



Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844 (c)(1)(A)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 C.F.R. § 211.13(c)); and Section 225.5(b) of Regulation Y (12 C.F.R. § 225.5(b)) and section 10(c)(2)(H) of the Home Owners' Loan Act. Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies and top-tier savings and loan holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report.

I, Richard O. Godert

Name of the Holding Company Director and Official

President/CEO, Director

Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Richard O. Godert

Signature of Holding Company Director and Official

03/18/2016

Date of Signature

For holding companies *not* registered with the SEC—
 Indicate status of Annual Report to Shareholders:

is included with the FR Y-6 report
 will be sent under separate cover
 is not prepared

For Federal Reserve Bank Use Only

RSSD ID 3223293
 C.I. _____

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2015

Month / Day / Year

N/A

Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Valley Financial Group, Ltd.

Legal Title of Holding Company

PO Box 1468

(Mailing Address of the Holding Company) Street / P.O. Box

Saginaw MI 48605

City State Zip Code

4800 Fashion Square Blvd Suite 100, Saginaw, MI 48604

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

James Milroy CFO

Name Title

989-272-7502

Area Code / Phone Number / Extension

989-799-7648

Area Code / FAX Number

jimm@1ststatebk.com

E-mail Address

www.1ststatebk.com

Address (URL) for the Holding Company's web page

Does the reporter request confidential treatment for any portion of this submission?

Yes Please identify the report items to which this request applies:

In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.
 The information for which confidential treatment is sought is being submitted separately labeled "Confidential."

No

Valley Financial Group, Ltd.
4800 Fashion Square Blvd Suite 100
Saginaw, MI 48604

Annual Report of Bank Holding Companies – FR Y-6
Fiscal Year Ending December 31, 2015

Report Item 1: Annual Report to Shareholders

The annual report is not available but will be sent under a separate cover.

Report Item 2: Organization Chart

Top Tier Holding Company:
Valley Financial Group, Ltd.
4800 Fashion Square Blvd, Suite 100
Saginaw, MI 48604
Incorporated – State of Michigan

Wholly-owned Subsidiaries:
1st State Bank
4800 Fashion Square Blvd, Suite 100
Saginaw, MI 48604
Incorporated – State of Michigan

Note: None of the organizations above possess a legal entity identifier number

Report Item 2b: Domestic Branch Listing

See Attached

Report Item 3: Securities Holders

See Attached

Results: A list of branches for your depository institution: 1ST STATE BANK (ID_RSSD: 3223305).
 This depository institution is held by VALLEY FINANCIAL GROUP, LTD. (3223293) of SAGINAW, MI.
 The data are as of 12/31/2015. Data reflects information that was received and processed through 01/07/2016.

Reconciliation and Verification Steps

1. In the Data Action column of each branch row, enter one or more of the actions specified below.
2. If required, enter the date in the Effective Date column.

Actions

OK: If the branch information is correct, enter 'OK' in the Data Action column.
 Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the Data Action column and the date when this information first became valid in the Effective Date column.
 Close: If a branch listed was sold or closed, enter 'Close' in the Data Action column and the sale or closure date in the Effective Date column.
 Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the Data Action column.
 Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the Data Action column and the opening or acquisition date in the Effective Date column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
 If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:

To satisfy the FR Y-10 reporting requirements, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a Data Action of Change, Close, Delete, or Add.
 The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - <https://y10online.federalreserve.gov>.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
ok		Full Service (Head Office)	3223305	1ST STATE BANK	4800 FASHION SQUARE BOULEVARD	SAGINAW	MI	48604	SAGINAW	UNITED STATES	418761	0	1ST STATE BANK	3223305	
ok		Full Service	3644441	BAY CITY BRANCH	601 NORTH MADISON AVENUE	BAY CITY	MI	48708	BAY	UNITED STATES	447868	2	1ST STATE BANK	3223305	
ok		Full Service	4719850	WILDER ROAD BRANCH	3907 WILDER ROAD	BAY CITY	MI	48706	BAY	UNITED STATES	Not Required	Not Required	1ST STATE BANK	3223305	
ok		Full Service	3644432	STATE STREET BRANCH	5424 STATE STREET	SAGINAW	MI	48603	SAGINAW	UNITED STATES	447867	1	1ST STATE BANK	3223305	

