

FENTURA FINANCIAL INC  
Form 10-K  
March 14, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For fiscal year ended December 31, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 000-23550  
FENTURA FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Michigan

38-2806518

(State or other jurisdiction of  
incorporation or organization)

(IRS Employer Identification No.)

175 North Leroy, Fenton, Michigan  
(Address of Principal Executive Offices)

48430-0725  
(Zip Code)

Registrant's telephone number, including area code (810) 750-8725

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the  
Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of  
the Act. Yes  No

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of  
the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required  
to file such reports) and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web  
site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of  
Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the  
registrant was required to submit and post such files).  Yes  No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not  
contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or  
information statements incorporated by reference in Part III of this Form 10-K or any amendment to this  
Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a  
non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer"

and smaller reporting company in Rule 12b-2 of the Exchange Act.

<b>Large accelerated filer o</b>	<b>Accelerated filer o</b>	<b>Non-accelerated filer o (Do not check if a smaller reporting company)</b>	<b>Smaller reporting company p</b>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No

State the aggregate market value of the voting and nonvoting common equity held by nonaffiliates of the registrant computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second quarter.

**Aggregate Market Value as of June 30, 2010: \$7,284,611**

State the number of shares outstanding of each of issuer's classes of common equity, as of the latest practicable date. 2,309,951 shares of Common Stock as of March 1, 2011.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Fentura Financial, Inc. Proxy Statement for its annual meeting of shareholders to be held April 27, 2011 and its Rule 14a-3 annual report are incorporated by reference into Parts II and III.

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Fentura Financial, Inc.  
2010 Annual Report on Form 10-K  
Table of Contents

	Page
<u>PART I</u>	
<u>Item 1. Business</u>	3
<u>Item 1A Risk Factors</u>	12
<u>Item 1B Unresolved Staff Comments</u>	12
<u>Item 2. Properties</u>	12
<u>Item 3. Legal Proceedings</u>	13
<u>Item 4. Reserved</u>	13
<u>Additional Item Executive Officers of Registrant</u>	13
<u>PART II</u>	
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	14
<u>Item 6. Selected Financial Data</u>	14
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 7A. Quantitative and Qualitative Disclosures about Market Risk</u>	14
<u>Item 8. Financial Statements and Supplementary Data</u>	14
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	15
<u>Item 9A Controls and Procedures</u>	15
<u>Item 9B. Other Information</u>	16
<u>PART III</u>	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	16
<u>Item 11. Executive Compensation</u>	16
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	17
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	17
<u>Item 14. Principal Accountant Fees and Services</u>	17
<u>PART IV</u>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	18
<u>SIGNATURES</u>	19
<u>EXHIBIT INDEX</u>	20

## PART I

### **ITEM 1. DESCRIPTION OF BUSINESS**

#### **The Company**

Fentura Financial, Inc. (the Corporation or Fentura) is a bank holding company headquartered in Fenton, Michigan that owns two subsidiary banks (see The Banks below). All information in this Item 1 is as of December 31, 2010. The Corporation's subsidiary banks operate 14 community banking offices offering a full range of banking services principally to individuals, small businesses, and government entities throughout mid-Michigan and western Michigan. At the close of business on December 31, 2010, the Corporation had assets of \$424 million, deposits of \$276 million, and shareholders' equity of \$16 million. Trust assets under management totaled \$82 million.

Fentura was incorporated in 1987 to serve as the holding company of its sole subsidiary bank, The State Bank (TSB or one of the Banks). TSB traces its origins to its predecessor, The Commercial Savings Bank of Fenton, which was incorporated in 1898. On March 15, 2004, Fentura acquired West Michigan Community Bank (WMCB or one of the Banks). See The Banks below.

The Corporation's principal executive offices are located at 175 North Leroy, Fenton, Michigan 48430-0725, and its telephone number is (810) 750-8725.

#### **The Banks**

TSB's original predecessor was incorporated as a state banking corporation under the laws of Michigan on September 16, 1898 under the name The Commercial Savings Bank of Fenton. In 1931, it changed its name to State Savings Bank of Fenton, and in 1988 became The State Bank. For over 100 years, TSB has been engaged in the general banking business in the Fenton, Michigan area. TSB is headquartered in Fenton and considers its primary service area to be portions of Genesee, Oakland, and Livingston counties in Michigan. As of December 31, 2010, TSB operated four offices and an operations center in the City of Fenton, Michigan, one office in the City of Linden, Michigan, one office in the Village of Holly, Michigan, two offices in the Township of Grand Blanc, Michigan, and one office in Brighton, Michigan. Its main office is located in downtown Fenton.

Fentura acquired West Michigan Community Bank on March 15, 2004. WMCB is engaged in the general banking business in Hudsonville, Michigan, and other portions of Ottawa County and western Kent County, Michigan. WMCB is headquartered in Hudsonville and considers its primary service areas to be portions of Kent and Ottawa counties. As of December 31, 2009, WMCB operated two offices in the City of Hudsonville, Michigan, one office in the City of Jenison, Michigan, and two offices in the City of Holland, Michigan.

On April 28, 2010, at the Annual Shareholder Meeting, a formal announcement was made regarding the signing of a definitive agreement to sell West Michigan Community Bank. The transaction was consummated on January 31, 2011, and the Corporation received \$10,500,000 from the sale of West Michigan Community Bank (a 10% premium to book). As a condition of the sale, the Corporation acquired non-performing assets of West Michigan Community Bank which totaled \$10,100,000. The assets will be housed in a newly formed real estate holding company subsidiary of the Corporation.

The Banks are community-oriented providers of financial services engaged in the business of general commercial banking. Their activities include investing in state and federal securities, accepting demand deposits, savings and other time deposits, extending retail, commercial, consumer and real estate loans to individuals and businesses, providing safe deposit boxes, transmitting funds and providing other services generally associated with full service commercial banking. Lending is focused on individuals and small businesses in the local markets served by the Banks. In addition, TSB and WMCB operates trust departments offering a full range of fiduciary services.

Both of the banks are state bank, chartered under the Michigan Banking Code. It is not a member of the Board of Governors of the Federal Reserve System (the Federal Reserve Board ), but the deposits are insured by the Federal Deposit Insurance Corporation (the FDIC ). See Supervision and Regulation below.

As of December 31, 2010, TSB employed 97 full time personnel, including 39 officers, and an additional 38 part time employees. WMCB employed 33 full time personnel, including 11 officers, and an additional 8 part time employees. The Banks considers their employee relations to be excellent.

