



**130 South Cedar Street
Manistique, Michigan 49854**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 24, 2007

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Mackinac Financial Corporation (the "Corporation"), a Michigan corporation, will be held on Thursday, May 24, 2007, at 4:00 p.m. EDT, at The Community House, 380 S. Bates Street, Birmingham, Michigan 48009, for the following purposes:

1. To elect two (2) Directors, each to hold office for a three-year term.
2. To transact such other business as may properly come before the annual meeting, all in accordance with the accompanying proxy statement.

The Board of Directors has fixed April 16, 2007, as the record date for the determination of shareholders entitled to notice of and to vote at the meeting or any adjournment of the meeting.

By order of the Board of Directors
/s/ Paul D. Tobias
Paul D. Tobias
Chairman and Chief Executive Officer

Your vote is important. Even if you plan to attend the meeting, please date and sign the enclosed proxy form, indicate your choice with respect to the matters to be voted upon, and return it promptly in the enclosed envelope. Note that if the stock is held in more than one name, all parties must sign the proxy form.

Dated: April 27, 2007



130 South Cedar Street
Manistique, Michigan 49854

PROXY STATEMENT

This proxy statement and the enclosed proxy are furnished in connection with the solicitation of proxies by the Board of Directors of Mackinac Financial Corporation (the "Corporation"), a Michigan corporation, to be voted at the Annual Meeting of Shareholders of the Corporation to be held on Thursday, May 24, 2007, at 4:00 p.m. EDT, at The Community House, 380 S. Bates Street, Birmingham, Michigan 48009, for the purposes set forth in the accompanying notice and in this proxy statement.

This proxy statement is being mailed on or about April 27, 2007, to all holders of record of common stock of the Corporation as of the record date. The Board of Directors of the Corporation has fixed the close of business on April 16, 2007, as the record date for the determination of shareholders entitled to notice of and to vote at the meeting and any adjournment of the meeting. As of the record date, there were 3,428,695 shares of common stock outstanding. Each outstanding share will entitle the holder to one vote on each matter presented for vote at the meeting.

If a proxy in the enclosed form is properly executed and returned to the Corporation, the shares represented by the proxy will be voted at the meeting and any adjournment of the meeting. If a shareholder specifies a choice, the proxy will be voted as specified. If no choice is specified, the shares represented by the proxy will be voted for the election of all of the nominees named in the proxy statement and in accordance with the judgment of the persons named as proxies with respect to any other matter which may come before the meeting. A proxy may be revoked before exercise by notifying the Chief Executive Officer of the Corporation in writing or in open meeting, by submitting a proxy of a later date or attending the meeting and voting in person. All shareholders are encouraged to date and sign the enclosed proxy, indicate your choice with respect to the matters to be voted upon, and return it to the Corporation.

Votes cast at the meeting and submitted by proxy are counted by the inspectors of the meeting, who are appointed by the Corporation. A plurality of the votes cast at the meeting is required to elect the nominees as Directors of the Corporation. The two nominees who receive the largest number of affirmative votes cast at the meeting will be elected as Directors. Shares not voted at the meeting, whether by broker nonvote, or otherwise, will not be treated as votes cast at the meeting and will have no effect on the outcome of the voting. An abstention will have no effect on the voting for Directors.

ELECTION OF DIRECTORS

The Bylaws of the Corporation provide for a Board of Directors consisting of a minimum of five (5) and a maximum of sixteen (16) members. The Board of Directors has fixed the number of Directors at nine (9). The Articles of Incorporation of the Corporation and the Bylaws also provide for the division of the Board of Directors into three (3) classes of nearly equal size with staggered three-year terms of office. Two persons have been nominated for election to the Board, each to serve a three-year term expiring at the 2010 Annual Meeting of Shareholders.

Unless otherwise directed by a shareholder's proxy, the persons named as proxy holders in the accompanying proxy will vote for Messrs. Stark and Tobias, the nominees named below. Messrs. Stark and Tobias are currently Directors of the Corporation, and its subsidiary, mBank (the "Bank"), and members of the class of Directors of the Corporation whose terms expire at the 2007 Annual Meeting. In the event that any of the nominees shall become unavailable, which is not anticipated, the Board of Directors at its discretion, may reduce the number of Directors or designate substitute nominees, in which event the enclosed proxy will be voted for such substitute nominees. Proxies cannot be voted for a greater number of persons than the number of nominees named.

The Board of Directors recommends a vote FOR the election of Messrs. Stark and Tobias, the two persons nominated by the Board.

Information About Directors and Nominees

Director Information

The following information has been furnished to the Corporation by the respective Directors. Each of them has been engaged in the occupations stated below during the periods indicated, or if no period is indicated, for more than five years.

Nominees Standing for Election as Directors

<u>For Terms Expiring in 2010</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Director of Corporation Since</u>
Eliot R. Stark (See below for prior occupations)	54	Vice Chairman of the Corporation from November 2006 to present, Executive Vice President and Chief Financial Officer of the Corporation and the Bank from December 2004 to October 2006.	2004
Paul D. Tobias (See below for prior occupations)	56	Chairman and Chief Executive Officer of the Corporation and Chairman of the Bank from December 2004 to present.	2004

Continuing Directors

<u>Directors Whose Terms Expire in 2008</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Director of Corporation Since</u>
Dennis B. Bittner	58	Owner and President, Bittner Engineering, Inc.	2001
Joseph D. Garea	52	Investment Advisor, Managing Partner Hancock Securities	2007
Kelly W. George	39	President and Chief Executive Officer of mBank and President of Mackinac Financial Corporation	2006
L. Brooks Patterson	68	County Executive, Oakland County, Michigan	2006

<u>Directors Whose Terms Expire in 2009</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Director of Corporation Since</u>
Walter J. Aspatore	64	Investment Banking, Chairman Amherst Partners	2004
Robert H. Orley	51	Real Estate Developer, Vice President and Secretary of Real Estate Investment Group, Inc.	2004
Randolph C. Paschke	57	From May 1970 to August 2002 – worked in Tax Services at Arthur Andersen, LLP. Served as a partner in Arthur Andersen, LLP from September 1982 until August 2002. Served as Managing Partner – U.S. International Tax Trade Services at Arthur Andersen, LLP from 2001-2002. Served as Managing Partner-Great Lakes International Tax Services at Arthur Andersen, LLP from 1999-2001. From August 2002 to present-Chair, Department of Accounting in the School of Business Administration at Wayne State University.	2004

