

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 11, 2023, at 4:00 p.m. local time, at the Dearth Community Center, located at the Fairgrounds, in 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 on a proposal to approve the Southern Michigan Bancorp, Inc. Stock Incentive Plan of 2023; and
- (3) Vote on a proposal to ratify the selection of CliftonLarsonAllen LLP as independent auditors for the year ending December 31, 2023.

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

Shareholders of record at the close of business on March 13, 2023, 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 31, 2023.

Date: March 31, 2023

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.

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 11, 2023, at 4:00 p.m. local time, at the Dearth Community Center, located at the Fairgrounds in Coldwater, Michigan. We began sending and delivering this proxy statement and accompanying proxy to our shareholders on approximately March 31, 2023.

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 on a proposal to approve the Stock Incentive Plan of 2023 (“Proposal 2”); and
- vote on a proposal to ratify the selection of CliftonLarsonAllen LLP as independent auditors for the year ending December 31, 2023 (“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 13, 2023. 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 13, 2023, there were 4,577,171 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.

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 annual meeting.

Merely attending the annual 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 Proposal 3 will be considered routine matters and your broker will have discretionary authority to vote your shares on the proposal. The election of directors and Proposal 2 will not be considered routine matters 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 and Proposal 2.**

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.

Approval of Stock Incentive Plan of 2023: Proposal 2 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 2 in person or by proxy will not be included in the vote count.

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 annual meeting and voting in person. 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 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 2026 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, 2022, 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
<i>Nominees of the Board of Directors for election at the 2023 annual meeting:</i>			
John H. Castle	65	Chairman of the Board and Chief Executive Officer of the Company and Southern Michigan Bank & Trust	2002
Charles J. S. Clark	52	President – Clark Logic	2014
Brian P. McConnell	60	President & COO – Burr Oak Tool, Inc.	2007
<i>Directors Whose Terms Continue until the 2024 Annual Meeting:</i>			
Patrick H. Flannery	45	Vice President for Finance and Treasurer – Hillsdale College	2017
Travis L. Hampton	44	President and CEO – Value Max Products	2022
Nolan E. Hooker	70	President – Best American Car Washes	1991
Andrew R. Mercer	50	President – R.W. Mercer Co.	2022
<i>Directors Whose Terms Continue until the 2025 Annual Meeting:</i>			
Melissa J. Bauer	45	Co-founder and co-owner of B & M Crop Consulting	2022
Stacey L. Hamlin	49	Business Manager – Jeffrey N Hamlin DMD, PC	2019
Kurt G. Miller	66	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 – APPROVAL OF THE STOCK INCENTIVE PLAN OF 2023

The Southern Michigan Bancorp, Inc. Stock Incentive Plan of 2014 (the “2014 Plan”) was approved by the shareholders at the 2014 annual meeting of shareholders. The 2014 Plan will terminate in accordance with its terms on May 8, 2024 and no further awards may be made under the 2014 Plan after that date. Because the 2014 Plan will expire in 2024, the Board of Directors believes that it is advisable and in the best interests of the Company and its shareholders to establish the Southern Michigan Bancorp, Inc. Stock Incentive Plan of 2023 (the “2023 Plan”) to replace, in its entirety, the 2014 Plan.

The Board of Directors believes that the 2023 Plan would provide directors, corporate and subsidiary officers and other key employees with an increased incentive to make significant contributions to the long-term performance and growth of the Company and its subsidiaries, would align the interests of directors, corporate and subsidiary officers and other key employees with the interests of the Company’s shareholders through the opportunity for increased stock ownership and would help attract and retain directors, corporate and subsidiary officers and key employees of exceptional abilities.

On February 28, 2023, the Board of Directors adopted and approved, subject to shareholder approval, the 2023 Plan. The text of the 2023 Plan is set forth in Appendix A to this Proxy Statement. The following summary of the 2023 Plan is subject to, and qualified in its entirety by reference to, Appendix A.

General

The 2023 Plan permits the grant and award of stock options, restricted stock, stock awards and stock appreciation rights (“Incentive Awards”). By combining in a single plan many types of incentives commonly used in long-term incentive compensation programs, the 2023 Plan is intended to provide significant flexibility for the Company to design specific long-term incentives to best promote 2023 Plan objectives and in turn promote the interests of the Company’s shareholders.

No Incentive Awards may be granted under the 2023 Plan after May 11, 2034 (ten years after its initial shareholder approval, if approved). Incentive Awards may be granted under the 2023 Plan to participants for no cash consideration or for such minimum consideration as determined by the Committee. The 2023 Plan is not qualified under Section 401(a) of the Internal Revenue Code and is not subject to the Employee Retirement Income Security Act of 1974 (ERISA).

Number of Shares Available for Incentive Awards

A maximum of 800,000 shares of the Company's common stock will be available for Incentive Awards under the 2023 Plan (subject to certain anti-dilution and other adjustments). Shares of common stock available under the 2023 Plan may be either unissued shares, shares issued and repurchased by the Company (including shares purchased on the open market), shares issued and otherwise reacquired by the Company or shares otherwise held by the Company. Shares subject to Incentive Awards that are canceled, surrendered, modified, exchanged for substitute incentive awards, or that expire or terminate prior to exercise or vesting in full, and shares that are surrendered to the Company in connection with the exercise or vesting of Incentive Awards, whether previously owned or otherwise subject to such Incentive Awards, will remain available for Incentive Awards under the 2023 Plan.

Eligible Participants

Directors, officers and key employees of the Company and its subsidiaries are eligible participants under the 2023 Plan.

Administration of the 2023 Plan

The 2023 Plan will be administered by the Compensation Committee of the Board of Directors (the “Committee”). The Committee is authorized and empowered to do all things that it determines to be necessary or appropriate in connection with the administration of the 2023 Plan. The Committee will determine, subject to the terms of the 2023 Plan, the persons to receive Incentive Awards, the nature and amount of Incentive Awards to be granted to each person (subject to the limits specified in the 2023 Plan), the time of each grant, the terms and duration of each grant, and all other determinations necessary or advisable for administration of the 2023 Plan. The Committee may amend the terms of Incentive Awards granted under the 2023 Plan from time to time in any manner, subject to the limitations specified in the 2023 Plan.