### **Competition**

The financial services industry is highly competitive. The Banks compete with other commercial banks, many of which are subsidiaries of bank holding companies, for loans, deposits, trust accounts, and other business on the basis of interest rates, fees, convenience and quality of service. The Banks also compete with a variety of other financial services organizations including savings and loan associations, finance companies, mortgage banking companies, brokerage firms, credit unions and other financial organizations. Many of the Banks competitors have substantially greater resources than the Bank.

### **Supervision and Regulation**

*The following is a summary of certain statutes and regulations affecting the Corporation and the Banks. This summary is qualified in its entirety by such statutes and regulations. A change in applicable laws or regulations may have a material effect on the Corporation, the Banks and the business of the Corporation and the Banks.*

#### **General**

Financial institutions and their holding companies are extensively regulated under federal and state law. Consequently, the growth and earnings performance of the Corporation and the Bank can be affected not only by management decisions and general economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. Those authorities include, but are not limited to, the Federal Reserve Board, the FDIC, the Commissioner of the Michigan Office of Financial and Insurance Regulation ( Commissioner ), the Internal Revenue Service, and state taxing authorities. The effect of such statutes, regulations and policies can be significant, and cannot be predicted with a high degree of certainty.

Federal and state laws and regulations generally applicable to financial institutions and their holding companies regulate, among other things, the scope of business, investments, reserves against deposits, capital levels relative to operations, lending activities and practices, the nature and amount of collateral for loans, the establishment of branches, mergers, consolidations and dividends. The system of supervision and regulation applicable to the Corporation and the Banks establishes a comprehensive framework for their respective operations and is intended primarily for the protection of the FDIC s deposit insurance funds, the depositors of the Bank, and the public, rather than shareholders of the Bank or the Corporation.

Federal law and regulations establish supervisory standards applicable to the lending activities of the Bank, including internal controls, credit underwriting, loan documentation and loan-to-value ratios for loans secured by real property.

#### *Recent Legislation*

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ) became law on July 21, 2010. The Dodd-Frank Act constitutes one of the most significant efforts in recent history to comprehensively overhaul the financial services industry and will affect large and small financial institutions alike. While some of the provisions of the Dodd-Frank Act take effect immediately,

many of the provisions have delayed effective dates and their implementation will require the issuance of numerous new regulations.

The Dodd-Frank Act deals with a wide range of regulatory issues including, but not limited to: mandating new capital requirements that would require certain bank holding companies to be subject to the same capital requirements as their depository institutions; eliminating (with certain exceptions) trust preferred securities; codifying the Federal Reserve's Source of Strength doctrine; creating a Bureau of Consumer Financial Protection which will have the power to exercise broad regulatory, supervisory and enforcement authority concerning both existing and new consumer financial protection laws; permanently increasing federal deposit insurance protection to \$250,000 per depositor; extending the unlimited coverage for qualifying non-interest bearing transactional accounts until December 31, 2012; increasing the ratio of reserves to deposits minimum to 1.35 percent; assessing premiums for deposit insurance coverage on average consolidated total assets less average tangible equity, rather than on a deposit base; authorizing the assessment of examination fees; establishing new standards and restrictions on the origination of mortgages; permitting financial institutions to pay interest on business checking accounts; limiting interchange fees payable on debit card transactions; and implementing requirements on boards, corporate governance and executive compensation for public companies.

The complete impact of the Dodd-Frank Act is unknown since many of the substantive requirements will be contained in the many rules and regulations to be implemented. However, the Dodd-Frank Act will have significant and immediate effects on banks and bank holding companies in many areas.

### **The Corporation**

**General.** The Corporation, as the sole shareholder of the Banks, is a bank holding company and is registered with, and subject to regulation by, the Federal Reserve Board under the Bank Holding Company Act, as amended (the BHCA). Under the BHCA, the Corporation is subject to periodic examination by the Federal Reserve Board, and is required to file with the Federal Reserve Board periodic reports of its operations and such additional information as the Federal Reserve Board may require.

In accordance with Federal Reserve Board policy, the Corporation is expected to act as a source of financial strength to the Banks and to commit resources to support the Banks in circumstances where the Corporation might not do so absent such policy. In addition, if the Commissioner deems a bank's capital to be impaired, the Commissioner may require the bank to restore its capital by a special assessment upon the Corporation as the Bank's sole shareholder. If the Corporation were to fail to pay any such assessment, the directors of the bank would be required, under Michigan law, to sell the shares of the Bank's stock owned by the Corporation to the highest bidder at either a public or private auction and use the proceeds of the sale to restore the Bank's capital.

The Corporation's common stock is registered under the Securities and Exchange Act of 1934, as amended (the Exchange Act). It is therefore subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act. On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act). The Sarbanes-Oxley Act provided for numerous changes to the reporting, accounting, corporate governance and business practices of companies as well as financial and other professionals who have involvement with the U.S. public markets.

**Investments and Activities.** Under the BHCA, a bank holding company must obtain Federal Reserve Board approval before: (i) acquiring, directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, it would own or control more than 5% of such shares (unless it already owns or controls the majority of such shares); (ii) acquiring all or substantially all of the assets of another bank or bank holding company; or (iii) merging or consolidating with another bank holding company. The Federal Reserve Board may allow a bank holding company to acquire banks located in any state of the United States without regard to geographic restrictions or reciprocity requirements imposed by state law, but subject to certain conditions, including

limitations on the aggregate amount of deposits that may be held by the acquiring holding company and all of its insured depository institution affiliates.

The merger or consolidation of an existing bank subsidiary of the Corporation with another bank, or the acquisition by such a subsidiary of assets of another bank, or the assumption of liability by such a subsidiary to pay any deposits in another bank, will require the prior written approval of the responsible Federal depository institution regulatory agency under the Bank Merger Act. In addition, in certain such cases, an application to, and the prior approval of, the Federal Reserve Board under the BHCA and/or the Commissioner under the Michigan Banking Code, may be required.

With certain limited exceptions, the BHCA prohibits any bank holding company from engaging, either directly or indirectly through a subsidiary, in any activity other than managing or controlling banks unless the proposed non-banking activity is one that the Federal Reserve Board has determined to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Under current Federal Reserve Board regulations, such permissible non-banking activities include such things as mortgage banking, equipment leasing, securities brokerage, and consumer and commercial finance company operations. Well-capitalized and well-managed bank holding companies may engage *de novo* in certain types of non-banking activities without prior notice to, or approval of, the Federal Reserve Board, provided that written notice of the new activity is given to the Federal Reserve Board within 10 business days after the activity is commenced. If a bank holding company wishes to engage in a non-banking activity by acquiring a going concern, prior notice and/or prior approval will be required, depending upon the activities in which the company to be acquired is engaged, the size of the company to be acquired and the financial and managerial condition of the acquiring bank holding company.

