

MACATAWA BANK CORP  
Form 11-K  
June 17, 2011

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 11-K**

**FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS  
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

(Mark One):

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

For the fiscal year ended December 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-25927

A. Full title of the plan and the address of the plan, if different from that of the issuer  
named below: Macatawa Bank 401(k) Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its  
principal executive office: Macatawa Bank Corporation, 10753 Macatawa Drive, Holland,  
Michigan 49424

**401(k) PLAN**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED  
DECEMBER 31, 2010 AND 2009**



MACATAWA BANK 401(k) PLAN

*TABLE OF CONTENTS*

|  | <b><u>PAGE</u></b> |
|--|--------------------|
| <b>Report of Independent Registered Public Accounting Firm</b>             | 1                  |
| <b>Financial Statements for the Years Ended December 31, 2010 and 2009</b> |                    |
| Statements of Net Assets Available for Benefits                            | 2                  |
| Statements of Changes in Net Assets Available for Benefits                 | 3                  |
| Notes to Financial Statements  | 4-13               |
| <b>Supplementary Information as of December 31, 2010</b>                   |                    |
| Form 5500 Schedule H, Line 4i - Schedule of Assets (Held at End of Year)   | 14                 |

Note: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Audit Committee of Macatawa Bank Corporation  
Macatawa Bank 401(k) Plan  
10753 Macatawa Drive  
Holland, Michigan

We have audited the accompanying statements of net assets available for benefits of the *Macatawa Bank 401(k) Plan* (the "Plan") as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2010 and 2009, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The December 31, 2010 supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic 2010 financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic 2010 financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2010 basic financial statements taken as a whole.

/s/ Rehmann Robson, P.C.

REHMANN ROBSON, P.C.

Grand Rapids, Michigan  
June 16, 2011

**MACATAWA BANK 401(k) PLAN****STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

|  | <b>December 31</b>   |                      |
|--|----------------------|----------------------|
|  | <b>2010</b>          | <b>2009</b>          |
| <b>ASSETS</b>                            |                      |                      |
| <b>Investments at fair value</b>         |                      |                      |
| Mutual funds                             | \$ 12,796,245        | \$ 13,976,404        |
| Money market funds                       | 378,030              | 616,734              |
| Macatawa Bank Corporation common stock   | 934,288              | 389,854              |
| <b>Total investments at fair value</b>   | <b>14,108,563</b>    | <b>14,982,992</b>    |
| <b>Receivables</b>                       |                      |                      |
| Notes receivable from participants       | 275,017              | 359,282              |
| Accrued dividends receivable             | 1,795                | 33,590               |
| <b>Total receivables</b>                 | <b>276,812</b>       | <b>392,872</b>       |
| Cash                                     | 5,163                | -                    |
| <b>Total assets</b>                      | <b>14,390,538</b>    | <b>15,375,864</b>    |
| <b>LIABILITIES</b>                       |                      |                      |
| Due to brokers                           | 5,167                | -                    |
| <b>Net assets available for benefits</b> | <b>\$ 14,385,371</b> | <b>\$ 15,375,864</b> |

The accompanying notes are an integral part of these financial statements.

