

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2005

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 0-20167

MACKINAC FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

MICHIGAN 38-2062816
(State of other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

130 South Cedar Street, Manistique, Michigan 49854

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (800) 200-7032

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, no par value

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 if disclosure of delinquent filers pursuant 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 amendments to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the common stock held by non-affiliates of the Registrant, based on a per share price of \$15.23 as of June 30, 2005, was \$28.4 million. As of March 4, 2006, there were outstanding, 3,428,695 shares of the Corporation's Common Stock (no par value).

Documents Incorporated by Reference:

Portions of the Corporation's Annual Report to Shareholders for the year ended December 31, 2005, are incorporated by reference into Parts I and II of this Report.

Portions of the Corporation's Proxy Statement for the Annual Meeting of Shareholders to be held May 31, 2006, are incorporated by reference into Part III of this Report.

PART I

ITEM 1. BUSINESS

Mackinac Financial Corporation (the “Corporation”) was incorporated under the laws of the state of Michigan on December 16, 1974. The Corporation changed its name from “First Manistique Corporation” to “North Country Financial Corporation” on April 14, 1998. On December 16, 2004, the Corporation changed its name from North Country Financial Corporation to Mackinac Financial Corporation. The Corporation owns all of the outstanding stock of its banking subsidiary, mBank (the “Bank”). The Corporation also owns three non-bank subsidiaries: First Manistique Agency, presently active, an insurance agency which sells annuities as well as life and health insurance; First Rural Relending Company, a relending company for nonprofit organizations; and North Country Capital Trust, a statutory business trust which was formed solely for the issuance of trust preferred securities. The Bank also has four non-bank subsidiaries: NCB Real Estate Company, which owns several properties used by the Bank; mBank Mortgage Company, LLC, an entity engaged in the business of mortgage lending and brokering; and mBank Employee Services, LLC, a company that leases employees to mBank. The Bank represents the principal asset of the Corporation. The Corporation and its subsidiary Bank are engaged in a single industry segment, commercial banking, broadly defined to include commercial and retail banking activities, along with other permitted activities closely related to banking.

The Corporation became a registered bank holding company under the Bank Holding Company Act of 1956, as amended, on April 1, 1976, when it acquired First Northern Bank and Trust (“First Northern”). On May 1, 1986, Manistique Lakes Bank merged with First Northern. The Corporation acquired all of the outstanding stock of the Bank of Stephenson on February 8, 1994, in exchange for cash and common stock. The Bank of Stephenson was operated as a separate banking subsidiary of the Corporation until September 30, 1995, when it was merged into First Northern. First Northern acquired Newberry State Bank on December 8, 1994, in exchange for cash. On September 15, 1995, First Northern acquired the fixed assets and assumed the deposits of the Rudyard branch of First of America Bank, in exchange for cash. The Corporation acquired all of the outstanding stock of South Range State Bank (“South Range”) on January 31, 1996, in exchange for cash and notes. On August 12, 1996, First Northern and South Range changed their names to North Country Bank and Trust and North Country Bank, respectively. On February 4, 1997, the Corporation acquired all of the outstanding stock of UP Financial Inc., the parent holding company of First National Bank of Ontonagon (“Ontonagon”). Ontonagon was merged into North Country Bank. North Country Bank was operated as a separate banking subsidiary of the Corporation until March 10, 1998, when it was merged into North Country Bank and Trust. On June 25, 1999, North Country Bank and Trust acquired the fixed assets and assumed the deposits of the Kaleva and Mancelona branches of Huntington National Bank in exchange for cash. On July 23, 1999, North Country Bank and Trust sold the fixed assets and deposits of the Rudyard and Cedarville branches to Central Savings Bank in exchange for cash.

On January 14, 2000, North Country Bank and Trust sold the fixed assets and deposits of the Garden branch to First Bank, Upper Michigan in exchange for cash. On June 16, 2000, North Country Bank and Trust acquired the fixed assets and assumed the deposits of the Glen Arbor and Alanson branches of Old Kent Bank, in exchange for cash. On July 13, 2001, North Country Bank and Trust sold the fixed assets and deposits of the St. Ignace and Mackinac Island branches to Central Savings Bank in exchange for cash. On November 9, 2001, North Country Bank and Trust sold the fixed assets and deposits of the Curtis and Naubinway branches to State Savings Bank in

exchange for cash. On November 22, 2002, North Country Bank and Trust sold the fixed assets and deposits of the Menominee branch to Stephenson National Bank and Trust in exchange for cash. During 2003, the Bank closed branch locations at Glen Arbor, Ishpeming, L'Anse, and Petoskey.

In 2004, the Bank sold the fixed assets and deposits of the Mancelona and Alanson branches to First Federal of Northern Michigan in exchange for cash, the fixed assets and deposits of the Munising branch to People's State Bank in exchange for cash, and the fixed assets and deposits of the Iron Mountain and Escanaba branches to the State Bank of Escanaba in exchange for cash. The Bank also closed the branch locations of Boyne City, Cadillac, Calumet, Sault Ste. Marie Cascade, and one of its branch locations in Traverse City.