A bank holding company whose subsidiary depository institutions all are well-capitalized and well-managed and who have Community Reinvestment Act ratings of at least satisfactory may elect to become a financial holding company. A financial holding company is permitted to engage in a broader range of activities than are permitted to bank holding companies.

Those expanded activities include any activity which the Federal Reserve Board (in certain instances in consultation with the Department of the Treasury) determines, by order or regulation, to be financial in nature or incidental to such financial activity, or to be complementary to a financial activity and not to pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. Such expanded activities include, among others: insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability or death, or issuing annuities, and acting as principal, agent, or broker for such purposes; providing financial, investment, or economic advisory services, including advising a mutual fund; and underwriting, dealing in, or making a market in securities. The Corporation has not elected to be treated as a financial holding company.

The BHCA generally does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank or financial holding companies.

Federal legislation also prohibits the acquisition of control of a bank holding company, such as the Corporation, by a person or a group of persons acting in concert, without prior notice to the Federal Reserve Board. Control is defined in certain cases as the acquisition of 10% of the outstanding shares of a bank holding company.

**Capital Requirements.** The Federal Reserve Board uses capital adequacy guidelines in its examination and regulation of bank holding companies. If capital falls below minimum guidelines, a bank holding company may, among other things, be denied approval to acquire or establish additional banks or non-bank businesses. These capital guidelines are comparable to those established by the regulatory authorities for the Banks discussed below.

**Regulatory Agreements** Effective November 2010, the Corporation received a notice from The Federal Reserve which defined restrictions being placed upon the Holding Company. The restrictions include the declaration or payment of any dividends, the receipt of dividends from subsidiary Banks, the

repayment of any principal or interest on subordinated debentures or Trust Preferred securities, restrictions on debt, any changes in Executive or Senior Management or change in the role of Senior Management. In addition, the notice provided an indication for the Corporation to maintain sufficient capital levels.

**Dividends.** The Corporation is a corporation separate and distinct from the Banks. Most of the Corporation's revenues are received by it in the form of dividends paid by the Banks. Thus, the Corporation's ability to pay dividends to its shareholders is indirectly limited by statutory restrictions on the Banks' ability to pay dividends described below. Further, in a policy statement, the Federal Reserve Board has expressed its view that a bank holding company experiencing earnings weaknesses should not pay cash dividends exceeding its net income or which can only be funded in ways that weaken the bank holding company's financial health, such as by borrowing. Additionally, the Federal Reserve Board possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies. Similar enforcement powers over the Banks are possessed by the FDIC. The prompt corrective action provisions of federal law and regulation authorizes the Federal Reserve Board to restrict the payment of dividends by the Corporation for an insured bank which fails to meet specified capital levels.

In addition to the restrictions on dividends imposed by the Federal Reserve Board, the Michigan Business Corporation Act provides that dividends may be legally declared or paid only if after the distribution a corporation, such as the Corporation, can pay its debts as they come due in the usual course of business and its total assets equal or exceed the sum of its liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of any holders of preferred stock whose preferential rights are superior to those receiving the distribution.

Effective November 2010, The Federal Reserve notified the Corporation of restrictions being placed upon the Holding Company. The restrictions include the declaration or payment of any dividends, or the receipt of dividends from subsidiary Banks, among other restrictions. (See *Regulatory Agreements* on page 7.)

**Regulatory Developments.** The Emergency Economic Stabilization Act of 2008 ( EESA ) was enacted on October 3, 2008. Pursuant to EESA, the U.S. Department of Treasury (the Treasury ) created the Troubled Asset Relief Program's ( TARP ) Capital Purchase Program ( CPP ) under which the Treasury was authorized to invest in non-voting, senior preferred stock of U.S. banks and savings associations or their holding companies. The Corporation and the Banks did not participate in the TARP CPP.

### **The Banks**

**General.** The Banks are Michigan banking corporations, and the deposit accounts are insured by the deposit insurance fund of the FDIC. As FDIC-insured Michigan chartered banks, the Banks are subject to the examination, supervision, reporting and enforcement requirements of the Commissioner, as the chartering authority for Michigan banks, and the FDIC, as administrator of the deposit insurance fund. These agencies and the federal and state laws applicable to the Banks and its operations, extensively regulate various aspects of the banking business including, among other things, permissible types and amounts of loans, investments and other activities, capital adequacy, branching, interest rates on loans and on deposits, the maintenance of non-interest bearing reserves on deposit accounts, and the safety and soundness of banking practices.

**Deposit Insurance.** As an FDIC-insured institution, the Bank is required to pay deposit insurance premium assessments to the deposit insurance fund pursuant to a risk-based assessment system. Deposit accounts are generally insured up to a maximum of \$100,000 per separately insured depositor and up to a maximum of \$250,000 for self-directed retirement accounts. Effective October 3, 2008, EESA raised the basic limit on federal deposit insurance coverage from \$100,000 to \$250,000 per



depositor. This increase was effective on a temporary basis until December 31, 2013; however, effective July 22, 2010, the limit was raised permanently to \$250,000 per depositor pursuant to the Dodd-Frank Act. In addition, in November 2010, pursuant to the Dodd-Frank Act, the FDIC issued a final rule to provide temporary unlimited deposit insurance coverage for non-interest bearing accounts from December 31, 2010 through December 31, 2012.

Under the FDIC's risk-based assessment regulations there are four risk categories, and each insured institution is assigned to a risk category based on capital levels and supervisory ratings. Well-capitalized institutions with CAMELS composite ratings of 1 or 2 are placed in Risk Category I while other institutions are placed in Risk Categories II, III or IV depending on their capital levels and CAMELS composite ratings. The assessment rates may be changed by the FDIC as necessary to maintain the deposit insurance fund at the reserve ratio designated by the FDIC. The FDIC may set the reserve ratio annually at between 1.15% and 1.50% of insured deposits. Generally, deposit insurance assessments will be collected for a quarter at the end of the next quarter. Assessments will be based on deposit balances at the end of the quarter, except institutions with \$1 billion or more in assets and any institutions that become insured on or after January 1, 2007 will have their assessment base determined using average daily balances of insured deposits.

