family real estate loans. Non-performing loans secured by real estate totaled $14.4 million as of March 31, 2010, up $1.5 million from $12.9 million at December 31, 2009. The depressed state of the economy and rising levels of unemployment have contributed to this trend, as well as the decline in the housing market across our geographic footprint that reflected declining home prices and increasing inventories of houses for sale. Real estate owned is written down to fair value at its initial recording and continually monitored.

Nonperforming Assets and Allowance for Loan Losses. The following table indicates asset quality data over the past five quarters.

Asset Quality History
(Dollar amounts in thousands)

	3/31/2010	12/31/2009	9/30/2009	6/30/2009	3/31/2009
Nonperforming loans	$ 18,143	$ 16,285	$ 14,368	$ 14,023	$ 13,370
Real estate owned	2,175	2,164	1,775	1,967	1,331
Nonperforming assets	$ 20,318	$ 18,449	$ 16,143	$ 15,990	$ 14,701
Allowance for loan losses	$ 5,279	$ 4,937	$ 4,422	$ 3,668	$ 3,621
Ratios					
Nonperforming loans to total loans	5.04%	4.61%	4.15%	4.18%	4.16%
Nonperforming assets to total assets	3.42%	3.30%	3.12%	3.33%	3.14%
Allowance for loan losses to total loans	1.47%	1.40%	1.28%	1.09%	1.13%
Allowance for loan losses to nonperforming loans	29.10%	30.32%	30.78%	26.16%	27.08%

A major factor in determining the appropriateness of the allowance for loan losses is the type of collateral which secures the loans. Of the total nonperforming loans at March 31, 2010, 80% were secured by real estate. Although this does not insure against all losses, the real estate provides substantial recovery, even in a distressed-sale and declining-value environment. In response to the poor economic conditions which have eroded the performance of the Company s loan portfolio, additional resources have been allocated to the loan workout process. The Company s objective is to work with the borrower to minimize the burden of the debt service and to minimize the future loss exposure to the Company.

Deposits. The Company considers various sources when evaluating funding needs, including but not limited to deposits, which are a significant source of funds totaling $522.3 million or 94.2% of the Company s total funding sources at March 31, 2010. Total deposits increased $35.2 million or 7.2% to $522.3 million at March 31, 2010 from $487.1 million at December 31, 2009. The increase in deposits is primarily related to the growth of money market, savings and certificate of deposit accounts of $8.4 million or 14.8%, $13.2 million or 12.3% and $10.1 million or 4.2%, respectively, at March 31, 2010. Interest-bearing demand increased $3.8 million or 10.1% for the quarter. These increases were nominally offset by a decline in non-interest bearing demand deposit accounts of $305,000 during the three months ended March 31, 2010.

Borrowed funds. The Company utilizes short and long-term borrowings as another source of funding used for asset growth and liquidity needs. These borrowings primarily include FHLB advances, junior subordinated debt, short-term borrowings from other banks and repurchase agreements. Short-term borrowings decreased $28,000 or 0.4% to $6.8 million as of March 31, 2010. Other borrowings declined $491,000 for the quarter which represents advances from the Federal Home Loan Bank of Cincinnati. The decline in FHLB advances was the result of scheduled principal payments.

Stockholders equity. Stockholders equity increased $1.0 million or 2.8% to $37.7 million at March 31, 2010 from $36.7 million at December 31, 2009. This increase was the result of increases in common stock, retained earnings and accumulated other comprehensive income of $116,000, $237,000 and $686,000, respectively. The increase of accumulated other comprehensive income was the result of an increase in the market value of the Company s securities available for sale portfolio. The increase in common stock was the result of the issuing 4,904 shares through the

Company s dividend reinvestment and purchase plan at an average price of $23.50 since December 31, 2009.

RESULTS OF OPERATIONS

General. Net income for the three months ended March 31, 2010, was $645,000, a $42,000, or 6.9% increase from the $603,000 earned during the same period in 2009. Diluted earnings per share for the first quarter of 2010 was $0.41 compared to $0.39 for the same period in 2009.

The Company s annualized return on average assets (ROA) and return on average equity (ROE) for the first quarter were 0.45% and 7.06%, respectively, compared with 0.52% and 7.00% for the first quarter of 2009.

