SOUTHERN MICHIGAN BANCORP, INC.

51 West Pearl Street
Coldwater, Michigan 49036

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders of Southern Michigan Bancorp, Inc. will be held on Thursday, May 9, 2019, at 4:00 p.m. local time, at the Promedica Community Care and Conference Center, located at 370 E. Chicago Street Coldwater, Michigan. The Board of Directors has called the annual meeting of shareholders for the following purposes:

(1) Vote on the election of three directors;

(2) Vote to adopt Restated Articles of Incorporation; and,

(3) Vote on a proposal to ratify the selection of CliftonLarsonAllen LLP as independent auditors for the year ending December 31, 2019.

We will also transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on March 11, 2019, are entitled to notice of and to vote at the annual meeting and any adjournment of the meeting. We began sending and delivering the enclosed proxy statement and accompanying proxy to our shareholders on approximately March 28, 2019.

Date: March 28, 2019

By Order of the Board of Directors

John H. Castle
Chairman of the Board

It is important that your shares of Southern common stock be represented at the meeting. We urge you to sign and return the enclosed proxy as promptly as possible, whether or not you plan to attend the meeting in person. If you do attend the meeting, you may revoke your proxy and vote in person.

SOUTHERN MICHIGAN BANCORP, INC.
51 West Pearl Street
Coldwater, Michigan 49036

PROXY STATEMENT

GENERAL INFORMATION

This proxy statement and the enclosed proxy are being furnished to you in connection with the solicitation of proxies by the Board of Directors of Southern Michigan Bancorp, Inc., a Michigan corporation (the "Company"), for use at the annual meeting of shareholders of the Company or any adjournment of the meeting. The annual meeting will be held on Thursday, May 9, 2019, at 4:00 p.m. local time at the Promedica Community Care and Conference Center, located at 370 E. Chicago Street Coldwater, Michigan. We began sending and delivering this proxy statement and accompanying proxy to our shareholders on approximately March 28, 2019.

Purpose of the Meeting

The Board of Directors has called the annual meeting of shareholders for the following purposes:

- vote on the election of three directors;
- vote to adopt Restated Articles of Incorporation ("Proposal 2"); and,
- vote on a proposal to ratify the selection of CliftonLarsonAllen LLP as independent auditors for the year ending December 31, 2019 ("Proposal 3").

In addition, any other business that properly comes before the meeting will be considered and voted on. As of the date of this proxy statement, we do not know of any other matters to be considered at the annual meeting.

Board Recommendation

Your Board of Directors recommends that you vote FOR each nominee for director named in this proxy statement, and FOR Proposals 2 and 3.

How to Vote Your Shares

You may vote at the annual meeting in person or by proxy if you were a shareholder of record of common stock of the Company on March 11, 2019. You are entitled to one vote per share of common stock of the Company that you own on each matter presented at the annual meeting. As of March 11, 2019, there were 2,321,678 shares of common stock of the Company, par value $2.50 per share, issued and outstanding.

Your shares of common stock of the Company will be voted at the annual meeting if you properly sign and return to us the enclosed proxy. If you specify a choice, your shares will be voted as specified. If you do not specify a choice, your shares will be voted for the election of each nominee for director named in this proxy statement and for Proposals 2 and 3.

If any other matter is presented at the annual meeting, the individuals named in the enclosed proxy will vote your shares on those matters in their discretion.

You may revoke your proxy at any time before it is exercised by:

- delivering written notice to Danice L. Chartrand, Secretary of the Company;
- signing and delivering a later dated proxy to the Secretary of the Company; or,
- attending and voting at the annual meeting.

Merely attending the meeting will not, by itself, revoke your proxy. Your last valid vote that we receive before, or at the annual meeting, is the vote that we will count.

If you hold your shares in "street name," which means that your shares are registered in the name of a bank, broker, or other nominee (which we collectively refer to as your "broker"), your broker must vote your street name shares in the manner you direct if you provide your broker with proper and timely voting instructions. Please use the voting forms and instructions provided by your broker or its agent. These forms and instructions typically permit you to give voting instructions by telephone or Internet if you wish. If you are a street name holder and want to change your vote, you must contact your broker. Please note that you may not vote shares held in street name in person at the annual meeting unless you request and receive a valid proxy from your broker.

Broker Discretionary Voting

If you do not provide your broker with voting instructions, then your broker has discretionary authority to vote your shares on certain "routine" matters. We expect that Proposal 3 will be considered a routine matter and your broker will have discretionary authority to vote your shares on the proposal. We do not expect Proposal 2 to be considered a routine matter and your broker may not have discretionary authority to vote your shares on the proposal. The election of directors will not be considered a routine matter and your broker will not have discretionary authority to vote your shares. **It is important that you promptly provide your broker with voting instructions if you want your shares voted on the election of directors or restatement of the Articles of Incorporation.**

Broker Non-Votes

Generally, broker non-votes occur when shares held by a broker in street name for a beneficial owner are not voted with respect to a particular proposal because the broker has not received timely voting instructions from the beneficial owner and the broker lacks discretionary voting power to vote those shares. In these cases, the broker can register your shares as being present at the meeting for purposes of determining the presence of a quorum, but will not be able to vote on those matters for which specific instruction is required under the rules of the New York Stock Exchange.

Quorum

A majority of shares entitled to vote at the annual meeting must be present or represented at the meeting to constitute a quorum. If you submit a proxy or attend the meeting in person, your shares will count towards establishing a quorum, even if you withhold voting authority or abstain from voting on some or all of the matters introduced at the meeting. Abstentions and broker non-votes also will count towards establishing a quorum.

Required Vote

Election of Directors: A plurality of the shares voting at the meeting is required to elect directors. This means that, if there are more nominees than positions to be filled, the nominees who receive the most votes will be elected to the open director positions. Abstentions, broker non-votes, and other shares that are not voted in person or by proxy will not be included in the vote count.

Restatement of Articles of Incorporation: Proposal 2 will be approved if two-thirds of the shares that are entitled to vote on the proposal are voted in favor of the proposal. Abstentions, broker non-votes, and other shares that are not voted on Proposal 2 will have the effect of a vote against the proposal.