Due to a decrease in the reserve ratio of the Deposit Insurance Fund, in October 2008, the FDIC established a restoration plan to restore the reserve ratio to at least 1.15% within five years (the FDIC extended this time to eight years). The reserve ratio has now been increased to 1.35% by the Dodd-Frank Act. The FDIC has been directed to offset the effects of increased assessments on depository institutions with less than \$10 billion in assets. To achieve these levels, the FDIC is authorized by the Dodd-Frank Act to make special assessments and charge examination fees.

On December 16, 2008, the FDIC adopted and issued a final rule increasing the rates banks pay for deposit insurance uniformly by 7 basis points (annualized) effective January 1, 2009. Under the final rule, risk-based rates for the first quarter 2009 assessment ranged between 12 and 50 basis points (annualized). The 2009 first quarter assessment rates varied depending on an institution's risk category. On February 27, 2009, the FDIC adopted a final rule amending the way that the assessment system differentiates for risk and setting new assessment rates beginning with the second quarter of 2009. As of April 1, 2009, for the highest rated institutions, those in Risk Category I, the initial base assessment rate was between 12 and 16 basis points and for the lowest rated institutions, those in Risk Category IV, the initial base assessment rate was 45 basis points. The final rule modified the means to determine a Risk Category I institution's initial base assessment rate. It also provided for the following adjustments to an institution's assessment rate: (1) a decrease for long-term unsecured debt, including most senior and subordinated debt and, for small institutions, a portion of Tier 1 capital; (2) an increase for secured liabilities above a threshold amount; and (3) for institutions in risk categories other than Risk Category I, an increase for brokered deposits above a threshold amount. After applying these adjustments, for the highest rated institutions, those in Risk Category I, the total base assessment rate is between 7 and 24 basis points and for the lowest rated institutions, those in Risk Category IV, the total base assessment rate is between 40 and 77.5 basis points.

On May 22, 2009, the FDIC imposed a special assessment of five basis points on each FDIC-insured depository institution's assets, minus its Tier 1 capital as of June 30, 2009. The special assessment was collected on September 30, 2009, and the Banks paid an additional assessment of \$267,000.

On November 12, 2009, the FDIC adopted a final rule that required insured institutions to prepay on December 31, 2009, estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011, and 2012. For purposes of calculating the prepayment amount, the institution's third quarter 2009 assessment base was increased quarterly at a five percent annual growth rate through the end of 2012. On September 29, 2009, the FDIC also increased annual assessment rates uniformly by three basis points beginning in 2011. On December 31, 2009, the Banks prepaid estimated assessments of \$303,000.

On November 21, 2008, the FDIC adopted final regulations implementing the Temporary Liquidity Guarantee Program ( TLGP ) pursuant to which depository institutions could elect to participate. Pursuant to the TLGP, for a surcharge the FDIC provides full FDIC deposit insurance coverage for non-

interest bearing deposit transaction accounts regardless of dollar amount for an additional fee assessment by the FDIC (the Transaction Account Guarantee ). These accounts are mainly payment-processing accounts, such as business payroll accounts. The Banks did not opt out of the Transaction Account Guarantee portion of the TLGP. The Transaction Account Guarantee was to expire on December 31, 2009, but was extended until December 31, 2010 for those participating institutions that did not opt out of the extended period. The Banks elected not to continue its participation in the Transaction Account Guarantee program during the extended period. The Dodd-Frank Act provides unlimited federal deposit insurance until January 1, 2013 for non-interest bearing demand transaction accounts at all insured depository institutions. There is no additional surcharge related to this coverage.

Also pursuant to the TLGP, the FDIC will guarantee, through the earlier of maturity or December 31, 2012, certain newly issued senior unsecured debt issued by participating institutions on or after October 14, 2008 and before October 31, 2009 (the Debt Guarantee ). The Corporation and the Banks did not opt out of the Debt Guarantee portion of the TLGP but did not issue any debt under the Debt Guarantee program.

**FICO Assessments.** The Banks are subject to assessments to cover the payments on outstanding obligations of the Financing Corporation ( FICO ). FICO was created to finance the recapitalization of the Federal Savings and Loan Insurance Corporation, during the thrift crisis in the 1980s. From now until the maturity of the outstanding FICO obligations in 2019, insured institutions will share the cost of the interest on the FICO bonds on a *pro rata* basis.

**Commissioner Assessments.** Michigan banks are required to pay supervisory fees to the Commissioner to fund the operations of the Commissioner. The amount of supervisory fees paid by a bank is based upon the bank's total assets, as reported to the Commissioner.

**Capital Requirements.** The FDIC has established the following minimum capital standards for state-chartered, FDIC insured non-member banks, such as the Banks: a leverage requirement consisting of a minimum ratio of Tier 1 capital to total average assets of 3% for the most highly-rated banks with minimum requirements of 4% to 5% for all others, and a risk-based capital requirement consisting of a minimum ratio of total capital to total risk-weighted assets of 8%, at least one-half of which must be Tier 1 capital. Tier 1 capital consists principally of shareholders' equity. These capital requirements are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions.

**Prompt Corrective Regulatory Action.** Federal law provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, or critically undercapitalized. Federal regulations define these capital categories as follows:

	Total Risk-Based Capital Ratio	Tier 1 Risk-Based Capital Ratio	Leverage Ratio
Well capitalized	10% or above	6% or above	5% or above
Adequately capitalized	8% or above	4% or above	4% or above
Undercapitalized	Less than 8%	Less than 4%	Less than 4%
Significantly undercapitalized	Less than 6%	Less than 3%	Less than 3%
Critically undercapitalized			A ratio of tangible equity to total assets of 2% or less

As of December 31, 2010, each of the Banks' ratios exceeded minimum requirements for the adequately capitalized category. However due to regulatory agreements, the Banks cannot be considered well capitalized and are classified as adequately capitalized.

In general, a depository institution may be reclassified to a lower category than is indicated by its capital levels if the appropriate federal depository institution regulatory agency determines the institution to be otherwise in an unsafe or unsound condition or to be engaged in an unsafe or unsound practice. This could include a failure by the institution, following receipt of a less-than-satisfactory rating on its most recent examination report, to correct the deficiency.

In addition, FDIC insured institutions may be liable for any loss incurred by, or reasonably expected to be incurred by the FDIC in connection with the default of commonly controlled FDIC insured depository institutions or any assistance provided by the FDIC to commonly controlled FDIC insured depository institutions in danger of default.