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The Company s year-to-date earnings were positively impacted by an increase in investment interest income combined with a decrease in interest expense. This was partially offset by increases in the provision for loan losses and non-interest expense.

Net interest income. Net interest income, the primary source of revenue for the Company, is determined by the Company s interest rate spread, which is defined as the difference between income on earning assets and the cost of funds supporting those assets, and the relative amounts of interest earning assets and interest bearing liabilities. Management periodically adjusts the mix of assets and liabilities, as well as the rates earned or paid on those assets and liabilities in order to manage and improve net interest income. The level of interest rates and changes in the amount and composition of interest earning assets and liabilities affect the Company s net interest income. Historically from an interest rate risk perspective, it has been management s goal to maintain a balance between steady net interest income growth and the risks associated with interest rate fluctuations.

Net interest income for the first quarter totaled $4.1 million, an increase of 26.2% from the $3.2 million reported for the comparable period of 2009. The net interest margin was 3.29% for the first quarter of 2010, up from the 3.21% reported for the same quarter of 2009. The increase is primarily attributable to lower deposit costs, an increase of $28.1 million in the investment securities portfolio since year end 2009 and competitive pricing on lending opportunities associated with the current interest rate environment. Deposit growth at the banks has primarily been in products such as savings and money market accounts, which generally carry lower interest costs than other deposit alternatives.

Interest income. Interest income increased $600,000, or 9.5%, for the three months ended March 31, 2010, compared to the same period in the prior year. This increase can be attributed to an increase in interest earned on loans receivable of $99,000 which was coupled with a $496,000 increase in interest earned on investment securities for the quarter.

Interest earned on loans receivable increased $99,000, or 2.0%, for the three months ended March 31, 2010, compared to the same period in the prior year. This increase was attributable to a $32.9 million or 10.2% increase in the average balance of loans receivable from March 31, 2009. This increase was partially offset by a decline in the yield on the total loan portfolio of 47 basis points to 5.80% for the three months ended March 31, 2010 from 6.27% for the same period in the prior year.

Interest earned on securities increased $496,000, or 38.2%, for the three months ended March 31, 2010, compared to the same period in the prior year. This increase was primarily the result of an increase in the average balance of the securities portfolio of $46.8 million, or 44.6%, to $151.8 million at March 31, 2010 from $105.0 million for the same period in the prior year. Interest income on investment securities was adversely affected by a decrease in the portfolio yield. The total investment securities portfolio yield of 5.61% for the three months ended March 31, 2010 decreased by 34 basis points from 5.95% for the same period in the prior year.

Interest expense. Interest expense decreased $242,000, or 7.8%, for the three months ended March 31, 2010, compared to the same period in the prior year. This decline in interest expense can be attributed to decreases in interest incurred on deposits and other borrowings of $231,000 and $67,000, respectively. This reduction in interest cost was mainly due to the rate paid on interest-bearing liabilities which declined by 89 basis points when comparing the two quarters.

Interest incurred on deposits, the largest component of the Company s interest-bearing liabilities, declined $231,000, or 8.5%, for the three months ended March 31, 2010, compared to the same period in the prior year. This decrease was attributed to a decline in average rate paid on deposits of 2.19% for the three months ended March 31, 2010 from 3.11% for the same period in the prior year. The improvement in interest cost due to rate was partially offset by an increase in the average balance of interest-bearing deposits of $106.5 million, or 30.1%, to $460.5 million for the three months ended March 31, 2010, compared to $354.0 million for the same period in the prior year. This increase is reflected in the quarterly rate volume report presented below which depicts that the decrease to the costs associated with the interest-bearing liabilities. The Company diligently monitors the interest rates on its products as well as the rates being offered by its competition and utilizing rate surveys to keep its total interest expense costs down.

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Interest incurred on borrowed funds, declined by $11,000, for the three months ended March 31, 2010, compared with the same period in the prior year. This decline was primarily attributable to a reduction of $67,000 in interest paid on FHLB advances when compared to March 31, 2009. This decrease was partially offset by an increase in interest paid on short-term borrowing of $52,000 when compared to the same period in the prior year. This increase is the result of the Company borrowing $5.7 million in the fourth quarter of 2009 to fund its non-bank subsidiary.