The Corporation's Board has considered the independence of the nominees for election at the Annual Meeting, the continuing Directors and Mr. Bess (who was a director throughout 2006 and until February 2007) under the rules of the Nasdaq Stock Market ("Nasdaq"). The Board has determined that all of the nominees and continuing Directors are independent under Nasdaq rules except Mr. Tobias, Chairman and Chief Executive Officer of the Corporation and Chairman of the Bank, Mr. George, President and Chief Executive Officer of the Bank and President of the Corporation, and Mr. Stark, Vice Chairman of the Corporation. Messrs. Tobias, George, and Stark are not independent because of their services as Executive Officers of the Corporation. Mr. Bess was not independent because of his service as Vice Chairman of the Corporation until his resignation in February 2007.

Executive Officers

The Executive Officers of the Corporation serve at the pleasure of the Board of Directors. Set forth below are the current Executive Officers of the Corporation and a brief explanation of their principal employment during the last five years. Additional information concerning employment agreements of Executive Officers of the Corporation is included elsewhere in the Proxy under the heading "Executive Compensation."

Paul D. Tobias – Age 56 – Chairman of the Board and Chief Executive Officer. Mr. Tobias was appointed to his present position with the Corporation and as Chairman of the Bank on December 16, 2004. Mr. Tobias was appointed Chief Executive Officer of the Bank in July 2005. Prior to this, Mr. Tobias served as Chief Executive Officer of Munder Capital Management from April of 1995 to October 1999. From January of 2000 to the present, he has also served as Chairman and Chief Executive Officer of Mackinac Partners, LLC.

Kelly W. George – Age 39 – President of the Corporation and President and Chief Executive Officer of the Bank. Prior to his appointment as President of the Corporation in November of 2006, he served as President of the Bank from August 2005 and prior to that as Executive Vice President and Chief Lending Officer from August 2003. Prior to joining the Bank, Mr. George was Senior Vice President/Chief Lending Officer for The Commercial and Savings Bank in Millersburg, Ohio, from 2001 to August of 2003.

Eliot R. Stark – Age 54 – Vice Chairman. Mr. Stark was appointed to his current position with the Corporation in November 2006. Prior to his current position with the Corporation he served as Executive Vice President and Chief Financial Officer of the Corporation and the Bank from December 2004 to October 2006. From June of 1995 to January of 2001, Mr. Stark served as Executive Vice President of Compuware Corporation. From January of 2001 to the present, he has served as the Managing Director of Mackinac Partners Consultants.

Ernie R. Krueger – Age 57 – Executive Vice President and Chief Financial Officer. Prior to his current position he served as Senior Vice President and Controller of the Corporation and the Bank from October 2003 to October 2006. Prior to joining the Corporation, Mr. Krueger served as a financial consultant from 1997 to 2000 with First Union Securities and from 2000 to 2002 with Smith Barney.

Board of Directors Meetings and Committees

Audit Committee

The Audit Committee is a separately-designated standing Committee of the Board of Directors established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The Audit Committee has responsibility for:

- Appointing or replacing the Corporation's independent auditors;
- Overseeing the work of the independent auditors (including resolution of any disagreements between management and the auditors regarding financial reporting);
- Reviewing the independent auditors' performance, qualifications and independence;
- Approving all auditing and permitted non-auditing services to be performed by the independent auditors with limited exceptions;
- Reviewing the Corporation's financial statements, internal audit function and system of internal controls;

- Overseeing compliance by the Corporation with legal and regulatory requirements and with the Corporation's Code of Business Conduct and Ethics; and
- Producing the report required by federal securities regulations for inclusion in the Corporation's Proxy Statement.

The Board of Directors has adopted a Charter for the Audit Committee. A copy of this Charter is filed as Appendix A with this proxy.

The current members of the Audit Committee are Messrs. Paschke (chairman), Aspatore and Orley, all of whom are independent, as independence for audit committee members is defined in Nasdaq's listing standards. The Board has determined that Mr. Paschke is an "audit committee financial expert" as that term is defined by the Securities and Exchange Commission. The Audit Committee held 8 meetings in 2006. Messrs. Aspatore, Orley and Paschke all attended the majority of these meetings.

Nominating Committee

The Nominating Committee is responsible for:

- Identifying new candidates who are qualified to serve as Directors of the Corporation;
- Recommending to the Board of Directors the candidates for election to the Board and for appointment to the Board's Committees; and
- Considering any nominations for Director submitted by shareholders.

The current members of the Nominating Committee are Messrs. Aspatore (chairman), Garea and Patterson. In 2006, the Committee members were Messrs. Aspatore (chairman), Orley and Paschke. All members are independent under the Nasdaq Stock Market rules defining independence. The Nominating Committee held one meeting in 2006. Messrs. Aspatore, Orley and Paschke were in attendance.

The Board of Directors has adopted a Charter for the Nominating Committee. A copy of this Charter is being filed, as Appendix B, with this proxy. In the past, the committee has identified potential nominees through recommendations made by executive officers and non-management directors and has evaluated them based on their resumes and through references and personal interviews. No shareholder, other than an officer or director, has ever submitted a suggestion for a nominee, but if the committee were to receive such a suggestion, it expects it would evaluate that potential nominee in substantially the same manner.

The Nominating Committee will consider candidates nominated by shareholders in accordance with the procedures set forth in the Corporation's Bylaws and Articles of Incorporation. Under the Corporation's Bylaws and Articles of Incorporation, nominations other than those made by the Board of Directors or the Nominating Committee, must be made pursuant to timely notice in proper written form to the Secretary of the Corporation. To be timely, a shareholder's request to nominate a person for election to the Board, together with the written consent of such person to serve as a Director, must be received by the Secretary of the Corporation not less than 60 nor more than 90 days prior to the first anniversary date of the Annual Meeting of Shareholders in the immediately preceding year. To be in proper written form, the notice must contain certain information concerning the nominee and the shareholder submitting the nomination.