**Regulatory Agreements** In December 2008, WMCB was presented with a Consent Order from the FDIC and the Commissioner (the Consent Order). The Consent Order sets forth commitments to be made by WMCB to, among other items, address and strengthen WMCB's practices relating to oversight of WMCB by the management and board of directors of WMCB; maintain sufficient capital at WMCB; improve asset quality through the review of WMCB's position on problem loans; improve WMCB's liquidity position; review the adequacy of WMCB's allowance for loan and lease losses; and adopt and implement a profit plan and budget. The Consent Order also requires WMCB to retain a Tier 1 capital to average asset ratio of a minimum of 8.0%. As of December 31, 2010, WMCB had a Tier 1 capital to average asset ratio of 7.5%. WMCB's board of directors and management reviewed the Consent Order and after discussions, the directors signed the Consent Order agreeing to comply with all of the requirements of the Consent Order.

In December 2009, TSB was presented with a Consent Order from the FDIC and the Commissioner (the Consent Order). This Consent Order was effective January 8, 2010. The Consent Order set forth commitments to be made by TSB to, among other items, address and strengthen TSB's practices relating to oversight of TSB by the management and board of directors of TSB; maintain sufficient capital at TSB; improve asset quality through the review of TSB's position on problem loans; improve TSB's liquidity position; review the adequacy of TSB's allowance for loan and lease losses; and adopt and implement a profit plan and budget. The Consent Order requires TSB to maintain a Tier 1 capital to average asset ratio of a minimum of 8.0% and a total capital to risk-weighted asset ratio of 12.0%. At December 31, 2010, TSB had a Tier 1 capital to average assets ratio of 6.5% and a total capital to risk-weighted asset ratio of 10.0%. This is compared to December 31, 2009, when TSB had a Tier 1 capital to average asset ratio of 6.2% and a total capital to risk-weighted asset ratio of 8.9%. TSB's board of directors and management reviewed the Consent Order and after discussions, the directors signed the Consent Order agreeing to comply with all of the requirements of the Consent Order.

**Dividends.** Under Michigan law, the Banks are restricted as to the maximum amount of dividends they may pay on their common stock. The Banks may not pay dividends except out of net income after deducting their losses and bad debts. A Michigan state bank may not declare or pay a dividend unless the bank will have surplus amounting to at least 20% of its capital after the payment of the dividend.

Federal law generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. The FDIC may prevent an insured bank from paying dividends if the bank is in default of payment of any assessment due to the FDIC. In addition, the FDIC may prohibit the payment of dividends by an insured bank, if such payment is determined, by reason of the financial condition of the bank, to be an unsafe and unsound banking practice.

Pursuant to the Consent Order, TSB may not declare or pay any cash dividend without the prior written consent of the FDIC and the Commissioner.

**Insider Transactions.** The Banks are subject to certain restrictions imposed by the Federal Reserve Act on any extensions of credit to the Corporation or its subsidiaries, on investments in the stock or other securities of the Corporation or its subsidiaries and the acceptance of the stock or other

securities of the Corporation or its subsidiaries as collateral for loans. Certain limitations and reporting requirements are also placed on extensions of credit by the Banks to its directors and officers, to directors and officers of the Corporation and its subsidiaries, to principal shareholders of the Corporation, and to related interests of such directors, officers and principal shareholders. In addition, federal law and regulations may affect the terms upon which any person becoming a director or officer of the Corporation or one of its subsidiaries or a principal shareholder of the Corporation may obtain credit from banks with which the Banks maintain a correspondent relationship.

**Safety and Soundness Standards.** The FDIC has adopted guidelines to promote the safety and soundness of federally insured depository institutions. These guidelines establish standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings.

**Investments and Other Activities.** Under federal law and FDIC regulations, FDIC -insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, that are not permissible for a national bank. Federal law, as implemented by FDIC regulations, also prohibits FDIC insured state banks and their subsidiaries, subject to certain exceptions, from engaging as principal in any activity that is not permitted for a national bank or its subsidiary, respectively, unless the bank meets, and continues to meet, its minimum regulatory capital requirements and the FDIC determines the activity would not pose a significant risk to the deposit insurance fund. Impermissible investments and activities must be divested or discontinued within certain time frames set by the FDIC in accordance with federal law. These restrictions are not currently expected to have a material impact on the operations of the Bank.

Federal law also authorizes insured state banks to engage in financial activities, through subsidiaries, similar to the activities permitted for financial holding companies. If a state bank wants to establish a subsidiary engaged in financial activities, it must meet certain criteria, including that it and all of its affiliated insured depository institutions are well-capitalized and have a Community Reinvestment Act rating of at least satisfactory and that it is well-managed. There are capital deduction and financial statement requirements and financial and operational safeguards that apply to subsidiaries engaged in financial activities. Such a subsidiary is considered to be an affiliate of the bank and there are limitations on certain transactions between a bank and a subsidiary engaged in financial activities of the same type that apply to transactions with a bank's holding company and its subsidiaries.

**Consumer Protection Laws.** The Banks' business includes making a variety of types of loans to individuals. In making these loans, the Banks are subject to State usury and regulatory laws and to various federal statutes, including the privacy of consumer financial information provisions of the Gramm-Leach-Bliley Act and regulations promulgated there under, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Real Estate Settlement Procedures Act, and the Home Mortgage Disclosure Act, and the regulations promulgated there under, which prohibit discrimination, specify disclosures to be made to borrowers regarding credit and settlement costs, and regulate the mortgage loan servicing activities of the Bank, including the maintenance and operation of escrow accounts and the transfer of mortgage loan servicing. In receiving deposits, the Bank is subject to extensive regulation under State and federal law and regulations, including the Truth in Savings Act, the Expedited Funds Availability Act, the Bank Secrecy Act, the Electronic Funds Transfer Act, and the Federal Deposit Insurance Act. Violation of these laws could result in the imposition of significant damages and fines upon the Bank and its directors and officers.

**Branching Authority.** Michigan banks, such as the Banks, have the authority under Michigan law to establish branches in any state, including Michigan, the District of Columbia, a territory or protectorate of the United States or a foreign country, subject to receipt of all required regulatory approvals. Under federal law banks may establish interstate branch networks through merger or consolidation with other banks without regard to whether such activity is contrary to state law. The establishment of de novo interstate branches or the acquisition of individual branches of a bank in another state (rather than the merger or consolidation with an out-of-state bank) is allowed only if specifically authorized by the law of the state where the branch will be established or acquired.

Michigan law permits both U.S. and non-U.S. banks to establish branch offices in Michigan. The Michigan Banking Code permits, in appropriate circumstances and with the approval of the Commissioner, (1) sale by a Michigan bank of branches to an FDIC-insured bank, savings bank or savings and loan association located in a state in which a Michigan bank could purchase branches of the purchasing entity, (2) consolidation of Michigan banks and FDIC-insured banks, savings banks or savings and loan associations located in other states having laws which permit such a consolidation, (3) establishment of branches in Michigan by FDIC-insured banks located in other states, the District of Columbia or U.S. territories or protectorates having laws permitting a Michigan bank to establish a branch in such jurisdiction, and (4) establishment by foreign banks of branches located in Michigan.