Ratification of Independent Auditors: Proposal 3 will be approved if a majority of the shares that are voted on the proposal at the meeting are voted in favor of the proposal. Abstentions, broker non-votes, and other shares that are not voted on Proposal 3 in person or by proxy will not be included in the vote count.

Other Matters: As of the date of this proxy statement, we do not know of any other matters to be presented at the meeting. Generally, any other proposal to be voted on at the meeting would be approved if a majority of the shares that are voted on the proposal at the meeting are voted in favor of the proposal. Abstentions, broker non-votes, and other shares that are not voted on the proposal in person or by proxy would not be included in the vote count.

The signing of a proxy does not preclude you from attending the annual meeting and voting in person. You are encouraged to promptly complete, date, and sign the enclosed proxy and return it to American Stock Transfer and Trust Company, LLC, Attn: Proxy Department 6201 15th Avenue Brooklyn, NY 11219, the transfer agent for the Company's common stock, even if you intend to attend the meeting.

Who Will Solicit Proxies

Directors, officers, and employees of the Company will solicit proxies on behalf of the Company by mail, in person, or by telephone. These individuals will not receive additional compensation for soliciting proxies. The Company will request brokers, custodians, nominees, and other fiduciaries to forward proxy materials to beneficial owners of shares of common stock of the Company held of record by such parties and will reimburse them for their reasonable charges and out-of-pocket expenses in connection with forwarding proxy materials to beneficial owners. **The Company has engaged Georgeson to assist in the distribution of proxy materials and solicitation of proxies.** The Company will pay all of the costs of soliciting proxies.

Adjournment of the Meeting

Whether or not a quorum is present, the meeting may be adjourned by a majority vote of the shares present at the meeting in person or by proxy.

The Company's Bylaws permit the chairman of the meeting to adjourn the meeting if a quorum is not present, if disorder arises, if he declares the polls to be closed on all matters then before the meeting, or if he determines that no further matters may properly come before the meeting.

PROPOSAL 1 - ELECTION OF DIRECTORS

The Company's Board of Directors is currently divided into three classes. One class is elected each year for a three year term. The Board of Directors has nominated three individuals for election as directors to serve a three year term ending at the 2022 annual meeting of shareholders. All of the nominees currently serve as directors. If any of the nominees are unable or unwilling to serve as a director, your proxy will be voted for the election of the person nominated by the Board of Directors in substitution, if any. The Company has no reason to believe that any nominee of the Board of Directors is unable or unwilling to serve as a director, if elected.

The following table lists the names of the nominees and the other current directors and their ages as of December 31, 2018, their principal occupations, and the year in which each became a director.

Name of Director	Age	Principal Occupation(s)	Year First Became a Director of the Company
Nominees of the Board of Directors for election at the 2019 annual meeting:			
Gary Hart Haberl	66	Retired Executive	2004
Brian P. McConnell	56	President & COO – Burr Oak Tool, Inc.	2007
Kurt G. Miller	62	President of the Company and Southern Michigan Bank & Trust	2002
Directors Whose Terms Continue until the 2020 Annual Meeting:			
Dean Calhoun	60	President – Calhoun Corporation	2006
John H. Castle	61	Chairman of the Board and Chief Executive Officer of the Company and Southern Michigan Bank & Trust	2002
Charles J. S. Clark	48	President – Clark Logic	2014
Directors Whose Terms Continue until the 2021 Annual Meeting:			
H. Kenneth Cole	70	Retired Chief Administrative Officer – Hillsdale College; Secretary/Treasurer - Hillsdale College Independence Foundation	1998
Patrick H. Flannery	41	Vice President for Finance and Treasurer – Hillsdale College	2017
Nolan E. Hooker	66	President – Best American Car Washes	1991
Freeman E. Riddle	86	Retired Executive	1982

Your board of directors recommends that you vote FOR each nominee for director named in this proxy statement.

PROPOSAL 2 – RESTATED ARTICLES OF INCORPORATION

The Board of Directors has unanimously approved, and recommends that Company shareholders vote to adopt, the proposed Restated Articles of Incorporation attached to this proxy statement. A clean copy of the Restated Articles of Incorporation, as well as a marked copy of the restated Articles of Incorporation showing the changes to the current version of the Company's Articles of Incorporation, are attached as Appendix A to this proxy statement. The Board of Directors has determined that the Restated Articles of Incorporation are in the best interests of the Company and its shareholders.

As a matter of sound corporate governance and best practices, the Board of Directors asked the Company's outside counsel, Warner Norcross + Judd LLP, to review the Company's Articles of Incorporation from the standpoint of updating and modernizing the Articles of Incorporation to current day norms. The Company's Articles of Incorporation were originally filed with the State of Michigan in 1982. And while the Company's Articles of Incorporation were amended several times subsequent to 1982, many of the provisions in the Articles of Incorporation have become outdated due to changes in law or customary practice. Other than the proposed increase in authorized common stock by way of an amendment to Article III (discussed further below), the proposed changes contained in the restated Articles of Incorporation generally relate to removing unnecessary or outdated provisions or conforming the Articles of Incorporation to current requirements of law. A description of the material changes follows:

> Article II – The proposed deletions remove unnecessary language and leave the purpose of the Company to "any activity within the purposes for which corporations may be organized under" law.
>
> Article IV (old) – The proposed deletions remove unnecessary language regarding the initial registered and mailing office of the Company and the initial incorporator of the Company.
>
> Article VIII (old) and Article VI (new) – The proposed changes to the "limitation of liability" provisions for directors track the current requirements of the Michigan Business Corporation Act.
>
> Article VII (new) and Article IX (old) – Article VII (new) incorporates Chapter 7A of the Michigan Business Corporation Act, which governs and protects the Company from "hostile takeovers" by a 10% or more shareholder by requiring supermajority voting thresholds (90 % of all shares and two-thirds of shares held by the shareholders other than the 10% shareholder) to approve a business combination with the 10% shareholder. Article IX (old) similarly governs and protects hostile takeovers by a shareholder, but does so in a manner that is inconsistent in some regards with Chapter 7A of the Michigan Business Corporation Act. As a result, it is arguable that both Article XI (old) and Chapter 7A of the Michigan Business Corporation Act could apply to a business combination with a 10% shareholder leaving room for inconsistency and dispute. To avoid this, many companies simply reference application of Chapter 7A of the Michigan Business Corporation Act in their articles of incorporation, which Article VII (new) accomplishes.
>
> Article VIII (new) – Article VIII (new) provides that shareholders must take action at the annual meeting of shareholders or at a special meeting of shareholders. The Board of Directors believes it is in the best interests of the Company and its shareholders for shareholders to have to take action at meetings of shareholders, rather than by written consent not at a meeting, so that the Board of Directors and all of the shareholders may fully consider, make recommendations, and vote on a particular shareholder-proposed action.