Provision for loan losses. The provision for loan losses represents the charge to income necessary to adjust the allowance for loan losses to an amount that represents management s assessment of the estimated probable incurred credit losses inherent in the loan portfolio. Each quarter management performs a review of estimated probable incurred credit losses in the loan portfolio. Based on this review, a provision for loan losses of $439,000 was recorded for the quarter ended March 31, 2010 compared to $154,000 for the quarter ended March 31, 2009. The provision for loan losses was higher for the current quarter due to increases in net charge-offs, increases in nonperforming and delinquent loans and the current distressed state of the economy. Nonperforming loans were $18.1 million, or 5.0% of total loans at March 31, 2010 compared with $14.7 million, or 4.2% at March 31, 2009. Net charge-offs were $97,000 for the quarter ended March 31, 2010 compared with $90,000 for the quarter ended March 31, 2009. Total loans were $359.7 million at March 31, 2010 compared with $326.7 million at March 31, 2009.

Non-interest income. Non-interest income decreased $15,000 for the three-month period of 2010 over the comparable 2009 period. This decrease was the result of lower service charge revenue associated with deposit accounts, as well as a decrease in the earnings rate on bank-owned life insurance. A nominal increase in other non-interest income was driven by greater ATM/Debit card usage and credit card fees. On February 22, 2010 the Company sold twenty-two mortgage-backed securities at a net gain of $9,000.

Non-interest expense. Non-interest expense of $3.6 million for the first quarter of 2010 was 18.8%, or $562,000, higher than the first quarter of 2009. The increase in salaries and employee benefits of $140,000 is primarily attributable to the growth of the Company and a 10% increase in employee health insurance premiums. FDIC premiums continue to increase and are $30,000 higher than they were for the same quarter last year. The Company is in the process of changing data processors and upgrading its computer network. These improvements have resulted in an increase of $75,000 in equipment expense when compared to March 31, 2010. Other expenses grew $289,000 over the 2009 quarter. Expenses related to delinquent loans, foreclosures and other real estate owned totaled $220,000 or 76.1% of the increase. Included in this total is the Company s non-bank asset resolution subsidiary EMORECO which had $128,000 in loan and other real estate owned expenses as of March 31, 2010.

Provision for income taxes. The Company recognized $22,000 in income tax expense, which reflected an effective tax rate of 3.3% for the three months, ended March 31, 2010, as compared to $84,000 with an effective tax rate of 12.2% for the respective 2009 period. The decline in the tax provision can be associated with an increase in non-taxable income from obligations of states and political subdivisions of $146,000 or 32.6% when compared to the same quarter in the prior year.

CRITICAL ACCOUNTING ESTIMATES

The Company s critical accounting estimates involving the more significant judgments and assumptions used in the preparation of the consolidated financial statements as of March 31, 2010, have remained unchanged from December 31, 2009.

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Average Balance Sheet and Yield/Rate Analysis. The following table sets forth, for the periods indicated, information concerning the total dollar amounts of interest income from interest-earning assets and the resultant average yields, the total dollar amounts of interest expense on interest-bearing liabilities and the resultant average costs, net interest income, interest rate spread and the net interest margin earned on average interest-earning assets. For purposes of this table, average balances are calculated using monthly averages and the average loan balances include non-accrual loans and exclude the allowance for loan losses, and interest income includes accretion of net deferred loan fees. Interest and yields on tax-exempt securities (tax-exempt for federal income tax purposes) are shown on a fully tax equivalent basis utilizing a federal tax rate of 34%. Yields and rates have been calculated on an annualized basis utilizing monthly interest amounts.