**Reserve Requirement.** Under a regulation promulgated by the Federal Reserve, depository institutions, including the Banks, are required to maintain cash reserves against a stated percentage of their transaction accounts. Effective October 9, 2008, the Federal Reserve Banks are now authorized to pay interest on such reserves. The current reserve requirements are as follows:

for transaction accounts totaling \$10.7 million or less, a reserve of 0%; and

for transaction accounts in excess of \$10.7 million up to and including \$58.8 million, a reserve of 3%; and

for transaction accounts totaling in excess of \$58.8 million, a reserve requirement of \$1.443 million plus 10% of that portion of the total transaction accounts greater than \$58.8 million.

The dollar amounts and percentages reported here are all subject to adjustment by the Federal Reserve.

**ITEM 1A. Risk Factors.**

This item is not applicable to smaller reporting companies.

**ITEM 1B. Unresolved Staff Comments.**

Not applicable.

**ITEM 2. PROPERTIES**

The Corporation's executive offices are located at 175 North Leroy Street, Fenton, Michigan, which is also the main office of The State Bank. The State Bank also has the following community offices (all of which are in Michigan):

Branch 15095 Silver Parkway, Fenton (*owned*)

Branch 18005 Silver Parkway, Fenton (*leased*)

Loan Extension Office 101 North Leroy Street, Fenton (*owned*)

Branch 107 Main Street, Linden (*owned*)

Branch 4043 Grange Hall Road, Holly (*leased*)

Branch 7606 S Saginaw, Grand Blanc (*owned*)

Branch 1401 E. Hill Road, Grand Blanc (*owned*)

Branch 134 N. First St, Brighton (*owned*)

Operations Center 3202 Owen Road, Fenton (*owned*)

West Michigan Community Bank is headquartered in Hudsonville, Michigan, at 5367 School Avenue. West Michigan Community Bank also has the following community offices (all of which are in Michigan):

Branch 3467 Kelly Street, Hudsonville (*owned*)

Branch 81 E. 8<sup>th</sup> Street, Holland (*leased*)

Branch 3493 W. Shore Dr, Holland (owned)

Branch 437 Baldwin Road, Jenison (*owned*)

The Corporation owns the headquarters of each of its Banks and many of the other bank offices (as noted above). The balance of the bank offices are leased from third parties. All properties have maintenance contracts and are maintained in good condition.

**ITEM 3. LEGAL PROCEEDINGS**

From time to time, the Corporation and its subsidiaries are parties to various legal proceedings incident to their business. At December 31, 2010, there were no legal proceedings which management anticipates would have a material adverse effect on the Corporation.

**ITEM 4. RESERVED**

**ADDITIONAL ITEM EXECUTIVE OFFICERS OF REGISTRANT**

The following information concerning executive officers of the Corporation has been omitted from the Registrant's proxy statement pursuant to Instruction 3 to Regulation S-K, Item 401(b).

Officers of the Corporation are appointed annually by the Board of Directors of the Corporation and serve at the pleasure of the Board of Directors. Certain of the officers named below are appointed annually by the Board of Directors of one or the other of the Banks and serve at the pleasure of the Board of the Bank that appointed them. The Bank officers are included in the listing of executive officers of the Corporation because of the nature of the office they hold. Information concerning these executive officers is given below:

*Donald L. Grill* (age 63) serves as President and Chief Executive Officer of the Corporation and Chief Executive Officer of The State Bank since 1996. From 1983 to 1996, Mr. Grill was employed by First of America Bank Corporation and served as President and Chief Executive Officer of First of America Bank Frankenmuth.

*Ronald L. Justice* (age 46) is the COO and President of The State Bank and Senior Vice President of the Corporation. Prior to holding these positions, he served as the CEO and President of West Michigan Community Bank, CEO and President of Davison State Bank, Secretary of the Corporation and CFO of the Corporation and its subsidiary Banks. Prior to that, Mr. Justice held other positions with The State Bank.

*Dennis E. Leyder* (age 57) was appointed Senior Vice President of the Corporation on December 1, 2004 and served as President and Chief Operating Officer of The State Bank from December 2006 to January 2009. In his current capacity as Senior Vice President at The State Bank, he is responsible for all compliance, trust and investment management. Mr. Leyder has over 26 years of banking experience, all in Genesee County.

*Holly J Pingatore* (age 53) is a Senior Vice President of the Corporation and a Senior Vice President of The State Bank. Prior to joining The State Bank in 1999, Ms. Pingatore served in various capacities at a large Michigan based regional bank.

*Douglas J. Kelley* (age 41) was appointed Chief Financial Officer of the Corporation in 2003 and was appointed Senior Vice President of the Corporation on December 1, 2004. Mr. Kelley also serves as Secretary of the Corporation. Prior to being named Chief Financial Officer, he served as Controller and CFO of The State Bank and Davison State Bank. Prior to joining the Banks, Mr. Kelley was an Assistant Vice President and Accounting Officer with a large Michigan based Bank. Mr. Kelley has over 19 years of banking experience.

*Daniel J. Wollschlager* (age 60) is the Chief Lending Officer and Executive Vice President of The State Bank. Prior to holding these positions, he was Senior Vice President of The State Bank, CEO of a south east Michigan bank and a senior officer of a large Midwest based regional bank.

**PART II****ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The market, dividend, and holders of record information required by this item appears under the caption Fentura Financial, Inc. Common Stock and Table 16 on page 64 under the title MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, of the Corporation s 2010 Rule 14a-3 annual report, and is incorporated herein by reference. Please refer to the caption Dividends under Item 1. Description of Business of this Form 10-K for a discussion of regulations which affect our ability to pay dividends.

The following table summarizes the repurchase activity of the Corporation s common stock during the quarter ended December 31, 2010:

	Total Number of Share Purchased	Average Price Paid per Share	Total Number of Purchased as Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Program
October 1-October 31	0	\$ 0.00	0	0
November 1-November 30	0	\$ 0.00	0	0
December 1-December 31	0	\$ 0.00	0	0
Total	0	\$ 0.00	0	0

The Company does not currently have a repurchase program in place.

**ITEM 6. SELECTED FINANCIAL DATA**

The information required by this item appears under the title MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS SELECTED FINANCIAL DATA, appearing in Table 1 on page 44 of the Corporation s 2010 Rule 14a-3 annual report, and is incorporated herein by reference.

**ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The information required by this item appears under the title MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, appearing on pages 44 through 64 of the Corporation s 2010 Rule 14a-3 annual report, and is incorporated herein by reference.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information required by this item appears under the headings Liquidity and Interest Rate Risk Management on pages 57 through 59, Quantitative and Qualitative Disclosure About Market Risk on page 61 and Interest Rate Sensitivity Management on pages 62 through 63 under the title MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, appearing on pages 44 through 64 of the Corporation s 2010 Rule 14a-3 annual report, and is incorporated herein by reference.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The consolidated financial statements of the Company including the notes thereto and Report of Crowe Horwath LLP, Independent Registered Public Accounting Firm, appear on pages 1 through 43 of the Financial Statements portion of the Corporation s 2010 Rule 14a-3 annual report, and are



incorporated herein by reference. The supplementary data is not required for smaller reporting companies.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

On February 4, 2011, Fentura Financial, Inc. ( Fentura ) dismissed its independent registered public accounting firm, Crowe Horwath LLP ( Crowe Horwath ) to be effective upon Fentura filing its 2010 Form 10-K. Crowe Horwath 's report on Fentura 's consolidated financial statements as of and for the years ended December 31, 2009 and 2008 contained no adverse opinion or a disclaimer of opinion, and were not qualified as to uncertainty, audit scope or accounting principles, except that Crowe Horwath 's opinion on the 2009 consolidated financial statements included an explanatory paragraph describing substantial doubt about Fentura 's ability to continue as a going concern. The decision to change accountants was approved by the Audit Committee of the Board of Directors.

During each of the years in the two year period ended December 31, 2010, and the subsequent interim period to the date hereof, there were (i) no disagreements between Fentura and Crowe Horwath on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Crowe Horwath, would have caused Crowe Horwath to make reference to the subject matter of the disagreements in connection with its reports.

On February 4, 2011, Fentura notified Rehmann Robson, P.C. ( Rehmann ) of the registrant 's intent to formally engage Rehmann as its new independent registered public accounting firm to be effective upon Fentura filing its 2010 Form 10-K. During the last two fiscal years and the subsequent interim period to the date hereof, Fentura did not consult with Rehmann regarding (1) the application of accounting principles to any transaction, either completed or proposed; (2) the type of audit opinion that might be rendered on Fentura 's financial statements; or (3) any matter that was the subject of a disagreement (as defined in Item 304(a)(1)(v) of Regulation S-K).

**ITEM 9A CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures.**

The Corporation 's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Corporation 's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) as of the end of the period covered by this Form 10-K Annual Report, have concluded that the Corporation 's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Corporation would be made known to them by others within the Corporation, particularly during the period in which this Form 10-K Annual Report was being prepared.

During 3<sup>rd</sup> quarter end review procedures a formula error was uncovered in one of the Bank 's allowance for loan loss calculation work sheets which resulted in the overstatement of the allowance for loan losses. Management appropriately corrected the work sheet. Since no preliminary financial results were disclosed, a restatement was not required. Management has remediated this weakness has tested the effectiveness of the control.

Internal Control over Financial Reporting.

Management's Annual Report on Internal Control over Financial Reporting.

The management of Fentura Financial Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Fentura Financial Inc.'s internal control over financial reporting is a process designed under the supervision of the Corporation's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Corporation's financial statements for external reporting purposes in accordance with United States generally accepted accounting principles. Fentura Financial Inc.'s management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2010 based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on that assessment, management determined that, as of December 31, 2010, the Corporation's internal control over financial reporting is effective, based on those criteria.

Other than the remediated control referenced above, there was no change in the Corporation's internal control over financial reporting that occurred during the Corporation's quarter ended December 31, 2010, that materially affected, or is reasonably likely to affect, the Corporation's internal control over financial reporting.

**ITEM 9B OTHER INFORMATION**

None

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The Corporation's executive officers are identified under Additional Item in Part I of this Report on Form 10-K. The other information required by this item appears under the captions Proposal 1-2011 Election of Directors, The Corporation's Board of Directors, Code of Ethics, Committees of the Corporation Board, and Compliance with Section 16 Reporting on pages 3-10 and 19, respectively, of the Corporation's 2011 Notice of Annual Shareholders Meeting and Proxy Statement, and is incorporated herein by reference.

The Board of Directors of the Corporation has determined that Douglas W. Rotman, a director and member of the Audit Committee, qualifies as an Audit Committee financial expert as defined in rules adopted by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002 and is independent pursuant to NASDAQ listing standards.

The Board of Directors of the Corporation has adopted a Code of Ethics, which details principles and responsibilities governing ethical conduct for all Corporation directors and executive officers. The Code of Ethics is filed as an Exhibit to this Annual Report on Form 10-K.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item appears under the captions Director Compensation, Executive Compensation Discussion, Payments for Termination following a Change in Control and Compensation/ESOP Committee, on pages 9 and 11 through 17 of the Corporation's 2011 Notice of Annual Shareholders Meeting and Proxy Statement, and is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this item appears under the caption "Stock Ownership of Directors, Executive Officers and Certain Major Shareholders" on page 5 of the Corporation's 2011 Notice of Annual Shareholders Meeting and Proxy Statement, and is incorporated herein by reference.

**Securities Authorized for Issuance Under Equity Compensation Plans.** The Corporation had the following equity compensation plans at December 31, 2010:

**EQUITY COMPENSATION PLAN INFORMATION**

Plan Category	Number of securities to be issued upon exercise of outstanding options (1)	Weighted-average exercise price of outstanding options (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (1)) (3)
Equity compensation plans approved by security holders	18,872	\$ 29.32	120,400
Equity compensation plans not approved by security holders	0	0	0
Total	18,872	\$ 29.32	120,400

These equity compensation plans are more fully described in Note 11 to the Consolidated Financial Statements.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item appears under the captions "Independence of Directors and Attendance at Meetings" and "Other Information - Transactions with Certain Interested Parties" on pages 7 and 20 respectively, of the Corporation's 2011 Notice of Annual Shareholders Meeting and Proxy Statement, and is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item appears under the caption "Relationship with Independent Public Accountants" on page 18 of the Corporation's 2010 Notice of Annual Shareholders Meeting and Proxy Statement and is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) 1. Financial Statements:

The following consolidated financial statements of the Corporation and Report of Crowe Horwath LLP, Independent Registered Public Accounting Firm, are incorporated by reference under Item 8 Financial Statements and Supplementary Data of this document:

Consolidated Balance Sheets  
Consolidated Statements of Income  
Consolidated Statements of Comprehensive Income  
Consolidated Statements of Changes in Stockholders' Equity  
Consolidated Statements of Cash Flows  
Notes to the Consolidated Financial statements  
Report of Crowe Horwath LLP, Independent Registered Public Accounting Firm

2. Financial Statement Schedules  
All schedules are omitted see Item 15(c) below.

3. Exhibits:  
The exhibits listed on the Exhibit Index following the signature page of this report are filed herewith and are incorporated herein by reference.