With respect to each person proposed to be nominated, the Nominating Committee shall be provided with the following information: (i) the name, address (business and residence), date of birth, principal occupation or employment of such person (present and for the past five (5) years); (ii) the number of shares of the Corporation such person beneficially owns (as such term is defined by Section 13(d) of the Securities Exchange Act of 1934, as amended [the "Exchange Act"]); and (iii) any other information relating to such person that would be required to be disclosed in a definitive proxy statement to shareholders prepared in connection with an election of Directors pursuant to Section 14(a) of the Exchange Act. The Nominating Committee may require any proposed nominee to furnish additional information as may be reasonably required to determine the qualifications of such person to serve as a Director of the Corporation. No person shall be eligible for election as a Director of the Corporation unless nominated in accordance with the procedures set forth in the Bylaws and Articles of Incorporation.

Compensation Committee

The current Compensation Committee of the Board of Directors is comprised of Messrs. Orley (chairman), Aspatore, Bittner, Garea and Paschke, each of whom is independent under the Nasdaq Stock Market rules defining independence. In 2006, the Committee members were Messrs. Orley (chairman), Aspatore and Paschke. One meeting of this Committee was held in 2006 with all members

in attendance. This Committee's primary functions are to recommend annually to the Board the salary of the Executive Officers, review with management the annual projected salary ranges and recommend those for Board approval, and review the written personnel policy and the employee benefit package annually. The primary responsibilities of the Compensation Committee are to ensure that the compensation available to the Board of Directors and officers of the Corporation:

- Enables the Corporation to attract and retain high quality leadership;
- Provides competitive compensation opportunities;
- Supports the Corporation's overall business strategy; and
- Maximizes shareholder value.

The Compensation Committee does not currently operate under a charter. The Committee reviews management recommendations for contracts and compensation levels of all senior executive officers. The Committee considers these recommendations in reference to relative compensation levels of like-size financial institutions.

Attendance of Directors

The Board of Directors held a total of 8 meetings during 2006. No Director attended less than 75% of the aggregate number of meetings of the Board of Directors and the Committees on which he served in 2006. There are no family relationships between or among any of the Directors, nominees, or Executive Officers of the Corporation.

Communication with Directors and Attendance at Annual Meetings

The Corporation's Board provides a process for shareholders to send communications to the Board or any of the Directors. Shareholders may send written communications to the Board or any one or more of the individual Directors by mail, c/o Corporate Secretary, Mackinac Financial Corporation, 130 South Cedar Street, Manistique, MI 49854. All communications will be compiled by the Corporation's Corporate Secretary and submitted to the Board or the individual Directors on a regular basis unless such communications are considered, in the reasonable judgment of the Corporate Secretary, to be improper for submission to the intended recipient(s). Examples of shareholder communications that would be considered improper for submission include without limitation, customer complaints, solicitations, communications that do not relate directly or indirectly to the Corporation's business, or communications that relate to improper or irrelevant topics.

It is the Corporation's policy that all of the Directors and nominees for election as Directors at the Annual Meeting attend the Annual Meeting except in cases of extraordinary circumstances. All of the nominees for election at the 2006 Annual Meeting of Shareholders and all other Directors attended the 2006 Annual Meeting of Shareholders. The Corporation expects all nominees and Directors to attend the 2007 Annual Meeting.

Remuneration of Directors

The table below summarizes the compensation paid by the Corporation to non-employee directors for the fiscal year ended December 31, 2006.

Director Compensation

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Option Awards (\$)⁽³⁾</u>	<u>Total (\$)</u>
Walter J. Aspatore	24,200	9,342	33,542
Dennis B. Bittner	31,000	9,342	40,342
Joseph D. Garea ⁽¹⁾	-	-	-
Robert H. Orley	24,300	9,342	33,642
Randolph C. Paschke	27,600	9,342	36,942
L. Brooks Patterson ⁽²⁾	12,200	5,060	17,260

(1) Appointed as Director in 2007

(2) Appointed as Director in July 2006

(3) The amounts shown in this column constitute options granted under the 2000 Director and Officer Option Plan. The amounts equal the financial statement compensation cost for Stock Awards as reported in our consolidated statement of income for fiscal year 2006 and are valued based on the aggregate grant date fair value of the award determined pursuant to FAS 123R. See Note 17 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2006 for a discussion of the relevant assumptions used in calculating grant date fair value pursuant to FAS 123R.

The members of the Board of Directors currently receive remuneration in the form of monthly attendance fees, committee fees and an annual retainer. For 2005 and 2006, the external, non-employee Directors of the Corporation and the Bank received an annual retainer of \$15,000, and a fee of \$750 for each meeting that was held by the Board of Directors of the Corporation and a \$200 per meeting fee for each committee meeting of the Board that they participated in. In 2005, Messrs. Aspatore, Orley and Paschke received an award of 10,000 option shares to purchase the Corporation's common stock. In 2006, commensurate with his appointment as a Board member, Mr. Patterson received an award of 10,000 option shares. Attendance is a requirement in order for the Directors to be paid the monthly fee. There is no anticipated change for Director remuneration in 2007.

