UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x   Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

First Business Financial Services, Inc.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NOTICE OF 2012 ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

FIRST BUSINESS FINANCIAL SERVICES, INC.

March 30, 2012

Dear Fellow Shareholder:

You are cordially invited to attend the 2012 Annual Meeting of Shareholders which will be held at 10 A.M., local time, on Monday, May 14, 2012 at the Fluno Center for Executive Education located at 601 University Avenue, Madison, Wisconsin. At the Annual Meeting we will review the Company s activities during the past year and shareholders will be given an opportunity to address questions to the Company s management.

The accompanying Notice of Annual Meeting and Proxy Statement describe the business that will be conducted at the meeting and provide information about First Business Financial Services, Inc. We have also enclosed our 2011 Annual Report on Form 10-K. The Board of the Company recommends that you vote **FOR the three proposals** described in the enclosed materials.

Your continued support is appreciated and we hope you will attend the Annual Meeting. Whether or not you are personally present, it is very important that your shares are represented at the meeting. Accordingly, please vote your shares by returning the enclosed proxy card, by Internet or by telephone following the instructions on the enclosed proxy card. **Your vote is important. Please join us and the Board in supporting these proposals**.

Sincerely,

Jerry Smith

Chairman of the Board

Corey Chambas

President and Chief Executive Officer

First Business Financial Services, Inc.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 14, 2012

To the Shareholders of

First Business Financial Services, Inc.:

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of First Business Financial Services, Inc. (the Company) will be held on Monday, May 14, 2012, at 10:00 A.M., local time, at the Fluno Center for Executive Education located at 601 University Avenue, Madison, Wisconsin 53715, for the following purposes:

1. To elect three Class II directors to hold office until the 2015 annual meeting of shareholders and until their successors are duly elected and qualified.

2. To act upon a proposal to approve the First Business Financial Services, Inc. 2012 Equity Incentive Plan.

3. To ratify the selection of KPMG LLP as the Company s independent auditor for fiscal year 2012.

4. To consider and act upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

The close of business on March 14, 2012 has been fixed as the record date for the determination of shareholders entitled to notice of, and to vote at, the meeting and any adjournment or postponement thereof.

You may vote your shares over the Internet at www.investorvote.com/FBIZ, by calling toll-free within the USA, US territories and Canada at 1-800-652-VOTE (8683), by completing and mailing the enclosed proxy card or in person at the 2012 annual meeting of shareholders. You may revoke your proxy at any time prior to the vote at the meeting and vote your shares in person at the meeting or by using any of the voting options provided. Please review the enclosed proxy statement and proxy card and follow the directions carefully in exercising your vote.

By Order of the Board of Directors

FIRST BUSINESS FINANCIAL SERVICES, INC.

/s/ Barbara M. Conley
Barbara M. Conley

SVP, General Counsel & Corporate Secretary

Madison, Wisconsin

March 30, 2012

Your vote is important no matter how large or small your holdings may be. To assure your representation at the meeting, please vote by completing and returning the enclosed proxy card, by attending the annual meeting of shareholders, by telephone or over the Internet. Instructions for all three methods of voting in advance of the annual meeting are included on the enclosed proxy card.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on May 14, 2012: Copies of this Notice, Proxy Statement and the Company s Annual Report on Form 10-K for the fiscal year ending December 31, 2011 are available at <u>www.firstbusiness.com/proxymaterials.</u>

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FIRST BUSINESS FINANCIAL SERVICES, INC.

401 Charmany Drive

Madison, Wisconsin 53719

PROXY STATEMENT

For

ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 14, 2012

SOLICITATION OF PROXY, REVOCABILITY AND VOTING OF PROXIES

This proxy statement is being furnished to shareholders by the Board of Directors (the Board) of First Business Financial Services, Inc. (the Company , we , us and our) beginning on or about March 30, 2012 in connection with a solicitation of proxies by the Board for use at the annu meeting of shareholders to be held on Monday, May 14, 2012, at 10:00 A.M., local time, at the Fluno Center for Executive Education at 601 University Avenue, Madison, Wisconsin 53715, and all adjournments or postponements thereof (the Annual Meeting) for the purposes set forth in the attached Notice of Annual Meeting of Shareholders.

Execution of a proxy given in response to this solicitation will not affect a shareholder s right to attend the Annual Meeting and to vote in person. Presence at the Annual Meeting of a shareholder who has signed a proxy does not in itself revoke a proxy. Any shareholder giving a proxy may revoke it at any time before it is exercised by giving notice thereof to the Company in writing or at the Annual Meeting.

A proxy, in the enclosed form, that is properly executed, duly returned to the Company and not revoked, will be voted in accordance with the instructions contained in the proxy. The shares represented by executed but unmarked proxies will be voted FOR the three persons nominated for election as directors referred to in this proxy statement, FOR the approval of the First Business Financial Services, Inc. 2012 Equity Incentive Plan, FOR the ratification of the selection of KPMG LLP as the Company s independent auditor for 2012, and on such other business or matters which may properly come before the Annual Meeting in accordance with the best judgment of the persons named as proxies in the enclosed form of proxy. Other than the above proposals, the Board has no knowledge of any matters to be presented for action by the shareholders at the Annual Meeting.

Only holders of record of the Company s common stock, par value $0.01 per share (the Common Stock), at the close of business on March 14, 2012 are entitled to vote at the Annual Meeting. On that date, the Company had outstanding and entitled to vote 2,625,288 shares of Common Stock, each of which is entitled to one vote.

ITEM 1 ELECTION OF DIRECTORS

The Company s Bylaws provide that the directors shall be divided into three classes, with staggered terms of three years each. At the Annual Meeting, the shareholders will elect three directors to hold office until the 2015 annual meeting of shareholders and until their successors are duly elected and qualified. Unless shareholders otherwise specify, the shares represented by the proxies received will be voted in favor of the election as directors of the three persons named as nominees herein. The Board has no reason to believe that the listed nominees will be unable or unwilling to serve as directors if elected. However, in the event that any nominee should be unable to serve or for good cause will not serve, the shares represented by proxies received will be voted for another nominee selected by the Board. Each director will be elected by a plurality of the votes cast at the Annual Meeting (assuming a quorum is present). Consequently, any shares not voted at the Annual Meeting, whether due to abstentions, broker non-votes or otherwise, will have no impact on the election of the directors. Votes will be tabulated by an inspector of elections appointed by the Board.