Article IX (new) – Article IX (new) expands the requirement of a supermajority vote of shares (two-thirds) to amend certain provisions of the Articles of Incorporation.

Article X (new) – The proposed changes to Article X (new), Section A remove unnecessary language and provide clarifying language to the provisions requiring the Board of Directors to be classified. The proposed changes to Article X (new), Section B place the Board of Directors in control of filling director vacancies due to newly created directorships. Any director appointed to fill a vacancy will be subject to nomination and election by shareholders upon the expiration of his or her term.

Article XII (old) – Article XII (old), Section A is proposed to be deleted in its entirety because it is duplicative or inconsistent with Article IX (new). Article XII (old), Section B is proposed to be deleted in its entirety because it is duplicative or inconsistent with Article VIII (new). Article XII (old), Section C is proposed to be deleted in its entirety because it is duplicative or inconsistent with the provisions of the Company's Bylaws.

In addition, the Board of Directors has determined that increasing the number of authorized but unissued shares of Company common stock from 4,000,000 shares to 5,000,000 shares is in the best interests of the Company and its shareholders. This will be accomplished by amending Article III of the Articles of Incorporation as set forth in Appendix A.

As of March 11, 2019, there were 2,321,678 shares of common stock issued and outstanding, 40,750 shares of common stock reserved for issuance upon the exercise of stock options, leaving the Company with 1,637,572 unissued and unreserved shares of common stock available for other purposes.

The Board of Directors believes that it is advisable to have additional authorized shares of common stock available to give the Company the ability to react quickly to capital raising and other strategic opportunities. The additional shares would allow the Company to raise capital through future offerings of common stock or securities convertible into common stock. The additional shares would also be available for possible future stock splits and dividends, stock-based acquisitions, equity incentive plans, and other corporate purposes that might be proposed.

All of the additional authorized shares of common stock would be of the same class with the same dividend, voting, and liquidation rights as the shares of common stock presently issued and outstanding. The Company's authorized capital stock also includes, and will continue to include without increase, 100,000 shares of preferred stock, none of which is currently issued and outstanding. Shareholders have no preemptive rights to acquire shares of common stock issued by the Company under its Articles of Incorporation and shareholders would not acquire preemptive rights with respect to the additional authorized shares of common stock under the Restated Articles of Incorporation. Under some circumstances, the issuance of additional shares of common stock could dilute the voting rights, equity, and earnings per share of existing shareholders. The newly authorized shares of common stock would be unreserved and available for issuance by the Company without further shareholder authorization.

If Proposal 2 is approved, we will file the Restated Articles of Incorporation with the State of Michigan to amend and restate the existing Articles of Incorporation in their entirety.

Your Board of Directors recommends that you vote FOR Proposal 2.

PROPOSAL 3 – RATIFICATION OF INDEPENDENT AUDITORS

CliftonLarsonAllen LLP conducted an independent audit of the consolidated financial statements of the Company for the year ended December 31, 2018. The Audit Committee of the Board of Directors has selected CliftonLarsonAllen LLP to act as the Company's independent auditors for the year ending December 31, 2019.

This selection is being submitted to shareholders for ratification. While ratification is not required, the Company believes it is an important corporate decision in which shareholders should participate. If the shareholders do not ratify the selection of CliftonLarsonAllen LLP to act as the Company's independent auditors for the year ending December 31, 2019, the Audit Committee will consider a change in independent auditors for the next year.

Your Board of Directors recommends that you vote FOR Proposal 3.

STOCK OWNERSHIP BY MANAGEMENT

The following table presents, as of December 31, 2018, the total number of shares of common stock of the Company beneficially owned, and the percent of such shares so owned, by each director and executive officer and by all directors and executive officers of the Company as a group.

	Amount and Nature of Beneficial Ownership(1)				
Name of Beneficial Owner	**Sole Voting and Dispositive Power(2)**	**Shared Voting or Dispositive Power(3)**	**Stock Options (4)**	**Total Beneficial Ownership**	**Percent of Class(5)**
Dean Calhoun	710	237,670	400	238,780	10.31%
John H. Castle	51,441	700	3,000	55,141	2.38%
Danice L. Chartrand	17,883	-	1,200	19,083	*
Charles J. S. Clark	14,624	-	100	14,724	*
H. Kenneth Cole	3,006	-	400	3,406	*
Patrick H. Flannery	1,661	-	-	1,661	*
Nicholas M. Grabowski	13,502	-	1,800	15,302	*
Gary Hart Haberl	490	12,085	200	12,775	*
Nolan E. Hooker	5,438	6,086	200	11,724	*
Brian P. McConnell	1,805	2,700	400	4,905	*
Kurt G. Miller	38,588	-	2,400	40,988	1.77%
Freeman E. Riddle	7,968	8,877	150	16,995	*
Totals	157,116	268,118	10,250	435,484	18.72%

(1) The number of shares stated is based on information furnished by each person listed and includes shares owned of record by that person and shares that are considered to be otherwise beneficially owned by that person. Voting power includes the power to vote or direct the voting

of the security. Dispositive power includes the power to dispose or direct the disposition of the security. A person will also be considered the beneficial owner of a security if the person has a right to acquire beneficial ownership of the security within 60 days, such as through the exercise of a stock option. Shares held in fiduciary capacities by the Company are not included in shares beneficially owned by individuals unless otherwise indicated. The directors and officers of the Company may, by reason of their positions, be in a position to influence the voting or disposition of shares held in trust by the Company to some degree, but disclaim beneficial ownership of these shares. The Company and the Bank disclaim beneficial ownership of shares held by the Bank in fiduciary capacities.