## MACATAWA BANK 401(k) PLAN

### STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

|  | Year Ended December 31 |                      |
|--|------------------------|----------------------|
|  | 2010                   | 2009                 |
| <b>Additions to net assets attributed to</b>         |                        |                      |
| <b>Investment income</b>                             |                        |                      |
| Dividend income                                      | \$ 166,129             | \$ 202,361           |
| Interest income                                      | 570                    | 2,101                |
| <b>Total investment income</b>                       | <b>166,699</b>         | <b>204,462</b>       |
| <b>Contributions</b>                                 |                        |                      |
| Participant  | 979,218                | 1,352,640            |
| Employer   | -                      | 718,995              |
| Rollover   | 113,836                | 28                   |
| <b>Total contributions</b>                           | <b>1,093,054</b>       | <b>2,071,663</b>     |
| Interest income - notes receivable from participants | 12,056                 | 8,982                |
| <b>Total additions</b>                               | <b>1,271,809</b>       | <b>2,285,107</b>     |
| <b>Deductions from net assets attributed to</b>      |                        |                      |
| Benefits paid to participants                        | 4,562,778              | 1,980,917            |
| Administrative expenses                              | 6,675                  | 5,475                |
| <b>Total deductions</b>                              | <b>4,569,453</b>       | <b>1,986,392</b>     |
| Net appreciation in fair value of investments        | 2,307,151              | 2,965,098            |
| <b>Net (decrease) increase</b>                       | <b>(990,493)</b>       | <b>3,263,813</b>     |
| <b>Net assets available for benefits</b>             |                        |                      |
| Beginning of year                                    | 15,375,864             | 12,112,051           |
| <b>End of year</b>                                   | <b>\$ 14,385,371</b>   | <b>\$ 15,375,864</b> |

The accompanying notes are an integral part of these financial statements.

MACATAWA BANK 401(k) PLAN

**NOTES TO FINANCIAL STATEMENTS**

**1. DESCRIPTION OF THE PLAN AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following description of the *Macatawa Bank 401(k) Plan* (the "Plan") provides only general information. Participants should refer to the Plan agreement, or Summary Plan Description, for a more complete description of the Plan's provisions.

**Description of the Plan**

***General***

The Plan is a defined contribution plan covering all full-time employees of Macatawa Bank Corporation ("Plan Sponsor", "Employer", or "Corporation") who have attained the age of 21 or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

***Contributions***

Participants may defer and contribute annual compensation, as defined in the Plan, up to the maximum amount allowed by the Internal Revenue Code. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute rollover amounts representing distributions from other qualified defined benefit or defined contribution plans. In 2009, the Plan elected safe harbor status. Under this status, the Plan's Sponsor contributed a safe harbor match in an amount equal to 100% of the first 3% and 50% of the second 3% of base compensation that a participant contributes to the Plan. Effective January 1, 2010, the Plan Sponsor has temporarily discontinued safe harbor status and elected to suspend all matching contributions. Participants direct the investment of contributions into various investment options offered by the Plan. The Plan currently offers mutual funds, a money market fund and Macatawa Bank Corporation common stock as investment options for participants. Contributions are subject to certain limitations.

***Participant Accounts***

Each participant's account is credited with the participant's contribution, the Employer's matching contribution, when made, and an allocation of Plan earnings and charged with an allocation of administrative expenses, as applicable. Allocations are based on the ratio of each participant's earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.



*Vesting*

Participants are immediately vested in employee deferral and employer matching contributions, plus actual investment earnings thereon.

MACATAWA BANK 401(k) PLAN

**NOTES TO FINANCIAL STATEMENTS**

***Notes Receivable from Participants***

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. The notes receivable are secured by the balance in the participant's account and bear interest at the prime rate plus 1% (effective rate of 4.25% at December 31, 2010) established at the time of the execution of the note receivable, which is commensurate with local prevailing rates as determined quarterly by the Plan Administrator. Principal and interest is paid to the Plan ratably through payroll deductions.

***Payment of Benefits***

On termination of service due to death, disability or retirement, a participant is required to receive a lump-sum amount equal to the value of his or her vested interest in his or her account as defined by the Plan agreement. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution. In-service withdrawal of account balances may be elected by active participants who have reached 59½ years of age. Effective January 1, 2009, the Plan was amended to permit withdrawals by active participants only in amounts necessary to satisfy financial hardship as defined by the Plan agreement.

***Administrative Expenses***

The Plan's administrative expenses, including salaries, accounting, legal, recordkeeping and trust services are paid by the Plan Sponsor and qualify as party-in-interest transactions, which are exempt from prohibited transaction rules. An administrative fee is charged to those participants electing to receive a distribution and an annual administrative fee is charged to those participants who have terminated service from the Corporation but continue to maintain an account balance in the Plan. There is also an administrative service fee charged to the individual participants account at the time a note receivable is issued.