The Bank currently has 9 branch offices located in the Upper Peninsula of Michigan and 4 branch offices located in Michigan's Lower Peninsula. The Bank maintains offices in Antrim, Chippewa, Emmet, Grand Traverse, Houghton, Luce, Manistee, Marquette, Menominee, Oakland, Ontonagon, Otsego, and Schoolcraft Counties. The Bank provides drive-in convenience at 10 branch locations and has 9 automated teller machines. The Bank has no foreign offices.

The Corporation is headquartered and located in Manistique, Michigan. The mailing address of the Corporation is 130 South Cedar Street, Manistique, Michigan 49854.

Operations

The principal business the Corporation is engaged in, through the Bank, is the general commercial banking business, providing a full range of loan and deposit products. These banking services include customary retail and commercial banking services, including checking and savings accounts, time deposits, interest bearing transaction accounts, safe deposit facilities, real estate mortgage lending, commercial lending, commercial and governmental lease financing, and direct and indirect consumer financing. Funds for the Bank's operation are also provided by Internet and brokered deposits and through borrowings from the Federal Home Loan Bank ("FHLB") system, proceeds from the sale of loans and mortgage-backed and other securities, funds from repayment of outstanding loans and earnings from operations. Earnings depend primarily upon the difference between (i) revenues from loans, investments, and other interest-bearing assets and (ii) expenses incurred in payment of interest on deposit accounts and borrowings, maintaining an adequate allowance for loan losses, and general operating expenses.

Competition

Banking is a highly competitive business. The Bank competes for loans and deposits with other banks, savings and loan associations, credit unions, mortgage bankers, and investment firms in the scope and type of services offered, pricing of loans, interest rates paid on deposits, and number and location of branches, among other things. The Bank also faces competition for investors' funds from mutual funds and corporate and government securities.

The Bank competes for loans principally through interest rates and loan fees, the range and quality of the services it provides and the locations of its branches. In addition, the Bank actively solicits deposit-related clients and competes for deposits by offering depositors a variety of savings accounts, checking accounts, and other services.

Employees

As of December 31, 2005, the Corporation and its subsidiaries employed, in the aggregate, 106 employees equating to 102.5 full-time equivalents. None of the Corporation's employees are covered by a collective bargaining agreement with the Corporation and management believes that its relationship with its employees is satisfactory.

Business

The Bank makes mortgage, commercial, and installment loans to customers throughout Michigan. Fees may be charged for these services. Historically, the Bank has predominantly sold its conforming residential mortgage loans in the secondary market; however, during 2003, 2004, and 2005, residential loans have been retained. The Bank has financed commercial and governmental leases throughout the country. Leases were originated by the Corporation's subsidiary, North Country Financial Group (dissolved on December 31, 2005), and unrelated entities. In March 2003, the Corporation made a decision to cease the operations of North Country Financial Group. This was done in order to refocus the Corporation's lending efforts to loans in its immediate market area; decrease the size of certain segments of the loan portfolio; and diversify the loan portfolio. The Corporation may pursue new lease opportunities through unrelated entities, where the credit quality and rate of return on the transactions fit its strategies. The Bank reviews the credit quality of each lease before entering into a financing agreement. The Bank accounts for these transactions as loans.

The Bank supports the service industry, with its hospitality and related businesses, as well as gaming, forestry, restaurants, farming, fishing, and many other activities important to growth in Michigan. The economy of the Bank's market areas is affected by summer and winter tourism activities.

The Bank's most prominent concentration in the loan portfolio relates to commercial loans to entities within the hospitality and tourism industry. This concentration represented \$37.681 million or 21.49% of the commercial loan portfolio at December 31, 2005. No material portions of the Bank's deposits have been received from a single person, industry, group, or geographical location.

The Bank is a member of the FHLB. The FHLB provides an additional source of liquidity and long-term funds. Membership in the FHLB has provided access to attractive rate advances, as well as advantageous lending programs. The Community Investment Program makes advances to be used for funding community-oriented mortgage lending, and the Affordable Housing Program grants advances to fund lending for long-term low and moderate income owner occupied and affordable rental housing at subsidized interest rates.

The Bank regularly assesses its ability to raise funds through the issuance of certificates of deposit and demand deposit accounts in its local branching network and through wholesale deposit products.

The Bank has secondary borrowing lines of credit available to respond to deposit fluctuations and temporary loan demands. The unsecured lines totaled \$-0- at December 31, 2005, with an additional \$-0- available if collateralized.

As of December 31, 2005, the Bank had no material risks relative to foreign sources. See the "Interest Rate Risk" and "Foreign Exchange Risk" sections in Management's Discussion and Analysis of Financial Condition and Results of Operation in the Corporation's 2005 Annual Report

to Shareholders, which sections are incorporated herein by reference, for details on the Corporation's foreign account activity.

Compliance with federal, state, and local statutes and/or ordinances relating to the protection of the environment is not expected to have a material effect upon the Bank's capital expenditures, earnings, or competitive position.

Supervision and Regulation

As a registered bank holding company, the Corporation is subject to regulation and examination by the Board of Governors of the Federal Reserve System (Federal Reserve Board) under the Bank Holding Company Act, as amended (BHCA). The Bank is subject to regulation and examination by the Michigan Office of Financial and Insurance Services (OFIS) and the Federal Deposit Insurance Corporation (FDIC).