(2) Includes restricted stock shares. 450 shares for Messrs. Calhoun, Cole, Haberl, Hooker, McConnell and Riddle; 370 shares for Mr. Clark; 150 shares for Mr. Flannery; 30,000 shares for Mr. Castle; 24,000 shares for Mr. Miller; 7,440 shares for Mr. Grabowski and 5,925 shares for Ms. Chartrand.

(3) The number of shares shown in this column includes shares over which the listed person is legally entitled to share voting or dispositive power by reason of joint ownership, trust, or other contract or property right, and shares held by spouses and children over whom the listed person may have substantial influence by reason of relationship.

(4) The stock options included in this column are only those options that are exercisable within 60 days from December 31, 2018. Options that vest at later dates are not reported in this table.

(5) Based on a total of 2,315,505 issued and outstanding shares as of December 31, 2018, plus the number of shares subject to stock options that are currently exercisable or that will be exercisable by holders of such stock options within 60 days from December 31, 2018.

(*) Less than one percent (1%).

SHAREHOLDER COMMUNICATIONS

Shareholders who wish to send communications to the Company's Board of Directors may do so by sending them to Danice L. Chartrand, the Secretary of the Company, at the address that appears on the first page of this proxy statement. Communications may be addressed either to individual directors or the entire Board of Directors. The Secretary has the discretion to screen and not forward to directors any communications that the Secretary determines in her discretion are communications unrelated to the business or governance of the Company and its subsidiaries, including, without limitation, commercial solicitations and offensive, obscene, or otherwise inappropriate communications. The Secretary will, however, compile all shareholder communications that are not forwarded and the communications will be available to any director.

By Order of the Board of Directors

Danice L Chartrand

Danice L. Chartrand
Secretary

APPENDIX A

RESTATED ARTICLES OF INCORPORATION

SOUTHERN MICHIGAN BANCORP, INC.

ARTICLE I

The name of the Corporation is Southern Michigan Bancorp, Inc.

ARTICLE II

The purposes for which the Corporation is organized is to engage in any activity within the purposes for which corporations may be organized under the Michigan Business Corporation Act.

ARTICLE III

The total authorized capital stock is: 5,100,000 shares.

1. Common shares: 5,000,000 common par value $2.50 per share.

   Preferred shares: 100,000

2. A statement of all or any of the relative rights, preferences and limitations of the shares of each class is as follows:

A. Each share of common stock shall have equal voting rights, preferences and privileges.

B. The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Article III to divide and issue the shares of Preferred Stock in series, and by filing a certificate containing the resolution of the Board pursuant to the applicable law of the State of Michigan, to establish from time to time the number of shares to be included in each series, and to prescribe the designation, powers, relative preferences and rights of the shares of each series and the qualifications, limitations or restrictions thereof.

The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

(a) the number of shares constituting that series and the distinctive designation of that series;

(b) the dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(c) whether shares of that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(d) whether shares of that series shall be convertible into shares of any class or into shares of any series of any class at the option of the holder, or the Corporation, or upon the happening of a specified event; and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(e) whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(f) whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amounts of such sinking fund;

(g) the rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series;

(h) any other relative rights, preferences and limitations of that series as well as other variations in the relative rights and preferences as among different series.

ARTICLE IV

When a compromise or arrangement or a plan of reorganization of this Corporation is proposed between this Corporation and its creditors or any class of them or between this Corporation and its shareholders or any class of them, a court of equity jurisdiction within the state, on application of this Corporation or of a creditor or shareholder thereof, or an application of a receiver appointed for the Corporation, may order a meeting of the creditors or class of creditors or of the shareholders or class of shareholders to be affected by the proposed compromise or arrangement or reorganization, to be summoned in such manner as the court directs. If a majority in number representing ¾ in value of the creditors or class of creditors, or of the shareholders or class of shareholders to be affected by the proposed compromise or arrangement or a reorganization, agree to a compromise or arrangement or a reorganization of this Corporation as a consequence of the compromise or arrangement, the compromise or arrangement of the reorganization, if sanctioned by the court to which the application has been made, shall be binding on all the creditors or class of creditors, or on all the shareholders or class of shareholders and also on this Corporation.

ARTICLE V

The Corporation shall indemnify each director and officer of the Corporation who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding by reason of the fact that he or she is or was a director or officer, or is or was serving at the request of the Corporation in another capacity, to the fullest extent permitted by law. The Corporation may further indemnify directors, officers and other persons who are not directors or officers to the extent authorized by the Michigan Business Corporation Act, bylaw, resolution of the board of directors, or contractual agreement authorized by the board of directors. A change in the Michigan Business Corporation Act, these Articles of Incorporation, or the bylaws that reduces the scope of indemnification shall not reduce the scope of indemnification for any action or omission that occurs before the change.

ARTICLE VI

No director of the Corporation shall be personally liable to the Corporation or its shareholders for money damages for any action taken or any failure to take any action as a director, except liability for any of the following (i) the amount of a financial benefit received by a director to which he or she is not entitled, (ii) intentional infliction of harm on the Corporation and its shareholders, (iii) a violation of Section 551 of the Michigan Business Corporation Act, or (iv) an intentional criminal act.

ARTICLE VII

The Corporation shall be subject to and governed by Chapter 7A (Sections 775 through 784) of the Michigan Business Corporation Act.

ARTICLE VIII

Except as otherwise required by law, any action required or permitted to be taken by any shareholders of the Corporation must be effected at a duly called annual or special meeting of such shareholders and may not be effected by any consent in writing by such shareholders.

ARTICLE IX

Articles V, VII, VIII, X and XI of these Articles of Incorporation shall not be amended, modified or repealed unless so adopted by the affirmative vote of the holders of not less than 2/3 of the outstanding shares of stock of the Corporation entitled to vote in the election of directors.

ARTICLE X

A. The number of directors of this Corporation shall be fixed from time to time by a resolution adopted by not less than 80% of the directors then in office. The Board of

Directors shall be divided into three classes, each as nearly equal in number as possible. A number of directors equal to the number whose term expires at the time of the meeting shall be elected at each annual shareholder meeting, except directors may be elected for shorter terms so that approximately one-third of the directors are elected each year. Each director shall hold office until the third succeeding annual shareholder meeting and until a successor is elected and qualified.