On January 30, 2012 after 21 years of distinguished service, Gary Zimmerman notified the Company that he will not stand for re-election as a director when his term ends at this year s Annual Meeting of Shareholders. Mr. Zimmerman will thereby retire from the Company s Board effective May 14, 2012 in accordance with the Company s Director Retirement Policy. The Company expects to reduce the size of the Board from ten members to nine members following Mr. Zimmerman s retirement.

The following sets forth certain information, as of January 13, 2012, about the Board s nominees for election at the Annual Meeting and each director of the Company whose term will continue after the Annual Meeting.

Nominees for Election at the Annual Meeting

Terms expiring at the 2015 Annual Meeting

Mark D. Bugher, age 63, has served as a director of the Company since July 2005 and is a member of the Corporate Governance and Nominating Committee and the Compensation Committee. Mr. Bugher has served as the Director of University Research Park in Madison, Wisconsin since 1999. Prior to this role, Mr. Bugher served as the Secretary of the State of Wisconsin Department of Administration from 1996 to 1999. From 1988 to 1996, he served as Secretary of the State of Wisconsin Department of Revenue. Mr. Bugher serves on the Board of Directors of MGE Energy, Inc. and its affiliate, Madison Gas and Electric Company. He additionally serves on the Audit Committee of MGE Energy, Inc. and serves in leadership positions as chair or board member for many organizations promoting economic development in Wisconsin.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Mr. Bugher should serve as a Company director includes executive level experience in strategy development and implementation, governance experience through service on boards including a public company board and other board committees, economic development expertise and a strong background in the commercial real estate, government and health care sectors.

Corey A. Chambas, age 49, has served as a director since July 2002, as Chief Executive Officer of the Company since December 2006 and as President of the Company since February 2005. He served as Chief Operating Officer of the Company from February 2005 to September 2006 and as Executive Vice President of the Company from July 2002 to February 2005. He served as Chief Executive Officer of the Company s First Business Bank subsidiary from July 1999 to September 2006 and as President of First Business Bank from July 1999 to February 2005. He currently serves as a director of First Business Capital Corp. and First Madison Investment Corp., subsidiaries of the Company.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Mr. Chambas should serve as a Company director includes the depth and breadth of his experience as CEO of the Company and his over 25 years of financial services industry experience with specific focus in the commercial banking sector, his executive level experience in core management disciplines including strategy development and implementation, human resources, financial management and sales and marketing and his governance experience through service on other boards and board committees.

John J. Harris, age 59, has served as a director of the Company since January 2012. Mr. Harris has served as a professional in the investment banking industry for most of his career, most recently as Managing Director of the Investment Banking Financial Institutions Group of Stifel Nicolaus Weisel. Mr. Harris retired from this position in 2010. Prior to this role, Mr. Harris was Managing Director of the Investment Banking Financial Institutions Group of Piper Jaffrey & Co. from 2005-2007 and a Principal in the Investment Banking Financial Institutions Group of William Blair & Co., LLC from 2000-2005.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Mr. Harris should serve as a Company director includes over 25 years of experience providing financial advisory services to senior management, boards and special committees of publicly traded and privately held companies. He has extensive experience in the financial services sector and with mergers and acquisitions and has done significant work advising clients on capital formation and execution of public and private capital raises.

THE BOARD RECOMMENDS THE FOREGOING NOMINEES FOR ELECTION AS DIRECTORS AND URGES EACH SHAREHOLDER TO VOTE FOR SUCH NOMINEES. SHARES OF COMMON STOCK REPRESENTED BY EXECUTED BUT UNMARKED PROXIES WILL BE VOTED FOR SUCH NOMINEES.

Directors Continuing in Office

Terms expiring at the 2014 Annual Meeting

Jerome J. Smith, age 67, has served as a director of the Company since December 1989 and Chair of the Board of Directors of the Company since July 2006. He served as Chief Executive Officer from December 1989 to December 2006. He served as President of the Company from December 1989 to February 2005. He also served as President and Chief Executive Officer of the Company s First Business Bank subsidiary from December 1989 to July 1999 and as Chair of its Board of Directors from April 2001 to December 2003.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Mr. Smith should serve as a Company director includes over 40 years of executive level experience in the financial services industry including 16 years as the Company s CEO, over 30 years of governance experience through service on multiple boards, CEO level experience in strategy development and implementation, merger and acquisition experience, a strong background in sales and marketing management and NACD Director Certification.

Gerald L. Kilcoyne, age 52, has served as a director of the Company since November 2011 and is a member of the Audit Committee and the Compensation Committee. In addition, he has served as Chair of the Board of Directors of the Company s First Business Bank subsidiary since May 2010 and has been a member of the First Business Bank Board since August 2005. He has served as a Director of First Business Equipment Finance, LLC and First Business Capital Corp. since January 2006. Mr. Kilcoyne is Managing Partner for Pinnacle Enterprises, LLC.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Mr. Kilcoyne should serve as a Company director includes CEO level experience in strategic planning and financial management, financial services industry expertise as a director of First Business Bank, and his involvement in mergers and acquisitions work for over 25 years.

Barbara H. Stephens, age 52, has served as a director of the Company since January 2010 and is a member of the Compensation Committee. Ms. Stephens retired from her position as Senior Vice President in Human Resources with Bucyrus International, Inc. in 2011. She had been a Human Resources executive with Bucyrus since 2005. Prior to that, she was a Director of Human Resources with Snap-On Tools, LLC from November 1994 to February 2005.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Ms. Stephens should serve as a Company director includes executive level experience in Human Resources with a public company, over 20 years of general human resources experience including executive compensation and benefits oversight and a strong background in leadership development and succession planning.