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 Bank and to commit resources to support the Bank in circumstances where the Corporation might not do so absent such policy. The Corporation does not presently have significant assets available for this purpose. In addition, there are numerous federal and state laws and regulations which regulate the activities of the Corporation, the Bank and the non-bank subsidiaries, including requirements and limitations relating to capital and reserve requirements, permissible investments and lines of business, transactions with affiliates, loan limits, mergers and acquisitions, issuances of securities, dividend payments, inter-affiliate liabilities, extensions of credit and branch banking.

Federal banking regulatory agencies established capital adequacy rules which take into account risk attributable to balance sheet assets and off-balance sheet activities. All banks and bank holding companies must meet a minimum total risk-based capital ratio of 8%, of which at least one-half must be comprised of core capital elements defined as Tier I capital (which consists principally of shareholders' equity). The federal banking agencies also have adopted leverage capital guidelines which banking organizations must meet. Under these guidelines, the most highly rated banking organizations must meet a minimum leverage ratio of at least 3% Tier I capital to total assets, while lower rated banking organizations must maintain a ratio of at least 4% to 5%. Failure to meet minimum capital requirements can initiate certain mandatory – and possible additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements. The risk-based and leverage standards presently used by the Federal Reserve Board are minimum requirements, and higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual banking organizations.

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' power depends on whether the institution in question is "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized." To be well capitalized under the regulatory framework, the Tier I capital ratio must meet or exceed 6%, the total risk-based capital ratio must meet or exceed 10% and the leverage ratio must meet or exceed 5%. Information pertaining to the Corporation's capital plan is contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the caption

“Capital and Regulatory” in the Corporation’s 2005 Annual Report to Shareholders, and is incorporated herein by reference.

Current federal law provides that adequately capitalized and managed bank holding companies from any state may acquire banks and bank holding companies located in any other state, subject to certain conditions.

In 1999, Congress enacted the Gramm-Leach-Bliley Act (the “Act”), which eliminated certain barriers to and restrictions on affiliations between banks and securities firms, insurance companies and other financial service organizations. Among other things, the Act repealed certain Glass-Steagall Act restrictions on affiliations between banks and securities firms, and amended the BHCA to permit bank holding companies that qualify as “financial holding companies” to engage in a broad list of “financial activities,” and any non-financial activity that the Federal Reserve Board, in consultation with the Secretary of the Treasury, determines is “complementary” to a financial activity and poses no substantial risk to the safety and soundness of depository institutions or the financial system. The Act treats lending, insurance underwriting, insurance company portfolio investment, financial advisory, securities underwriting, dealing and market-making, and merchant banking activities as financial in nature for this purpose.

Under the Act, a bank holding company may become certified as a financial holding company by filing a notice with the Federal Reserve Board, together with a certification that the bank holding company meets certain criteria, including capital, management, and Community Reinvestment Act requirements. The Corporation does not qualify as a financial holding company at this time.

Additional information pertaining to Supervision and Regulation is contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the caption “Capital and Regulatory” in the Corporation’s 2005 Annual Report to Shareholders, and is incorporated herein by reference.

Monetary Policy

The earnings and business of the Corporation and the Bank depends on interest rate differentials. In general, the difference between the interest rates paid by the Bank to obtain its deposits and other borrowings, and the interest rates received by the Bank on loans extended to its customers and on securities held in the Bank’s portfolio, comprises the major portion of the Bank’s earnings. These rates are highly sensitive to many factors that are beyond the control of the Bank, and accordingly, its earnings and growth will be subject to the influence of economic conditions, generally, both domestic and foreign, including inflation, recession, unemployment, and the monetary policies of the Federal Reserve Board. The Federal Reserve Board implements national monetary policies designed to curb inflation, combat recession, and promote growth through, among other means, its open-market dealings in US government securities, by adjusting the required level of reserves for financial institutions subject to reserve requirements, through adjustments to the discount rate applicable to borrowings by banks that are members of the Federal Reserve System, and by adjusting the Federal Funds Rate, the rate charged in the interbank market for purchase of excess reserve balances. In addition, legislative and economic factors can be expected to have an ongoing impact on the competitive environment within the financial services industry. The nature and timing of any future changes in such policies and their impact on the Bank cannot be predicted with certainty.

Selected Statistical Information

I. Distribution of Assets, Obligations, and Shareholders' Equity; Interest Rates and Interest Differential

The key components of net interest income, the daily average balance sheet for each year – including the components of earning assets and supporting obligations – the related interest income on a fully tax equivalent basis and interest expense, as well as the average rates earned and paid on these assets and obligations is contained under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Corporation’s 2005 Annual Report to Shareholders, and is incorporated herein by reference.

An analysis of the changes in net interest income from period-to-period and the relative effect of the changes in interest income and expense due to changes in the average balances of earning assets and interest-bearing obligations and changes in interest rates is contained under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Corporation’s 2005 Annual Report to Shareholders, and is incorporated herein by reference.