B. Newly created directorships resulting from any increase in the total number of authorized directors may be filled by the affirmative vote of not less than 80% of the directors then in office, or by a sole remaining director, at any regular or special meeting of the Board of Directors, and (ii) any vacancies on the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by the affirmative vote of not less than 80% of the directors then in office, or by a sole remaining director, at any regular or special meeting of the Board of Directors. If the number of directors is increased or decreased, any increase or decrease shall be apportioned as nearly as possible among each class so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill any vacancy resulting from any increase in such class shall hold office for a term which shall coincide with the remaining term of that class. No decrease in the total number of authorized directors constituting the Board of Directors shall shorten the term of any incumbent director.

C. Any director may be removed only for cause and only by the affirmative vote of the holders of not less than a majority of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, at any regular or special meeting of the shareholders.

ARTICLE XI

A. The Board of Directors shall not approve, adopt, or recommend any proposal of any party other than the Corporation to make a tender or exchange offer for any equity security of this Corporation, or to engage in any Business Reorganization, as defined in this Article XI (a "Proposal"), unless and until it shall have first evaluated the Proposal in view of this Article XI.

B. The Board of Directors shall determine in its judgment whether the Proposal would be in substantial compliance with all applicable laws. In evaluating a proposal to determine whether it would be in substantial compliance with law, the Board of Directors shall consider all aspects of the Proposal, including the manner in which the offer is proposed to be made, the documents proposed for the communication of the Proposal, and the effects and consequences of the Proposal, if consummated, in light of the laws of the United States of America and affected states. In connection with this evaluation, the Board may seek and rely upon the opinion of legal counsel, and may test the legality of the proposed offer in any state, federal, or foreign court, or before any state, federal, or foreign administrative agency, which may have jurisdiction. If the Board of Directors determines, in its judgment, that a Proposal would be in substantial compliance with all applicable laws, the Board of Directors shall then evaluate the proposal and determine whether the proposal is in the best interest of this

Corporation and its shareholders. The Board of Directors shall not approve, adopt, or recommend any Proposal which, in its judgment, would not be in the best interests of the Corporation and its shareholders.

C. In evaluating a Proposal to determine whether it would be in the best interests of the Corporation and its shareholders, the Board of Directors may, in exercising its judgment, consider all factors which it deems relevant including, without limitation:

1. The fairness of the consideration to be received by the Corporation and its shareholders under the Proposal, taking into account the trading price of this Corporation's stock immediately prior to the announcement of the proposed offer, the historical trading prices of this Corporation's stock, the price that might be achieved in a negotiated sale of the Corporation as a whole, premiums over the trading price of their securities in transactions which have been proposed or offered to other companies in the past in connection with similar offers, and the future prospects of the Corporation;

2. The possible social and economic impact of the Proposal and its consummation on the Corporation and its subsidiaries and their employees, customers, and depositors;

3. The possible social and economic impact of the Proposal and its consummation on the communities in which the Corporation and its subsidiaries operate or are located;

4. The business, financial condition, safety, soundness, and earning prospects of the offering party, including, but not limited to, debt service and other existing or likely financial obligations of the offering party;

5. The competence, experience, and integrity of the offering party and its management; and

6. The intentions of the offering party regarding the use of the assets of this Corporation to finance the transaction.

D. For purposes of this Article XI, the term "Business Reorganization" shall mean:

1. Any merger or consolidation of this Corporation with or into another entity;

2. Any sale, exchange, lease, mortgage, pledge, transfer, or other disposition (in a single transaction or a series of related transactions) of all or substantially all of the assets of this Corporation;

3. Any liquidation or dissolution of this Corporation;

4. Any reorganization or recapitalization of the Corporation which would result in a change of control of the Corporation; or

5. Any transactions or series of related transactions having, directly or indirectly, the same effect as any of the foregoing; or any agreement, contract, or other arrangement providing for any of the foregoing.

ARTICLE XII

No shareholder may transfer shares of common stock without the consent of the Corporation if, as a result of an attempted transfer, the party who would receive the shares would own of record fewer than 100 shares of common stock. This restriction may be noted conspicuously on stock certificates representing shares of common stock of the Corporation. For purposes of this Article XII, "transfer" means any type of disposition, including but not limited to a sale, gift, contribution, pledge or other action that would result in a change of the record ownership of any share of common stock. It is the intent of the shareholders that this restriction on transfer will be enforced to the full extent, but only to the extent, it is enforceable against shareholders under the laws of the State of Michigan. The Corporation may determine issues relating to a proposed transfer in its discretion, including without limitation whether the transfer would or would not be in violation of this Article XII and whether the restrictions of this Article XII may or may not be enforced against a holder requesting a transfer of shares. The recording of a transfer on the stock records of the Corporation shall be conclusive evidence that the Corporation has consented to the transfer, if required under this Article XII, and any transfer of shares recorded on the stock records of the Corporation will be valid for all purposes.

17969215

~~*COMPOSITE*~~
~~*(as amended through*~~
~~*January 13, 2015)*~~

RESTATED ARTICLES OF INCORPORATION
~~FOR~~
SOUTHERN MICHIGAN BANCORP, INC.

ARTICLE I

The name of the ~~c~~Corporation is Southern Michigan Bancorp, Inc.

ARTICLE II

The ~~purpose or~~ purposes for which the ~~c~~Corporation is organized is to engage in any activity within the purposes for which corporations may be organized under the **Michigan** Business Corporation Act ~~of Michigan, including, but not limiting the foregoing, to acquire, own, manage, and control banks, bank affiliates, and bank holding companies and voting shares, voting securities, or all or substantially all assets of any of the foregoing entities or business entities which bank holding companies may now or hereafter be permitted by law to own, manage, or control.~~.

ARTICLE III

The total authorized capital stock is: ~~4~~5,100,000 shares.

1. Common shares: ~~4~~5,000,000 common par value $2.50 per share.

   Preferred shares: 100,000

2. A statement of all or any of the relative rights, preferences and limitations of the shares of each class is as follows:

A. Each share of common stock shall have equal voting rights, preferences and privileges.

B. The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Article III to divide and issue the shares of Preferred Stock in series, and by filing a certificate containing the resolution of the Board pursuant to the applicable law of the State of Michigan, to establish from time to time the number of shares to be included in each series, and to prescribe the designation, powers, relative preferences and rights of the shares of each series and the qualifications, limitations or restrictions thereof.