Terms expiring at the 2013 Annual Meeting

Jan A. Eddy, age 62, has served as a director of the Company since October 2003, is the Chair of the Corporate Governance and Nominating Committee and serves on the Audit Committee. She served as a director of First Business Bank from 1990 to 2010. Ms. Eddy founded Wingra Technologies, a designer and distributor of software, and served as President and Chief Executive Officer from October 1991 to January 2005. Quest Software purchased Wingra Technologies in January 2005. Ms. Eddy held the position of Business Development Executive at Quest Software from January 2005 to October 2005.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Ms. Eddy should serve as a Company director includes CEO level experience as founder and CEO of her own company in strategy development and implementation, mergers and acquisitions and enterprise risk management; significant governance experience from service on other boards and a strong background in information technology.

John M. Silseth, age 56, has served as a director of the Company since October 2006, is the Chair of the Compensation Committee and serves on the Audit Committee. He also serves as Chair of the Board of Directors of the Company s First Business Bank-Milwaukee subsidiary. Mr. Silseth has been President of Antietam LLC, a private investment firm located in Milwaukee, Wisconsin, since 1986. He also serves on the Board of Directors of various Antietam portfolio companies, other privately held companies and charitable organizations.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Mr. Silseth should serve as a Company director includes executive level experience in enterprise risk management, a strong background in financial reporting, accounting and financial controls as a Certified Public Accountant, significant governance experience through service on numerous boards and experience in mergers and acquisitions.

Dean W. Voeks, age 69, has served as a director of the Company since April 1996, is Chair of the Audit Committee and is a member of the Corporate Governance and Nominating Committee. From January 1991 until September 2002, Mr. Voeks was the President and Chief Executive Officer of Chorus Communications Group Ltd., a telecommunications company.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Mr. Voeks should serve as a Company director includes CEO level experience in core management disciplines such as strategic planning, human resources and enterprise risk management, governance experience through service on other boards, a strong financial background and experience with regulated companies.

Director Disclosures

None of the above named directors or director nominees held a directorship at any public company or any company registered as an investment company under the Investment Company Act during the past five years, except Mr. Bugher who serves on the Board of Directors and the Audit Committee of the public company MGE Energy, Inc. and Corey A. Chambas who serves on the Board of Directors of Three Lakes Securities, LLC which is a Registered Investment Advisor. None of the above named directors or director nominees was a party to any SEC enforcement actions or any legal proceedings that are material to an evaluation of their ability or integrity.

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

Independent Directors and Meeting Attendance

Of the ten directors currently serving on the Board of Directors, the Board has determined that Mark D. Bugher, Jan A. Eddy, John J. Harris, Gerald L. Kilcoyne, John M. Silseth, Barbara H. Stephens, Dean W. Voeks and Gary E. Zimmerman are independent directors as that term is defined in the listing standards of The Nasdaq Stock Market, Inc.

Directors are expected to attend the Company s annual meeting of shareholders each year. All directors who were directors at the time of the Company s 2011 Annual Meeting attended the meeting.

The Board held seven meetings in 2011. All of the directors who were directors in 2011 attended at least 75% of the aggregate of (1) the total number of meetings of the Board during the period in which the director served and (2) the total number of meetings held by all committees of the Board on which such director served during the period in which the director served.

Board Leadership Structure

The roles of Board Chair and Chief Executive Officer are held separately. Mr. Smith serves as Chair, and Mr. Chambas serves as Chief Executive Officer. The Board believes that at the time of this filing, separation of these roles is in the best interest of the Company and its shareholders because separation:

- Allows for additional talents, perspectives and skills on the Board;
- Preserves the distinction between the CEO s leadership of management and the Chair s leadership of the Board;
- Promotes a balance of power and an avoidance of conflict of interest;
- Serves as an effective channel for the Board to express its views on management; and
- Allows the CEO to focus on leading the Company while the Chair can focus on leading the Board, as well as on monitoring corporate governance and shareholder issues.

Since Mr. Smith is the Company s former CEO, this separation also provides the Company with the benefit of a Chair who fully understands the risks, issues and opportunities relating to the Company and the financial services industry.

Committees

The Board has a standing Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee. Each of these committees has the responsibilities set forth in formal written charters adopted by the Board. Copies of these charters are available free of charge on the Company s website located at www.firstbusiness.com.

The Audit Committee s primary function is to assist the Board in fulfilling its oversight responsibilities by overseeing the Company s accounting and financial reporting processes and the audits of the financial statements of the Company. The Audit Committee presently consists of Dean W. Voeks (Chair), Jan A. Eddy, Gerald L. Kilcoyne and John M. Silseth, each of whom meets the independence standards of The Nasdaq Stock Market, Inc. and the Securities and Exchange Commission for audit committee members. The Board has determined that John M. Silseth qualifies as an audit committee financial expert, as that term is defined by the Securities and Exchange Commission, because he has the requisite attributes through his education and experience. The Audit Committee held five meetings in 2011.

The Compensation Committee reviews and recommends to the Board the compensation structure for the Company s directors and executive officers, including salary rates, participation in incentive compensation and benefit plans, fringe benefits, non-cash perquisites and other forms of compensation, and administers the Company s equity incentive plans. John M. Silseth (Chair), Mark D. Bugher, Gerald L. Kilcoyne, Barbara H. Stephens and Gary E. Zimmerman are the current members of the Compensation Committee, each of whom meets the independence standards of The Nasdaq Stock Market, Inc. for compensation committee members. The Compensation Committee held five meetings in 2011.

The Corporate Governance and Nominating Committee s primary functions are to recommend persons to be selected by the Board as nominees for election as directors, recommend persons to be elected to fill any vacancies on the Board, lead the Board in its annual review of Board performance and develop and recommend to the Board corporate governance principles, policies and procedures. The Corporate Governance and Nominating Committee consists of Jan A. Eddy (Chair), Mark D. Bugher, Dean W. Voeks and Gary E. Zimmerman, each of whom meets the independence standards of The Nasdaq Stock Market, Inc. for nominating committee members. The Corporate Governance and Nominating Committee held four meetings in 2011.