VALLEY FINANCIAL GROUP, LTD.
Saginaw, MI
Fiscal Year Ending December 31, 2015

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Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote <u>as of</u> fiscal year ending 12-31-2015			Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote <u>during</u> the fiscal year ending 12-31-2015		
(1)(a) Name & Address (City, State, Country)	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name & Address (City, State, Country)	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
FRANKENMUTH MUTUAL LIFE INSURANCE COMPANY (Frankenmuth, MI, USA)	USA	125,000 SHARES %OWNED: 7.85%	NONE	NONE	NONE
IBT BANCORP (Mt. Pleasant, MI, USA)	USA	93,181 SHARES %OWNED: 5.85%			

VALLEY FINANCIAL GROUP
Saginaw, MI
Fiscal Year Ending DECEMBER 31, 2015

Report Item 4: Insiders
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with Holding Company	Title & Position with Holding Company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in Holding Company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Bierlein, Michael D. Saginaw, MI USA	Construction, Bierlein Companies, Inc	Director	Director	President/CEO Bierlein Companies, Inc	0.67%	n/a	Bierlein Companies, Inc. 73% Bierlein Leasing, Inc. 100% Bierlein Investments, LLC 100% Bierlein Management Co., LLC 100% Apple Ranch Restaurant, Inc. 100% Apple Ranch Development, LLC 99% Restitution LLC 99% Bierlein Services Canada ULC 100% Bierlein Aviation LLC 100%

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with Holding Company	Title & Position with Holding Company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in Holding Company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Dimitroff, Mitzi M. Bay City, MI USA	Real Estate Mgmt/ Investment RDS Management	Director	Director	President/Treasurer/ Owner Henry St. Investments DBA RDS Management	0.08%	n/a	Henry Street Investments 36.05% Monarch Associates 32.5%
Fabiano, Joseph R. II, Midland, MI USA	Fabiano Brothers, Inc.	Director	Director	President/General Counsel Fabiano Brothers	2.48%	n/a	Fabiano Development 50% Fabiano Brothers 35% Northern Michigan Land Investments 50% Fabiano Logistics 50% Fabiano Brothers WI LLC 50% Marketplace Corporate Center 50%
Goedert, Richard O. Saginaw, MI USA	n/a	President/CEO, Director	President/CEO	n/a	1.12%	n/a	Bob Goedert, Inc. 100%
Hall, David M. Saginaw, MI USA	Retired, Education	Director	Director	n/a	1.72%	n/a	Crimiel Publications 100%
Hanisko, Michael L. Bay City, MI USA	Weinlander Fitzhugh	Director	Director	n/a	0.19%	n/a	Executive Center LLC 29.3%

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in Holding Company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Holman, Scott Freeland, MI USA	Retired, Manufacturing	Director	Director	n/a	2.52%	n/a	King Lake Wilderness, LLC 100% S.L. Holman, Inc. 100% Vacations North 100% Flight Plan 1 100% Adventure Sports, Ltd. 100% Bay Cast Aviation Services 49% White Knight, LLC. 54% Granite Island Light Station, LLC 100%
List, Phillip Frankenmuth, MI USA	Real Estate Sales, On-line Realtor, Inc	Chairman, Director	Chairman, Director	Broker, On-line Realtor, Inc	0.69%	n/a	Fiskers III, LLC 33.3%
Milroy, James R. Saginaw, MI USA	n/a	Chief Financial Officer	Chief Financial Officer	n/a	0.25%	n/a	
Niederstadt, Terry Saginaw, MI USA	n/a	Director	Director	n/a	0.53%	n/a	

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with Holding Company	Title & Position with Holding Company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in Holding Company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Shinners, James Saginaw, MI USA	Manufacturing	Director	Director	Consultant	3.30%	n/a	4850 Fashion Square Boulevard Corporation 50% Elja Investments 80% Silvertip Realty 50% Spectrum Legal & Consulting 100% Towne Centre Development Company 25% Selco Investment Company 28%

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with Holding Company	Title & Position with Holding Company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in Holding Company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Wolgast, Lynn Saginaw, MI USA	Real Estate Development	Director	Director	Developer	0.13%	n/a	Wolgast Investment 50% Towne Centre Development Company 25% Wolgast Development 50% Whitstone Bay Development, LLC 100% Whitstone Bay Condo Assoc 37% Westbrook Housing LLC 33%

* sole and wholly owned subsidiary is 1st State Bank