The authority of the Board **of Directors** with respect to each series shall include, but not be limited to, determination of the following:

(a) the number of shares constituting that series and the distinctive designation of that series;

(b) the dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(c) whether shares of that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(d) whether shares of that series shall be convertible into shares of any class or into shares of any series of any class at the option of the holder, or the Corporation, or upon the happening of a specified event; and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(e) whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(f) whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amounts of such sinking fund;

(g) the rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the ~~c~~**C**orporation, and the relative rights of priority, if any, of payment of shares of that series;

(h) any other relative rights, preferences and limitations of that series as well as other variations in the relative rights and preferences as among different series.

ARTICLE IV

~~1. The address of the initial registered office is 51 West pearl Street, Coldwater, Michigan 49036.~~

~~2. Mailing address of the initial registered office if different than above (same).~~

~~3. The name of the initial resident agent at the registered office is Lester F. Wise [information update delivered to State of Michigan provides for John Castle].~~

~~ARTICLE V~~

~~The name and address of the incorporator is as follows:~~

~~D. Craig Martin~~	~~Howard & Howard Attorneys, P.C.~~ ~~407 Kalamazoo Building~~ ~~Kalamazoo, Michigan 49007~~

~~ARTICLE VI~~

When a compromise or arrangement or a plan of reorganization of this ~~c~~**C**orporation is proposed between this ~~c~~**C**orporation and its creditors or any class of them or between this ~~c~~**C**orporation and its shareholders or any class of them, a court of equity jurisdiction within the state, on application of this ~~c~~**C**orporation or of a creditor or shareholder thereof, or an application of a receiver appointed for the ~~c~~**C**orporation, may order a meeting of the creditors or class of creditors or of the shareholders or class of shareholders to be affected by the proposed compromise or arrangement or reorganization, to be summoned in such manner as the court directs. If a majority in number representing ¾ in value of the creditors or class of creditors, or of the shareholders or class of shareholders to be affected by the proposed compromise or arrangement or a reorganization, agree to a compromise or arrangement or a reorganization of this ~~c~~**C**orporation as a consequence of the compromise or arrangement, the compromise or arrangement of the reorganization, if sanctioned by the court to which the application has been made, shall be binding on all the creditors or class of creditors, or on all the shareholders or class of shareholders and also on this ~~c~~**C**orporation.

ARTICLE V~~II~~

The ~~c~~**C**orporation shall indemnify each director and officer of the ~~c~~**C**orporation who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding by reason of the fact that he or she is or was a director **or officer**, or is or was serving at the request of the ~~c~~**C**orporation in another capacity, to the fullest extent permitted by law. The ~~c~~**C**orporation may further indemnify directors, **officers** and ~~may indemnify~~**other** persons who are not directors~~,~~ **or officers** to the extent authorized by the Michigan Business Corporation Act, bylaw, resolution of the board of directors, or contractual agreement authorized by the board of directors. A change in the Michigan Business Corporation Act, these Articles **of Incorporation**, or the bylaws that reduces the scope of indemnification shall not reduce the scope of indemnification for any action or omission that occurs before the change.

ARTICLE VI~~II~~

~~(a)~~ No director of the Corporation shall be personally liable to the Corporation or ~~to~~ its s~~tock~~**hare**holders for mone~~tar~~y damages for ~~breach of the~~**any action taken or any failure to take any action as a** director~~'s fiduciary duty~~, except ~~for liability (i) for a breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law~~**liability for any of the following (i) the amount of a financial benefit received by a director to which he or she is not entitled, (ii) intentional infliction of harm on the Corporation and its shareholders**, (iii) ~~for~~ a violation of Section 551~~(1)~~ of the **Michigan** Business Corporation Act ~~of Michigan~~, **or** (iv) ~~for a transaction from which the director derived an improper personal benefit, or (v) for an act or omission occurring before March 1, 1987~~**an intentional criminal act**.

~~(b) the indemnification or advancement of expenses provided by law is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under these Articles of Incorporation, the By-Laws of the Corporation or a contractual agreement.~~

ARTICLE VII

The Corporation shall be subject to **and governed by Chapter 7A (Sections 775 through 784)** of the Michigan Business Corporation Act**.**

ARTICLE VIII

Except as otherwise required by law, any action required or permitted to be taken by **any shareholders of the Corporation must be effected at a duly called annual or special meeting of such shareholders and may not be effected by any consent in writing by such shareholders.**

ARTICLE IX

~~A. Except as set forth in Section B of this Article, the affirmative vote or consent of the holders of not less than two-thirds of the outstanding shares of stock of the Corporation entitled to vote in elections of directors, voting for purposes of this Article as one class, shall be required:~~

~~(1) to adopt any agreement for, or to approve the merger or consolidation of the Corporation or any subsidiary with or into any other person,~~

~~(2) to authorize any sale, lease, transfer, exchange, mortgage, pledge or other disposition to any other person of all or substantially all of the assets of the Corporation or any subsidiary, or~~

~~(3) to authorize the issuance or transfer by the Corporation or any subsidiary of any voting securities or any securities convertible into voting securities of the Corporation or any subsidiary in exchange or payment for the securities or assets of any other person, if such authorization is otherwise required by law or by any agreement to which the Corporation or any subsidiary is a party,~~

~~if, in any such case, as of the record date for the determination of shareholders entitled to notice thereof and to vote thereon or consent thereto, such other person is, or at any time within the preceding twelve months has been, the beneficial owner of 5% or more of the outstanding shares of stock of the Corporation entitled to vote in elections of directors. If such other person is not, and has not been, such a 5% beneficial owner, the provisions of this section A shall not apply, and the provisions of the Michigan Business corporation Act as the same may from time to time be amended, applicable to such transactions, shall apply.~~