Nominations of Directors

The Corporate Governance and Nominating Committee will consider persons recommended by shareholders to become nominees for election as directors. Recommendations for consideration by the Corporate Governance and Nominating Committee should be sent to the Corporate Secretary of the Company in writing together with appropriate biographical information concerning each proposed nominee. The Company s Bylaws also set forth certain requirements for shareholders wishing to nominate director candidates directly for consideration by the shareholders. With respect to an election of directors to be held at an annual meeting, a shareholder must, among other things, give notice of an intent to make such a nomination to the Corporate Secretary of the Company not less than 60 days or more than 90 days prior to the date of the previous year s annual meeting (subject to certain exceptions if the annual meeting is advanced or delayed a certain number of days.)

In making recommendations to the Company s Board of nominees to serve as directors, the Corporate Governance and Nominating Committee will examine each director nominee on a case-by-case basis regardless of who recommended the nominee and take into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills or financial acumen and industry knowledge. In evaluating director nominees, the Board with the assistance of the Corporate Governance and Nominating Committee, considers diversity of viewpoint, backgrounds, technical skills, industry knowledge and experience and local or community ties. The Board believes the following minimum qualifications must be met by a director nominee to be recommended by the Corporate Governance and Nominating Committee:

1. Each director must display high personal and professional ethics, integrity and values.

2. Each director must have the ability to exercise sound business judgment.

3. Each director must be accomplished in his or her respective field as an active or former executive officer of a public or private organization, with broad experience at the administrative and/or policy-making level in business, government, education, technology or public interest.

4. Each director must have relevant expertise and experience, and be able to offer advice and guidance based on that expertise and experience.

5. Each director must be independent of any particular constituency, be able to represent all shareholders of the Company and be committed to enhancing long-term shareholder value.

6. Each director must have sufficient time available to devote to activities of the Board of Directors and to enhance his or her knowledge of the Company s business.

Director Diversity Policy

The Company s Corporate Governance and Nominating Committee considers diversity in making director nominee recommendations. In evaluating director nominees, the Board considers diversity of viewpoint, background, technical skills, industry knowledge and experience and local or community ties. The Board believes directors should be selected so the Board is balanced with each director contributing talents, skills and experiences needed for the Board as a whole, supplementing existing resources and providing talent for future needs so the Board is a diverse body.

The Board implements its diversity policy through the Corporate Governance and Nominating Committee s ongoing needs assessment process. The Committee identifies the key attributes needed for the Board as a whole, identifies director qualifications currently in place and prioritizes skills desired in nominees. These desired skills and attributes are considered in the recruiting and nominating process and evaluated on a regular basis.

Board Role in Risk Oversight

The full Board is responsible for oversight of the Company s enterprise wide risk management including strategic risk, financial reporting risk, credit risk, liquidity risk and operational risk. Given the critical link between strategy and risk, the full Board is also responsible for developing strategies based on an assessment of the Company s overall risk tolerance, the related opportunities and the capacity to manage the resulting risk. The Board may delegate the responsibility for identifying, analyzing and managing risk to the appropriate Committees of the Board in accordance with the Committee Charters. The Committees report back to the Board with recommendations and updates. The Committee Charters are reviewed annually to reflect the changing risk environment. To best coordinate the management of shared risk issues, Committees work together and share common membership. Members of management responsible for day to day risk management report to the Board and/or to the appropriate Committees at the Board direction.

Communications with the Board of Directors

Shareholders may communicate with the Board by writing to First Business Financial Services, Inc., Board of Directors (or, at the shareholder s option, to a specific director), c/o Barbara M. Conley, SVP, General Counsel and Corporate Secretary, 401 Charmany Drive, Madison, Wisconsin 53719. The Corporate Secretary will ensure that the communication is delivered to the Board or the specified director, as the case may be.

REPORT OF THE AUDIT COMMITTEE

In accordance with its written charter, the Audit Committee s primary function is to assist the Board in fulfilling its oversight responsibilities by overseeing the Company s accounting and financial reporting processes and the audits of the consolidated financial statements of the Company.

In fulfilling its responsibilities, the Audit Committee has reviewed and discussed the audited consolidated financial statements contained in the 2011 Annual Report on Form 10-K with the Company s management and independent registered public accounting firm. Management is responsible for the consolidated financial statements and the reporting process, including the system of internal controls. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of those audited consolidated financial statements with accounting principles generally accepted in the United States.

The Audit Committee discussed with the independent registered public accounting firm the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. In addition, the Company s independent registered public accounting firm provided to the Audit Committee the written disclosures required by the Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and the Audit Committee discussed with the independent registered public accounting firm the firm s independence. The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm on a case-by-case basis. The Audit Committee has considered whether the provision of the services related to the *Audit-Related Fees*, *Tax Fees* and *All Other Fees* set forth in Miscellaneous Independent Registered Public Accounting Firm was compatible with maintaining the independence of the independent registered public accounting firm and determined that such services did not adversely affect the independence of the firm.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board (and the Board has approved) that the audited consolidated financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, for filing with the Securities and Exchange Commission.

This report shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and shall not otherwise be deemed filed under such Acts.

AUDIT COMMITTEE

Dean W. Voeks, Chair

Jan A. Eddy

Gerald L. Kilcoyne

John M. Silseth

PRINCIPAL SHAREHOLDERS

Management and Directors

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of March 14, 2012 by: (i) each director and director nominee; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all of the directors, director nominees and executive officers (including the executive officers named in the Summary Compensation Table) as a group and (iv) persons known to the Company to be the beneficial owner of more than five percent of the Company s Common Stock. Except as otherwise indicated in the footnotes, each of the holders listed below has sole voting and investment power over the shares beneficially owned by such holder. As of March 14, 2012, there were 2,625,288 shares of Common Stock outstanding.

