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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

In response to continued public health concerns about in-person gatherings given the COVID-19 outbreak, the annual meeting of shareholders of Southern Michigan Bancorp, Inc. will be held on Thursday, August 27, 2020, at 4:00 p.m. local time, in a virtual-only format via the internet. You will not be able to attend the meeting in person.

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 an amendment to the 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, 2020.

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

Shareholders of record at the close of business on June 29, 2020, 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 July 9, 2020. To be admitted to the annual meeting, go to www.virtualshareholdermeeting.com/SOMC2020 and enter the control number found on your proxy card or voting instruction form. You may vote during the annual meeting by following the instructions available on the meeting website during the meeting.

Shareholders may access the annual report for Southern Michigan Bancorp, Inc. on our website, www.smb-t.com, under the "Public Filings/Annual Report" tab of the "Investor Relations" page.

Date: July 9, 2020

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 virtual meeting.

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, August 27, 2020, at 4:00 p.m. local time, in a virtual only format on the internet. We began sending and delivering this proxy statement and accompanying proxy to our shareholders on approximately July 9, 2020.

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 ("Proposal 1");
- vote to adopt an amendment to the 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, 2020 ("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.

Attending the Virtual Meeting

Shareholders may listen to and participate in the virtual annual meeting at www.virtualshareholdermeeting.com/SOMC2020. Shareholders are encouraged to log on 15 minutes prior to the start of the meeting to ensure sufficient time to register and download the required software, if needed. To access the annual meeting, you will enter the control number found on your proxy card or voter instruction form.

Questions at the Annual Meeting

All questions must be submitted in advance of the meeting and be received by August 20, 2020. Questions may be submitted via the internet at www.proxyvote.com when you vote your shares, or delivered to Danice L. Chartrand, Secretary of the Company.

How to Vote Your Shares

You may vote if you were a shareholder of record of common stock of the Company on June 29, 2020. 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 June 29, 2020, there were 2,311,307 shares of common stock of the Company, par value $2.50 per share, issued and outstanding.

You can vote in one of the following ways:

1. *Via the internet,* by visiting www.proxyvote.com.
2. *By telephone,* by calling the number on your proxy card or voting instruction form.
3. *By mail,* by marking, signing, dating, and mailing your proxy card or voting instruction form. No postage is required if mailed in the United States.
4. *By voting electronically* during the Virtual Annual Meeting at www.virtualshareholdermeeting.com/ SOMC2020.

If you submit a proxy by internet, telephone or mail and 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, or, attending and voting at the virtual annual meeting.

Merely attending the virtual 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 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 Proposals 2 and 3 will be considered routine matters and your broker will have discretionary authority to vote your shares on these proposals. 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.**

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 virtual meeting to constitute a quorum. If you submit a proxy or attend the virtual meeting, 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.

Amendment of Articles of Incorporation: Proposal 2 will be approved if over one half of the shares that are entitled to vote on the proposal are voted in favor of the proposal. Abstentions 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 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 virtual annual meeting and voting online at the meeting. You are encouraged to promptly complete, date, and sign the enclosed proxy and return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

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 virtually 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 2023 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, 2019, 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 2020 annual meeting:			
Dean Calhoun	61	President – Calhoun Corporation	2006
John H. Castle	62	Chairman of the Board and Chief Executive Officer of the Company and Southern Michigan Bank & Trust	2002
Charles J. S. Clark	49	President – Clark Logic	2014
Directors Whose Terms Continue until the 2021 Annual Meeting:			
H. Kenneth Cole	71	Retired Chief Administrative Officer – Hillsdale College; Retired Secretary/Treasurer - Hillsdale College Independence Foundation	1998
Patrick H. Flannery	42	Vice President for Finance and Treasurer – Hillsdale College	2017
Nolan E. Hooker	67	President – Best American Car Washes	1991
Freeman E. Riddle	87	Retired Executive	1982
Directors Whose Terms Continue until the 2022 Annual Meeting:			
Stacey Hamlin	46	President & CEO – CTS Telcom, Inc.	2019
Brian P. McConnell	57	President & COO – Burr Oak Tool, Inc.	2007
Kurt G. Miller	63	President of the Company and Southern Michigan Bank & Trust	2002