Stock Options

The 2023 Plan permits the Committee to grant to participants options to purchase shares of Company common stock at stated prices for specific periods of time. Stock options granted under the 2023 Plan may be either nonqualified stock options or incentive stock options as defined in Section 422 of the Internal Revenue Code, except no incentive stock options may be granted to non-employee directors.

The Committee will establish the terms of individual stock option grants in stock option agreements or certificates of award. These documents may contain terms, conditions and restrictions that the Committee determines to be appropriate, including vesting requirements to encourage long-term ownership of shares.

The exercise price of a stock option will be determined by the Committee but must be at least 100% of the market value (as defined in the 2023 Plan) of Company common stock on the date of grant.

When exercising all or a portion of a stock option, a participant may pay the exercise price with cash or, if permitted by the Committee, shares of Company common stock or other consideration substantially equal to cash. The Committee may also authorize payment of all or a portion of the exercise price in the form of a promissory note or installment payments, except as may be limited by applicable laws, rules or regulations.

Although the term of each stock option will be determined by the Committee, no stock option may be exercisable under the 2023 Plan more than ten years after the date it was granted. Stock options generally are exercisable for limited periods of time if an option holder dies, becomes disabled (as defined in the 2023 Plan), is terminated without cause, or voluntarily leaves his or her service or employment. If an option holder is terminated for cause, the option holder forfeits all outstanding stock options. Subject to the other terms of the 2023 Plan, if an option holder retires (as specified in the 2023 Plan) as an employee, he or she may exercise options for the remainder of their terms, unless the terms of the option agreement or award provide otherwise.

Non-employee directors may be granted stock options on an annual basis at a time determined by the Board of Directors with an exercise price equal to the market value of Company common stock on the date of grant. These stock options may grant the right to purchase a number of shares of Company common stock having an aggregate market value at the date of grant not to exceed the amount of the annual director fee then in effect. These stock options will be issued for a term of ten years and may be suspended, modified or terminated by the Board of Directors in its discretion.

Restricted Stock

The 2023 Plan permits the Committee to award restricted stock, subject to the terms and conditions set by the Committee that are consistent with the 2023 Plan. Shares of restricted stock are shares of common stock the retention, vesting or transferability of which is subject, for specified periods of time, to such terms and conditions as the Committee deems appropriate (including continued service or employment). Shares of restricted stock granted to a participant “vest” (i.e., the restrictions lapse) in the manner and at the times that the Committee determines.

Unless the Committee otherwise consents or permits or unless the terms of a restricted stock award provide otherwise, if a participant voluntarily terminates service or employment during the restricted period (i.e., the period of time during which restricted stock is subject to restrictions) for any reason other than death, disability or retirement or if the participant's service or employment is terminated by the Company for cause, then each restricted stock award of the participant still subject in full or in part to restrictions at the date of such termination is automatically forfeited. If the participant's service or employment is terminated during the restricted period because of death, disability or retirement, then the restrictions on the participant's shares of restricted stock terminate automatically with respect to all shares of restricted stock. If the participant's service or employment is terminated by the Company other than for cause, the restrictions on the participant's shares of restricted stock terminate automatically with respect to the number of shares equal to the total number of shares awarded to such participant multiplied by the number of full months that have elapsed since the date of award divided by the total number of full months in the restricted period and all of the remaining shares of restricted stock are forfeited.

Holders of restricted stock have all other rights of a shareholder with respect to the restricted stock, including dividend and liquidation rights and full voting rights.

If the Board of Directors suspends or terminates the grant of stock options to non-employee directors, then the Board of Directors may grant to non-employee directors, on an annual basis at a time determined by the Board of Directors, shares of restricted stock having an aggregate market value at the grant date of no more than 50% of the annual director fee then in effect.

Stock Awards

The 2023 Plan permits the Committee to make stock awards, subject to the terms and conditions set by the Committee that are consistent with the 2023 Plan. The Committee may make stock awards for any amount of consideration, or no consideration, as the Committee determines. A stock award of Company common stock is subject to terms and conditions set by the Committee at the time of the award. Stock award recipients generally have all voting, dividend, liquidation and other rights with respect to awarded shares of Company common stock. However, the Committee may impose restrictions on the assignment or transfer of common stock awarded under the 2023 Plan.

Stock Appreciation Rights

The 2023 Plan permits the Committee to grant stock appreciation rights, subject to the terms and conditions set by the Committee that are consistent with the 2023 Plan. A stock appreciation right permits the holder to receive the difference between the market value of a share of Company common stock on the exercise date of the stock appreciation right and a “base” price set by the Committee on the date of grant (which must be at least 100% of the market value of Company common stock on the date of grant). A stock appreciation right may relate to a particular stock option and may be granted simultaneously with or subsequent to the stock option to which it relates. Except to the extent otherwise modified in the grant,

stock appreciation rights will be subject to the same restrictions and conditions as stock options. Unless the Committee determines otherwise, stock appreciation rights will be settled in cash.

Effects of a Change in Control of the Company

Upon the occurrence of a “change in control” of the Company (as defined in the 2023 Plan), all outstanding stock options and stock appreciation rights vest and become exercisable in full immediately prior to the effective time of the change in control and remain exercisable in accordance with their terms. All other outstanding Incentive Awards under the 2023 Plan immediately become fully vested, exercisable and nonforfeitable.

Purchase of Common Stock

A participant may request to the Committee that the Company purchase all or a portion of Company common stock acquired by the participant under the 2023 Plan at a price equal to the market value. The Committee, in its discretion, will determine whether or not the Company will purchase some or all of the common stock from the participant.

Tax Withholding

The Company may withhold from any cash otherwise payable to a participant or require a participant to remit to the Company amounts necessary to satisfy applicable withholding and employment-related taxes. Unless the Committee determines otherwise, tax withholding obligations may also be satisfied by withholding Company common stock to be received upon exercise or vesting of an Incentive Award or by delivering shares of Company common stock.