**Summary of Significant Accounting Policies**

***Basis of Accounting***

The financial statements of the Plan are prepared using the accrual method of accounting.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

MACATAWA BANK 401(k) PLAN

**NOTES TO FINANCIAL STATEMENTS**

***Investment Valuation and Income Recognition***

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a description of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation in aggregate fair value includes the Plan's unrealized gains and losses on investments bought and sold as well as those held during the year.

Management fees and operating expenses charged to the Plan related to investments in mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a direct reduction of net appreciation or an addition to net depreciation in the aggregate fair value of such investments.

***Notes Receivable from Participants***

Notes receivable from participants are measured at their unpaid principal balance plus any accrued unpaid interest. Delinquent notes receivable, if any, from participants are reclassified as distributions based upon the terms of the Plan agreement.

***Payment of Benefits***

Benefits are recorded when paid.

***New Accounting Pronouncements***

In September 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") 2010-25, *Reporting Loans to Participants by Defined Contribution Pension Plans*. ASU 2010-25 requires participant loans to be measured at their unpaid principal balance plus any accrued but unpaid interest and to be classified as notes receivable from participants. Previously, participant loans were measured at fair value and classified as investments. Accordingly, participant loans have been reclassified from investments to "notes receivable from participants" on the accompanying 2009 statement of net assets available for benefits; interest income from participant loans has also been reclassified and is presented separately as "interest income - notes receivable from participants" in the 2009 statement of changes in net assets available for benefits.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amended ASC 820, *Fair Value Measurements and Disclosures*, to clarify certain existing fair value disclosures and to require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each "class" of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented.

ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06

MACATAWA BANK 401(k) PLAN**NOTES TO FINANCIAL STATEMENTS**

introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2, and 3 of the fair value hierarchy and to present information regarding the purchases, sales, issuances, and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 is effective for reporting periods beginning after December 15, 2009. The adoption of ASU 2010-06 did not have an effect on the amount of the Plan's net assets available for benefits or its changes in net assets available for benefits, since these additional requirements are related to the fair value measurement disclosures (see Note 3).

**2. INVESTMENTS**

Investments representing 5% or more of the Plan's net assets available for benefits are identified as follows at December 31:

|   | 2010                 | 2009                 |
|---|----------------------|----------------------|
| <b>Investments at fair value as determined by quoted market price</b>         |                      |                      |
| Mutual funds  |                      |                      |
| Dodge and Cox Stock Fund  | \$ 1,818,683         | \$ 1,774,452         |
| Fidelity Spartan U.S. Equity Index Fund                                       | 1,666,432            | 1,771,608            |
| Neuberger Berman Genesis Investor Fund  | 1,474,086            | 1,481,460            |
| Columbia Acorn Fund   | 1,418,372            | 1,348,900            |
| Janus Overseas Fund   | 1,314,220            | 1,426,182            |
| T. Rowe Price Growth Stock Fund   | 932,961              | 1,325,838            |
| Vanguard Mid Cap Index Fund   | 720,042              | *                    |
| T. Rowe Price Mid-Cap Fund  | *                    | 798,198              |
| Common stock  |                      |                      |
| Macatawa Bank Corporation   | 934,288              | *                    |
| Other investments less than 5% of the Plan's net assets available for benefit | 3,829,479            | 5,056,354            |
| <b>Total</b>  | <b>\$ 14,108,563</b> | <b>\$ 14,982,992</b> |

\*Investment did not represent more than 5% of the Plan's net assets available for benefits at end of year.

