

**MACKINAC FINANCIAL CORPORATION  
POLICY OF THE BOARD OF DIRECTORS  
REGARDING EXCESSIVE OR LUXURY EXPENDITURES**

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| Organization Functional Area:   | Executive/Board of Directors<br>Compensation Committee |
| Policy For:   | Excessive or Luxury Expenditures                       |
| Board Approved:   | July 2009  |
| Last Revision Date:   | July 2009  |
| Department/Individual Responsible<br>For Maintaining/Updating Policy: | Ernie R. Krueger                                       |

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**This policy is intended to fulfill the requirements set forth under the Emergency Economic Stabilization Act of 2008, as amended (“EESA”) and regulations promulgated thereunder that a recipient of funds pursuant to the U.S. Treasury’s Capital Purchase Program (“TARP”) adopt a companywide policy regarding excessive or luxury expenditures.**

The purpose of this policy is to preclude under corporate policy any expenditures that are excessive, wasteful and that would be deemed beyond what is deserved justifiable or necessary.

Basic guidelines for other expense reimbursement in the normal course of business are contained in the “mBank Business and Travel Expense Reimbursement Policy”

The Compensation Committee, in its role as governance for determination of compensation for senior executive officers of the corporation, also has the added responsibility of determining whether or not employee expenditures are necessary, prudent and within prescribed limits that do not violate the spirit of the rules mandated by the US Treasury for TARP recipients. For purposes of oversight, this policy precludes excessive or luxury expenditures for:

- 1) entertainment or events;
- 2) office and facility renovations
- 3) aviation or other transportation services, or
- 4) other activities or events that are not reasonable expenditures of staff development, reasonable performance incentives, or other similar measures conducted in the normal course of the business operation of the TARP recipient.

In determining that expenses in these areas are not deemed excessive or luxury expenditures, the compensation committee will expect senior executive officers of the corporation to review all proposed expenditures to determine that they are not imprudent, excessive or wasteful, and further determine that the expenditures are deserved, justifiable and necessary. Any single expenditure for travel, entertainment or business development will need to be preapproved by the Compensation Committee if the cost is greater than \$5,000.