



## **Compensation Committee Charter**

### **Purpose**

The Compensation Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Middlefield Banc Corp. (“Middlefield”) to assist the Board in fulfilling its oversight responsibilities. References to Middlefield in this charter include all other direct and indirect subsidiaries of Middlefield, as established from time to time. The Committee’s primary purposes are to (i) discharge the Board’s responsibilities relating to the compensation of Middlefield’s executives, (ii) assist the Board in establishing compensation policies and incentive and equity-based plans and awards that will enable Middlefield to attract, motivate, and retain high quality leadership consistent with the interests of Middlefield’s shareholders, and (iii) prepare any report or other disclosures on executive compensation required by the rules and regulations of the Securities and Exchange Commission (the “SEC”).

### **Committee Membership**

The Committee shall be comprised of at least three members of the Board. Each member of the Committee and a Committee Chairperson shall be appointed by the Board on the recommendation of the Corporate Governance and Nominating Committee and shall meet the independence requirements of applicable law and the NASDAQ listing standards, the requirements of an “outside director” for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the requirements of a “non-employee director” for purposes of Section 16 of the Securities Exchange Act of 1934, as amended. No member of the Committee may (except in his or her capacity as a member of the Committee, the Board, or any other Board committee) receive, directly or indirectly, any consulting, advisory, or other compensatory fee from Middlefield, other than fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with Middlefield (provided that such compensation is not contingent in any way on continued service).

Members shall serve at the pleasure of the Board and for such term, or terms, as the Board may determine.

### **Committee Structure and Operations**

The Board shall designate one member of the Committee as its Chairperson. The Committee shall meet in person or telephonically at least two times a year at a time and place determined by the Committee Chairperson, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its Chairperson.

The Committee may invite such members of management to its meetings as the Committee may deem desirable or appropriate, consistent with the maintenance of confidentiality during compensation discussions. Middlefield's CEO should not be in attendance during any portion of a meeting where the CEO's performance or compensation are discussed, unless specifically invited by the Committee.

### **Committee Duties and Responsibilities**

The duties and responsibilities of the Committee are to:

- (1) establish, in consultation with senior management, Middlefield's general compensation philosophy, and oversee the development and implementation of compensation programs;
- (2) annually review and approve the corporate goals and objectives relevant to Middlefield's CEO and evaluate the CEO's performance in light of these goals and objectives;
- (3) recommend the CEO's compensation level (including salary and awards of long-term incentive compensation, pursuant to both cash incentive plans and stock-based plans) based on this evaluation. In determining long-term incentive compensation for the CEO, the Committee should consider, among other factors, Middlefield's performance and relative shareholder return (or other criteria) during such periods as the Committee may deem appropriate, the value of similar incentive awards given to chief executive officers at comparable companies, and the awards given to Middlefield's CEO in past years;
- (4) review the compensation levels (including salary and awards of long-term incentive compensation, pursuant to both cash incentive plans and stock-based plans) for all other Middlefield executive officers other than the CEO;
- (5) make recommendations to the Board with respect to Middlefield's incentive compensation plans and equity based plans, oversee the activities of the committees, if any, responsible for administering these plans, and discharge any responsibilities imposed on the Committee by any of these plans;
- (6) review periodically, as the Committee deems appropriate, (i) employment agreements and severance agreements for the CEO and other executive officers, including change-in-control provisions, plans, or agreements and (ii) benefits and perquisites provided to executive officers;
- (7) take any actions the Committee deems necessary and appropriate to help ensure that any incentive compensation programs are consistent with the safety and soundness of Middlefield;

- (8) examine whether any risks related to Middlefield's compensation policies and practices would be reasonably likely to have a material adverse affect on Middlefield;
- (9) ensure compliance with the *Interagency Guidance on Sound Incentive Compensation Policies* by providing employees incentive compensation that (i) appropriately balances risk and reward, (ii) is compatible with effective controls and risk management, and (iii) is supported by strong corporate governance;
- (10) discuss with management, as the Committee deems appropriate, reports from management regarding Middlefield's regulatory compliance with respect to compensation matters;
- (11) annually evaluate the performance of the Committee and the adequacy of the Committee charter;
- (12) produce the following reports and provide them to the Board:
  - (i) a summary of the pertinent actions taken at each Committee meeting, which shall be presented to the Board at the next Board meeting;
  - (ii) an annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this charter. The performance evaluation shall also recommend to the Board any improvements to this charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such a manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the Committee Chairperson or any other members of the Committee designated by the Committee to make this report;
  - (iii) any report or other disclosures required to be prepared by the Committee pursuant to the rules of the SEC for inclusion in Middlefield's annual proxy statement;
- (13) review annually, as applicable, (i) the fees paid by Middlefield to compensation consultants retained by the Committee in the prior fiscal year, (ii) the estimated fees to be paid by Middlefield to compensation consultants retained by the Committee in the current fiscal year, and (iii) a general description of the services provided by each of the compensation consultants retained by the Committee; and
- (14) perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to Middlefield's compensation programs.

In fulfilling its duties and responsibilities, the Committee shall consider, among other things, the potential effect of any matter on Middlefield's reputation.

### **Delegation to Subcommittee**

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee, whether or not such delegation is specifically contemplated under any plan or program.

### **Resources and Authority of the Committee**

The Committee shall have resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of legal counsel or other experts or consultants (collectively, “Advisers”), as the Committee deems appropriate without seeking approval of the Board or management. With respect to Advisers retained to assist in the evaluation of CEO or executive compensation, this authority shall be vested solely in the Committee. The Committee may only select an Adviser after taking into account the following independence factors: (i) the rendering of non-executive compensation services to Middlefield by the Adviser; (ii) the amount of fees received from Middlefield by the Adviser, as a percentage of the Adviser’s total revenue; (iii) the policies and procedures of the Adviser that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the Adviser with a member of the Committee; and (v) any Middlefield stock owned by the Adviser. The Committee is not required to implement or act consistently with the advice or recommendations of any retained Advisers.

Adopted by the Board of Directors  
February 14, 2011