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

PROPOSAL 2 – AMENDMENT OF RESTATED ARTICLES OF INCORPORATION

The Board of Directors has determined that increasing the number of authorized shares of Company common stock from 5,000,000 shares to 10,000,000 shares is in the best interests of the Company and its shareholders. The board of directors has unanimously approved and recommends that the Company's shareholders adopt the proposed amendment to the Restated Articles of Incorporation. If Proposal 2 is approved, it is expected that the Board of Directors will declare, at a date it determines, and at its sole discretion, a 2-for-1 stock dividend pursuant to which each shareholder would receive one additional whole share of common stock for each whole share of common stock held by each shareholder.

The Company's Restated Articles of Incorporation currently authorize 5,000,000 shares of common stock and 100,000 shares of preferred stock. As of June 29, 2020, there were 2,311,307 shares of common stock issued and outstanding and 55,000 shares of common stock reserved for issuance upon the exercise of outstanding stock options, leaving the Company with 2,633,693 unissued and unreserved shares of common stock available for other purposes. As of June 29, 2020, no shares of preferred stock were issued and outstanding.

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, including possible opportunities to acquire other financial institutions. 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 will continue to include, without increase, 100,000 shares of preferred stock. Shareholders have no preemptive rights to acquire shares of common stock issued by the Company under its Restated 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. The issuance of additional shares of common stock may 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 the shareholders approve Proposal 2, we will file a Certificate of Amendment to our Restated Articles of Incorporation to amend the first paragraph of Article III of our Restated Articles of Incorporation, in its entirety, as follows:

> The total authorized capital stock is: 10,100,000 shares of stock divided into two classes, as follows:
>
> A. 10,000,000 shares of common stock, par value $2.50 per share; and
>
> B. 100,000 shares of preferred stock, no par value.

Except for the first paragraph, all of the remaining provisions in Article III of the Restated Articles of Incorporation would remain in full force and effect without change. The text of the proposed amendment is subject to modification to include such changes as the Board of Directors determines to be necessary or advisable to effect the increase in authorized shares of common stock.

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, 2019. 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, 2020.

This selection is being submitted to shareholders for ratification. While ratification is not required, the Company believes this 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, 2020, 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, 2019, the total number of shares of common stock of the Company beneficially owned, and the percent of the Company's shares 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	480	239,640	400	240,520	10.39%
John H. Castle	32,509	700	7,500	40,709	1.75%
Danice L. Chartrand	18,071	-	3,000	21,071	*
Charles J. S. Clark	18,170	-	150	18,320	*
H. Kenneth Cole	3,156	-	450	3,606	*
Patrick H. Flannery	1,811	-	50	1,861	*
Nicholas M. Grabowski	16,215	-	4,500	20,715	*
Stacey Hamlin	-	-	-	-	-
Nolan E. Hooker	5,588	6,086	250	11,924	*
Brian P. McConnell	1,955	2,700	450	5,105	*
Kurt G. Miller	27,204	-	6,000	33,204	1.43%
Freeman E. Riddle	8,148	9,752	200	18,100	*
Totals	133,307	258,878	22,950	415,135	17.76%

(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 Southern Michigan Bank & Trust disclaim beneficial ownership of shares held by Southern Michigan Bank & Trust in fiduciary capacities.

(2) Includes restricted stock shares. 450 shares for Messrs. Calhoun, Cole, Hooker, McConnell and Riddle; 425 shares for Mr. Clark; 270 shares for Mr. Flannery; 21,000 shares for Mr. Castle; 16,800 shares for Mr. Miller; 8,480 shares for Mr. Grabowski and 5,975 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, 2019. Options that vest at later dates are not reported in this table.

(5) Based on a total of 2,314,878 issued and outstanding shares as of December 31, 2019, 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, 2019.

(*) 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