Name of Beneficial Owner	September 30, Shares of Common Stock Beneficially Owned	September 30, Percent of Common Stock Beneficially Owned
Corey A. Chambas	98,412(1)	3.7%
Gary E. Zimmerman	94,436(2)	3.6%
Jerome J. Smith	46,635	1.8%
Michael J. Losenegger	35,195(1)	1.3%
John M. Silseth	33,593	1.3%
Charles H. Batson	28,007	1.0%
Gerald L. Kilcoyne	13,568	*
Jan A. Eddy	7,428	*
Dean W. Voeks	5,335	*
Barbara H. Stephens	4,500(3)	*
Mark D. Bugher	1,665	*
John J. Harris	0	*
All directors, nominees and executive officers as a group (19 persons)	513,370(1)(4)	18.9%
Eidelman Virant Capital, Inc.	162,372(5)	6.2%

* Denotes less than 1%.

1) Includes the following number of shares of Common Stock that may be purchased under stock options which, as of March 14, 2012, were currently exercisable or were exercisable within 60 days: Mr. Chambas, 27,000 shares; Mr. Losenegger, 17,500 shares; and all directors, nominees and executive officers as a group, 88,984 shares.

2) Includes 5,732 shares held by Mr. Zimmerman s spouse through an IRA.

3) Includes 500 shares held by Ms. Stephens spouse through an IRA.

4) Includes 9,987 shares held by spouses of the group.

5) Information based on Schedule 13G dated February 14, 2012 and provided to the Company by Eidelman Virant Capital, Inc. The business address of Eidelman Virant Capital, Inc. is 8000 Maryland Ave., Suite 380, St. Louis, Missouri 63105.

REPORT OF THE COMPENSATION COMMITTEE

In accordance with its written charter, the Compensation Committee carries out its responsibilities as authorized by the Board of the Company with respect to the compensation of the Company s directors and executive officers. The Compensation Committee makes pay decisions for the Company s executive officers based on the compensation philosophy of the Company and the guiding principles below.

Base salaries are determined consistent with the philosophy stated for all employees.

A significant portion of our executive officers compensation is directly and materially linked to operating performance. In particular, annual cash incentive bonus payments are heavily dependent on meeting or exceeding Company performance goals as well as objective and subjective criteria related to the executive officers areas of responsibility.

The Company s equity incentive plans are an important component of executive officer compensation. The plans are intended to advance the interest of the Company and its shareholders by encouraging executive officers and other key employees to own Company stock. Through equity grants, the long-range interests of executive officers and other key employees are linked with those of shareholders as they accumulate meaningful stakes in the Company.

In general, the Company only provides perquisites to executive officers if there is a meaningful benefit to the Company in doing so. The Compensation Committee has the authority to retain inside advisors, and has sole authority to retain and pay outside advisors. In 2011, the Compensation Committee retained Pearl Meyer & Partners, one of the country s largest independent compensation consulting firms addressing executive and director compensation, to perform a review of the Company s compensation programs. The review included a comprehensive assessment of the Company s director and executive officer compensation programs, as compared to a peer group of bank holding companies that specialize in commercial banking with an average asset size of just under $1 billion. The director retainers and committee fees were reviewed for competitive pay. The CEO and executive officer positions were reviewed for competitive pay, including base salary, annual cash incentive bonus compensation, equity incentive compensation and perquisites. Pearl Meyer & Partners was also consulted throughout the year on other compensation matters.

The Compensation Committee also completed the following projects in 2011:

reviewed and reaffirmed the Compensation Philosophy for the Company;

approved Director Stock Ownership Guidelines;

recommended the Board approve equity grants for certain executive officers and key employees;

recommended the Board approve a new equity incentive plan for approval by the shareholders in 2012;

conducted an annual review of the succession plan of the Company; and

conducted an annual review of the Risk Profile & Assessment of Incentive Compensation Programs of the Company.

COMPENSATION COMMITTEE

John M. Silseth, Chair

Mark D. Bugher

Gerald L. Kilcoyne

Barbara H. Stephens

Gary E. Zimmerman

SUMMARY COMPENSATION TABLE

The following table sets forth for each of the named executive officers: (1) the dollar value of base salary and bonus earned; (2) the dollar value of the compensation cost of all outstanding stock and option awards recognized over the requisite service period, computed in accordance with FASB Accounting Standards Codification (ASC) Topic 718 (without reduction for estimated forfeitures); (3) the dollar value of earnings under the non-equity incentive plan; (4) the change in pension value; (5) all other compensation; and (6) the dollar value of the total compensation. The named executive officers are Corey A. Chambas, President and Chief Executive Officer of the Company, Charles H. Batson, President and Chief Executive Officer of First Business Capital Corp. and Michael J. Losenegger, Chief Credit Officer of the Company.

Name and principal position	Year	Salary ($)	Bonus ($)	(a) Stock awards ($)	Option awards ($)	Non-equity incentive plan compensation ($)(d)	(b) Change in pension value ($)	(c) All other compensation ($)	Total ($)
Corey A. Chambas, President &	2011	290,949	0	98,890	0	147,598	48,934	22,700	609,072
Chief Executive Officer	2010	281,791	0	119,061	0	34,914	44,157	17,552	497,475
Charles H. Batson, President &									
Chief Executive Officer	2011	216,935	0	61,380	0	149,533	0	23,010	450,858
First Business Capital Corp.	2010	208,591	0	73,620	0	124,090	0	16,395	422,696
Michael J. Losenegger	2011	201,085	0	57,118	0	69,837	0	23,271	351,311
Chief Credit Officer	2010	195,228	0	68,689	0	18,800	0	16,186	298,903

a) The value of the restricted stock award is computed by multiplying the number of shares granted times the market value on the grant date. See Outstanding Equity Awards at December 31, 2011.

b) The change for Mr. Chambas is the increase in the present value of the amount due at normal retirement under his supplemental retirement and change of control agreement. Under the agreement, the Company will be obligated to pay Mr. Chambas a normal retirement benefit consisting of ten annual payments of sixty percent of his salary (as defined in the agreement) upon Mr. Chambas separation from service with the Company at or after normal retirement (as defined in the agreement).