The Corporation's 2000 Stock Incentive Plan provides for the grant of options to eligible Directors (i.e., nonemployee Directors of the Corporation or the Bank) in addition to key employees. Options are granted at the discretion of the Compensation Committee of the Board of Directors of the Corporation. The term of each option is ten (10) years, subject to earlier termination in certain events, and the option price is 100% of fair market value on the date of grant. The options issued to Messrs. Tobias and Stark were granted at an exercise price of \$9.75 per share, which was the fair market value of the Corporation's common stock sold in the private placement to recapitalize the Corporation. In 2005, Messrs. Aspatore, Bittner, Paschke and Orley were each granted 10,000 option shares exercisable at \$11.50 per share, which was the fair market value on the date of the grant. In 2006, Mr. Patterson was granted 10,000 option shares exercisable at \$10.65, which was the fair market value on the date of the grant.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table summarizes compensation awarded to, earned by or paid to, our Executive Officers for 2006. The section of this Proxy Statement entitled "Compensation Discussion and Analysis" describes in greater detail the information reported in this table and the factors considered in setting Executive Compensation.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$ (1))	All Other (\$ (2))	Total (\$)
Paul D. Tobias Chairman and Chief Executive Officer of the Corporation Chairman of the Bank	2006	225,000	15,000	109,204	16,190	365,394
C. James Bess Vice Chairman of the Corporation	2006	113,942	-	-	6,703	120,645
Kelly W. George President of the Corporation President and Chief Executive Officer of the Bank	2006	175,000	15,000	21,790	15,373	227,163
Eliot R. Stark Vice Chairman of the Corporation	2006	200,000	-	78,003	15,498	293,501
Ernie R. Krueger Executive Vice President and Chief Financial Officer of the Corporation and the Bank	2006	135,000	10,000	12,160	29,910	187,070

- (1) The amounts shown in this column constitute options granted under the 2000 Directors and Officer Option Plan. The amounts equal the financial statement compensation cost for Stock Awards as reported in our consolidated statement of income for fiscal year 2006 and are valued based on the aggregate grant date fair value of the award determined pursuant to FAS 123R. See Note 17 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2006 for a discussion of the relevant assumptions used in calculating grant date fair value pursuant to FAS 123R. For further information on these awards, see the Grants of Plan-Based Awards table beginning on page 8 of this Proxy Statement.
- (3) Amounts in this column include the value of the following perquisites paid to the Executives in 2006. Perquisites are valued at actual amounts paid to each provider of such perquisites.

Grants of Plan-Based Awards

The following table shows grants of stock options to the Corporation's Executive Officers for the year ended December 31, 2006.

Name	Grant Date (1)	All Other Option Awards: Number of Securities Underlying Options (2) (#)	Exercise Price of Option Awards (\$)	Grant Date Fair Value of Option Awards (\$ (3))
Paul D. Tobias	N/A	N/A	N/A	N/A
C. James Bess	N/A	N/A	N/A	N/A
Kelly W. George	12/15/06	15,000	\$ 10.65	\$ 37,950
Eliot R. Stark	N/A	N/A	N/A	N/A
Ernie R. Krueger	12/15/06	10,000	\$ 10.65	\$ 25,300

- (1) In each case, the "Grant Date" reflects the day on which the Compensation Committee acted to approve the grant of the award. All awards were made under the Corporation's 2000 Director and Officer Option Plan.
- (2) This column shows the number of stock option shares granted to the named Executive officers in 2006.
- (3) The value of the awards represents the per share value of the option shares as calculated using the Black-Scholes methodology and reported in Footnote 17 of the Corporation's 2006 Annual Report, multiplied by the stock option shares granted to the named executive officers.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information for each Executive Officer with respect to each option to purchase common shares that had not been exercised and remained outstanding at December 31, 2006.

Name	Option Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date
	Exercisable	Unexercisable		
Paul D. Tobias ⁽¹⁾	70,502	79,503	9.75	12/15/14
C. James Bess	-	-		
Kelly W. George ⁽²⁾	4,000	16,000	12.00	06/10/15
	3,000	12,000	10.65	12/15/16
Eliot R. Stark ⁽¹⁾	50,359	56,788	9.75	12/15/14
Ernie R. Krueger ⁽²⁾	2,000	8,000	12.00	06/10/15
	2,000	8,000	10.65	12/15/16

(1) Options for Mr. Tobias and Mr. Stark vest within two years from the original grant date. The original 47% vested immediately after the market value of the Corporation's common stock attained a price equal to or greater than 115% of the stock option exercise price. The remaining shares (53%) vest within two years from date of initial grant if the market value of the Corporation's common stock is equal to or greater than 145% of the stock option exercise price.

(2) Options for Mr. George and Mr. Krueger vest within four years from the original grant date. The initial 20% vested immediately. The remaining 80% vest over four years, provided that the market value of the common stock attains increased market value during the vesting period from 115% of stock option exercise price in the first year to 145% of stock option exercise price in the fourth year of vesting.

Option Exercises and Stock Vested Table

No Executive Officers exercised options during 2006.

Employment and Consulting Agreements

The Corporation has employment agreements with Executive Officers as described below.

Paul D. Tobias - Mr. Tobias's agreement provides for him to be employed and appointed as our Chairman of the Board and the Chief Executive Officer of the Corporation and the Chairman of the Board of the Bank. He is to receive an initial annual base salary of \$225,000, subject to annual increases by the Board. We are to develop an incentive plan or plans for annual cash bonuses to be awarded to eligible employees (including Mr. Tobias).

The agreement has an initial three-year term which renews for an additional year on each anniversary date of the agreement unless we or Mr. Tobias elects to not renew at least sixty (60) days prior to the renewal date. Mr. Tobias, in 2006, in agreement with the Corporation, did not renew his contract which now expires on December 13, 2009.

In addition to the compensation noted above, the agreement provides for health and other benefits to be provided to him at least substantially equivalent to other management employees holding comparable positions. The agreement also requires us to reimburse him for all reasonable out-of-pocket expenses in connection with his employment, including a car allowance of \$750 per month and a per diem allowance for living expenses while in Manistique, Michigan, of at least \$100 per day, not to exceed \$1,000 in any calendar month, but subject to upward adjustment upon demonstration that the reasonable ordinary living expenses exceed the per diem

amount. We have also agreed in the employment agreement to pay the reasonable costs of an office in Oakland County and a personal secretary and other assistance unless we otherwise provide him with an office and support staff in that county.

Under the agreement, Mr. Tobias was awarded options under the Corporation's 2000 Stock Incentive Plan to purchase 150,005 shares of common stock at an exercise price of \$9.75 per share.

If the agreement is terminated, we are to make termination payments in amounts and in a lump sum or over time depending on the reason the agreement is terminated. The table below summarizes the termination payments under the agreement.