The Plan's investments (including unrealized gains and losses on investments bought and sold, as well as those held during the year) appreciated (depreciated) in value as follows for the years ended December 31:

|  | 2010                | 2009                |
|--|---------------------|---------------------|
| <b>Investments at fair value</b>       |                     |                     |
| Macatawa Bank Corporation common stock | \$ 472,208          | \$ (160,604)        |
| Mutual funds                           | 1,834,943           | 3,125,702           |
| <b>Net appreciation</b>                | <b>\$ 2,307,151</b> | <b>\$ 2,965,098</b> |



MACATAWA BANK 401(k) PLAN

**NOTES TO FINANCIAL STATEMENTS**

**3. FAIR VALUE MEASUREMENTS**

The FASB *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, establishes the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in such methodologies used at December 31, 2010 and 2009.

*Mutual funds*: Shares held in mutual funds are valued at the net asset value ("NAV") of shares held by the Plan at year end. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities then divided by the number of shares outstanding.

*Money market fund*: Shares held in money market funds are comprised of government, bank and commercial debt securities with individual maturities of 12 months or less. The composition of securities is structured to maintain a value of \$1 per share.



*Common stock:* Macatawa Bank Corporation common stock is valued at the closing price reported in the active market in which the individual securities are traded.

MACATAWA BANK 401(k) PLAN**NOTES TO FINANCIAL STATEMENTS**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31:

| <b>2010</b>                                       | <b>Level 1</b>       | <b>Level 2</b>    | <b>Level 3</b> | <b>Total</b>         |
|---|----------------------|-------------------|----------------|----------------------|
| <b>Mutual funds</b>                               |                      |                   |                |                      |
| Fixed income                                      |                      |                   |                |                      |
| Intermediate government                           | \$ 400,903           | \$ -              | \$ -           | \$ 400,903           |
| Short-term bond                                   | 187,455              | -                 | -              | 187,455              |
| Long-term bond                                    | 79,846               | -                 | -              | 79,846               |
| Equity  |                      |                   |                |                      |
| Small blend                                       | 1,474,087            | -                 | -              | 1,474,087            |
| Small growth                                      | 41,796               | -                 | -              | 41,796               |
| Small value                                       | 62,962               | -                 | -              | 62,962               |
| Mid-cap blend                                     | 720,042              | -                 | -              | 720,042              |
| Mid-cap growth                                    | 2,029,241            | -                 | -              | 2,029,241            |
| Mid-cap value                                     | 6,784                | -                 | -              | 6,784                |
| Large blend                                       | 1,666,432            | -                 | -              | 1,666,432            |
| Large growth                                      | 932,961              | -                 | -              | 932,961              |
| Large value                                       | 1,818,683            | -                 | -              | 1,818,683            |
| Moderate allocation                               | 639,745              | -                 | -              | 639,745              |
| Aggressive allocation                             | 271,071              | -                 | -              | 271,071              |
| Conservative allocation                           | 145,101              | -                 | -              | 145,101              |
| Target date 2015-2029                             | 280,312              | -                 | -              | 280,312              |
| Target date 2030 plus                             | 326,563              | -                 | -              | 326,563              |
| Foreign large blend                               | 125,356              | -                 | -              | 125,356              |
| Foreign large growth                              | 1,314,220            | -                 | -              | 1,314,220            |
| Foreign large value                               | 272,685              | -                 | -              | 272,685              |
| Total mutual funds                                | 12,796,245           | -                 | -              | 12,796,245           |
| Money market fund                                 | -                    | 378,030           | -              | 378,030              |
| <b>Macatawa Bank Corporation<br/>common stock</b> |                      |                   |                |                      |
| Financial institution                             | 934,288              | -                 | -              | 934,288              |
| <b>Total investments at fair<br/>value</b>        | <b>\$ 13,730,533</b> | <b>\$ 378,030</b> | <b>\$ -</b>    | <b>\$ 14,108,563</b> |