	For the Three Months Ended March 31,					
	2010			2009		
(Dollar amounts in thousands)	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
	(Dollars in thousands)			(Dollars in thousands)		
Interest-earning assets:						
Loans receivable	$ 356,239	$ 5,097	5.80%	$ 323,330	$ 4,998	6.27%
Investments securities (3)	151,807	1,795	5.61%	104,973	1,307	5.95%
Interest-bearing deposits with other banks	30,020	32	0.43%	6,805	19	1.13%
Total interest-earning assets	538,066	6,924	5.45%	435,108	6,324	6.11%
Noninterest-earning assets	38,144			35,503		
Total assets	$ 576,210			$ 470,611		
Interest-bearing liabilities:						
Interest-bearing demand deposits	38,874	95	0.99%	$ 27,722	61	0.89%
Money market deposits	60,491	279	1.87%	28,796	151	2.12%
Savings deposits	113,593	427	1.53%	71,406	246	1.40%
Certificates of deposit	247,559	1,684	2.76%	226,107	2,259	4.05%
Borrowings	32,328	384	4.81%	34,520	394	4.63%
Total interest-bearing liabilities	492,845	2,869	2.36%	388,552	3,111	3.25%
Noninterest-bearing liabilities						
Other liabilities	46,306			47,100		
Stockholders equity	37,060			34,959		
Total liabilities and stockholders equity	$ 576,210			$ 470,611		
Net interest income		$ 4,055			$ 3,213	
Interest rate spread (1)			3.09%			2.86%
Net yield on interest-earning assets (2)			3.29%			3.21%
Ratio of average interest-earning assets to average interest-bearing liabilities			109.18%			111.98%

(1) Interest rate spread

represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.

(2) Net yield on interest-earning assets represents net interest income as a percentage of average interest-earning assets.

(3) Tax equivalent adjustments to interest income for tax-exempt securities was $305 and $234 for 2010 and 2009 respectively.

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Analysis of Changes in Net Interest Income. The following tables analyzes the changes in interest income and interest expense, between the three month periods ended March 31, 2010 and 2009, in terms of: (1) changes in volume of interest-earning assets and interest-bearing liabilities and (2) changes in yields and rates. The table reflects the extent to which changes in the Company s interest income and interest expense are attributable to changes in rate (change in rate multiplied by prior period volume), changes in volume (changes in volume multiplied by prior period rate) and changes attributable to the combined impact of volume/rate (change in rate multiplied by change in volume). The changes attributable to the combined impact of volume/rate are allocated on a consistent basis between the volume and rate variances. Changes in interest income on securities reflects the changes in interest income on a fully tax-equivalent basis.

	2010 versus 2009 Increase (decrease) due to		
(Dollar amounts in thousands)	Volume	Rate	Total
	(Dollars in thousands)		
Interest-earning assets:			
Loans receivable	$ 509	$ (410)	$ 99
Investments securities	687	(199)	488
Interest-bearing deposits with other banks	65	(52)	13
Total interest-earning assets	1,261	(661)	600
Interest-bearing liabilities:			
Interest-bearing demand deposits	25	9	34
Money market deposits	166	(37)	129
Savings deposits	145	36	181
Certificates of deposit	214	(790)	(576)
Borrowings	(25)	15	(10)
Total interest-bearing liabilities	525	(767)	(242)
Net interest income	$ 736	$ 106	$ 842

LIQUIDITY

Management s objective in managing liquidity is maintaining the ability to continue meeting the cash flow needs of its customers, such as borrowings or deposit withdrawals, as well as its own financial commitments. The principal sources of liquidity are net income, loan payments, maturing and principal reductions on securities and sales of securities available for sale, federal funds sold and cash and deposits with banks. Along with its liquid assets, the Company has additional sources of liquidity available to ensure that adequate funds are available as needed. These include, but are not limited to, the purchase of federal funds, and the ability to borrow funds under line of credit agreements with correspondent banks and a borrowing agreement with the Federal Home Loan Bank of Cincinnati, Ohio and the adjustment of interest rates to obtain depositors. Management feels that it has the capital adequacy, profitability and reputation to meet the current and projected needs of its customers.

For the three months ended March 31, 2010, the adjustments to reconcile net income to net cash from operating activities consisted mainly of depreciation and amortization of premises and equipment, the provision for loan losses, net amortization of securities and net changes in other assets and liabilities. For a more detailed illustration of sources and uses of cash, refer to the condensed consolidated statements of cash flows.