<u>REASON FOR TERMINATION</u>	<u>TERMINATION PAYMENTS</u>
By us for cause	No termination payments required
By us without cause and not due to disability, or by the Executive for Good Reason	Three years; base salary, highest bonus and benefits
Death	One year; base salary and benefits
Disability	Two years; base salary and benefits, subject to reduction for long term disability benefits received by the Executive
Following a Change in Control, either by Executive Good Reason or by us other than for cause or disability	Lump sum; 300% of aggregate of base salary and highest bonus. Three years for benefits.
By Executive without Good Reason following a Change in Control	Lump sum; 100% of base salary and highest bonus
By mutual agreement	Per the mutual agreement

The agreement provides for a specified adjustment to the termination payments should they be determined to constitute a parachute payment under Section 280G of the Internal Revenue Code. The agreement also provides for us to pay interest at an annual rate equal to 120% of the applicable federal rate and to indemnify Mr. Tobias for expenses, including reasonable attorneys' and consultants' fees, incurred to collect any unpaid amounts. We are also required to indemnify him for costs and expenses, on an as incurred basis, as a result of any dispute or controversy, regardless of the outcome of the dispute or controversy.

The agreement includes confidentiality obligations of Mr. Tobias and provides that he will not engage in competitive activities while employed by us. If his employment is terminated, the restriction on Mr. Tobias's competitive activities will continue after termination in certain instances for a period of 1 to 3 years, depending on the reason for the termination.

C. James Bess – Mr. Bess and the Corporation, on July 15, 2005, entered into an amendment of an original employment agreement dated August 10, 2004. This amended agreement replaced the original agreement, and provided for Mr. Bess to be employed as the Vice Chairman of the Corporation and the Bank. The agreement had an original term of two years. In February 2007, Mr. Bess and the Corporation agreed to a payout of the remaining term of the contract, amounting to \$33,173, commensurate with Mr. Bess' voluntary retirement from the Corporation and the Bank.

Kelly W. George - Mr. George's agreement provides for him to be employed as our President and Chief Executive Officer of the Bank and President of the Corporation. He is to receive an initial annual base salary of \$209,000, subject to annual increases by the Board. We are to develop an incentive plan or plans for annual cash bonuses to be awarded to eligible employees (including Mr. George).

The agreement has an initial 37-month term which renews for additional one-year terms after the initial employment period unless we or Mr. George elects not to renew prior to the termination date.

In addition to the compensation noted above, the agreement provides for health and other benefits to be provided to him at least substantially equivalent to other management employees holding comparable positions.

In addition to other benefits provided under the agreement the Corporation has agreed to purchase a supplemental disability insurance policy to provide for supplemental payments to those received under the Corporation's current benefit plan that will bring total payments in the event of disability to not less than 80% of current base salary.

If the agreement is terminated, we are to make termination payments in amounts and in a lump sum or over time depending on the reason the agreement is terminated. The table below summarizes the termination payments under the agreement.

REASON FOR TERMINATION	TERMINATION PAYMENTS
By death, us for cause, or expiration of employment contract term	No termination payments required
By us without cause	One year base salary plus highest bonus from January 1, 2005 through the effective date of termination.
Disability	Benefits related to supplemental disability plan which would amount to not less than 80% of annual salary and benefits.
Following a Change in Control	Lump sum; 299% of aggregate of base salary and benefits for one year following change of control.
By mutual agreement	Per the mutual agreement

The agreement provides for a specified adjustment to the termination payments should they be determined to constitute a parachute payment under Section 280G of the Internal Revenue Code.

The agreement includes confidentiality obligations of Mr. George and provides that he will not engage in competitive activities while employed by us. If his employment is terminated, the restriction on his competitive activities will continue after termination in certain instances for a period of 1 to 3 years, depending on the reason for the termination.

Eliot R. Stark - Mr. Stark's agreement provides for him to be employed and appointed as our Executive Vice President and Chief Financial Officer of the Corporation and the Bank. He is to receive an initial annual base salary of \$200,000, subject to annual increases by the Board. We are to develop an incentive plan or plans for annual cash bonuses to be awarded to eligible employees (including Mr. Stark).

The agreement has an initial three-year term which renews for an additional year on each anniversary date of the agreement unless we or Mr. Stark elects to not renew at least sixty (60) days prior to the renewal date.

In addition to the compensation noted above, the agreement provides for health and other benefits to be provided to Mr. Stark at least substantially equivalent to other management employees holding comparable positions. The agreement also requires us to reimburse him for all reasonable out-of-pocket expenses in connection with his employment, including a car allowance of \$750 per month and a per diem allowance for living expenses while in Manistique, Michigan, of at least \$100 per day, not to exceed \$1,000 in any calendar month, but subject to upward adjustment upon demonstration that the reasonable ordinary living expenses exceed the per diem amount. We have also agreed in the employment agreement to pay the reasonable costs of an office in Oakland County and a personal secretary and other assistance unless we otherwise provide him with an office and support staff in that county.

Under the agreement, Mr. Stark is to be awarded options under the Corporation's 2000 Stock Incentive Plan to purchase 107,147 shares of common stock at an exercise price of \$9.75 per share.

If the agreement is terminated, we are to make termination payments in amounts and in a lump sum or over time depending on the reason the agreement is terminated. The table below summarizes the termination payments under the agreement.

REASON FOR TERMINATION	TERMINATION PAYMENTS
By us for cause	No termination payments required

By us without cause and not due to disability, or by the Executive for Good Reason	Three years; base salary, highest bonus and benefits
Death	One year; base salary and benefits
Disability	Two years; base salary and benefits, subject to reduction for long term disability benefits received by the Executive
Following a Change in Control, either by Executive Good Reason or by us other than for cause or disability	Lump sum; 300% of aggregate of base salary and highest bonus. Three years for benefits.
By Executive without Good Reason following a Change in Control	Lump sum; 100% of base salary and highest bonus
By mutual agreement	Per the mutual agreement

The agreement provides for a specified adjustment to the termination payments should they be determined to constitute a parachute payment under Section 280G of the Internal Revenue Code. The agreement also provides for us to pay interest at an annual rate equal to 120% of the applicable federal rate and to indemnify Mr. Stark for expenses, including reasonable attorneys' and consultants' fees, incurred to collect any unpaid amounts. We are also required to indemnify him for costs and expenses, on an as incurred basis, as a result of any dispute or controversy, regardless of the outcome of the dispute or controversy.