MACATAWA BANK 401(k) PLAN

## NOTES TO FINANCIAL STATEMENTS

| <b>2009</b>                                | <b>Level 1</b>       | <b>Level 2</b>    | <b>Level 3</b> | <b>Total</b>         |
|--|----------------------|-------------------|----------------|----------------------|
| <b>Mutual funds</b>                        |                      |                   |                |                      |
| Fixed income                               |                      |                   |                |                      |
| Short-term bond                            | \$ 404,629           | \$ -              | \$ -           | \$ 404,629           |
| Long-term bond                             | 74,251               | -                 | -              | 74,251               |
| Intermediate government                    | 672,073              | -                 | -              | 672,073              |
| Equity                                     |                      |                   |                |                      |
| Small blend                                | 1,481,460            | -                 | -              | 1,481,460            |
| Small growth                               | 53,558               | -                 | -              | 53,558               |
| Small value                                | 18,790               | -                 | -              | 18,790               |
| Mid-cap blend                              | 630,543              | -                 | -              | 630,543              |
| Mid-cap growth                             | 2,147,099            | -                 | -              | 2,147,099            |
| Mid-cap value                              | 186,848              | -                 | -              | 186,848              |
| Large blend                                | 2,127,759            | -                 | -              | 2,127,759            |
| Large growth                               | 1,325,838            | -                 | -              | 1,325,838            |
| Large value                                | 1,774,452            | -                 | -              | 1,774,452            |
| Moderate allocation                        | 557,650              | -                 | -              | 557,650              |
| Conservative allocation                    | 144,112              | -                 | -              | 144,112              |
| Target date 2015-2029                      | 231,862              | -                 | -              | 231,862              |
| Target date 2030 plus                      | 214,836              | -                 | -              | 214,836              |
| Foreign large blend                        | 159,643              | -                 | -              | 159,643              |
| Foreign large growth                       | 1,426,182            | -                 | -              | 1,426,182            |
| Foreign large value                        | 344,819              | -                 | -              | 344,819              |
| <b>Total mutual funds</b>                  | <b>13,976,404</b>    | <b>-</b>          | <b>-</b>       | <b>13,976,404</b>    |
| Money market fund                          | -                    | 616,734           | -              | 616,734              |
| Macatawa Bank Corporation<br>common stock  |                      |                   |                |                      |
| Financial institution                      | 389,854              | -                 | -              | 389,854              |
| <b>Total investments at fair<br/>value</b> | <b>\$ 14,366,258</b> | <b>\$ 616,734</b> | <b>\$ -</b>    | <b>\$ 14,982,992</b> |

MACATAWA BANK 401(k) PLAN

**NOTES TO FINANCIAL STATEMENTS**

**4. RELATED PARTY TRANSACTIONS**

Parties-in-interest are defined under Department of Labor (DOL) regulations as any fiduciary of the Plan, and any party rendering service to the Plan, the employer, and certain others. Certain Plan investments are held in shares of common stock of the Plan sponsor, or funds managed by Northern Trust Corporation and, therefore, these transactions qualify as party-in-interest. The Plan's investment in Northern Trust Money Market Fund and Macatawa Bank Corporation common stock as of December 31, 2010 and 2009, represent party-in-interest investment transactions.

Macatawa Bank Corporation, through its trust department, serves as trustee, custodian, and record keeper for the Plan. Therefore, all transactions between the Plan and Macatawa Bank Corporation constitute party-in-interest transactions. The 226,769 and 186,533 shares of Macatawa Bank Corporation common stock held by the Plan as of December 31, 2010 and 2009, represent approximately 1.28% and 1.07% of the Corporation's total outstanding shares of common stock, respectively.

No cash dividends were paid to the Plan by Macatawa Bank Corporation during 2010 and 2009. Fees paid to the trust department of Macatawa Bank Corporation for administrative expenses were \$6,675 and \$5,475 in 2010 and 2009, respectively.