c) The Company provided a 3% 401(k) match in 2011 and 2010 and a 4.8% and 2.1% discretionary 401(k) profit sharing contribution in 2011 and 2010 respectively for each of the named executive officers as follows: Mr. Chambas, $7,350 and $11,760 for 2011 and $7,350 and $5,145 for 2010; Mr. Losenegger, $6,597 and $10,555 for 2011 and $5,857 and $4,100 for 2010; Mr. Batson, $7,350 and $11,760 for 2011 and $7,350 and $5,145 for 2010. Mr. Chambas and Mr. Losenegger have the use of vehicles owned by the Company. The other compensation listed is the value of their personal mileage, included as a taxable fringe on their respective W-2 s. Mr. Batson receives a $325 per month automobile allowance.

d) The amounts reported in the Non-equity incentive plan compensation column were calculated under the Annual Incentive Bonus Program in the calendar year reported. The amounts are payable in early March of the following year.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2011

The following table sets forth information on outstanding option and stock awards held by the named executive officers at December 31, 2011, including the number of shares underlying both exercisable and unexercisable portions of each stock option, and the expiration date of each outstanding option.

	Option Awards				Stock Awards		
Name and principal position	**Number of securities underlying unexercised options (#) exercisable**	**Number of securities underlying unexercised options (#) unexercisable**	**Option exercise price ($)**	**(a) Option expiration date**	**(b) Grant date**	**Number of shares or units of stock that have not vested (#)**	**Market value of shares or units of stock that have not vested ($)**
Corey A. Chambas	10,000	0	22.00	1/27/13			
President & Chief Executive Officer	10,000	0	24.00	10/18/14			
	7,000	0	25.00	2/17/15			
					7/23/08	1,207	19,916
					11/16/10	6,338	104,577
					08/16/11	5,800	95,700
Charles H. Batson, President &							
Chief Executive Officer					7/23/08	750	12,375
First Business Capital Corp					11/16/10	3,919	64,664
					08/16/11	3,600	59,400
Michael J. Losenegger	5,000	0	22.00	1/27/13			
Chief Credit Officer	2,500	0	22.00	10/20/13			
	5,000	0	24.00	10/18/14			
	5,000	0	25.00	2/17/15			
					7/23/08	700	11,550
					11/16/10	3,657	60,341
					08/16/11	3,350	55,275

a) All option grants vest at 25% per year for four years from the grant date. Option grants that expire on 1/27/2013, 10/20/2013, 10/18/2014 and 2/17/2015 are fully vested.

b) All restricted stock grants vest at 25% per year for four years from the grant date. The unvested restricted stock will vest as follows. For the grant dated 7/23/2008 to Mr. Chambas: 1,207 will vest on 7/23/2012. For the grant dated 11/16/2010 to Mr. Chambas: 2,112 will vest on 11/16/2012, 2,113 will vest on 11/16/2013 and 2,113 will vest on 11/16/2014. For the grant dated 8/16/2011 to Mr. Chambas: 1.450 will vest on 8/16/2012, 8/16/2013, 8/16/2014 and 8/16/2015. For the grant dated 7/23/2008 to Mr. Batson 750 will vest on 7/23/2012. For the grant dated 11/16/10 to Mr. Batson: 1,306 will vest on 11/16/2012, 1,306 will vest on 11/16/2013 and 1,307 will vest on 11/16/2014. For the grant dated 8/16/2011 to Mr. Batson: 900 will vest on 8/16/2012, 8/16/2013, 8/16/2014 and 8/16/2015. For the grant dated 7/23/2008 to Mr. Losenegger: 700 will vest on 7/23/2012. For the grant dated 11/16/10 to Mr. Losenegger: 1,219 will vest on 11/16/12, 1,219 will vest on 11/16/13 and 1,219 will vest on 11/16/14. For the grant dated 8/16/2011 to Mr. Losenegger 837 will vest on 8/16/2012, 837 will vest on 8/16/2013, 838 will vest on 8/16/2014 and 838 will vest on 8/16/2015.

DISCLOSURE REGARDING TERMINATION AND

CHANGE IN CONTROL PROVISIONS

Corey A. Chambas

On January 1, 2005, First Business Bank, a subsidiary of the Company, amended and restated an agreement with Corey Chambas, President and Chief Executive Officer of the Company and former President and Chief Executive Officer of First Business Bank. The agreement provides Mr. Chambas with retirement and death benefits as well as certain change in control benefits as outlined below.

Mr. Chambas is entitled to a change in control benefit if, within two years after the change in control, one of the following occurs:

i) The Company terminates Mr. Chambas employment without cause;

ii) Mr. Chambas terminates his employment within three months after being demoted or moved outside Milwaukee, Ozaukee, Waukesha, or Dane counties;

iii) Mr. Chambas terminates his employment within three months after his salary is reduced by 10% or more without his agreement; or

iv) Mr. Chambas voluntarily terminates his employment within three months of the change in control.

If Mr. Chambas employment is terminated pursuant to (i), (ii), or (iii), then the amount of the change in control benefit payable to Mr. Chambas will be equal to the aggregate of the fair value of Mr. Chambas unvested stock options and restricted shares issued by the Company calculated as of the date of his termination or separation from employment, plus such additional amount as will, when added to any parachute payment, as defined in Section 280G of the Internal Revenue Code, made to Mr. Chambas contingent upon the change in control, equal to 2.99 times his salary (referred to as the allowable amount). In the event the amount is greater than the allowable amount, Mr. Chambas will be paid the lesser amount. If Mr. Chambas employment is terminated pursuant to (iv), then the change in control benefit payable to Mr. Chambas is equal to two times his salary, unless it is greater than the allowable amount, in which event the lesser amount will be paid to Mr. Chambas.

Under the agreement, Mr. Chambas is prohibited from competing with the Company for a period of two years after the termination of his employment.