Termination and Amendment of the 2023 Plan or Awards

The Board of Directors may terminate the 2023 Plan at any time and may from time to time amend the 2023 Plan; provided that no such termination or amendment shall cause the 2023 Plan to fail to comply with Section 409A of the Internal Revenue Code to the extent it is applicable. In addition, no amendment to the 2023 Plan or to a previously granted Incentive Award may (1) impair or reduce the vested rights of a holder of any outstanding Incentive Award without the consent of the participant, or (2) impair or reduce the unvested rights of any outstanding unvested Incentive Award without the consent of at least 75% of the participants with such unvested Incentive Awards, except, in either case, in certain circumstances in which such amendment is necessary to satisfy a law or regulation or to meet the requirements of or avoid adverse tax or financial accounting consequences under any tax or accounting standard, law or regulation.

***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, 2022. 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, 2023.

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, 2023, 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, 2022, 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.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)			Total Beneficial Ownership	Percent of Class(5)
	Sole Voting and Dispositive Power(2)	Shared Voting or Dispositive Power(3)	Stock Options (4)		
Eric M. Anglin	17,752	-	1,600	19,352	*
Melissa Bauer	2,299	-	-	2,299	*
John H. Castle	69,403	2,540	42,000	113,943	2.50%
Danice L. Chartrand	42,151	-	16,800	58,951	1.30%
Charles J. S. Clark	55,077	-	600	55,677	1.23%
Patrick H. Flannery	4,722	-	400	5,122	*
Nicholas M. Grabowski	43,536	-	23,400	66,936	1.47%
Stacey Hamlin	2,892	-	100	2,992	*
Travis Hampton	2,582	-	-	2,582	*
Nolan E. Hooker	12,076	12,172	800	25,048	*
Brian P. McConnell	10,610	-	800	11,410	*
Andrew Mercer	-	-	-	-	*
Kurt G. Miller	50,031	-	31,100	81,131	1.78%
John Waldron	8,927	-	-	8,927	*
Totals	322,058	14,712	117,600	454,370	9.80%

- (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. 900 shares for Messrs. Clark, Flannery, Hooker and McConnell; 540 shares for Ms. Hamlin; 6,667 shares for Mr. Castle; 5,333 shares for Mr. Miller; 16,400 shares for Mr. Grabowski; 7,560 shares for Mr. Anglin; 6,000 shares for Mr. Waldron; and 14,000 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, 2022. Options that vest at later dates are not reported in this table.
 - (5) Based on a total of 4,519,179 issued and outstanding shares as of December 31, 2022, 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, 2022.
- (*) 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
Secretary

APPENDIX A
SOUTHERN MICHIGAN BANCORP, INC.
STOCK INCENTIVE PLAN OF 2023

SECTION 1

ESTABLISHMENT OF PLAN; PURPOSE OF PLAN

1.1 Establishment of Plan. The Corporation hereby establishes the STOCK INCENTIVE PLAN OF 2023 (the “Plan”) for its directors, corporate and Subsidiary officers and other key employees. The Plan permits the grant and award of Stock Options, Restricted Stock, Stock Awards and Stock Appreciation Rights.

1.2 Purpose of Plan. The purpose of the Plan is to provide directors, corporate and Subsidiary officers and other key employees with an increased incentive to make significant contributions to the long-term performance and growth of the Corporation and its Subsidiaries, to join the interests of directors, corporate and Subsidiary officers and other key employees with the interests of the Corporation’s shareholders through the opportunity for increased stock ownership and to attract and retain directors, corporate and Subsidiary officers and key employees of exceptional abilities. The Plan is further intended to provide flexibility to the Corporation in structuring long-term incentive compensation to best promote the foregoing objectives.

SECTION 2

DEFINITIONS

The following words have the following meanings unless a different meaning is plainly required by the context:

2.1 “Act” means the Securities Exchange Act of 1934, as amended.

2.2 “Board” means the Board of Directors of the Corporation.

2.3 “Cause,” when used in connection with termination of employment or officer status, will have the meaning given to such term in any employment or other similar agreement between the Corporation and the applicable Participant. In the absence of any agreement between the Corporation and a Participant that provides any definition of “cause,” the term “Cause” for the purposes of the Plan will mean a Participant’s neglect, continued failure or inability to perform, or poor performance of duties, consistent failure to attain assigned objectives, misappropriation of Corporation property, intentional damage to Corporation property, activities in aid of a competitor, insubordination, dishonesty, conviction of a crime involving moral turpitude or performance of any act (including any dishonest or fraudulent act) detrimental to the interests of the Corporation. A determination by the Committee that a Participant has been terminated for “Cause” will be conclusive and binding on the Participant.

2.4 “Change in Control” means: (a) the failure of the Continuing Directors at any time to constitute at least a majority of the members of the Board; (b) the acquisition by any Person other than an Excluded Holder of beneficial ownership (within the meaning of Rule 13d-3 issued under the Act) of 50% or more of the outstanding Common Stock or the combined voting power of the Corporation’s outstanding securities entitled to vote generally in the election of directors; (c) the approval by the shareholders of the Corporation of a reorganization, merger or consolidation, unless with or into a Permitted Successor; or (d)

the approval by the shareholders of the Corporation of a complete liquidation or dissolution of the Corporation or the sale or disposition of all, or 70% or more, of the assets of the Corporation other than to a Permitted Successor.

Notwithstanding the foregoing, in any case where the occurrence of a Change in Control could affect the vesting of or payment under an Incentive Award subject to the requirements of Section 409A of the Code, to the extent required to comply with Section 409A of the Code, the term "Change in Control" shall mean an occurrence that both (i) satisfies the requirements set forth above in this definition and (ii) is a "change in control event" as that term is defined in the regulations under Section 409A of the Code.

2.5 "Code" means the Internal Revenue Code of 1986, as amended.

2.6 "Committee" means the Compensation Committee of the Board or such other committee as the Board will designate to administer the Plan.

2.7 "Common Stock" means the common stock, \$2.50 par value, of the Corporation.

2.8 "Corporation" means Southern Michigan Bancorp, Inc. and its successors and assigns.

2.9 "Continuing Directors" means the individual directors constituting the Board as of the date this Plan was adopted and any subsequent directors whose election or nomination for election by the Corporation's shareholders was approved by a vote of majority of the individuals who are then Continuing Directors, but specifically excluding any individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as the term is used in Rule 14a-11 of Regulation 14A issued under the Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

2.10 "Disability" means: (a) a Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (b) a Participant is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Corporation.