The agreement includes confidentiality obligations of Mr. Stark and provides that he will not engage in competitive activities while employed by us. If his employment is terminated, the restriction on his competitive activities will continue after termination in certain instances for a period of 1 to 3 years, depending on the reason for the termination.

Ernie R. Krueger - Mr. Krueger's agreement provides for him to be employed as our Executive Vice President and Chief Financial Officer of the Corporation and the Bank. He is to receive an initial annual base salary of \$165,000, subject to annual increases by the Board. We are to develop an incentive plan or plans for annual cash bonuses to be awarded to eligible employees (including Mr. Krueger).

The agreement has an initial three-year term which renews for additional one-year terms after the initial employment period unless we or Mr. Krueger elects not to renew prior to the termination date.

In addition to the compensation noted above, the agreement provides for health and other benefits to be provided to Mr. Krueger at least substantially equivalent to other management employees holding comparable positions.

In addition to other benefits provided under the agreement the Corporation has agreed to purchase a supplemental disability insurance policy to provide for supplemental payments to those received under the Corporation's current benefit plan that will bring total payments in the event of disability to not less than 80% of current base salary.

If the agreement is terminated, we are to make termination payments in amounts and in a lump sum or over time depending on the reason the agreement is terminated. The table below summarizes the termination payments under the agreement.

REASON FOR TERMINATION

TERMINATION PAYMENTS

By death, us for cause, or expiration of employment contract term

No termination payments required

By us without cause

One year base salary plus highest bonus paid from January 1, 2005 through effective date of termination.

Disability

Benefits related to supplemental disability plan which would amount to not less than 80% of annual salary and benefits.

Following a Change in Control, either by Executive Good Reason or by us other than for cause

Lump sum; 299% of aggregate of base salary and benefits for one year following change of control.

By mutual agreement

Per the mutual agreement

The agreement provides for a specified adjustment to the termination payments should they be determined to constitute a parachute payment under Section 280G of the Internal Revenue Code.

The following table shows potential payments to the Executive officers named in the Summary Compensation Table for cause, upon death or permanent disability, for Constructive Termination or without Cause and in connection with a Change in Control. The amounts shown assume that termination was effective December 31, 2006, and are estimates of the amounts that would be paid to the Executives upon termination. The actual amounts to be paid can only be determined at the actual time of an Executive's termination.

Name	Benefit	Termination w/o Cause or by Executive for Good Reason	Change in Control		Death	Disability
			Termination w/o Cause or by Executive for Good Reason	Termination w/o Cause or by Executive w/o Good Reason		
Paul D. Tobias	Three years; base salary and highest bonus	750,000	-	-	-	-
	Medical, dental, vision and other benefits	97,728	-	-	-	-
	One year; base salary	-	-	-	225,000	-
	Medical, dental, vision and other benefits	-	-	-	32,576	-
	Two years; base salary, subject to reduction for benefits received under the long term disability plan	-	-	-	-	550,000
	Medical, dental, vision and other benefits subject to reduction for long term disability benefits received by the Executive	-	-	-	-	65,152
	Lump sum; 300% of aggregate base salary and highest bonus.	-	750,000	-	-	-
	Three years; medical, dental, vision and other benefits	-	97,728	-	-	-
	Lump sum; 100% base salary and highest bonus	-	-	250,000	-	-
	C. James Bess	N/A	N/A	N/A	N/A	N/A
Kelly W. George	Lump sum; one year base salary plus highest bonus from January 1, 2005 through effective date of termination	384,000	-	-	-	-
	Medical, dental, vision and other benefits	14,675	-	-	-	-
	Benefits related to supplemental disability plan which would amount to not less than 80% of annual salary until age 65 or death	-	-	-	-	167,200
	Lump sum; 299% of aggregate base salary	-	-	624,910	-	-
	Medical, dental, vision and other benefits	-	-	14,675	-	-
Eliot R. Stark	Three years; base salary and highest bonus	675,000	-	-	-	-
	Medical, dental, vision and other benefits	90,198	-	-	-	-
	One year; base salary	-	-	-	200,000	-
	Medical, dental, vision and other benefits	-	-	-	30,066	-
	Two years; base salary, subject to reduction for benefits received under the long term disability plan	-	-	-	-	40,000
	Medical, dental, vision and other benefits subject to reduction for long term disability benefits received by the Executive	-	-	-	-	60,132
	Lump sum; 300% of aggregate base salary and highest bonus.	-	675,000	-	-	-
	Three years; medical, dental, vision and other benefits	-	90,198	-	-	-
	Lump sum; 100% base salary and highest bonus	-	-	225,000	-	-
Ernie R. Krueger	Lump sum; one year base salary plus highest bonus from January 1, 2005 through effective date of termination	215,000	-	-	-	-
	Medical, dental, vision and other benefits	7,466	-	-	-	-
	Benefits related to supplemental disability plan which would amount to not less than 80% of annual salary until age 65 or death	-	-	-	-	132,000
	Lump sum; 299% of aggregate base salary	-	493,350	-	-	-

Compensation Committee Interlocks and Insider Participation

Members of the Compensation Committee who served during 2006 were Robert H. Orley (Chairman), Walter J. Aspatore and Randolph C. Paschke. All members are considered independent. No one who served on the Compensation Committee is or ever has been an officer or employee of the corporation or any of its subsidiaries.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with the Corporation's management. Based on that review and discussion, the Compensation Committee recommended to the Board of Directors that that Compensation Discussion and Analysis be included in this proxy statement. The current Compensation Committee consists of Robert H. Orley (Chairman), Dennis B. Bittner, Joseph D. Garea and Randolph C. Paschke. The Committee members in 2006 were Robert H. Orley (chairman), Walter J. Aspatore and Randolph C. Paschke. This Committee report addresses the Corporation's compensation policies and programs for the year ended December 31, 2006.

