



April 3, 2017

Dear Fellow Shareholder:

You are cordially invited to attend the annual meeting of shareholders of Blackhawk Bancorp, Inc. to be held at The Beloit Club, located at 2327 South Riverside Drive, Beloit, Wisconsin, on Wednesday, May 17, 2017, at 10:00 a.m. At the meeting, we will report to you on the progress of your company and respond to your comments or questions. In addition, several of our officers will be available to talk individually with you about our record of achievement and plans for the future.

Our nominating committee has nominated three persons to serve on the board for three-year terms as directors. Their names appear in the enclosed proxy materials. All three of the nominees are incumbent directors. We recommend that you vote your shares for all three nominees.

Because it is important that your shares be represented at the meeting, please sign and return the enclosed proxy card or follow the instructions on the proxy card to vote by Internet, e-mail or fax as soon as possible, regardless of whether you plan to attend the meeting in person.

We look forward with pleasure to seeing and visiting with you at the meeting.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read "R. Richard Bastian, III".

R. Richard Bastian, III
Chairman and Chief Executive Officer

Enclosures



**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 17, 2017**

TO THE HOLDERS OF COMMON STOCK:

The annual meeting of shareholders of BLACKHAWK BANCORP, INC. will be held at The Beloit Club located at 2327 South Riverside Drive, Beloit, Wisconsin on Wednesday, May 17, 2017, at 10:00 a.m., for the purpose of considering and voting upon the following matters:

1. to elect three (3) members of the board of directors; and
2. to ratify the appointment of Plante & Moran, PLLC as our independent public accounting firm for the year ending December 31, 2017; and
3. to transact such other business as may properly be brought before the annual meeting or any adjournments or postponements of the meeting.

Only those shareholders of record at the close of business on April 3, 2017, will be entitled to notice of the meeting and to vote at the meeting. If there are not sufficient votes for a quorum or to approve or ratify any of the foregoing proposals at the time of the annual meeting, the annual meeting may be adjourned or postponed to permit our further solicitation of proxies.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read "Todd J. James", written over a horizontal line.

Todd J. James
Executive Vice President and Secretary

Beloit, Wisconsin
April 3, 2017

PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE OR FOLLOW THE INSTRUCTIONS ON THE PROXY CARD TO VOTE BY INTERNET, E-MAIL OR FAX AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON. WE ENCOURAGE YOU TO ATTEND THE MEETING AND, IF YOU DO, YOU MAY VOTE YOUR STOCK IN PERSON IF YOU WISH REGARDLESS OF WHETHER YOU HAVE PREVIOUSLY SUBMITTED YOUR PROXY TO US. THE PROXY MAY BE REVOKED AT ANY TIME PRIOR TO ITS EXERCISE.

BLACKHAWK BANCORP, INC.
PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
MAY 17, 2017

This proxy statement is furnished in connection with the solicitation by the board of directors of Blackhawk Bancorp, Inc. of proxies to be voted at the annual meeting of shareholders to be held at The Beloit Club located at 2327 South Riverside Drive, Beloit, Wisconsin on Wednesday, May 17, 2017, at 10:00 a.m. local time, or at any adjournments or postponements of the meeting.

Blackhawk Bancorp, Inc., a Wisconsin corporation (“Blackhawk Bancorp”), is a financial holding company that owns all of the issued and outstanding capital stock of its wholly-owned subsidiaries Blackhawk Bank, a Wisconsin-chartered commercial bank with its main office located in Beloit, Wisconsin (the “Bank”) and Blackhawk Risk Management, Inc. a Nevada-based captive insurance company located in Las Vegas, Nevada (the “Captive”). The Bank operates eight freestanding branches, two of which are located in Beloit, Wisconsin, one in Janesville, Wisconsin and five of which are located in the following cities in Illinois: Belvidere, Machesney Park, Rockford (2), and Roscoe. The Bank has one wholly-owned subsidiary, Nevahawk Investment, Inc., an investment subsidiary located in Las Vegas, Nevada. The Bank offers a wide range of services that include consumer banking, business banking and related financial services. The Bank also provides trust and investment services through a third party marketing agreement with a full service trust and brokerage company.

The following is information regarding the meeting and the voting process, presented in a question and answer format.

Why am I receiving this proxy statement and proxy card?

You are receiving a proxy statement and proxy card from us because on April 3, 2017, you owned shares of Blackhawk Bancorp common stock. This proxy statement describes the matters that will be presented for consideration by the shareholders at the annual meeting. It also gives you information concerning these matters to assist you in making an informed decision.

When you sign the enclosed proxy card, you appoint the proxy holder as your representative at the meeting. The proxy holder will vote your shares as you have instructed in the proxy card, which ensures that your shares will be voted whether or not you attend the meeting. Even if you plan to attend the meeting, you should complete, sign and return your proxy card or vote by Internet in advance of the meeting just in case your plans change.

If you have signed and returned the proxy

card or voted by Internet and an issue comes up for a vote at the meeting that is not identified on the proxy card, the proxy holder will vote your shares, pursuant to your proxy, in accordance with his or her judgment.

What matters will be voted on at the meeting?