2.11 "Employee Benefit Plan" means any plan or program established by the Corporation or a Subsidiary for the compensation or benefit of employees of the Corporation or any of its Subsidiaries.

2.12 "Excluded Holder" means the Corporation, a Subsidiary, any Employee Benefit Plan or any trust holding Common Stock or other securities pursuant to the terms of an Employee Benefit Plan, or any Person determined to be an Excluded Holder by a vote of a majority of Continuing Directors.

2.13 "Incentive Award" means the award or grant of a Stock Option, Restricted Stock, Stock Award or Stock Appreciation Right to a Participant pursuant to the Plan.

2.14 "Market Value" means the most recent per share closing price of Common Stock if the Common Stock is traded on a national securities exchange or quoted on a national inter-dealer quotation system. If the Common Stock is not so traded or quoted, "Market Value" means an amount determined by the Committee, in its discretion, taking into account such factors as it considers advisable in a manner consistent with the valuation principles of Section 409A of the Code, except that to the extent Section 409A of the Code does not apply, the Committee may expressly determine not to use Section 409A valuation

principles and may consider the prices at which recent sales of Common Stock have been made, the lack of a market for Common Stock, any recent valuation of Common Stock obtained by the Corporation, any Subsidiary or any Employee Benefit Plan, and the book value of Common Stock.

2.15 “Participant” means a director, an officer or any employee of the Corporation or its Subsidiaries who the Committee determines is eligible to participate in the Plan and who is designated to be granted an Incentive Award under the Plan.

2.16 “Permitted Successor” means a corporation which, immediately following the consummation of a transaction specified in clauses (c) and (d) of the definition of “Change in Control” above, satisfies each of the following criteria: (a) 60% or more of the outstanding common stock of the corporation and the combined voting power of the outstanding securities of the corporation entitled to vote generally in the election of directors (in each case determined immediately following the consummation of the applicable transaction) is beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the beneficial owners of the Corporation’s outstanding Common Stock and outstanding securities entitled to vote generally in the election of directors (respectively) immediately prior to the applicable transaction; (b) no Person other than an Excluded Holder beneficially owns, directly or indirectly, 20% or more of the outstanding common stock of the corporation or the combined voting power of the outstanding securities of the corporation entitled to vote generally in the election of directors; and (c) at least a majority of the board of directors is comprised of Continuing Directors.

2.17 “Person” has the same meaning as set forth in Sections 13(d) and 14(d)(2) of the Act.

2.18 “Restricted Period” means the period of time during which Restricted Stock awarded under the Plan is subject to restrictions. The Restricted Period may differ among Participants and may have different expiration dates with respect to shares of Common Stock covered by the same Incentive Award.

2.19 “Restricted Stock” means Common Stock awarded to a Participant pursuant to Section 6 of the Plan.

2.20 “Retirement” means the voluntary termination of all employment by a Participant, or the voluntary termination of a Participant as a director of the Corporation, after the Participant has attained 62 years of age, or such other age as will be determined by the Committee in its sole discretion or as otherwise may be set forth in the Incentive Award agreement or other grant document with respect to a Participant and a particular Incentive Award.

2.21 “Stock Appreciation Right” means the right to receive cash or shares of Common Stock awarded to a Participant pursuant to the terms of Section 8 of the Plan.

2.22 “Stock Award” means an award of Common Stock awarded to a Participant pursuant to the terms of Section 7 of the Plan.

2.23 “Stock Option” means the right to purchase Common Stock at a stated price for a specified period of time awarded to a Participant pursuant to the terms of Section 5 of the Plan. For purposes of the Plan, a Stock Option may be either an incentive stock option within the meaning of Section 422(b) of the Code or a nonqualified stock option.

2.24 “Subsidiary” means any corporation or other entity of which 50% or more of the outstanding voting stock or voting ownership interest is directly or indirectly owned or controlled by the Corporation or by one or more Subsidiaries of the Corporation.

SECTION 3

ADMINISTRATION

3.1 Power and Authority. The Committee will administer the Plan, will have full power and authority to interpret the provisions of the Plan and Incentive Awards granted under the Plan and will have full power and authority to supervise the administration of the Plan and Incentive Awards granted under the Plan. All determinations, interpretations and selections made by the Committee regarding the Plan will be final and conclusive. The Committee will hold its meetings at such times and places as it deems advisable. Action may be taken by a written instrument signed by a majority of the members of the Committee and any action so taken will be fully as effective as if it had been taken at a meeting duly called and held. The Committee will make such rules and regulations for the conduct of its business as it considers advisable.

3.2 Grants or Awards to Participants. In accordance with and subject to the provisions of the Plan, the Committee will have the authority to determine all provisions of Incentive Awards as are consistent with the terms of the Plan, including, without limitation, the following: (a) the persons who will be selected as Participants; (b) the nature and terms of the Incentive Awards to be made to each Participant (including the number of shares of Common Stock to be subject to each Incentive Award, any exercise price, the manner in which an Incentive Award will vest or become exercisable and the form of payment for the Incentive Award); (c) the time or times when Incentive Awards will be granted or awarded; (d) the duration of each Incentive Award; and (e) the restrictions and other conditions to which payment or vesting of Incentive Awards may be subject.

3.3 Amendments or Modifications of Awards. The Committee will have authority to amend or modify the terms of any outstanding Incentive Award in any manner, provided that the amended or modified terms are not prohibited by the Plan as then in effect and provided that such actions do not cause an Incentive Award not otherwise subject to Section 409A of the Code to become subject to Section 409A of the Code, including, without limitation, authority to: (a) modify the number of shares or other terms and conditions of an Incentive Award; provided that any increase in the number of shares of an Incentive Award other than pursuant to Section 4.2 will be considered to be a new grant with respect to such additional shares for purposes of Section 409A of the Code and such new grant shall be made at Market Value on the date of the new grant; (b) extend the term of an Incentive Award to a date that is no later than the earlier of the latest date upon which the Incentive Award could have expired by its terms under any circumstances or the 10th anniversary of the date of grant (for purposes of clarity, as permitted under Section 409A of the Code, if the term of a Stock Option is extended at a time when the Stock Option price equals or exceeds the Market Value, it will not be an extension of the term of the Stock Option, but instead will be treated as a modification of the Stock Option and a new Stock Option will be treated as having been granted); (c) accelerate the exercisability or vesting or otherwise terminate any restrictions relating to an Incentive Award; (d) accept the surrender of any outstanding Incentive Award; and (e) to the extent not previously exercised or vested, authorize the grant of new Incentive Awards in substitution for surrendered Incentive Awards; provided, however, that such grant of new Incentive Awards will be considered to be a new grant for purposes of Section 409A of the Code and such new grant shall be made at Market Value on the date of the new grant.

