

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

**Part I Reporting Issuer**

<b>1</b> Issuer's name  <u>Mackinac Financial Corporation</u>		<b>2</b> Issuer's employer identification number (EIN)  <u>38-2062816</u>	
<b>3</b> Name of contact for additional information  <u>Jesse Deering</u>	<b>4</b> Telephone No. of contact  <u>(248) 290-5900</u>	<b>5</b> Email address of contact	
<b>6</b> Number and street (or P.O. box if mail is not delivered to street address) of contact  <u>130 South Cedar Street</u>		<b>7</b> City, town, or post office, state, and ZIP code of contact  <u>Manistique, MI 49854</u>	
<b>8</b> Date of action  <u>5/18/2018</u>		<b>9</b> Classification and description  <u>Common Stock</u>	
<b>10</b> CUSIP number  <u>554571109</u>	<b>11</b> Serial number(s)	<b>12</b> Ticker symbol  <u>MFNC</u>	<b>13</b> Account number(s)

**Part II Organizational Action** Attach additional statements if needed. See back of form for additional questions.

**14** Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ On May 18, 2018, First Federal of Northern Michigan Bancorp, Inc., a Maryland corporation, merged into MFNC Acquisition, LLC, a Michigan limited liability company, the wholly-owned subsidiary of Mackinac Financial Corporation, a Michigan corporation, pursuant to an agreement and plan of merger. The shareholders of First Federal of Northern Michigan Bancorp received common stock of Mackinac Financial Corporation and cash in lieu of fractional shares of common stock of Mackinac Financial Corporation. The merger is being treated as a reorganization within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended.

First Federal of Northern Michigan Bancorp shareholders also received a "special dividend" from First Federal of Northern Michigan Bancorp in connection with the merger.

**15** Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ The aggregate tax basis of the Mackinac Financial Corporation common stock received by the First Federal of Northern Michigan Bancorp shareholders is generally equal to the basis in the First Federal of Northern Michigan Bancorp common stock surrendered in the exchange for the common stock surrendered in the exchange for the shareholder and will be dependent on the tax basis of each shareholder in the shares exchanged.

First Federal of Northern Michigan Bancorp shareholders who received cash in lieu of fractional shares of Mackinac Financial Corporation common stock will be treated as having received the fractional shares in the merger and then as having exchanged the fractional shares for cash. These holders will generally recognize gain or loss equal to the difference between the tax basis allocable to the fractional shares and the amount of cash received.

**16** Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ See Item 15 above for the calculation. The fair market value of the Mackinac Financial Corporation common stock at the time of the merger is based on reported trading prices for Mackinac Financial Corporation common stock.

**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Sections 302, 354(a), 358(a), 368(a), and 1221.

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**18** Can any resulting loss be recognized? ▶ \_\_\_\_\_

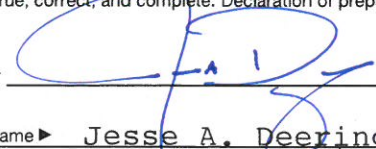
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**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ \_\_\_\_\_

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Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**

Signature ▶  Date ▶ July 10, 2018  
Print your name ▶ Jesse A. Deering Title ▶ EVP, CFO

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶	Firm's EIN ▶			
	Firm's address ▶	Phone no.			