INFLATION

Substantially all of the Company s assets and liabilities relate to banking activities and are monetary in nature. The consolidated financial statements and related financial data are presented in accordance with U.S. Generally Accepted

Accounting Principles. GAAP currently requires the Company to measure the financial position and results of operations in terms of historical dollars, with the exception of securities available for sale, impaired loans and other real estate loans that are measured at fair value. Changes in the value of money due to rising inflation can cause purchasing power loss.

Management s opinion is that movements in interest rates affect the financial condition and results of operations to a greater degree than changes in the rate of inflation. It should be noted that interest rates and inflation do affect each other, but do not always move in correlation with each other. The Company s ability to match the interest sensitivity of its financial assets to the interest sensitivity of its liabilities in its asset/liability management may tend to minimize the effect of changes in interest rates on the Company s performance.

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REGULATORY MATTERS

The Company is subject to the regulatory requirements of The Federal Reserve System as a multi-bank holding company. The affiliate banks are subject to regulations of the Federal Deposit Insurance Corporation (FDIC) and the State of Ohio, Division of Financial Institutions.

Effective February 11, 2010, the Board of Directors of the Company s subsidiary, EB, entered into a Memorandum of Understanding (MOU) with the FDIC and the Ohio Division of Financial Institutions as a result of the joint examination by the FDIC and the Ohio Division of Financial Institutions completed in the fourth quarter of 2009. The MOU sets forth certain actions required to be taken by management of EB to rectify unsatisfactory conditions identified by the federal and state banking regulators that relate to EB s concentration of credit for non-owner occupied 1 4 family residential mortgage loans. The MOU requires EB to reduce delinquent and classified loans and enhance credit administration for non-owner occupied residential real estate; to develop specific plans for the reduction of borrower indebtedness on classified and delinquent credits; to correct violations of laws and regulations listed in the joint examination report; to implement an earnings improvement plan; to maintain specified capital discussed below; to submit to the FDIC and the Ohio Division of Financial Institutions for review and comment a revised methodology for calculating and determining the adequacy of the allowance for loan losses; and to provide 30 days advance notification of proposed dividend payments.

Compliance with the terms of the MOU is a high priority for the Company. In anticipation of the requirements that would be imposed by the MOU executed February 11, 2010, management devoted significant resources to the preceding matters during the fiscal year ended December 31, 2009, and intends to continue to do so during 2010. Specific actions taken included the evaluation and reorganization of lending and credit administration personnel, retention of collection and workout personnel, and the sale of $4.6 million of nonperforming assets to a sister, nonbank-asset resolution subsidiary established late in the fourth quarter of 2009. In 2009, the Company invested $1.25 million in EB in the form of capital infusions to maintain Tier I capital at the level expected by the FDIC and the Ohio Division of Financial Institutions.

The MOU requires that EB submit plans and report to the Ohio Division of Financial Institutions and the FDIC regarding EB s loan portfolio and profit plan, among other matters. The MOU also requires that the Bank maintain its Tier I Leverage Capital ratio at not less than 9 percent.

The following table sets forth the capital requirements for EB under the FDIC regulations and EB s capital ratios at March 31, 2010 and December 31, 2009:

	FDIC Regulations			
Capital Ratio	Adequately Capitalized	Well Capitalized	March 31, 2010	December 31, 2009
Tier I Leverage Capital	4.00%	5.00%(1)	9.38%	10.29%
Risk-Based Capital:				
Tier I	4.00	6.00	13.39	13.63
Total	8.00	10.00	14.67	14.91

(1) 9 percent required by the MOU.

REGULATORY CAPITAL REQUIREMENTS

The Company is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors and the

regulators can lower classifications in certain cases. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the company s operations.

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion and plans for capital restoration are required.