Compensation Discussion and Analysis

Decisions on the compensation of the Corporation's Executive Officers in 2006 were made by the Board's Compensation Committee comprised of nonemployee Directors.

Base Salary — Excluding consideration of other relevant factors, which may include individual performance, experience, expertise and tenure, the Committee intends to maintain the base salaries of the Corporation's Executive Officers and senior managers within peer group levels.

Members of the Compensation Committee considered numerous factors, including individual performance, financial results of the Corporation, and relative peer compensation in rewarding 2006 bonuses to executive officers of the Corporation.

Annually, the Committee reviews and approves the Corporation's annual salary structure and benefit programs for consideration by the entire Board of Directors. The Committee's recommendation is based upon compensation levels established by the Corporation's peers and evaluations by consultants.

Long-Term Incentives — To align the interests of its Executive Officers and senior managers with the Corporation's shareholders, the Board's compensation strategy provides for a 401(k) matching contribution and equity-based compensation under the Corporation's stock compensation plans. Each of the Corporation's compensation plans has been adopted by the Board of Directors, and the equity-based compensation plans have been approved by the Corporation's shareholders.

Compensation Committee

Dennis B. Bittner

Joseph D. Garea

Robert H. Orley

Randolph C. Paschke

AUDIT COMMITTEE REPORT

The Corporation has established an Audit Committee of the Board of Directors, which currently consists of Randolph C. Paschke (Chairman), Dennis B. Bittner, and L. Brooks Patterson.

The Board of Directors has determined that each of the Audit Committee members is independent, as independence for Audit Committee members is defined in the listing standards of the Nasdaq Stock Market and the rules of the Securities and Exchange Commission. The Board of Directors has adopted a written Audit Committee Charter. A copy of the Charter is included as Appendix A to this Proxy.

The Audit Committee has reviewed and discussed the Corporation's audited financial statements with management.

The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has considered the compatibility of the provision of non-audit services with maintaining the auditors' independence.

The Audit Committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board No. 1, (Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*), as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with the independent accountant the independent accountant's independence.

Based on the review and discussions referred to above, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the Corporation's Annual Report on Form 10-K for 2006 for filing with the Securities and Exchange Commission.

Audit Committee

Randolph C. Paschke Dennis B. Bittner L. Brooks Patterson

Principal Accountant Fees and Services

The following table summarizes fees for professional services rendered by Plante & Moran, PLLC, the principal accountant for the years ended December 31, 2006 and 2005:

	2006	2005
Audit fees (1)	\$ 106,000	\$ 131,116
Audit-related fees (2)	8,000	10,000
Tax fees (3)	17,140	17,500
All other fees (4)	41,659	44,899
Total fees	\$ 172,799	\$ 203,515

- (1) Audit fees consist of fees billed for professional services performed by Plante & Moran for the audit of the Company's annual financial statements and internal control over financial reporting included in Form 10-K, the review of financial statements included in the Company's 10-Q filings and services that are normally provided in connection with regulatory filings or engagements.
- (2) Represents fees for review and audit of employee 401(k) employee benefit plan.
- (3) Represents fees billed for tax services, including tax reviews and planning. For 2006, a majority of the fees in this category represent preparation of 2006 consolidated tax returns.
- (4) The majority of all other fees, \$31,975, represent fees paid for regulatory compliance work performed.

The Audit Committee is required to review and pre-approve both audit and non-audit services to be provided by the independent auditor (other than with respect to *de minimis* exceptions permit by the Sarbanes-Oxley Act of 2002). During 2006, all services provided by Plante Moran, PLLC were pre-approved by the Audit Committee. To the extent required by the rules of the Nasdaq Stock Market or any other applicable legal or regulatory requirements, approval of non-audit services shall be disclosed to investors in periodic reports required by Section 13(a) of the Securities Exchange Act of 1934.

INDEBTEDNESS OF AND TRANSACTIONS WITH MANAGEMENT

Certain of the Directors and officers of the Corporation have had and are expected to have in the future, transactions with the Bank, or have been Directors or officers of corporations, or members of partnerships or limited liability companies, which have had and are expected to have in the future, transactions with the Bank. In the opinion of management, all such transactions (i) were made in the ordinary course of business, (ii) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and (iii) did not involve more than normal risk of collectibility or present other unfavorable features. The Corporation's Board of Directors has responsibility for reviewing and approving transactions with related persons. The Corporation, as a general policy, approves transactions to related parties at essentially the same terms and conditions that apply to similar transactions it engages in or approves with non-related parties.

BENEFICIAL OWNERSHIP OF COMMON STOCK

As of April 26, 2007, no person was known by management to be the beneficial owner of more than 5% of the outstanding common stock of the Corporation, except as follows:

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Financial Stocks Capital Partners III LP 441 Vine Street, Suite 507 Cincinnati, OH 45202	340,000 Common Shares	9.92%
Gerlach & Co. FBO Banc Fund V LP 208 LaSalle Street, Suite 1680 Chicago, IL 60604	300,000 Common Shares	8.75%
Hot Creek Ventures 2, LP 6900 South McCarran Blvd., Suite 3040 Reno, NV 89509	300,000 Common Shares	8.75%
Raymond Garea 31 Claremont Avenue Maplewood, NJ 07040	231,157 Common Shares	6.74%
Wellington Management Company LLP 75 State Street Boston, MA 02109	212,380 Common Shares	6.20%
Dalton, Greiner, Hartman, Maher & Company 565 Fifth Avenue, Suite 2101 New York, NY 100147	183,984 Common Shares	5.37%

The information in the following table sets forth the beneficial ownership of the Corporation's common stock by each of the Corporation's Directors, each of the Executive Officers listed in the Summary Compensation Table and by all current Directors and Executive Officers of the Corporation as a group, as of April 26, 2007. Except as noted, beneficial ownership is direct and the person indicated has sole voting and investment power.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership (1)</u>	<u>Percent of Class</u>
Walter J. Aspatore	4,564	*
C. James Bess	-0-	-
Dennis B. Bittner	2,387	*
Joseph D. Garea	43,750	1.22%
Kelly W. George	7,000	*
Ernie R. Krueger	4,000	*
Robert H. Orley	27,641	*
Randolph C. Paschke	7,128	*
L. Brooks Patterson	2,000	*
Eliot R. Stark	76,000 (2)	2.12%
Paul D. Tobias	<u>121,784 (3)</u>	<u>3.39%</u>
All current Directors and Executive Officers as a group (10 persons)	<u>296,254</u>	<u>8.30%</u>