3.4 Indemnification of Committee Members. Each person who is or will have been a member of the Committee will be indemnified and held harmless by the Corporation from and against any cost, liability or expense imposed or incurred in connection with such person's or the Committee's taking or failing to take any action under the Plan. Each such person will be justified in relying on information furnished in connection with the Plan's administration by any appropriate person or persons.

SECTION 4

SHARES SUBJECT TO THE PLAN

4.1 Number of Shares. A maximum of 800,000 shares of Common Stock will be available for Incentive Awards under the Plan, subject to adjustment as provided in Section 4.2 of the Plan. Such shares shall be authorized and may be unissued shares, shares issued and repurchased by the Corporation (including shares purchased on the open market), shares issued and otherwise reacquired by the Corporation and shares otherwise held by the Corporation.

4.2 Adjustments. If the number of shares of Common Stock outstanding changes by reason of a stock dividend, stock split, recapitalization, merger, consolidation, combination, exchange of shares or any other change in the corporate structure or shares of the Corporation, the number and kind of securities subject to and reserved under the Plan, together with applicable exercise prices, will be appropriately adjusted. No fractional shares will be issued pursuant to the Plan and any fractional shares resulting from adjustments will be eliminated from the respective Incentive Awards, with an appropriate cash adjustment for the value of any Incentive Awards eliminated. If an Incentive Award is canceled, surrendered, modified, exchanged for a substitute Incentive Award or expires or terminates during the term of the Plan but prior to the exercise or vesting of the Incentive Award in full, the shares subject to but not delivered under such Incentive Award will be available for other Incentive Awards. If shares of Common Stock are surrendered to the Corporation in connection with the exercise or vesting of an Incentive Award, the surrendered shares will be available for other Incentive Awards under the Plan.

SECTION 5

STOCK OPTIONS

5.1 Grant. A Participant may be granted one or more Stock Options under the Plan. The Committee, in its discretion, may provide in the initial grant of a Stock Option for the subsequent automatic grant of additional Stock Options for the number of shares, if any, that are subject to the initial Stock Option and surrendered to the Corporation in connection with the exercise of the initial or any subsequently granted Stock Option. Stock Options will be subject to such terms and conditions, consistent with the other provisions of the Plan, as may be determined by the Committee in its sole discretion. In addition, the Committee may vary, among Participants and among Stock Options granted to the same Participant, any and all of the terms and conditions of the Stock Options granted under the Plan. The Committee will have complete discretion in determining the number of Stock Options granted to each Participant. The Committee may designate whether or not a Stock Option is to be considered an incentive stock option as defined in Section 422(b) of the Code, except no incentive stock options will be granted to non-employee directors.

5.2 Grants to Non-employee Directors. Each non-employee director may be granted a Stock Option on an annual basis at a time determined by the Board. The exercise price of the Stock Option will be equal to the Market Value of the Common Stock on the grant date. The Stock Option will grant the right to purchase that number of shares of Common Stock having an aggregate Market Value at the grant date no greater than the amount of one times the annual director fee then in effect. These Stock Options will be issued for a term of 10 years using a form of agreement approved by the Committee in its discretion. Subject to Section 6.2 below, these grants of Stock Options may be suspended, modified or terminated by the Board, in its sole discretion. Non-employee directors may pay the exercise price in any manner permitted for exercises by other Participants. Stock Options granted to non-employee directors of the Corporation will not qualify as incentive stock options.

5.3 Stock Option Agreements. Stock Options will be evidenced by stock option agreements containing such terms and conditions, consistent with the provisions of the Plan, as the Committee will from time to time determine. To the extent not covered by the stock option agreement, the terms and conditions of this Section 5 will govern.

5.4 Stock Option Price. The per share Stock Option exercise price will be determined by the Committee but shall be a price that is equal to or greater than the Market Value on the date of grant.

5.5 Medium and Time of Payment. The exercise price for each share purchased pursuant to a Stock Option granted under the Plan will be payable in cash or, if the Committee consents or if a Participant's stock option agreement so provides, in shares of Common Stock (including Common Stock to be received upon a simultaneous exercise) or other consideration substantially equivalent to cash. The time and terms of payment may be amended with the consent of a Participant before or after exercise of a Stock Option. The Committee may from time to time authorize payment of all or a portion of the Stock Option price in the form of a promissory note or other deferred payment installments according to such terms as the Committee may approve. The Board may restrict or suspend the power of the Committee to permit such loans and may require that security be provided.

5.6 Stock Options Granted to 10% Shareholders. No Stock Option granted to any Participant who at the time of such grant owns, together with stock attributed to such Participant under Section 424(d) of the Code, more than 10% of the total combined voting power of all classes of stock of the Corporation or any of its Subsidiaries may be designated as an incentive stock option, unless such Stock Option provides an exercise price equal to at least 110% of the Market Value of the Common Stock and the exercise of the Stock Option after the expiration of 5 years from the date of grant of the Stock Option is prohibited by its terms.

5.7 Limits on Exercisability. Stock Options will be exercisable for such periods, not to exceed 10 years from the date of grant, as may be fixed by the Committee. At the time of exercise of a Stock Option, the holder of the Stock Option, if requested by the Committee, must represent to the Corporation that the shares are being acquired for investment and not with a view to their distribution. The Committee may in its discretion require a Participant to continue the Participant's service with the Corporation and its Subsidiaries for a certain length of time as a condition to a Stock Option becoming exercisable and may eliminate such delayed vesting provisions.