II. Investment Portfolio

A. Investment Portfolio Composition

The following table presents the carrying value of investment securities available for sale as of December 31 (dollars in thousands):

	2005	2004	2003
U.S. Agencies	\$ 30,354	\$ 21,843	\$ 36,225
State and political subdivisions	3,856	4,029	4,105
Corporate securities	-	681	708
Mortgage-related securities	-	30,522	43,736
TOTAL	\$ 34,210	\$ 57,075	\$ 84,774

B. Relative Maturities and Weighted Average Interest Rates

The following table presents the maturity schedule of securities held and the weighted average yield of those securities, as of December 31, 2005 (fully taxable equivalent, dollars in thousands):

	In one year year or less	After one, but within five years	After five, but within ten years	Over 10 years	TOTAL	Weighted Average Yield (1)
U.S. Agencies	\$ 3,442	\$ 26,912	\$ -	\$ -	\$ 30,354	3.38%
State and political subdivisions	70	327	1,193	2,266	3,856	8.12%
Corporate securities	-	-	-	-	-	-
Mortgage-related securities	-	-	-	-	-	-
TOTAL	\$ 3,512	\$ 27,239	\$ 1,193	\$ 2,266	\$ 34,210	
Weighted average yield (1)	3.55 %	3.43 %	8.11% %	8.13% %	3.92% %	

(1) Weighted average yield includes the effect of tax-equivalent adjustments using a 34% tax rate.

III. Loan Portfolio

A. Type of Loans

The following table sets forth the major categories of loans outstanding for each category at December 31 (dollars in thousands):

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Commercial real estate	\$ 118,637	\$ 105,619	\$ 161,976	\$ 234,618	\$ 264,863
Commercial, financial and agricultural	56,686	47,446	80,988	117,309	132,432
One to four family residential real estate	44,660	45,292	51,120	74,366	93,574
Consumer	2,285	2,379	3,195	5,706	9,516
Construction	<u>17,503</u>	<u>3,096</u>	<u>567</u>	<u>3,044</u>	<u>4,027</u>
TOTAL	<u><u>\$ 239,771</u></u>	<u><u>\$ 203,832</u></u>	<u><u>\$ 297,846</u></u>	<u><u>\$ 435,043</u></u>	<u><u>\$ 504,412</u></u>

Included in loan totals for December 31, 2005, 2004, and 2003, are \$-0- million, \$3.0 million, and \$4.1 million of loans to Canadian obligors. To the extent the Corporation utilizes lease financing for its customers, the leases are accounted for as loans.

B. Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table presents the remaining maturity of total loans outstanding for the categories shown at December 31, 2005, based on scheduled principal repayments (dollars in thousands):

	<u>Commercial Real Estate</u>	<u>Commercial, Financial, and Agricultural</u>	<u>1-4 Family Residential Real Estate</u>	<u>Consumer</u>	<u>Construction</u>	<u>Total</u>
In one year or less:						
Variable interest rates	\$ 83,990	\$ 30,890	\$ 36,711	\$ 418	\$ 16,272	\$ 168,281
Fixed interest rates	5,273	644	810	245	671	7,643
After one year but within five years:						
Variable interest rates	-	-	-	-	-	-
Fixed interest rates	24,850	13,092	4,483	1,573	119	44,117
After five years:						
Variable interest rates	-	-	-	-	-	-
Fixed interest rates	<u>4,524</u>	<u>12,060</u>	<u>2,656</u>	<u>49</u>	<u>441</u>	<u>19,730</u>
TOTAL	<u><u>\$ 118,637</u></u>	<u><u>\$ 56,686</u></u>	<u><u>\$ 44,660</u></u>	<u><u>\$ 2,285</u></u>	<u><u>\$ 17,503</u></u>	<u><u>\$ 239,771</u></u>

C. Risk Elements

The following table presents a summary of nonperforming assets and problem loans as of December 31 (dollars in thousands):

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Nonaccrual loans	\$ 15	\$ 4,307	\$ 38,660	\$ 26,814	\$ 4,015
Interest income that would have been recorded for nonaccrual loans under original terms	134	803	2,793	1,653	1,597
Interest income recorded during period for nonaccrual loans	78	1,053	1,307	1,120	1,521
Accruing loans past due 90 days or more	99	-	241	401	4,878
Restructured loans not included above	-	-	7,181	11,155	16,151

IV. Summary of Loan Loss Experience

A. Analysis of the Allowance for Loan Losses

Changes in the allowance for loan losses arise from loans charged off, recoveries on loans previously charged off by loan category, and additions to the allowance for loan losses through provisions charged to expense. Factors which influence management's judgment in determining the provision for loan losses include establishing specified loss allowances for selected loans (including large loans, nonaccrual loans, and problem and delinquent loans) and consideration of historical loss information and local economic conditions.