*Less than 1.0%

- (1) Includes options for Mr. Aspatore (2,000), Mr. Bittner (2,325), Mr. George (7,000), Mr. Krueger (4,000), Mr. Orley (2,000), Mr. Paschke (2,000), Mr. Patterson (2,000), Mr. Stark (50,359), Mr. Tobias (70,502), and for all current Directors and Executive Officers as a group (142,186).
- (2) Includes 25,641 shares owned by Mr. Stark in his IRA account.
- (3) Includes 10,256 shares owned by Tobias Capital LLC, which is 35% owned by Mr. Tobias and his wife.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Corporation's officers and Directors, and persons who own more than 10% of the Corporation's common stock to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Based solely on a review of filings furnished to and written representation regarding Form 5 filing obligations, the Corporation is not aware of any failure by any such person to file required reports on a timely basis.

SHAREHOLDER RETURN PERFORMANCE GRAPH

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on the Corporation's common stock with that of the cumulative total return on the NASDAQ Bank Stocks Index and the NASDAQ Market Index for the five-year period ended December 31, 2006. The following information is based on an investment of \$100, on December 31, 2001 in the Corporation's common stock, the NASDAQ Bank Stocks Index, and the NASDAQ Market Index, with dividends reinvested. Between April 18, 2000 and August 30, 2001, the Corporation's common stock was traded on the NASDAQ Bulletin Board. From August 31, 2001 to December 15, 2004, the Corporation's common stock traded on the NASDAQ SmallCap Market under the symbol "NCFC." Effective with the recapitalization and the 20:1 reverse stock split on December 16, 2004, the Corporation's stock began trading on the NASDAQ Small Cap Market under the symbol "MFNC".

COMPARE 5-YEAR CUMULATIVE TOTAL RETURN AMONG MACKINAC FINANCIAL CORPORATION NASDAQ MARKET INDEX AND PEER GROUP INDEX

[PERFORMANCE GRAPH]

**ASSUMES \$100 INVESTED ON DECEMBER 31, 2001
ASSUMES DIVIDEND PAYMENTS REINVESTED**

FISCAL YEARS ENDING DECEMBER 31

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Mackinac Financial Corporation	100.00	33.89	24.51	12.58	6.37	8.05
NASDAQ Bank Stocks Index	100.00	101.77	130.39	144.46	142.43	158.65
NASDAQ Market Index	100.00	69.75	104.88	113.70	116.19	128.12

Source: Hemscott, Inc, Richmond, Virginia.

RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS

Independent Auditors

The financial statements of the Corporation for the year ended December 31, 2006 have been examined by Plante & Moran, PLLC, an independent registered public accounting firm. A representative of Plante & Moran, PLLC is expected to be at the meeting and will have an opportunity to make a statement and will be available to answer appropriate questions. Plante & Moran, PLLC has been appointed by the Audit Committee of the Board of Directors as the independent public accountants of the Corporation and its subsidiaries for the year ending December 31, 2007.

Changes of Accountants

There was no change of the Corporation's independent public accountants during 2005 and 2006.

SHAREHOLDER PROPOSALS

A proposal submitted by a shareholder for the 2008 Annual Meeting of Shareholders must be sent to the Secretary of the Corporation, 130 South Cedar Street, Manistique, Michigan 49854 and must be received by the Corporation no later than December 29, 2007 to be eligible for inclusion in the Corporation's proxy materials for the 2008 Annual Meeting of Shareholders under SEC Rule 14a-8. A shareholder proposal submitted outside of Rule 14a-8 under the Securities Exchange Act of 1934, must (i) comply with the requirements in the Corporation's Bylaws and Articles of Incorporation as to form and content, and (ii) be received by the Corporation (a) at least 30 days prior to the meeting, or (b) not later than the close of business on the (10th) day following the date on which notice of the scheduled meeting was first mailed to the shareholders, if less than 40 days notice of the meeting is given by the Corporation, in order to be considered at the meeting.

OTHER MATTERS

A shareholder who intends to present a proposal to the 2008 Annual Meeting of Shareholders, other than pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, must provide the Corporation with notice of such intention by at least March 13, 2008, or the persons named in the proxy to vote the proxies will have discretionary voting authority at the 2008 Annual Meeting with respect to any such proposal without discussion of the matter in the Corporation's proxy statement.

The Board of Directors is not aware of any matter to be presented for action at the meeting, other than the matters set forth herein. If any other business should properly come before the meeting, the proxy will be voted regarding the matter in accordance with the best judgment of the persons authorized in the proxy, and discretionary authority to do so is included in the proxy.

The cost of soliciting proxies will be borne by the Corporation. If requested, the Corporation will reimburse banks, brokerage houses and other custodians, nominees and certain fiduciaries for their reasonable expenses incurred in mailing proxy materials to their principals. In addition to solicitation by mail, officers and other employees of the Corporation and its subsidiaries may solicit proxies by telephone, facsimile or in person, without compensation other than their regular compensation.

The Annual Report of the Corporation for 2006 is included with this proxy statement. Copies of the report will also be available for all shareholders attending the annual meeting.

THE ANNUAL REPORT ON FORM 10-K TO THE SECURITIES AND EXCHANGE COMMISSION WILL BE PROVIDED FREE TO SHAREHOLDERS UPON WRITTEN REQUEST. WRITE SHAREHOLDER RELATIONS DEPARTMENT, MACKINAC FINANCIAL CORPORATION, 130 SOUTH CEDAR STREET, MANISTIQUE, MICHIGAN 49854.

Shareholders are urged to sign and return the enclosed proxy in the enclosed envelope. A prompt response will be helpful and appreciated.