**5. INCOME TAX STATUS**

The Corporation's Board of Directors adopted the Macatawa Bank Prototype 401(k) plan document. The plan document has received, from the Internal Revenue Service, an opinion letter dated March 31, 2008, stating that the written form of the underlying prototype plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and that any employer adopting this form of the Plan will be considered to have a plan qualified under Sections 401(a) of the Code. The Plan is required to operate in conformity with the Code to maintain its qualification. The Plan's administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes the Plan is qualified and the related trust is tax exempt.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability or asset if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the applicable taxing authorities. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements. The Plan may be subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Administrator believes the Plan is no longer subject to income tax examinations for years prior to 2007.

**6. PLAN TERMINATION**

The Plan Sponsor has the right under the Plan to discontinue its contributions at any time and did so temporarily effective January 1, 2010, as discussed in Note 1. The Plan Sponsor has not expressed any intent to terminate the Plan subject to the provisions of ERISA.



MACATAWA BANK 401(k) PLAN**NOTES TO FINANCIAL STATEMENTS****7. RISKS AND UNCERTAINTIES**

The Plan invests in various mutual funds with underlying assets consisting of a combination of stocks, bonds, fixed income securities and other investment securities, a money market fund and in shares of Macatawa Bank Corporation common stock. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

**8. RECONCILIATION OF FINANCIAL STATEMENTS TO SCHEDULE H OF FORM 5500**

The following is a reconciliation of investments at fair value reported in these financial statements to the amounts reported on Schedule H to the Form 5500 at December 31:

|  | 2010                 | 2009                 |
|--|----------------------|----------------------|
| Investments at fair value reported in these financial statements | \$ 14,108,563        | \$ 14,982,992        |
| Notes receivable from participants                               | 275,017              | 359,282              |
| <b>Investments reported on Schedule H to Form 5500</b>           | <b>\$ 14,383,580</b> | <b>\$ 15,342,274</b> |

The following is a reconciliation of interest income from investments reported in these financial statements for the years ended December 31 to the amounts reported on Schedule H to Form 5500:

|   | 2010             | 2009             |
|---|------------------|------------------|
| Interest income from reported in these financial statements | \$ 570           | \$ 2,101         |
| Interest income - notes receivable from participants        | 12,056           | 8,982            |
| <b>Interest income reported on Schedule H to Form 5500</b>  | <b>\$ 12,626</b> | <b>\$ 11,083</b> |

MACATAWA BANK 401(k) PLAN

**NOTES TO FINANCIAL STATEMENTS**

Participant loans are recorded on the Schedule H to the Form 5500 as an investment, while participant loans are reported as "notes receivable from participants" in the caption receivables in the accompanying financial statements. Additionally, interest income from participant loans is reported on the Schedule H to the Form 5500 as investment income, while interest income from participant loans are reported as "interest income - notes receivable from participants" in the accompanying financial statements. See Note 1.

**9. SUBSEQUENT EVENT**

Subsequent to December 31, 2010, the market value of the shares held in Macatawa Bank Corporation common stock decreased from \$4.12 per share as of December 31, 2010, to \$2.24 per share as of close of business on June 15, 2011.

\* \* \* \* \*



## **SUPPLEMENTARY INFORMATION**



**MACATAWA BANK 401(k) PLAN**  
**SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)**  
**DECEMBER 31, 2010**  
**PLAN #001**  
**EIN 38-3378283**