A change in control of the Company will be deemed to have occurred if: (i) any person becomes the beneficial owner of securities of the Company representing at least fifty percent of the combined voting power of the Company s then outstanding securities; (ii) during any twelve consecutive months, individuals who, at the beginning of the twelve month period constitute the Board, cease for any reason to constitute a majority of the Board; provided, however, a change in control shall not occur pursuant to this provision, if a new director is approved by a vote of at least a majority of the directors serving on the Board, and these directors either were directors at the beginning of the twelve month period or whose election or nomination for election was so approved; or (iii) the shareholders of the Company approve: (A) a plan of complete liquidation of the Company; (B) an agreement for the sale or disposition of all or substantially all of the Company s assets; or (C) a merger, consolidation, or reorganization of the Company with or involving any other corporation, other than a merger, consolidation, or reorganization that would result in the voting securities of the Company outstanding prior thereto continuing to represent at least fifty percent of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after or within one year following such merger, consolidation, or reorganization.

The following table describes the potential payments upon termination or a change in control for Mr. Chambas. The table assumes that his employment was terminated on December 31, 2011, and the price per share was $16.50, the closing price of the Company s Common Stock on December 31, 2011.

Executive Benefits and Payments upon:	Termination by Company for Cause or by Executive ($)	Termination by Company not for Cause ($)	Death ($)	Change in Control ($)	(a) Termination by Company not for Cause or by Executive for Good Reason Following Change in Control ($)	(a) Voluntary Termination by Executive Within Three Months of a Change in Control ($)
Compensation						
Severance	0	785,563	0	0	819,345	785,563
Consulting Agreement	0	10,000	0	0	10,000	10,000
Stock Options Unvested & Accelerated	0	0	0	0	0	0
Restricted Stock Unvested & Accelerated	0	0	220,193	220,193	0	0
Benefits and Perquisites						
Supplemental Retirement Benefits	0	0	1,500,000	0	0	0
Total	0	795,563	1,720,193	220,193	829,345	795,563

a) The total benefit to Mr. Chambas excludes the value received through the acceleration of unvested stock options and restricted stock because the value is transferred upon the occurrence of a change in control and is not contingent upon a separation from the Company.

The amounts listed in the table above are those benefits and payments that would become due and payable as if the event occurred on December 31, 2011. Mr. Chambas other potential benefits do not become vested either partially or completely until December 1, 2016.

The agreement also provides that, in the event Mr. Chambas dies while in the employ of the Company, the Company shall pay to his designated beneficiary or to his estate, the sum of $1,500,000. This supplemental retirement benefit as described above is paid over a period of ten years beginning on the 15th day of the month immediately following Mr. Chambas death. Under normal circumstances, the death benefit is paid in lieu of, rather than in addition to the retirement benefit. If, however, the amount of normal or early retirement benefit Mr. Chambas would be entitled to on the day of his death exceeds the amount of the death benefit, then the retirement benefit shall be paid as a replacement for the death benefit.

If Mr. Chambas is terminated for a reason other than cause prior to a change in control or more than two years after a change in control, then he will be entitled to a severance benefit equal to the greater of two times his salary (defined above) or the amount of any early or normal retirement benefit. If Mr. Chambas is terminated for cause, all of the Company s obligations to pay any benefit under the agreement shall immediately become null and void.

Cause shall be determined by the Board, in the exercise of good faith and reasonable judgment, and shall generally mean any of the following:

i) The willful, intentional, and continued failure by Mr. Chambas to substantially perform his duties to the best of his ability after a written demand for performance is delivered by the Board to Mr. Chambas that identifies the failure to perform such duties if such failure is not remedied within ninety calendar days after receipt of the written demand by Mr. Chambas; or

ii) The occurrence of Mr. Chambas conviction for committing an act of fraud, embezzlement, theft, or other act constituting a felony substantially related to the circumstances of his duties; or material breach by Mr. Chambas of the bank laws of

Wisconsin or the United States or any regulation issued by a state or federal regulatory authority having jurisdiction over the banking affairs of the First Business Bank, or any of its subsidiary, parent, or affiliated organizations; or an act that disqualifies Mr. Chambas from serving as an officer or director of a bank under Wisconsin or federal banking laws.

Charles H. Batson

On February 6, 2006, First Business Capital Corp. (FBCC), a subsidiary of First Business Bank, entered into an Executive Change in Control Severance Agreement with Charles H. Batson, President and Chief Executive Officer of FBCC. The Agreement was amended and restated on February 1, 2007 and again on August 6, 2007.

The agreement is triggered by a change in control of FBCC or the Company and requires FBCC or the Company to make payment of severance benefits to Mr. Batson if any event defined as a qualifying termination occurs. A qualifying termination is defined as:

i) Separation from service with FBCC or the Company due to FBCC s or the Company s involuntary termination of Mr. Batson s employment without cause; or

ii) Separation from service with FBCC or the Company due to Mr. Batson s termination of employment for good reason, meaning any one or more of the following:

A material reduction of Mr. Batson s authorities, duties, or responsibilities as President and CEO;

A requirement that Mr. Batson move to a location in excess of one hundred miles from his principal job location;

A reduction in Mr. Batson s base salary in effect at the time of the change in control;

The failure of FBCC or the Company to continue Mr. Batson s participation in employee benefit programs, non-equity incentive programs, or other compensation arrangements then in effect;

The failure of FBCC or the Company to obtain a satisfactory agreement from any successor to the Company to perform the Company s obligations under the agreement; or

A material breach of this agreement by FBCC or the Company that is not remedied within ten business days of receipt of a written notice of the breach delivered to FBCC or the Company by Mr. Batson.

The following table describes the payments that would be made to Mr. Batson if a qualified termination had occurred on December 31, 2011. The table assumes that his employment was terminated on December 31, 2011, and the price per share was $16.50, the closing price of the Company s Common Stock on December 31, 2011.

