

**CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS OF
MACKINAC FINANCIAL CORPORATION**

I. PURPOSE

The Committee is appointed to discharge the Board's responsibilities relating to compensation of the executive officers of Mackinac Financial Corporation and its related subsidiaries, the "Corporation". The Committee has overall responsibility for evaluating and approving the executive officer benefit, bonus, incentive compensation, severance, equity-based or other compensation plans, policies, and programs of the Corporation. The Committee's decisions related to executive officer compensation shall not be authoritative until such recommendations of the Committee have been approved by the Corporation's Board of Directors.

Additionally, the Committee shall be responsible for approving the Corporation's overall compensation philosophy for all employees, the review of compensation plan objectives, a review of management's process for determining both base salaries and incentive compensation and the review and approval of management's recommendations for base salaries and incentive compensation payments.

The Committee is also responsible for producing an annual report on executive compensation for inclusion in the Corporation's proxy statement.

II. COMMITTEE COMPOSITION

The Committee is established pursuant to the requirements of Stock Exchange Rules related to Corporate governance. The members of the Committee and its Chairperson are appointed annually by the Board, based on the recommendation of the Nominating and Corporate Governance Committee, and serve until their successors are duly elected and qualified. The Committee shall consist of no fewer than four members with no fewer than three members who fully satisfy the independence requirements of the Nasdaq Stock Market ("Nasdaq") and any standards of independence as may be prescribed for purposes of any federal securities, tax, or other laws relating to the Committee's duties and responsibilities. No member of the Committee shall be an officer or former officer of the Corporation.

III. AUTHORITY

The Committee may delegate to its Chairperson such power and authority as the Committee deems to be appropriate, except such powers and authority required by law to be exercised by the whole Committee or by a subcommittee, which the Committee has the authority to form and delegate to, consisting of one or more Committee members, when appropriate.

The Committee, with the approval of the Board of Directors, shall have the authority to retain and terminate any compensation consultant to be used to assist in the evaluation of Chief Executive Officer or executive compensation and shall have sole authority to approve the consultant's fees and other retention terms.

The Committee shall have authority to obtain advice and assistance from internal or external legal, accounting, or other advisors.

IV. MEETINGS

The Committee shall meet as often as the Committee or the Committee Chairperson determines, but not less frequently than annually.

The Committee may conduct its business and affairs at any time or location it deems appropriate. Attendance and participation in a meeting may take place by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Any action to be taken at any meeting of the Committee may be taken without a meeting, if all members of the committee consent thereto in writing and such writing or writings are filed with the minutes of the Committee. All decisions of the Committee shall be determined by an affirmative vote of the majority of members in attendance. A quorum of the Committee shall be established when a majority of the members of the Committee are present.

V. RESPONSIBILITIES OF THE COMMITTEE

The following activities are set forth as a guide with the understanding that the Committee may diverge from this guide in accordance with applicable law.

A. Duties

1. The Committee shall be responsible for reviewing and recommending to the Board all persons to be elected as Chairman, Chief Executive Officer, President, Chief Financial Officer and such other executive positions as the members of the Committee, in consultation with the Mackinac Financial Corporation Chief Executive Officer, may from time to time determine to be appropriate.
2. The Committee shall be responsible for the periodic review of a succession plan for the Chief Executive Officer, including the policies and principles for Chief Executive Officer selection.
3. The Committee shall review all material performance criteria used in evaluating executive officers of the Corporation and all material criteria used in establishing appropriate compensation, retention, incentive,

severance, and benefit policies and programs applicable to the executive officers of the Corporation.

4. The Committee shall annually review and approve corporate goals and objectives for purposes of determining the Chief Executive Officer's compensation, evaluate the Chief Executive Officer's performance in light of those goals and objectives, and set the Chief Executive Officer's compensation level based on this evaluation. In determining the long-term incentive component of Chief Executive Officer compensation, the Committee will consider such factors as the Corporation's performance and relative shareholder return, the value of similar incentive grants or awards to chief executive officers at comparable companies, and the grants or awards given to the Chief Executive Officer in past years.
5. The Committee shall periodically review and shall approve or make recommendations to the Board with respect to the adoption of or material changes in material employee benefit, bonus, incentive compensation, severance, equity-based or other compensation, or incentive plans applicable to executive officers of the Corporation. As appropriate in connection with this process, the Committee shall seek appropriate assurances from internal or external advisors that all compensation and perquisites are appropriate, legally permissible and, where required, properly disclosed to the Corporation's shareholders.
6. The Committee shall periodically review and approve, for the Chief Executive Officer and the other executive officers of the Corporation: (1) the annual base salary level, (b) the annual incentive opportunity level, (c) the long-term incentive opportunity level, (d) employment agreements, severance arrangements, and change-in-control agreements/provisions, (e) any material perquisites or other in-kind benefits, and (f) any other special or supplemental benefits, in each case as, when and if appropriate.
7. The Committee shall review Director fees and retainers on a periodic basis, recommending any change to the Board of Directors.
8. The Committee shall prepare the Compensation and Human Resources Committee report to be included in the Corporation's proxy statement when and as required by the rules of the SEC.
9. The Committee shall act as the compensation committee of outside directors under Section 162(m) of the Internal Revenue Code with responsibility for establishing, administering, and certifying attainment of performance goals in order to comply with that Section as the Committee deems appropriate.

B. Annual Evaluation

1. The Board of Directors shall review and assess the adequacy of this Charter annually and recommend to the Board any proposed changes to this Charter.
2. The Committee shall annually review the performance of the Committee.

C. General

1. The Committee shall report regularly to the Board on its activities.
2. The Committee shall maintain minutes of its meetings and records relating to those meetings and the Committee's activities.
3. The Committee shall perform such duties and responsibilities as may be assigned to the Committee under the terms of any executive compensation plan.
4. Unless the Committee member has knowledge that makes reliance unwarranted, Committee members, in discharging their duties to the Corporation, may rely on information, opinions, reports, or statements, any of which may be written or oral, formal or informal, including financial statements, valuation reports, and other financial data, if prepared or presented by: (a) one or more officers or employees of the Corporation whom the Committee member believes in good faith to be reliable and competent in the matters presented; (b) legal counsel, independent auditors, or other persons as to matters which the Committee member believes in good faith to be within the professional or expert competence of such person; or (c) another committee of the Board of which the Committee member is not a member if the Committee member believes in good faith that such committee merits confidence.

This Charter was approved by the Board of Directors of the Corporation on March 26, 2008.