5.8 Restrictions on Transferability.

(a) General. Unless the Committee otherwise consents (before or after the Stock Option grant) or unless the Stock Option agreement or grant provides otherwise: (i) no incentive Stock Option granted under the Plan may be sold, exchanged, transferred, pledged, assigned or otherwise alienated or hypothecated except by will or the laws of descent and distribution; and (ii) all Stock Options that are not incentive Stock Options may be transferred; provided, that as a condition to any such transfer the transferee must execute a written agreement permitting the Corporation to withhold from the shares subject to the Incentive Award a number of shares having a Market Value at least equal to the amount of any federal, state or local withholding or other taxes associated with or resulting from the exercise of a Stock Option.

(b) Other Restrictions. The Committee may impose other restrictions on any shares of Common Stock acquired pursuant to the exercise of a Stock Option under the Plan as the Committee considers advisable, including, without limitation, restrictions under applicable federal or state securities laws.

5.9 Termination of Employment or Director or Officer Status.

(a) General. If a Participant ceases to be employed by or an officer of the Corporation or one of its Subsidiaries for any reason or if a director ceases to serve as a director of the Corporation for any reason, other than the Participant's or director's death, Disability, Retirement or termination for Cause, the Participant or director may exercise his or her Stock Options only for a period of 3 months after such termination of employment or director or officer status, but only to the extent the Participant or director was entitled to exercise the Stock Options on the date of termination, unless the Committee otherwise consents or the terms of the Stock Option agreement or grant provide otherwise. For purposes of the Plan, the following will not be considered a termination of employment or director or officer status: (i) a transfer of an employee among the Corporation and its Subsidiaries; (ii) a leave of absence, duly authorized in writing by the Corporation, for military service or for any other purpose approved by the Corporation if the period of such leave does not exceed 90 days; (iii) a leave of absence in excess of 90 days, duly authorized in writing by the Corporation, provided that the employee's right to reemployment is guaranteed either by statute or contract; or (iv) a termination of employment with continued service as a director or officer.

(b) Death. If a Participant dies either while an employee or officer of the Corporation or one of its Subsidiaries or after the termination of employment other than for Cause but during the time when the Participant could have exercised a Stock Option under the Plan, or if a director dies while serving as a director of the Corporation or after ceasing to be a director but during the time the director or former director could have exercised a Stock Option under the Plan, the Stock Option issued to such Participant, director or former director will be exercisable by the personal representative of such Participant, director or former director or other successor to the interest of the Participant, director or former director for 1 year after the Participant's, director's or former director's death, but only to the extent that the Participant, director or former director was entitled to exercise the Stock Option on the date of death or termination of employment or status as a director or officer, whichever first occurred, unless the Committee otherwise consents or the terms of the Stock Option agreement or grant provide otherwise.

(c) Disability. If a Participant ceases to be an employee, director or officer of the Corporation or one of its Subsidiaries due to the Participant's Disability, the Participant may exercise a Stock Option for a period of 1 year following such termination of employment or director or officer status, but only to the extent that the Participant was entitled to exercise the Stock Option on the date of such event, unless the Committee otherwise consents or the terms of the Stock Option agreement or grant provide otherwise.

(d) Participant Retirement. If a Participant Retires as an employee or officer of the Corporation or one of its Subsidiaries or if a director retires, any Stock Option granted under the Plan may be exercised during the remaining term of the Stock Option, unless the terms of the Stock Option agreement or grant provide otherwise.

(e) Termination for Cause. If a Participant is terminated for Cause, the Participant will have no further right to exercise any Stock Option previously granted, unless the Committee determines otherwise.

SECTION 6

RESTRICTED STOCK

6.1 Grant. A Participant may be granted Restricted Stock under the Plan. Restricted Stock will be subject to such terms and conditions, consistent with the other provisions of the Plan, as will be determined by the Committee in its sole discretion. The Committee may impose such restrictions or conditions, consistent with the provisions of the Plan, to the vesting of Restricted Stock as it considers appropriate.

6.2 Grants to Non-employee Directors. If the Board suspends or terminates the grant of Stock Options to non-employee directors, as provided in Section 5.2 above, then the Board may, in its sole discretion, grant each non-employee director, on an annual basis at a time determined by the Board, a number of shares of Restricted Stock having an aggregate Market Value at the grant date no greater than one-half (1/2) times the annual director fee then in effect. The shares of Restricted Stock will be evidenced using a form of agreement approved by the Committee in its discretion.

6.3 Termination of Employment or Officer Status.

(a) General. In the event of termination of employment or officer status during the Restricted Period for any reason other than death, Disability, Retirement, termination by the Corporation other than for Cause or termination for Cause, then any shares of Restricted Stock still subject to restrictions at the date of such termination will automatically be forfeited and returned to the Corporation, unless the Committee determines otherwise, waives the automatic forfeiture or waives or modifies the restrictions. For purposes of the Plan, the following will not be considered a termination of employment or officer status: (i) a transfer of an employee among the Corporation and its Subsidiaries; (ii) a leave of absence, duly authorized in writing by the Corporation, for military service or for any other purpose approved by the Corporation if the period of such leave does not exceed 90 days; (iii) a leave of absence in excess of 90 days duly authorized in writing by the Corporation, provided that the employee's right to reemployment is guaranteed either by statute or contract; and (iv) a termination of employment with continued service as an officer.

(b) Death, Retirement or Disability. Unless the terms of the Restricted Stock agreement or grant provide otherwise, in the event a Participant terminates his employment with the Corporation because of death, Disability or Retirement during the Restricted Period, the restrictions applicable to the shares of Restricted Stock will terminate automatically with respect to all shares of Restricted Stock.

(c) Termination by Corporation other than for Cause. In the event of a voluntary or involuntary termination of the employment or officer status of a Participant by the Corporation other than for Cause, the restrictions applicable to the shares of Restricted Stock will terminate automatically with respect to that number of shares (rounded to the nearest whole number) equal to the total number of shares of Restricted Stock granted to such Participant multiplied by the number of full months that have elapsed since the date of grant divided by the maximum number of full months of the Restricted Period. All remaining shares of Restricted Stock will be forfeited and returned to the Corporation; provided, that the Committee may, in its sole discretion, waive the automatic forfeiture of any or all such shares of Restricted Stock and/or may modify the restrictions to such shares of Restricted Stock as it considers appropriate with the consent of the Participant.