~~B. The provisions of section A of this Article shall not apply, and the provisions of the Michigan Business Corporation Act, as the same may from time to time be amended, applicable to such transactions, shall apply, to (1) any transaction described therein if the board of Directors by resolution shall have approved a memorandum of understanding with such other person setting forth the principal terms of such transaction and such transaction is substantially consistent therewith, provided that a majority of those members of the Board of Directors voting in favor of such resolution were duly elected and acting members of the Board of Directors prior to the time such other person became the beneficial owner of 5% or more of the outstanding shares of stock of the Corporation entitled to vote in elections of directors; or (2) any transaction of which a majority of the outstanding shares of all classes of stock entitled to vote in elections of directors is owned of record or beneficially by the Corporation or its subsidiaries.~~

~~C. The affirmative vote or consent of the holders of not less than two-thirds of the outstanding shares of stock of the Corporation entitled to vote in elections of directors, voting for purposes of this Article as one class, shall be required for the adoption of any plan for the dissolution of the Corporation if the board of Directors shall not have, by resolution, recommended to the shareholders the adoption of such plan for dissolution of the Corporation. If the Board of Directors shall have so recommended to the shareholders such plan for dissolution of the Corporation, the provisions of the Michigan Business Corporation Act, as the same may from time to time be amended, applicable to such transactions, shall apply.~~

~~D. For purposes of this Article,~~

~~(1) any specified person shall be deemed to be the "beneficial owner" of shares of stock of the Corporation (a) which such specified person or any of its affiliates or associates owns, directly or indirectly, whether of record of [sic] not, (b) which such specified person or any of its affiliates or associates had the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, or (c) which are beneficially owned, directly or indirectly, (including shares deemed owned through application of clauses (a) and (b) above), by any other person with which such specified person or any of its affiliates or associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of stock of the Corporation;~~

~~(2) a "subsidiary" is a corporation at least 50% of the voting securities of which are owned, directly or indirectly by the Corporation;~~

~~(3) a "person" is any individual, corporation, partnership, or other entity;~~

~~(4) an "affiliate" of a specified person is any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the specified person; and~~

~~(5) an "associate" of a specified person is (a) any person of which such specified person is an officer or partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of equity securities, (b) any trust or other estate in which such specified person has a substantial beneficial interest or as to which such specified person serves as trustee or in a similar capacity, or (c) any relative or spouse of such specified person, or any relative of such spouse, who has the same home as such specified person or who is a director, officer or partner of such specified person or any person which controls or is controlled by such specified person.~~

~~E. For purposes of determining whether a person owns beneficially 5% or more of the outstanding shares of the stock of the Corporation entitled to vote in elections of directors, the outstanding shares of stock of the Corporation shall include shares deemed owned through application of clauses (a), (b) or (c) of Section D(1) of this Article but shall not include any other shares which may be issuable pursuant to any agreement or upon exercise of conversion rights, warrants, or options, or otherwise.~~

~~F. The Board of Directors shall have the power and duty to determine for purposes of this Article, on the basis of information known to such Board,~~

~~(1) whether any person referred to in Section A of this Article owns beneficially 5% or more of the outstanding shares of stock of the Corporation entitled to vote in elections of directors; and~~

~~(2) whether a proposed transaction is substantially consistent with any memorandum of understanding of the character referred to in Section B of this Article.~~

~~ARTICLE X~~

~~Notwithstanding any other provisions~~**Articles V, VII, VIII, X and XI** of these Articles of Incorporation~~, no amendment to these Articles of Incorporation shall~~ **shall not be** amend**ed**, modif~~y~~**ied** ~~,~~ or repeal**ed** ~~any or all of Article IX of these Articles of Incorporation~~ unless so adopted by the affirmative vote ~~or consent~~ of the holders of not less than 2/3 of the outstanding shares of stock of the Corporation entitled to vote in **the** election~~s~~ of directors~~, considered for purposes of this Article as a class~~.

ARTICLE X~~I~~

~~Subject to the rights of the holders of any particular class or series of preferred stock or preference stock of this Corporation:~~

A. The number of directors of this Corporation shall be fixed from time to time by a resolution adopted by not less than 80% of the directors then in office. The **Board of** ~~d~~**D**irectors shall be divided into three classes, **each** as nearly equal in number as possible~~, with the term of office of the first class to expire at the 1999 Annual Meeting of shareholders, the term of office of the second class to expire at the 2000 Annual Meeting of the shareholders and the term of office of the third class to expire at the 2001 Annual Meeting of shareholders. At each Annual Meeting of shareholders following such initial classification and election, the class~~**. A number** of directors **equal to the number** whose term~~s~~ ~~of office shall~~ expire**s** at ~~such~~**the** time **of the meeting** shall be elected ~~to hold office for terms expiring at the third succeeding Annual Meeting of shareholders following their~~**at each annual shareholder meeting, except directors may be elected for shorter terms so that approximately one-third of the directors are** elect~~ion~~**ed** **each year**. Each director shall hold office until ~~his~~**the third succeeding annual shareholder meeting and until a** successor ~~shall be~~**is** elected and ~~shall~~ qualif~~y~~**ied**.

B. ~~(i)~~ Newly created directorships resulting from any increase in the total number of authorized directors may be filled by the affirmative vote of not less than 80% of the directors then in office, or by a sole remaining director, at any regular or special meeting of the Board of Directors, ~~or by the shareholders in accordance with the By-Laws,~~ and (ii) any vacancies on the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by the affirmative vote of not less than 80% of the directors then in office, or by a sole remaining director, at any regular or special meeting of the Board of Directors. If the number of directors is increased or decreased, any increase or decrease shall be apportioned as nearly as possible among each class so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill any vacancy resulting from any increase in such class shall hold office for a term which shall coincide with the remaining term of that class. No decrease in the total number of authorized directors constituting the Board of Directors shall shorten the term of any incumbent director.

C. Any director may be removed only for cause and only by the affirmative vote of the holders of not less than a majority of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, at any regular or special meeting of the shareholders.