The following table presents information relative to the allowance for loan losses for the years ended December 31 (dollars in thousands):

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Balance of allowance for loan losses at beginning of period	\$ 6,966	\$ 22,005	\$ 24,908	\$ 10,444	\$ 9,454
Loans charged off:					
Commercial, financial, and agricultural	448	10,187	5,068	11,925	2,385
Real estate - construction	-	-	-	-	-
Real estate - mortgage	493	3,118	1,683	504	320
Consumer	51	2,453	205	141	253
Total loans charged off	<u>992</u>	<u>15,758</u>	<u>6,956</u>	<u>12,570</u>	<u>2,958</u>
Recoveries of loans previously charged off:					
Commercial, financial, and agricultural	102	312	2,926	314	640
Real estate - construction	-	-	-	-	-
Real estate - mortgage	23	148	931	3	20
Consumer	9	259	196	59	88
Total recoveries	<u>134</u>	<u>719</u>	<u>4,053</u>	<u>376</u>	<u>748</u>
Net loans charged off	858	15,039	2,903	12,194	2,210
Provisions charged to expense	-	-	-	26,658	3,200
Balance at end of period	<u>\$ 6,108</u>	<u>\$ 6,966</u>	<u>\$ 22,005</u>	<u>\$ 24,908</u>	<u>\$ 10,444</u>
Average loans outstanding	<u>207,928</u>	<u>244,730</u>	<u>361,144</u>	<u>484,889</u>	<u>529,354</u>
Ratio of net charge-offs during period to average loans outstanding	<u>.41 %</u>	<u>6.15 %</u>	<u>.80 %</u>	<u>2.51 %</u>	<u>.42 %</u>

B. Allocation of Allowance for Loan Losses

The allocation of the allowance for loan losses for the years ended December 31, is shown on the following table. The percentages shown represent the percent of each loan category to total loans (dollars in thousands):

	2005		2004		2003		2002		2001	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Commercial, financial and agricultural	\$ 1,492	24.4%	\$ 1,419	20.4%	\$ 11,222	51.0%	\$ 22,703	91.2%	\$ 9,136	81.2%
Real estate-construction	-	-	-	-	-	-	-	-	-	-
1-4 family residential real estate	17	.3	97	1.4	280	1.3	280	1.1%	1,191	10.5
Consumer	-	-	-	-	-	-	-	-	152	1.4
Specific reserve on loans sold subsequent to year end	-	-	-	-	7,425	33.7	-	-	-	-
Unallocated and general reserves	4,599	75.3%	5,450	78.2%	3,078	14.0%	1,925	7.7%	774	6.9
TOTAL	\$ 6,108	100.0%	\$ 6,966	100.0%	\$ 22,005	100.0%	\$ 24,908	100.0%	\$ 11,253	100.0%

V. Deposits

Deposit information is contained in Note 11 to the Corporation's Consolidated Financial Statements contained in the Corporation's 2005 Annual Report to Shareholders, and is incorporated herein by reference.

VI. Return on Equity and Assets

Selected financial data of the Corporation is contained in the Corporation's 2005 Annual Report to Shareholders under the caption "Selected Financial Data," and is incorporated herein by reference.

See Item 6 of this Form 10-K, "Selected Financial Data"

VII. Financial Instruments with Off-Balance Sheet Risk

Information relative to commitments, contingencies, and credit risk are discussed in Note 22 to the Corporation's Consolidated Financial Statements contained in the Corporation's 2005 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 2. PROPERTIES

The Corporation's headquarters are located at 130 South Cedar Street, Manistique, Michigan 49854. The headquarters location is owned by the Corporation and not subject to any mortgage.

The Bank conducts business from 13 offices at the following locations:

BIRMINGHAM *

260 East Brown Street
Suite 300
Birmingham, MI 48009
Oakland County

GAYLORD

145 North Otsego Avenue
Gaylord, MI 49735
(989) 732-3750
Otsego County

KALEVA

14429 Wouski Avenue
Kaleva, MI 49645
(231) 362-3223
Manistee County

MANISTIQUE

130 South Cedar Street
Manistique, MI 49854
(906) 341-8401
Schoolcraft County

MARQUETTE MAIN

300 North McClellan Street
Marquette, MI 49855
(906) 226-5000
Marquette County

MARQUETTE PRESQUE ISLE

1400 Presque Isle
Marquette, MI 49855
(906) 228-3640
Marquette County

NEWBERRY

414 Newberry Avenue
Newberry, MI 49868
(906) 293-5165
Luce County

ONTONAGON

601 River Street
Ontonagon, MI 49953
(906) 884-4115
Ontonagon County

RIPLEY

106 Royce Road
Hancock, MI 49930
(906) 482-1269
Houghton County

SAULT STE. MARIE

138 Ridge Street
Sault Ste. Marie, MI 49783
(906) 635-3992
Chippewa County

SOUTH RANGE

47 Trimountain Avenue
South Range, MI 49963
(906) 482-1170
Houghton County

STEPHENSON

S216 Menominee Street
Stephenson, MI 49887
(906) 753-2225
Menominee County

TRAVERSE CITY

3530 North Country Drive
Traverse City, MI 49684
(231) 929-5253
Grand Traverse County

* Opened on January 10, 2006.

All of the above locations are designed for use and operation as a bank, are well maintained, and are suitable for current operations. Of the 13 branch locations, 12 are owned and 1 is leased.