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The following table illustrates the Company s risk-weighted capital ratios at March 31, 2010:

	Middlefield Banc Corp. March 31, 2010		The Middlefield Banking Co. March 31, 2010		Emerald Bank March 31, 2010	
(Dollar amounts in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk-weighted Assets)						
Actual	$ 44,312	11.49	$ 35,399	10.66	$ 7,041	14.67
For Capital Adequacy Purposes	30,858	8.00	26,554	8.00	3,839	8.00
To Be Well Capitalized	38,573	10.00	33,193	10.00	4,799	10.00
Tier I Capital (to Risk-weighted Assets)						
Actual	$ 39,485	10.24	$ 31,979	9.63%	$ 6,425	13.39
For Capital Adequacy Purposes	15,429	4.00	13,277	4.00	1,920	4.00
To Be Well Capitalized	23,144	6.00	19,916	6.00	2,879	6.00
Tier I Capital (to Average Assets)						
Actual	$ 39,485	6.94	$ 31,979	6.48	$ 6,425	9.38
For Capital Adequacy Purposes	22,762	4.00	19,746	4.00	2,741	4.00
To Be Well Capitalized	28,453	5.00	24,683	5.00	3,427	5.00

Item 3. Quantitative and Qualitative Disclosures about Market Risk

ASSET AND LIABILITY MANAGEMENT

The primary objective of the Company s asset and liability management function is to maximize the Company s net interest income while simultaneously maintaining an acceptable level of interest rate risk given the Company s operating environment, capital and liquidity requirements, performance objectives and overall business focus. The principal determinant of the exposure of the Company s earnings to interest rate risk is the timing difference between the repricing and maturity of interest-earning assets and the repricing or maturity of its interest-bearing liabilities. The Company s asset and liability management policies are designed to decrease interest rate sensitivity primarily by shortening the maturities of interest-earning assets while at the same time extending the maturities of interest-bearing liabilities. The Board of Directors of the Company continues to believe in strong asset/liability management in order to insulate the Company from material losses as a result of prolonged increases in interest rates. As a result of this policy, the Company emphasizes a larger, more diversified portfolio of residential mortgage loans in the form of mortgage-backed securities. Mortgage-backed securities generally increase the quality of the Company s assets by virtue of the insurance or guarantees that back them, are more liquid than individual mortgage loans and may be used to collateralize borrowings or other obligations of the Company.

The Company s Board of Directors has established an Asset and Liability Management Committee consisting of four outside directors, the President and Chief Executive Officer, Executive/Vice President/ Chief Operating Officer, Senior Vice President/Chief Financial Officer and Senior Vice President/Commercial Lending. This committee, which meets quarterly, generally monitors various asset and liability management policies and strategies, which were implemented by the Company over the past few years. These strategies have included: (i) an emphasis on the investment in adjustable-rate and shorter duration mortgage-backed securities; (ii) an emphasis on the origination of

single-family residential adjustable-rate mortgages (ARMs), residential construction loans and commercial real estate loans, which generally have adjustable or floating interest rates and/or shorter maturities than traditional single-family residential loans, and consumer loans, which generally have shorter terms and higher interest rates than mortgage loans; (iii) increase the duration of the liability base of the Company by extending the maturities of savings deposits, borrowed funds and repurchase agreements.

The Company has established the following guidelines for assessing interest rate risk:

Net interest income simulation. Given a 200 basis point parallel and gradual increase or decrease in market interest rates, net interest income may not change by more than 10% for a one-year period.

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Portfolio equity simulation. Portfolio equity is the net present value of the Company s existing assets and liabilities. Given a 200 basis point immediate and permanent increase or decrease in market interest rates, portfolio equity may not correspondingly decrease or increase by more than 20% of stockholders equity.

The following table presents the simulated impact of a 200 basis point upward and a 200 basis point downward shift of market interest rates on net interest income and the change in portfolio equity. This analysis was done assuming that the interest-earning asset and interest-bearing liability levels at March 31, 2010 remained constant. The impact of the market rate movements was developed by simulating the effects of rates changing gradually over a one-year period from the March 31, 2010 levels for net interest income. The impact of market rate movements was developed by simulating the effects of an immediate and permanent change in rates at March 31, 2010 for portfolio equity:

	Increase 200 Basis Points	Decrease 200 Basis Points
Net interest income increase (decrease)	(1.55)%	5.35%
Portfolio equity increase (decrease)	(19.42)%	(5.02)%