(b) Exhibits:  
The Exhibit Index follows the signature page of this report and is incorporated herein by reference.

(c) Financial Statement Schedules:

All financial statement schedules normally required by Article 9 of Regulation S-X are omitted since they are either not applicable or the required information is shown in the consolidated financial statements or notes thereto.

**Signatures**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, dated March 14, 2011.

Fentura Financial, Inc.  
(Registrant)

By /s/ Donald L. Grill  
Donald L. Grill  
On behalf of the registrant and as  
President & CEO (Principal Executive  
Officer)

By /s/ Douglas J. Kelley  
Douglas J. Kelley  
Chief Financial Officer  
(Principal Financial and Accounting  
Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. Each director of the Registrant, whose signature appears below, hereby appoints Forrest A. Shook and Donald L. Grill, and each of them severally, as his or her attorney-in-fact, to sign his or her name and on his or her behalf, as a director of the Registrant, and to file with the Commission any and all amendments to this report on Form 10-K.

Signature	Capacity	Date
/s/ Forrest A. Shook Forrest A. Shook	Chairman of the Board Director	March 14, 2011
/s/ Donald L. Grill Donald L. Grill	Director	March 14, 2011
/s/ Ronald K. Rybar Ronald K. Rybar	Director	March 14, 2011
/s/ Thomas P. McKenney Thomas P. McKenney	Director	March 14, 2011
/s/ Brian P. Petty Brian P. Petty	Director	March 14, 2011
/s/ JoAnne Shaw	Director	March 14, 2011

JoAnne Shaw

/s/ William Dery

Director

March 14, 2011

William Dery

/s/ Douglas W. Rotman

Director

March 14, 2011

Douglas W. Rotman

/s/ James A. Wesseling

Director

March 14, 2011

James A. Wesseling

19

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**FENTURA FINANCIAL, INC.**  
**2010 Annual Report on Form 10-K**  
**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Exhibit</b>
3(i)	Articles of Incorporation of Fentura Financial, Inc. (Incorporated by reference from Form 10-K for the year ended December 31, 2009).
3(ii)	Bylaws of Fentura Financial, Inc. (Incorporated by reference to Form 10-SB Registration Number 0-23550).
4.1	Amended and Restated Automatic Dividend Reinvestment Plan (Incorporated by reference to Registration Statement on Form S-3 Registration No. 333-75194).
10.1	Supplemental Executive Retirement Agreement with Donald Grill dated March 16, 2007 (Incorporated by reference from Current Report filed on Form 8-K on March 22, 2007).
10.2	Supplemental Executive Retirement Agreement with Daniel Wollschlager dated October 24, 2008 (Incorporated by reference from Current Report filed on Form 8-K on October 29, 2008).
10.3	Non-Employee Director Stock Option Plan (Incorporated by reference to Form 10-K SB filed on March 17, 1996).
10.4	Form of Non Employee Stock Option Plan Agreement (Incorporated by reference to Form 10-Q SB filed on May 2, 1996)
10.5	Retainer Stock Option Plan for Directors (Incorporated by reference to Form 10-K SB filed on March 17, 1996).
10.6	Employee Stock Option Plan (Incorporated by reference to Form 10-K SB filed on March 17, 1996).
10.7	Form of Employee Stock Option Plan Agreement (Incorporated by reference to Form 10-K SB filed on March 17, 1996).
10.8	Stock Purchase Plan between The State Bank and Donald E. Johnson, Jr., Mary Alice J. Heaton, and Linda J. LeMieux dated November 17, 1996 (Incorporated by reference to Exhibit 10.19 to the Form 10-K SB filed March 20, 1997).
10.9	Stock Purchase Plan (Incorporated by reference to Exhibit 99.1 Form S-8 filed on August 10, 2004).
10.10	Severance Compensation Agreement between Donald L. Grill. (Incorporated by reference from Current Report on Form 8-K filed on July 24, 2008).
10.11	Severance Compensation Agreement between Ronald L. Justice. (Incorporated by reference from Current Report on Form 8-K filed on July 24, 2008).
10.12	Severance Compensation Agreement between Dennis E. Leyder. (Incorporated by reference from Current Report on Form 8-K filed on July 24, 2008).

10.13 Severance Compensation Agreement between Douglas J. Kelley. (Incorporated by reference from Current Report on Form 8-K filed on July 24, 2008).

20

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<b>Exhibit No.</b>	<b>Exhibit</b>
10.14	Severance Compensation Agreement between Holly J. Pingatore. (Incorporated by reference from Current Report on Form 8-K filed on July 24, 2008).
10.15	Nonqualified Deferred Compensation Plan. (Incorporated by reference from Exhibit 10.11 to the Current report on Form 8-K filed October 29, 2008).
10.16	Fentura Bancorp, Inc. Employee Deferred Compensation and Stock Ownership Plan. (Incorporated by reference to Exhibit 10.13 to the Form 10-K filed March 28, 2005).
10.17	2006 Executive Stock Bonus Plan (Filed as Exhibit 10.1 Form 8-K filed on December 4, 2006).
10.18	Written agreement with the Federal Reserve Bank of Chicago date November 4, 2010, (Incorporated by reference from current report on Form 8-K filed on November 12, 2010).
13	Rule 14a-3 Annual Report to Security Holders (This report, except for those portions which are expressly incorporated by reference in this filing, is furnished for the information of the Securities and Exchange Commission and is not deemed filed as a part of this Report).
14	Code of Ethics for Directors and Executive Officers (Filed herewith).
21.1	Subsidiaries of the Registrant (Filed herewith).
23.1	Consent of Independent Registered Public Accounting Firm (Filed herewith).
24	Powers of Attorney. Contained on the signature page of this report.
31.1	Certificate of President and Chief Executive Officer of Fentura Financial, Inc. pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Chief Financial Officer of Fentura Financial, Inc. pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate of Chief Executive Office and Chief Financial Officer of Fentura Financial, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Stipulation and Consent-The State Bank (Incorporated by reference from Exhibit 99.2 of Current Report on Form 8-K filed on February 1, 2010).