ITEM 3. LEGAL PROCEEDINGS

The Corporation and its subsidiaries are subject to routine litigation incidental to the business of banking. Information regarding legal proceedings is contained in Note 25 of the Corporation's 2005 Annual Report to Shareholders, and is incorporated herein by reference.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Corporation are listed below. The executive officers serve at the pleasure of the Board of Directors and are appointed by the Board annually. There are no arrangements or understandings between any officer and any other person pursuant to which the officer was selected.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Paul D. Tobias	55	Chairman and Chief Executive Officer
C. James Bess	68	Vice Chairman
Eliot R. Stark	53	Executive Vice President and Chief Financial Officer
Ernie R. Krueger	56	Senior Vice President and Controller

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCK HOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY

Market information pertaining to the Corporation's common stock is contained under the caption "Market Information" in the Corporation's 2005 Annual Report to Shareholders, and is incorporated herein by reference.

The holders of the Corporation's common stock are entitled to dividends when, and if declared by the Board of Directors of the Corporation out of funds legally available for that purpose. Dividends had been paid on a quarterly basis until the fourth quarter in 2003. In determining dividends, the Board of Directors considers the earnings, capital requirements and financial condition of the Corporation and its subsidiary bank, along with other relevant factors. The Corporation's principal source of funds for cash dividends is the dividends paid by the Bank. The ability of the Corporation and the Bank to pay dividends is subject to regulatory restrictions and requirements. The Bank, under an informal agreement with OFIS and the FDIC, is prohibited from paying dividends without prior approval. There were no dividends declared or paid in 2004 and 2005.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data of the Corporation is contained in the Corporation's 2005 Annual Report to Shareholders, under the caption "Selected Financial Data," and is incorporated herein by reference.

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

Incorporated by reference to the Management's Discussion and Analysis of Financial Condition and Results of Operations in the Corporation's 2005 Annual Report to Shareholders

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Incorporated by reference to the Management's Discussion and Analysis of Financial Condition and Results of Operations in the Corporation's 2005 Annual Report to Shareholders

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Incorporated by reference to the Corporation's Consolidated Financial Statements for the years ended December 31, 2005, 2004, and 2003, in the Corporation's 2005 Annual Report to Shareholders.

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

There has been no change in the Corporation's independent public accountants since 2002. The change was reported on Form 8-Ks filed during 2002.

ITEM 9A. CONTROLS AND PROCEDURES

As of December 31, 2005, an evaluation was performed under the supervision of and with the participation of the Corporation's management, including the President and Chief Executive Officer, and the Chief Financial Officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures. Based on that evaluation, the Corporation's management, including the President and Chief Executive Officer, concluded that the Corporation's disclosure controls and procedures were effective in timely alerting them to material information relating to the Corporation (including its consolidated subsidiaries) required to be included in the Corporation's periodic SEC filings as of December 31, 2005.

There was no change in the Corporation's internal control over financial reporting that occurred during the Corporation's fiscal quarter ended December 31, 2005, that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE CORPORATION

The information set forth under the captions “Information About Directors and Nominees” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Corporation’s definitive Proxy Statement for its May 31, 2006, Annual Meeting of Shareholders (the “Proxy Statement”), a copy of which will be filed with the SEC prior to the meeting date, is incorporated herein by reference.

The Corporation has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee consist of Randolph C. Paschke (Chairman), Walter J. Aspatore, and Robert H. Orley. The Board of Directors has determined that Randolph C. Paschke is qualified as an audit committee financial expert, as that term is defined in the rules of the Securities and Exchange Commission.

The Corporation has adopted a code of ethics that applies to all of the directors, officers and employees, including the principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. The code of ethics is filed as Exhibit 14 to this report.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to compensation of the Corporation’s executive officers and directors is contained under the captions “Remuneration of Directors” and “Executive Compensation,” in the Corporation’s Proxy Statement and is incorporated herein by reference.

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

Information relating to security ownership of certain beneficial owners and management is contained under the caption “Beneficial Ownership of Common Stock” in the Corporation’s Proxy Statement and is incorporated herein by reference.

The following table provides information as of December 31, 2005, with respect to compensation plans (including individual compensation arrangements) under which equity securities of the Corporation are authorized for issuance. All such compensation plans were previously approved by security holders.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	549,732	\$ 14.15	89,488
Equity compensation plans not approved by security holders	-	-	-
Total	549,732	\$ 14.15	89,488

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information relating to certain relationships and related transactions is contained under the caption “Indebtedness of and Transactions With Management” in the Corporation’s Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information relating to principal accountant fees and services is contained under the caption “Principal Accountant Fees and Services” in the Corporation’s Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) The following documents are filed as a part of this report.
1. Consolidated Financial Statements (contained in the Annual Report attached hereto as Exhibit 13 and incorporated herein by reference
 - (i) Report on Independent Registered Public Accounting Firm
 - (ii) Consolidated Balance Sheets as of December 31, 2005, and 2004
 - (iii) Consolidated Statements of Operations for the years ended December 31, 2005, 2004, and 2003
 - (iv) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2005, 2004, and 2003
 - (v) Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2004, and 2003
 - (vi) Notes to Consolidated Financial Statements
 2. All of the schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are either not required under the related instruction, the required information is contained elsewhere in the Form 10-K, or the schedules are inapplicable, and therefore have been omitted.
 3. Exhibits