You are being asked to vote on the election of three directors of Blackhawk Bancorp for a term expiring in 2020 and to approve the ratification of Plante & Moran, PLLC as our independent public accounting firm for the year ending December 31, 2017.

How do I vote?

You may vote by mail, by internet, by phone or in person at the meeting. To vote by mail sign the enclosed proxy card and mail it in the enclosed pre-addressed envelope. No postage is required if mailed in the United States. To vote by internet or phone follow instructions on the enclosed proxy card. If you mark your proxy card to indicate how you want your shares voted, your shares will be voted as you instruct.

Votes submitted by internet must be received by 11:59 p.m. Central Time on Monday, May 15, 2017. You may vote by internet by accessing the website specified on your proxy card and by following the preprinted instructions on the proxy card. The giving of a proxy by these means will not affect your right to vote in person if you decide to attend the meeting.

If you sign and return your proxy card but do not mark the card to provide voting instructions, the shares represented by your proxy card will be voted “for” all three nominees named in this proxy statement.

Who bears the cost of soliciting proxies?

We will bear the cost of soliciting proxies. In addition to solicitations by mail, officers, directors or employees of Blackhawk Bancorp or its subsidiary bank may solicit proxies in person or by telephone. These persons will not receive any special or additional compensation for soliciting proxies. We may reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders.

If you want to vote in person, please come to the meeting. We will distribute written ballots to anyone who wants to vote at the meeting. Please note, however, that if your shares are held in the name of your broker (or in what is usually referred to as “street name”), you will need to arrange to obtain a proxy card from your broker before you will be able to vote in person at the meeting.

Who votes my shares if I hold them in the name of a broker?

If you received this proxy statement from your broker, your broker should have given you instructions for directing your broker how to vote your shares. It will then be your broker's responsibility to vote your shares for you as you direct. Brokers and other nominees are not permitted to vote shares in the election of directors without direction from the beneficial owner of such shares. Therefore, if you hold your

shares in “street name,” we encourage you to follow your broker's or nominee's directions for providing instructions as to how the broker or nominee should vote your shares.

What if I change my mind after I return my proxy card?

If you hold your shares in your own name, you may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by:

- signing another proxy with a later date and returning that proxy to Blackhawk Bancorp, Inc., Attention: Todd J. James, our Executive Vice President and Secretary, at our corporate offices at 400 Broad Street, Beloit, Wisconsin 53511;
- sending written notice to us that you are revoking your proxy;
- timely submitting another proxy via the Internet; or
- voting in person at the meeting.

If you hold your shares in the name of your broker and desire to revoke your proxy, you will need to contact your broker to revoke your proxy.

How many votes do we need to hold the annual meeting?

A majority of the shares that are outstanding and entitled to vote as of the record date must be present in person or by proxy at the meeting in order to hold the meeting and conduct business.

Shares are counted as present at the meeting if the shareholder either:

- is present and votes in person at the meeting; or
- has properly submitted a signed proxy card or other proxy.

On April 3, 2017, the record date, there were 3,251,047 shares of common stock issued and outstanding.

What happens if a nominee is unable or unwilling to stand for re-election?

The board may, by resolution, provide for a lesser number of directors or designate a substitute nominee. In the latter case, shares represented by proxies may be voted for a substitute nominee. You cannot vote for more than three nominees. The board has no reason to believe that any nominee will be unable or unwilling to stand for re-election.

How many votes may I cast?

Generally, you are entitled to cast one vote for each share of stock you owned on the record date. The proxy card included with this proxy statement indicates the number of shares owned by an account attributable to you.

How many votes are needed for each proposal?

The three individuals receiving the highest number of votes cast “for” their election will be elected as directors of Blackhawk Bancorp.

All other matters must receive the affirmative vote of a majority of the shares present in person or by proxy at the meeting and entitled to vote. Broker non-votes will not be counted as entitled to vote, but will count for purposes of determining whether or not a quorum is present on the matter. We will announce voting results at the meeting.

Is Blackhawk Bancorp subject to corporate governance standards such as those required by the Sarbanes-Oxley Act?

We have long believed that many of the governing principles that have been imposed on public companies through rules and regulations are important. For this reason, and to the extent that we did not already have them in place, we have voluntarily incorporated many of them into the practices and policies of our board and executive management. For instance, we established independent board committees to oversee the different functions of our organization and we adopted policies to guard against conflicts of interest with our directors. We believe that strong corporate

governance directly benefits shareholders and customers because they can have more confidence that Blackhawk Bancorp is being managed appropriately. Because we no longer make periodic filings with the Securities and Exchange Commission, we are not required to comply with many of the rules and regulations, including the Sarbanes-Oxley Act of 2002, which are imposed on larger, publicly traded companies.

Banking regulators also focus on the issue of corporate governance and have either implemented rules or issued guidance that affect many financial institutions. The banking industry has always been subject to a greater degree of scrutiny than non-public companies in unregulated industries.



ELECTION OF DIRECTORS

Blackhawk Bancorp has a staggered board of directors divided into three classes. One class is elected each year to serve for three years. At the annual meeting, three directors will be elected for terms of three years or until their respective successors are elected and qualified.