Item 4. Controls and Procedures

Controls and Procedures Disclosure

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Corporation s reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this quarterly report, an evaluation was carried out under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(e) and 15d-14(e) under the Securities Exchange Act of 1934). Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures are, to the best of their knowledge, effective to ensure that information required to be disclosed by the Corporation in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that there were no significant changes in internal control or in other factors that could significantly affect its internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

A material weakness is a significant deficiency (as defined in Public Company Accounting Oversight Board Auditing Standard No. 2), or a combination of significant deficiencies, that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis by management or employees in the normal course of performing their assigned functions.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company s internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the Company s most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1a. There are no material changes to the risk factors set forth in Part I, Item 1A, Risk Factors, of the Company s Annual Report on Form 10-K for the year ended December 31, 2009. Please refer to that section for disclosures regarding the risks and uncertainties related to the Company s business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults by the Company on its senior securities

None

Item 4. Reserved

Item 5. Other information

None

Item 6. Exhibits

Exhibit list for Middlefield Banc Corp. s Form 10-Q Quarterly Report for the Period Ended March 31, 2010

exhibit number	description	location
3.1	Second Amended and Restated Articles of Incorporation of Middlefield Banc Corp., as amended	Incorporated by reference to Exhibit 3.1 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2005, filed on March 29, 2006
3.2	Regulations of Middlefield Banc Corp.	Incorporated by reference to Exhibit 3.2 of Middlefield Banc Corp. s registration statement on Form 10 filed on April 17, 2001
4.0	Specimen stock certificate	Incorporated by reference to Exhibit 4 of Middlefield Banc Corp. s registration statement on Form 10 filed on April 17, 2001
4.1	Amended and Restated Trust Agreement, dated as of December 21, 2006, between Middlefield Banc Corp., as Depositor, Wilmington Trust Company, as Property trustee, Wilmington Trust Company, as Delaware Trustee, and Administrative Trustees	Incorporated by reference to Exhibit 4.1 of Middlefield Banc Corp. s Form 8-K Current Report filed on December 27, 2006
4.2	Junior Subordinated Indenture, dated as of December 21, 2006, between Middlefield Banc Corp. and Wilmington Trust Company	Incorporated by reference to Exhibit 4.2 of Middlefield Banc Corp. s Form 8-K Current Report filed on December 27, 2006
4.3	Guarantee Agreement, dated as of December 21, 2006, between Middlefield Banc Corp. and Wilmington Trust Company	Incorporated by reference to Exhibit 4.3 of Middlefield Banc Corp. s Form 8-K Current Report filed on December 27, 2006

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exhibit number	description	location
10.1.0*	1999 Stock Option Plan of Middlefield Banc Corp.	Incorporated by reference to Exhibit 10.1 of Middlefield Banc Corp. s registration statement on Form 10 filed on April 17, 2001
10.1.1*	2007 Omnibus Equity Plan	Incorporated by reference to Middlefield Banc Corp. s definitive proxy statement for the 2008 Annual Meeting of Shareholders, Appendix A, filed on April 7, 2008
10.2*	Severance Agreement between Middlefield Banc Corp. and Thomas G. Caldwell, dated January 7, 2008	Incorporated by reference to Exhibit 10.2 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 9, 2008
10.3*	Severance Agreement between Middlefield Banc Corp. and James R. Heslop, II, dated January 7, 2008	Incorporated by reference to Exhibit 10.3 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 9, 2008
10.4.0*	Severance Agreement between Middlefield Banc Corp. and Jay P. Giles, dated January 7, 2008	Incorporated by reference to Exhibit 10.4 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 9, 2008
10.4.1*	Severance Agreement between Middlefield Banc Corp. and Teresa M. Hetrick, dated January 7, 2008	Incorporated by reference to Exhibit 10.4.1 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 9, 2008
10.4.2*	Severance Agreement between Middlefield Banc Corp. and Jack L. Lester, dated January 7, 2008	Incorporated by reference to Exhibit 10.4.2 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 9, 2008
10.4.3*	Severance Agreement between Middlefield Banc Corp. and Donald L. Stacy, dated January 7, 2008	Incorporated by reference to Exhibit 10.4.3 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 9, 2008
10.4.4*	Severance Agreement between Middlefield Banc Corp. and Alfred F. Thompson Jr., dated January 7, 2008	Incorporated by reference to Exhibit 10.4.4 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 9, 2008
10.5	Federal Home Loan Bank of Cincinnati Agreement for Advances and Security Agreement dated September 14, 2000	Incorporated by reference to Exhibit 10.4 of Middlefield Banc Corp. s registration statement on Form 10 filed on April 17, 2001
10.6*	Amended Director Retirement Agreement with Richard T. Coyne	Incorporated by reference to Exhibit 10.6 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 9, 2008
10.7*		