| (a)                      | (b) Identity<br>of Issue, Borrower,<br>Lessor, or Similar Party | (c) Description of Investment<br>Including Maturity Date, Rate of<br>Interest, Collateral, Par or Maturity Value | (e)<br>Current<br>Value |
|--------------------------|---|--|-------------------------|
| <b>Mutual funds</b>      |   |  |                         |
|                          | Dodge and Cox Funds   | Dodge and Cox Stock Fund, 16,877 shares  | \$ 1,818,683            |
| *                        | Fidelity Investments  | Spartan U.S. Equity Index Fund, 37,464 shares  | 1,666,432               |
|                          | Neuberger Berman  | Neuberger Berman Genesis Investor Fund, 44,373 shares  | 1,474,087               |
|                          | Columbia  | Columbia Acorn Fund, 46,981 shares   | 1,418,372               |
|                          | Janus   | Janus Overseas Fund, 25,952 shares   | 1,314,220               |
|                          | T. Rowe Price   | T. Rowe Price Growth Stock Fund, 29,019 shares   | 932,961                 |
|                          | Vanguard  | Vanguard Mid-Cap Index Fund, 35,452 shares   | 720,042                 |
|                          | T. Rowe Price   | T. Rowe Price Mid Cap Fund, 10,436 shares  | 610,869                 |
| *                        | Fidelity Investments  | Government Income Fund, 38,437 shares  | 400,903                 |
|                          | Value Line Mutual Funds   | Value Line Income & Growth Fund, 42,536 shares   | 359,862                 |
|                          | T. Rowe Price   | T. Rowe Price 2020 Retirement Fund, 17,050 shares  | 280,312                 |
|                          | T. Rowe Price   | T. Rowe Price PS Balanced Fund, 14,707 shares  | 279,883                 |
|                          | Dodge and Cox Funds   | Dodge & Cox International Stock Fund, 7,636 shares   | 272,685                 |
|                          | T. Rowe Price   | T. Rowe Price PS Growth Fund, 11,831 shares  | 271,071                 |
|                          | T. Rowe Price   | T. Rowe Price 2030 Retirement Fund, 11,143 shares  | 192,561                 |
|                          | Vanguard  | Vanguard Short-term Investment, 17,405 shares  | 187,455                 |
|                          | T. Rowe Price   | T. Rowe Price PS Income Fund, 9,046 shares   | 145,101                 |
|                          | UMB Scout   | Scout International Fund, 3,671 shares   | 118,879                 |
|                          | T. Rowe Price   | T. Rowe Price 2040 Retirement Fund, 5,442 shares   | 94,800                  |
|                          | Vanguard  | Vanguard Long-term Bond Index Fund, 6,631 shares   | 79,846                  |
|                          | Allianz Fund  | Allianz Small Cap Value Fund, 2,209 shares   | 62,962                  |
|                          | Royce   | Royce Value Plus Service Fund, 3,091 shares  | 41,796                  |
|                          | T. Rowe Price   | T. Rowe Price 2050 Retirement Fund, 4024 shares  | 39,202                  |
|                          | Ridgeworth Investments  | Ridgeworth Mid Cap Value Equity, 571 shares  | 6,784                   |
|                          | American Funds  | American Funds EuroPacific Fund R5, 156 shares   | 6,477                   |
|                          | <b>Total mutual funds</b>                                       |  | <b>12,796,245</b>       |
| <b>Money market fund</b> |   |  |                         |
| *                        | Northern Trust Corporation                                      | Diversified Assets Money Market Fund, 378,030 shares   | 378,030                 |
| <b>Common stock</b>      |   |  |                         |
| *                        | Macatawa Bank Corporation                                       | 226,769 shares of common stock   | 934,288                 |
|                          | <b>Total investments at fair value</b>                          |  | <b>14,108,563</b>       |
| *                        | Notes receivable from participants                              | Loans, maturity 1 to 5 years, interest rates of 4.25%, collateral - participant account balances                 | 275,017                 |
|                          | <b>Total investments</b>  |  | <b>\$ 14,383,580</b>    |

(\*) An asterisk in this column identifies a person known to be a party-in-interest.

EXHIBITS

The following exhibits are filed as part of this report:

23.1 Consent of Independent Registered Public Accounting Firm

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**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on their behalf by the undersigned thereunto duly authorized.

MACATAWA BANK 401(k) PLAN

Dated: June 17, 2011

By:

/s/ Jon W. Swets  
Jon W. Swets  
Chief Financial Officer

**EXHIBIT INDEX**

23.1 Consent of Independent Registered Public Accounting Firm