ARTICLE XI~~I~~

~~Subject to the rights of the holders of any particular class or series of preferred stock or preference stock of this Corporation:~~

~~A. Except as provided in Article X and this Article XII of the Articles of Incorporation, the Articles of Incorporation of this Corporation shall be subject to alteration, amendment or repeal, and new provisions thereof may be adopted, by the affirmative vote of the holders of not less than a majority of the voting power of the then outstanding shares of capital stock entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class. Notwithstanding the foregoing and notwithstanding any other provisions of these Articles of Incorporation or the By-Laws of the Corporation and in addition to any other requirements of applicable law, the alteration, amendment or repeal of, or the adoption of any provision inconsistent with Article X or this Article XII of the Articles of Incorporation shall require the affirmative vote of the holders of not less than two-thirds (2/3) of the Voting Stock, voting together as a single class.~~

~~B. No amendment, alteration, repeal or adoption of any new provision of the Articles of Incorporation shall be made which permits action required or permitted to be taken by shareholders to be taken by written consent by less than all of the holders of Voting Stock unless such amendment, alteration, repeal or adoption of such new provision of the Articles of Incorporation shall have been approved by the affirmative vote of the holders of not less than two-thirds (2/3) of the Voting Stock, voting together as a single class.~~

~~C. The By-Laws of this Corporation shall be subject to alteration, amendment or repeal, and new By-Laws may be adopted, (i) by the affirmative vote of the holders of not less than a majority of the Voting Stock, voting together as a single class, or (ii) by the affirmative vote of not less than a majority of the members of the Board of Directors then in office; provided, that any alteration, amendment, repeal, or the adoption of any provision inconsistent with Article II, Section 2 or Section 4, or Article III, Section 2, Section 3, Section 6, or Section 11, or Article XII or Article XIII of the By-Laws shall require, in the case of shareholder action, the affirmative vote of the holders of not less than two thirds (2/3) of the voting Stock, voting together as a single class, or, in the case of action by the Board of Directors, the affirmative vote of such number of directors constituting not less than 80% of the directors then in office, or by the sole remaining director, at any regular or special meeting of the Board of Directors.~~

~~ARTICLE XIII~~

A. ~~*Proposals.*~~ The Board of Directors shall not approve, adopt, or recommend any proposal of any party other than the Corporation to make a tender or exchange offer for any equity security of this ~~c~~**C**orporation, or to engage in any Business Reorganization, as defined in this Article **XI** (a "Proposal"), unless and until it shall have first evaluated the Proposal in view of this Article **XI**.

B. ~~*Compliance with Laws.*~~ The Board of Directors shall determine in its judgment whether the Proposal would be in substantial compliance with all applicable laws. In evaluating a proposal to determine whether it would be in substantial compliance with law, the Board of Directors shall consider all aspects of the Proposal, including the manner in which the offer is proposed to be made, the documents proposed for the communication of the Proposal, and the effects and consequences of the Proposal, if consummated, in light of the laws of the United States of America and affected states. In connection with this evaluation, the Board may seek and rely upon the opinion of legal counsel, and may test the legality of the proposed offer in any state, federal, or foreign court, or before any state, federal, or foreign administrative agency, which may have jurisdiction. If the Board of Directors determines, in its judgment, that a Proposal would be in substantial compliance with all applicable laws, the Board of

Directors shall then evaluate the proposal and determine whether the proposal is in the best interest of this ~~c~~**C**orporation and its shareholders. The Board of Directors shall not approve, adopt, or recommend any Proposal which, in its judgment, would not be in the best interests of the Corporation and its shareholders.

C. ~~*Evaluation of Proposals.*~~ In evaluating a Proposal to determine whether it would be in the best interests of the Corporation and its shareholders, the Board of Directors may, in exercising its judgment, consider all factors which it deems relevant including, without limitation:

1. The fairness of the consideration to be received by the Corporation and its shareholders under the Proposal, taking into account the trading price of this ~~c~~**C**orporation's stock immediately prior to the announcement of the proposed offer, the historical trading prices of this ~~c~~**C**orporation's stock, the price that might be achieved in a negotiated sale of the Corporation as a whole, premiums over the trading price of their securities in transactions which have been proposed or offered to other companies in the past in connection with similar offers, and the future prospects of the Corporation;

2. The possible social and economic impact of the Proposal and its consummation on the Corporation and its subsidiaries and their employees, customers, and depositors;

3. The possible social and economic impact of the Proposal and its consummation on the communities in which the Corporation and its subsidiaries operate or are located;

4. The business, financial condition, safety, soundness, and earning prospects of the offering party, including, but not limited to, debt service and other existing or likely financial obligations of the offering party;

5. The competence, experience, and integrity of the offering party and its management; and

6. The intentions of the offering party regarding the use of the assets of this ~~c~~**C**orporation to finance the transaction.

D. ~~*Definition.*~~ For purposes of this Article **XI**, the term "Business Reorganization" shall mean:

1. Any merger or consolidation of this ~~c~~**C**orporation with or into another entity;

2. Any sale, exchange, lease, mortgage, pledge, transfer, or other disposition (in a single transaction or a series of related transactions) of all or substantially all of the assets of this ~~c~~**C**orporation;

3. Any liquidation or dissolution of this ~~c~~**C**orporation;

4. Any reorganization or recapitalization of the Corporation which would result in a change of control of the Corporation; or

5. Any transactions or series of related transactions having, directly or indirectly, the same effect as any of the foregoing; or any agreement, contract, or other arrangement providing for any of the foregoing.

ARTICLE XI~~V~~**I**

No shareholder may transfer shares of common stock without the consent of the ~~c~~**C**orporation if, as a result of an attempted transfer, the party who would receive the shares would own of record fewer than 100 shares of common stock. This restriction may be noted conspicuously on stock certificates ~~issued or transferred after the effective date of the amendment adding this Article XIV to the Articles of~~**representing shares of common stock of the** ~~Inc~~**C**orporation. For purposes of this Article XI~~V~~**I**, "transfer" means any type of disposition, including but not limited to a sale, gift, contribution, pledge or other action that would result in a change of the record ownership of any share of common stock. It is the intent of the shareholders that this restriction on transfer will be enforced to the full extent, but only to the extent, it is enforceable against shareholders under the laws of the State of Michigan. The Corporation may determine issues relating to a proposed transfer in its discretion, including without limitation whether the transfer would or would not be in violation of this Article XI~~V~~**I** and whether the restrictions of this Article XI~~V~~**I** may or may not be enforced against a holder requesting a transfer of shares. The recording of a transfer on the stock records of the Corporation shall be conclusive evidence that the Corporation has consented to the transfer, if required under this Article XI~~V~~**I**, and any transfer of shares recorded on the stock records of the Corporation will be valid for all purposes.

Southern Michigan BANCORP, INC.

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