Exhibit Number	Document
3.1(a)	Articles of Incorporation, as amended, incorporated by reference to Exhibit 3.1 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999
3.1(b)	Certificate of Amendment to Restated Articles of Incorporation, incorporated by reference to Exhibit 3.1 to the Corporation's Form 8-K filed December 15, 2004
3.2	Amended and Restated Bylaws, incorporated by reference to

Exhibit 3.1 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001

- 4.1 Amendment to Rights Agreement between the Corporation and Registrar and Transfer Company dated August 9, 2004, incorporated by reference to Exhibit 10.1 to the Corporation's Form 8-K filed August 13, 2004
- 4.2 Amendment No. 2 to Rights Agreement, incorporated by reference to Exhibit 4.1 to the Corporation's Form 8-K filed December 16, 2004
- 10.1 Stock Option Agreement dated June 10, 2005, between David C. Crimmins and Mackinac Financial Corporation
- 10.2 Stock Option Agreement dated June 10, 2005, between Kelly W. George and Mackinac Financial Corporation
- 10.3 Stock Option Agreement dated June 10, 2005, between Ernie R. Krueger and Mackinac Financial Corporation
- 10.4 Stock Option Agreement dated September 20, 2005, between Walter J. Aspatore and Mackinac Financial Corporation
- 10.5 Stock Option Agreement dated September 20, 2005, between Dennis B. Bittner and Mackinac Financial Corporation
- 10.6 Stock Option Agreement dated September 20, 2005, between Randolph C. Paschke and Mackinac Financial Corporation
- 10.7 Stock Option Agreement dated September 20, 2005, between Robert H. Orley and Mackinac Financial Corporation
- 10.8 Employment agreement dated August 10, 2004, between the Corporation and C. James Bess, incorporated by reference to Appendix A to the Corporation's Proxy Statement filed October 18, 2004
- 10.9 Modification of Employment Agreement dated May 2004, between the Corporation and C. James Bess, incorporated by reference to Exhibit 10 to the Corporation's Form 10-Q/A filed August 10, 2004
- 10.10 Amendment to Employment Agreement dated September 21, 2004, between the Corporation and C. James Bess

- 10.11 First Amendment to Employment Agreement dated December 15, 2004, between the Corporation and C. James Bess
- 10.12 Agreement dated December 14, 2004, between the Corporation and Joseph E. Petterson
- 10.13 Employment Agreement dated August 10, 2004,, between the Corporation and Paul D. Tobias, incorporated by reference to Appendix A to the Corporation's Proxy Statement filed October 18, 2004
- 10.14 Employment Agreement dated August 10, 2004 between the Corporation and Eliot R. Stark, incorporated by reference to Appendix A to the Corporation's Proxy Statement filed October 18, 2004
- 10.15 Waiver Agreement between each of Paul D. Tobias and Eliot R. Stark and the Corporation, incorporated by reference to Exhibit 10.1 to the Corporation's Form 8-K filed December 16, 2004
- 10.16 Agreement dated December 15, 2005, between the Corporation and Ernie R. Krueger
- 10.17 Employment Agreement dated December 14, 2005, between the Corporation and Kelly W. George
- 10.18 Employment Agreement dated December 15, 2005, between the Corporation and David C. Crimmins
- 10.19 Form of Stock Option Agreement between each of Paul D. Tobias and Eliot R. Stark and the Corporation, incorporated by reference to Exhibit 10.2 to the Corporation's Form 8-K filed December 16, 2004
- 10.20 Form of Indemnity Agreement for the Corporation's Directors, incorporated by reference to Exhibit 10.3 to the Corporation's Form 8-K filed December 16, 2004
- 10.21 Form of Registration Rights Agreement, incorporated by reference to Exhibit 10.4 to the Corporation's Form 8-K filed December 16, 2004

- 10.22 Stock Option Plan, incorporated by reference to the Corporation's Proxy Statement for its annual meeting of shareholders held April 21, 1994
- 10.23 Deferred Compensation, Deferred Stock, and Current Stock Purchase Plan for the Corporations Nonemployee Directors, incorporated by reference to Exhibit 10.2 of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1999
- 10.24 North Country Financial Corporation Stock Compensation Plan, incorporated by reference to Exhibit 10.3 of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1999
- 10.25 North Country Financial Corporation 1997 Directors' Stock Option Plan, incorporated by reference to Exhibit 10.4 of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1999
- 10.26 North Country Financial Corporation 2000 Stock Incentive Plan, incorporated by reference to Exhibit 10.1 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000
- 10.27 North Country Financial Corporation Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10.6 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999
- 13 2005 Annual Report to Shareholders. This exhibit, except for those portions expressly incorporated by reference in this filing, is furnished for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this filing
- 14 Business Conduct and Code of Ethics Policy incorporated by reference to Exhibit 14 to the Corporation's 10-K for the fiscal year ended December 31, 2003
- 21 Subsidiaries of the Corporation
- 23.1 Consent of Independent Public Accountants – Plante & Moran, PLLC

23.2	Consent or Independent Public Accountants – Plante & Moran, PLLC
31	Rule 13(a) – 14 (a) Certifications
32.1	Section 1350 Chief Executive Officer Certification
32.2	Section 1350 Chief Financial Officer Certification

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, dated March 30, 2006.