(d) Termination for Cause. If a Participant's employment is terminated for Cause, the Participant will have no further right to retain any Restricted Stock and all Restricted Stock still

subject to restrictions at the date of such termination will automatically be forfeited and returned to the Corporation, unless the Committee determines otherwise.

6.4 Restrictions on Transferability.

(a) General. Unless the Committee otherwise consents or unless the terms of the Restricted Stock agreement or grant provide otherwise: (i) shares of Restricted Stock will not be sold, exchanged, transferred, pledged, assigned or otherwise alienated or hypothecated during the Restricted Period except by will or the laws of descent and distribution; and (ii) all rights with respect to Restricted Stock granted to a Participant under the Plan will be exercisable during the Participant's lifetime only by such Participant, his guardian or legal representative.

(b) Other Restrictions. The Committee may impose other restrictions on any shares of Common Stock acquired pursuant to an award of Restricted Stock under the Plan as the Committee considers advisable, including, without limitation, restrictions under applicable federal or state securities laws.

6.5 Legending of Restricted Stock. In addition to any other legend that may be set forth on a Participant's share certificate, any certificates evidencing shares of Restricted Stock awarded pursuant to the Plan will bear the following legend:

The shares represented by this certificate were issued subject to certain restrictions under the Southern Michigan Bancorp, Inc. Stock Incentive Plan of 2023 (the "Plan"). A copy of the Plan is on file in the office of the Secretary of the Corporation. This certificate is held subject to the terms and conditions contained in a restricted stock agreement that includes a prohibition against the sale or transfer of the stock represented by this certificate except in compliance with that agreement and that provides for forfeiture upon certain events.

6.6 Rights as a Shareholder. A Participant will have all voting, dividend, liquidation and other rights with respect to Restricted Stock held of record by such Participant as if the Participant held unrestricted Common Stock; provided, that the unvested portion of any award of Restricted Stock will be subject to any restrictions on transferability or risks of forfeiture imposed pursuant to Sections 6.3 and 6.4 of the Plan. Unless the Committee otherwise determines or unless the terms of the Restricted Stock agreement or grant provide otherwise, any noncash dividends or distributions paid with respect to shares of unvested Restricted Stock will be subject to the same restrictions as the shares to which such dividends or distributions relate. Any dividend payment with respect to Restricted Stock shall be made no later than the end of the calendar year in which the dividends are paid to shareholders, or, if later, the 15th day of the third month following the date the dividends are paid to shareholders.

SECTION 7

STOCK AWARDS

7.1 Grant. A Participant may be granted one or more Stock Awards under the Plan. Stock Awards will be subject to such terms and conditions, consistent with the other provisions of the Plan, as may be determined by the Committee in its sole discretion. Notwithstanding the previous sentence, Stock Awards shall be settled no later than the 15th day of the third month after the awards vest.

7.2 Rights as a Shareholder. A Participant will have all voting, dividend, liquidation and other rights with respect to shares of Common Stock issued to the Participant as a Stock Award under this Section 7 upon the Participant becoming the holder of record of the Common Stock granted pursuant to such Stock Award; provided, that the Committee may impose such restrictions on the assignment or transfer of Common Stock awarded pursuant to a Stock Award as it considers appropriate. Any dividend payment with respect to a Stock Award shall be made no later than the end of the calendar year in which the dividends are paid to shareholders, or, if later, the 15th day of the third month following the date the dividends are paid to shareholders.

SECTION 8

STOCK APPRECIATION RIGHTS

8.1 Grant. A Participant may be granted one or more Stock Appreciation Rights under the Plan and such Stock Appreciation Rights will be subject to such terms and conditions, consistent with the other provisions of the Plan, as will be determined by the Committee in its sole discretion. A Stock Appreciation Right may relate to a particular Stock Option and may be granted simultaneously with or subsequent to the Stock Option to which it relates. Except to the extent otherwise modified in the grant, Stock Appreciation Rights will be subject to the same restrictions and conditions as Stock Options under the Plan and may be subject to additional restrictions and conditions. The exercise price of Stock Appreciation Rights shall be determined by the Committee but shall be a price that is equal to or greater than the Market Value on the date of grant. The appreciation in value will be equal to the excess of the Market Value of such shares at the time of the exercise of the Stock Appreciation Right over the exercise price of such shares.

8.2 Exercise; Payment. To the extent granted in tandem with a Stock Option, Stock Appreciation Rights may be exercised only when a related Stock Option could be exercised and only when the Market Value of the stock subject to the Stock Option exceeds the exercise price of the Stock Option. Unless the Committee decides otherwise (in its sole discretion), Stock Appreciation Rights will only be paid in cash.

SECTION 9

CHANGE IN CONTROL

9.1 Acceleration of Vesting. If a Change in Control of the Corporation occurs, then, unless the Committee or the Board otherwise determines with respect to one or more Incentive Awards, without action by the Committee or the Board: (a) all outstanding Stock Options and Stock Appreciation Rights will become immediately vested and exercisable in full and will remain exercisable during the remaining term thereof, regardless of whether the Participants to whom such Stock Options or Stock Appreciation Rights have been granted remain in the employ or service of the Corporation or any Subsidiary; and (b) all other outstanding Incentive Awards will become immediately fully vested and nonforfeitable.

9.2 Cash Payment for Stock Options and Stock Appreciation Rights. If a Change in Control of the Corporation occurs, then the Committee, in its sole discretion and without the consent of any Participant affected thereby, may determine that some or all Participants holding outstanding Stock Options and/or Stock Appreciation Rights shall receive, with respect to and in lieu of some or all of the shares of Common Stock subject to such Stock Options and/or Stock Appreciation Rights, as of the effective date of any such Change in Control of the Corporation, cash in an amount equal to the excess of the greater of: (a) the Market Value of the shares on the date immediately prior to the effective date of such Change in

Control of the Corporation; or (b) the highest price per share actually paid in connection with any Change in Control of the Corporation, over the exercise price per share of such Stock Options and/or the base price per share of such Stock Appreciation Rights. Such amount shall be paid no later than 60 days following the Change in Control, with payment occurring in the later calendar year if that period crosses two calendar years. Upon a Participant's receipt of such amount with respect to some or all of his or her Stock Options and/or Stock Appreciation Rights, the respective Stock Options and/or Stock Appreciation Rights shall be canceled and may no longer be exercised by such Participant.