	Amended Director Retirement Agreement with Frances H. Frank	Incorporated by reference to Exhibit 10.7 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 9, 2008
10.8*	Amended Director Retirement Agreement with Thomas C. Halstead	Incorporated by reference to Exhibit 10.8 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 9, 2008
10.9*	Director Retirement Agreement with George F. Hasman	Incorporated by reference to Exhibit 10.9 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2001, filed on March 28, 2002

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exhibit number	description	location
10.10*	Director Retirement Agreement with Donald D. Hunter	Incorporated by reference to Exhibit 10.10 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2001, filed on March 28, 2002
10.11*	Director Retirement Agreement with Martin S. Paul	Incorporated by reference to Exhibit 10.11 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2001, filed on March 28, 2002
10.12*	Amended Director Retirement Agreement with Donald E. Villers	Incorporated by reference to Exhibit 10.12 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 9, 2008
10.13*	Executive Survivor Income Agreement (aka DBO agreement [death benefit only]) with Donald L. Stacy	Incorporated by reference to Exhibit 10.14 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004
10.14*	DBO Agreement with Jay P. Giles	Incorporated by reference to Exhibit 10.15 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004
10.15*	DBO Agreement with Alfred F. Thompson Jr.	Incorporated by reference to Exhibit 10.16 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004
10.16*	Reserved	
10.17*	DBO Agreement with Theresa M. Hetrick	Incorporated by reference to Exhibit 10.18 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004
10.18*	DBO Agreement with Jack L. Lester	Incorporated by reference to Exhibit 10.19 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004
10.19*	DBO Agreement with James R. Heslop, II	Incorporated by reference to Exhibit 10.20 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004

10.20*	DBO Agreement with Thomas G. Caldwell	Incorporated by reference to Exhibit 10.21 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004
10.21*	Form of Indemnification Agreement with directors of Middlefield Banc Corp. and with executive officers of Middlefield Banc Corp. and The Middlefield Banking Company	Incorporated by reference to Exhibit 99.1 of Middlefield Banc Corp. s registration statement on Form 10, Amendment No. 1, filed on June 14, 2001

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exhibit number	description	location
10.22*	Annual Incentive Plan Summary	Incorporated by reference to the summary description of the annual incentive plan included as Exhibit 10.22 of Middlefield Banc Corp. s Form 8-K Current Report filed on December 16, 2005
10.23*	Amended Executive Deferred Compensation Agreement with Thomas G. Caldwell	Incorporated by reference to Exhibit 10.23 of Middlefield Banc Corp. s Form 8-K Current Report filed on May 9, 2008
10.24*	Amended Executive Deferred Compensation Agreement with James R. Heslop, II	Incorporated by reference to Exhibit 10.24 of Middlefield Banc Corp. s Form 8-K Current Report filed on May 9, 2008
10.25*	Amended Executive Deferred Compensation Agreement with Donald L. Stacy	Incorporated by reference to Exhibit 10.25 of Middlefield Banc Corp. s Form 8-K Current Report filed on May 9, 2008
31.1	Rule 13a-14(a) certification of Chief Executive Officer	filed herewith
31.2	Rule 13a-14(a) certification of Chief Financial Officer	filed herewith
32	Rule 13a-14(b) certification	filed herewith
99	Report of independent registered public accounting firm	filed herewith

* management contract or compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned and hereunto duly authorized.

MIDDLEFIELD BANC CORP.

Date: May 13, 2010 By: /s/ Thomas G. Caldwell

Thomas G. Caldwell
President and Chief Executive Officer

Date: May 13, 2010 By: /s/ Donald L. Stacy

Donald L. Stacy
Principal Financial and Accounting Officer

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