MACKINAC FINANCIAL CORPORATION

/s/ Paul D. Tobias

Paul D. Tobias
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 30, 2006, by the following persons on behalf of the Corporation and in the capacities indicated. Each director of the Corporation, whose signature appears below, hereby appoints Paul D. Tobias and Eliot R. Stark, and each of them severally, as his attorney-in-fact, to sign in his name and on his behalf, as a director of the Corporation, and to file with the Commission any and all Amendments to this Report on Form 10-K.

Signature

/s/ Paul D. Tobias

Paul D. Tobias – Chairman,
Chief Executive Officer, and Director
(principal executive officer)

/s/ Ernie R. Krueger

Senior Vice President and Controller
(principal accounting officer)

/s/ Eliot R. Stark

Eliot R. Stark
Executive Vice President and
Chief Financial Officer
(principal financial officer)

/s/Robert H. Orley

Robert H. Orley - Director

/s/ Randolph C. Paschke

Randolph C. Paschke - Director

/s/ Walter J. Aspatore

Walter J. Aspatore – Director

/s/ C. James Bess

C. James Bess – Vice Chairman and
Director

/s/ Dennis B. Bittner

Dennis Bittner – Director

Exhibit 21 - Subsidiaries of Mackinac Financial Corporation

First Manistique Agency, Inc. - 100% owned
(incorporated as a Michigan corporation)

First Rural Relending Company - 100% owned
(incorporated as a Michigan corporation)

North Country Capital Trust – 100% owned
(organized as a Delaware business trust)

mBank - 100% owned
(incorporated as a Michigan banking corporation)

Subsidiaries of mBank

NCB Real Estate Company – 100% owned
(incorporated as a Michigan corporation)

American Financial Mortgage Corporation – 100% owned
(incorporated as a Michigan corporation)

mBank Mortgage Company LLC – 99% owned
(incorporated as a Michigan corporation)

mBank Employee Services, LLC – 79% owned
(incorporated as a Michigan corporation)

Mackinac Financial Corporation directly owns the first four subsidiaries listed above. mBank owns the remaining four subsidiaries.

Exhibit 23.1 – Consent of Independent Public Accountants

Independent Auditor's Consent

We hereby consent to the incorporation by reference, our report dated March 4, 2006, on the financial statements of Mackinac Financial Corporation and Subsidiaries for the year ended December 31, 2005, appearing in the Mackinac Financial Corporation 2005 Annual Report to Shareholders, which is incorporated by reference into this Form 10-K.

/s/ Plante & Moran, PLLC
Plante & Moran, PLLC

Grand Rapids, Michigan
March 30, 2006

Exhibit 23.2 – Consent of Independent Public Accountants

Independent Auditor's consent

We hereby consent to the incorporation by reference, in the Mackinac Financial Corporation Registration Statement on Form S-3 dated May 2, 2005, of our report dated March 4, 2006 on the financial statements of Mackinac Financial Corporation and Subsidiaries for the year ended December 31, 2005, which appears in the 2005 Stockholder Report and is incorporated by reference in this Form 10-K.

/s/ PLANTE & MORAN, PLLC
Plante & Moran, PLLC

Auburn Hills, Michigan
March 30, 2006

EXHIBIT 31

RULE 13(a) – 14 (a) CERTIFICATIONS

I, Paul D. Tobias, Chairman and Chief Executive Officer of Mackinac Financial Corporation certify that:

1. I have reviewed this report on Form 10-K of Mackinac Financial Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present, in all material respects, the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2006

/s/ Paul D. Tobias
Paul D. Tobias
Chairman and Chief Executive Officer
(principal executive officer)

I, Eliot R. Stark, Executive Vice President and Chief Financial Officer of Mackinac Financial Corporation, certify that:

1. I have reviewed this report on Form 10-K of Mackinac Financial Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2006

/s/ Eliot R. Stark
Eliot R. Stark
Executive Vice President and
Chief Financial Officer
(principal financial officer)

MACKINAC FINANCIAL CORPORATION
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C § 1350, and accompanies the annual report on Form 10-K for the year ended December 31, 2005, (the "Form 10-K") of Mackinac Financial Corporation (the "Issuer").

I, Paul D. Tobias, Chairman and Chief Executive Office of the Issuer, certify that:

- (1) The Form 10-K fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operation of the Issuer.

Date: March 30, 2006

/s/ Paul D. Tobias
Paul D. Tobias
Chairman and Chief Executive Officer
(chief executive officer)

MACKINAC FINANCIAL CORPORATION
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C § 1350, and accompanies the annual report on Form 10-K for the year ended December 31, 2005, (the “Form 10-K”) of Mackinac Financial Corporation (the “Issuer”).

I, Eliot R. Stark, Executive Vice President and Chief Financial Officer of the Issuer, certify that:

- (1) The Form 10-K fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operation of the Issuer.

Date: March 30, 2006

/s/ Eliot R. Stark
Eliot R. Stark
Executive Vice President and
Chief Financial Officer
(chief financial officer)