SECTION 10

PURCHASE OF COMMON STOCK

10.1 Request to Purchase. A Participant, or the Participant's administrator, executor or guardian upon the Participant's death, may request to the Committee that the Corporation purchase all or a portion of the Common Stock acquired by the Participant under the Plan and not then forfeited pursuant to the Plan at a price equal to the Market Value. The Committee, in its sole discretion, will determine whether the Corporation will purchase some or all of the Common Stock from the Participant.

10.2 Closing; Redemption Value. If the Committee elects to purchase Common Stock under Section 10.1, then the Committee will set the closing date of the purchase and notify the Participant of the closing date. Payment for the Common Stock will be based on the Market Value as of the closing date. At the closing, the Participant shall deliver to the Corporation the certificates representing the shares to be purchased and the Corporation shall pay for the shares as provided in this Section 10.

10.3 Payment for the Shares. Shares purchased pursuant to the provisions of this Section 10 will be paid for in full upon the closing date or, at the election of the Committee, in its sole discretion, the purchase price may be paid for in installments and will be evidenced by a promissory note issued as of the closing date of the purchase and bearing a reasonable rate of interest as determined by the Committee in its sole discretion. The Corporation shall have the right to prepay all or a portion of the principal balance of any note delivered under this Section 10.3 at any time or from time to time without a premium or a penalty.

SECTION 11

GENERAL PROVISIONS

11.1 No Rights to Awards. No Participant or other person will have any claim to be granted any Incentive Award under the Plan and there is no obligation of uniformity of treatment of Participants or holders or beneficiaries of Incentive Awards under the Plan. The terms and conditions of Incentive Awards of the same type and the determination of the Committee to grant a waiver or modification of any Incentive Award and the terms and conditions thereof need not be the same with respect to each Participant or even the same Participant.

11.2 Withholding. The Corporation or a Subsidiary will be entitled to: (a) withhold and deduct from future wages of a Participant (or from other amounts that may be due and owing to a Participant from the Corporation or a Subsidiary), or make other arrangements for the collection of, all amounts required to satisfy any and all federal, state and local withholding and employment-related tax requirements attributable to an Incentive Award, including, without limitation, the grant, exercise or vesting of, or payment of dividends with respect to, an Incentive Award or a disqualifying disposition of Common Stock received upon exercise of an incentive stock option; or (b) require a Participant promptly to remit the amount of such withholding to the Corporation before taking any action with respect to an Incentive Award. Unless the

Committee determines otherwise, withholding may be satisfied by withholding Common Stock to be received upon exercise or by delivery to the Corporation of previously owned Common Stock. The Corporation may establish such rules and procedures concerning timing of any withholding election as it deems appropriate.

11.3 Compliance with Laws; Listing and Registration of Shares. All Incentive Awards granted under the Plan (and all issuances of Common Stock or other securities under the Plan) will be subject to all applicable laws, rules and regulations, and to the requirement that if at any time the Committee determines, in its discretion, that the listing, registration or qualification of the shares covered thereby upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the grant of such Incentive Award or the issue or purchase of shares thereunder, such Incentive Award may not be exercised in whole or in part, or the restrictions on such Incentive Award will not lapse, unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Committee. It is intended that all grants and payments under the Plan are exempt from Section 409A of the Code as either equity-based compensation or short-term deferrals and the Plan shall be interpreted and operated consistently with those intentions.

11.4 Transfer Restriction Legend. If applicable, each certificate of Common Stock issued under the Plan shall bear a legend substantially as follows:

The shares represented by this certificate were issued pursuant to an exemption from registration under the Securities Act of 1933, as amended, and applicable state securities laws. The shares may not be transferred without registration or an exemption therefrom under federal and applicable state securities laws.

11.5 No Limit on Other Compensation Arrangements. Nothing contained in the Plan will prevent the Corporation or any Subsidiary from adopting, continuing in effect, or discontinuing other or additional compensation arrangements, including the grant of stock options and other stock-based awards, and such arrangements may be either generally applicable or applicable only in specific cases.

11.6 No Right to Employment. The grant of an Incentive Award will not be construed as giving a Participant the right to be retained in the employ of the Corporation or any Subsidiary. The Corporation or any Subsidiary may at any time dismiss a Participant from employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any written agreement with a Participant.

11.7 Suspension of Rights under Incentive Awards. The Corporation, by written notice to a Participant, may suspend a Participant's and any transferee's rights under any Incentive Award for a period not to exceed 30 days while the termination for Cause of that Participant's employment with the Corporation and its Subsidiaries is under consideration.

11.8 Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan will be determined in accordance with the laws of the State of Michigan and applicable federal law.

11.9 Severability. In the event any provision of the Plan will be held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining provisions of the Plan and the Plan will be construed and enforced as if the illegal or invalid provision had not been included.

SECTION 12

TERMINATION AND AMENDMENT

The Board may terminate the Plan at any time or may from time to time amend or alter the Plan or any aspect of it; provided that no such termination or amendment shall cause the Plan to fail to comply with Section 409A of the Code to the extent it is applicable. Notwithstanding anything to the contrary in this Section 12, no such amendment or alteration to the Plan or to any previously granted award agreement or Incentive Award shall be made which would (a) impair or reduce the vested rights of the holders of the Incentive Awards without such holder's consent or (b) impair or reduce the unvested rights of any outstanding unvested Incentive Awards without the consent of at least 75% of the Participants with such unvested Incentive Awards; provided, that no such consent shall be required if the Committee determines in its sole discretion and prior to the date of any Change in Control that such termination, amendment or alteration is required or advisable in order for the Corporation, the Plan or the Incentive Award to satisfy any law or regulation or to meet the requirements of or avoid adverse financial accounting consequences under any tax or accounting standard, law or regulation.

SECTION 13

EFFECTIVE DATE AND DURATION OF THE PLAN

This Plan will take effect on May 12, 2023, subject to approval by the shareholders of the Corporation at the 2023 Annual Meeting of Shareholders or any adjournment thereof. Unless earlier terminated by the Board of Directors, the Plan will terminate on the date 10 years after that date. No Incentive Award will be granted under the Plan after such termination date.