A majority of the directors on our board are considered to be “independent” directors. Independent directors basically are non-insiders whom the full board has determined do not have other relationships with Blackhawk Bancorp that would prevent them from making objective, independent decisions. Generally, the board oversees our business and monitors the performance of our management and does not involve itself in our day-to-day operations, which are monitored by our executive officers and management. Our directors fulfill their duties and responsibilities by attending regular meetings of the board, which are held on a monthly basis, and through committee membership.

Blackhawk Bancorp has an executive committee, a compensation and management development committee, a nominating and director evaluation committee, and an audit and compliance committee. The executive committee is authorized to exercise the powers of the board of directors in the management of our business and affairs when the board is not in session, except for those powers that are non-delegable by law or have been delegated to other committees.

The compensation and management development committee reviews and makes recommendations with respect to our hiring and compensation policies and practices and management succession planning. They insure compensation practices and incentive programs do not encourage excessive risk taking and are designed in compliance with safe and sound banking practices as outlined in guidance issued by the Federal Reserve. Further, the committee performs administrative functions with respect to our short-term Officer’s Incentive Plan and the 2008 Equity Incentive Plan. The compensation committee also determines the compensation plan for our chief executive and other executive officers. The compensation committee has access to and has used independent outside experts to assist in setting compensation levels that are competitive in the marketplace.

The nominating and director evaluation committee, which is made up of independent directors, makes recommendations to the full board of directors regarding director retention. The committee develops and reviews background information on candidates for the board of directors and makes recommendations to the full board of directors regarding the nomination of such candidates.

The audit and compliance committee’s functions include meeting with our independent public accounting firm and making recommendations to the board regarding the engagement or retention of such accounting firm, pre-approval of the independent public accounting firm’s fees, adoption of accounting methods and procedures, and other matters relating to our financial accounting. The board of directors believes that all of the current members of the audit and compliance committee are independent directors and that each member is financially literate.

The proxy provides instructions for voting for all director nominees or for withholding authority to vote for one or more director nominees. Unless instructed to the contrary, the persons acting under your proxy will vote for the nominees listed below. If, however, any nominee is unable or unwilling to serve, which is not now contemplated, the proxy holders reserve the right to vote at the annual meeting for a substitute nominee.

Information about Directors and Nominees

The following table contains certain information with respect to each of the nominees and the continuing directors, including the year each became a director of Blackhawk Bancorp or of the Bank, his or her position with Blackhawk Bancorp and the Bank and his or her principal occupation. All three of the nominees are incumbent directors.. **The board of directors recommends that you vote your shares FOR all nominees.**

Name	Served as Blackhawk Bancorp or Bank Director Since	Position with Blackhawk Bancorp and the Bank and Principal Occupation
NOMINEES		
Term Expires 2020		
Eric Anderberg (Age 46)	2008	Vice President/Secretary of Dial Machine, Inc., a family-owned contract machine shop
R. Richard Bastian, III (Age 70)	2001	Chairman and Chief Executive Officer of Blackhawk Bancorp and Blackhawk Bank
Steve A. Ceroni (Age 55)	2014	President/Owner, Ceroni Piping Company
CONTINUING DIRECTORS		
Term Expires 2018		
David K. Adkins (Age 56)	2014	President and Chief Operating Officer of Blackhawk Bancorp and Blackhawk Bank
Stephen P. Carter (Age 65)	2003	Principal in Ingenium Aerospace LLC and serves as a director of Appvion, Inc., Paperweight Development Corp. and Hollister, Inc.
Diane M. Hendricks (Age 70)	2008	Owner and Chairman, ABC Supply Co., Inc.
Term Expires 2019		
Thomas L. Barnes (Age 67)	2007	Real Estate Asset Manager, ABC Supply Co., Inc.
Lucas R. Derry (Age 40)	2015	Owner and President, Header Die and Tool, Inc.
April Glosser (Age 40)	2017	President, Thrive Market Intelligence
Prudence A. Harker (Age 72)	2002	President of LifeCircle, LLC, and Investment Advisor Representative, AXA Advisors, LLC

INDEPENDENT PUBLIC ACCOUNTING FIRM

Shareholders are also being asked to ratify the appointment of Plante & Moran, PLLC as our independent public accounting firm for the year ending December 31, 2017. If the appointment of Plante & Moran, PLLC is not ratified by shareholders, the matter of the appointment of our independent public accounting firm will be reconsidered by the audit committee and board of directors. **The board of directors recommends you vote your shares FOR the ratification of Plante & Moran, PLLC to serve as our independent public accounting firm.**

OTHER BUSINESS

It is not anticipated that any action will be asked of the shareholders other than that set forth above, but if other matters properly are brought before the annual meeting, the persons named in the proxy will vote in accordance with their best judgment.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read "R. Richard Bastian, III".

R. Richard Bastian, III
Chairman and Chief Executive Officer

Beloit, Wisconsin
April 3, 2017

**ALL SHAREHOLDERS ARE URGED TO SIGN
AND MAIL THEIR PROXIES PROMPTLY**