Executive Benefits and Payments upon:	**September 30, Change in Control resulting in a Qualified Termination ($)**
Compensation	
Non Equity Incentive Plan	149,533
Severance	509,797
Restricted Stock Unvested & Accelerated	136,439
Benefits and Perquisites	
Health Benefits	21,535
Total	817,304

If Mr. Batson becomes entitled to severance benefits, FBCC is obligated to pay to and provide him with:

i) A lump sum cash amount equal to Mr. Batson s unpaid base salary, accrued vacation pay, and unreimbursed business expenses from the most recently completed fiscal year;

ii) Any amount payable to Mr. Batson under the non-equity incentive compensation plan then in effect;

iii) A cash amount equal to two times Mr. Batson s annual base salary;

iv) A lump sum cash amount equal to the greater of (i) Mr. Batson s then current target incentive compensation opportunity established under any annual non-equity incentive plan; or (ii) his target incentive compensation opportunity in effect prior to the change in control; and

v) The continuation of Mr. Batson s health insurance coverage for eighteen months from the effective date of termination.

Subject to certain exceptions, a change in control will occur if any of the following events occur, provided that, for purposes of this definition, Company includes both FBCC and First Business Financial Services, Inc.:

i) The acquisition by any individual, entity, or group, of beneficial ownership of more than fifty percent of the combined voting power of the Company s outstanding securities with respect to the election of directors of the Company;

ii) The consummation of a reorganization, merger or consolidation of the Company or sale or other disposition of all or substantially all of the assets of the Company (a Corporate Transaction); excluding, however a Corporate Transaction pursuant to which all or substantially all of the individuals or entities who are the beneficial owners of the Company immediately prior to the Corporate Transaction will beneficially own, directly or indirectly, more than fifty percent of the outstanding shares of common stock of the resulting entity and of the combined voting power of the outstanding securities entitled to vote for the election of directors of such entity; or

iii) During any period of not more than twelve consecutive months, individuals who at the beginning of such period constitute the Board of Directors of the Company, and any new director whose election by the Board of Directors of the Company or nomination for election by the Company s shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority.

Michael J. Losenegger

On August 6, 2007, the Company entered into an Executive Change in Control Severance Agreement with Michael J. Losenegger, Chief Credit Officer of the Company. The agreement is triggered by a change in control of the Company and requires the Company to make payment of severance benefits to Mr. Losenegger if any event defined as a qualifying termination occurs. A qualifying termination is defined as:

i) Separation from service with the Company due to the Company s involuntary termination of Mr. Losenegger s employment without cause; or

ii) Separation from service with the Company due to Mr. Losenegger s termination of employment for good reason, meaning any one or more of the following:

A material reduction of Mr. Losenegger s authorities, duties, or responsibilities as Chief Credit Officer;

A requirement that Mr. Losenegger move to a location in excess of one hundred miles from his principal job location;

A reduction in Mr. Losenegger s base salary in effect at the time of the change in control;

The failure of the Company to continue Mr. Losenegger s participation in employee benefit programs, non-equity incentive programs, or other compensation arrangements then in effect;

The failure of the Company to obtain a satisfactory agreement from any successor to the Company to perform the Company s obligations under this agreement; or

A material breach of the agreement by the Company that is not remedied within ten business days of receipt of a written notice of the breach delivered to the Company by Mr. Losenegger.

The following table describes the payments that would be made to Mr. Losenegger if a qualified termination had occurred on December 31, 2011. The table assumes that his employment was terminated on December 31, 2011, and the price per share was $16.50, the closing price of the Company s Common Stock on December 31, 2011.

Executive Benefits and Payments upon:	**September 30, Change in Control resulting in a Qualified Termination ($)**
Compensation	
Non Equity Incentive Plan	69,837
Severance	452,442
Restricted Stock Unvested & Accelerated	127,166
Benefits and Perquisites	
Health Benefits	17,554
Total	666,998

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If Mr. Losenegger becomes entitled to severance benefits, then the Company is obligated to pay to and provide him with:

i) A lump sum cash amount equal to Mr. Losenegger s unpaid base salary, accrued vacation pay, and unreimbursed business expenses from the most recently completed fiscal year;

ii) Any amount payable to Mr. Losenegger under the non-equity incentive compensation plan then in effect;

iii) A cash amount equal to two times Mr. Losenegger s annual base salary;

iv) A lump sum cash amount equal to the greater of (i) Mr. Losenegger s then current target incentive compensation opportunity established under any annual non-equity incentive plan; or (ii) his target incentive compensation opportunity in effect prior to the change in control; and

v) The continuation of Mr. Losenegger s health insurance coverage for eighteen months from the effective date of termination.

Subject to certain exceptions, a change in control will occur if any of the following events occur:

i) The acquisition by any individual, entity, or group, of beneficial ownership of more than fifty percent of the combined voting power of the Company s outstanding securities with respect to the election of directors of the Company;

ii) The consummation of a reorganization, merger or consolidation of the Company or sale or other disposition of all or substantially all of the assets of the Company (a Corporate Transaction); excluding, however a Corporate Transaction pursuant to which all or substantially all of the individuals or entities who are the beneficial owners of the Company immediately prior to the Corporate Transaction will beneficially own, directly or indirectly, more than fifty percent of the outstanding shares of common stock of the resulting entity and of the combined voting power of the outstanding securities entitled to vote for the election of directors of such entity; or

iii) During any period of not more than twelve consecutive months, individuals who at the beginning of such period constitute the Board of Directors of the Company, and any new director whose election by the Board of Directors of the Company or nomination for election by the Company s shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority.

ITEM 2 APPROVAL OF THE 2012 EQUITY INCENTIVE PLAN

Summary of Proposal

Our Board is recommending that our shareholders approve the First Business Financial Services, Inc. 2012 Equity Incentive Plan, which we refer to as the 2012 Plan, including the authority to issue 245,542 shares of our Common Stock under the 2012 Plan (representing an increase of 200,000 shares over the existing shares available under the plan that currently serves as the vehicle for our equity compensation program, the First Business Financial Services, Inc. 2006 Equity Incentive Plan (which we refer to as the Existing Equity Plan)).

We are implementing the 2012 Plan and seeking shareholder approval of the Plan because we believe the 2012 Plan will advance the interests of our shareholders by enhancing our ability to attract, retain and motivate persons who make or are expected to make important contributions to our Company and our affiliates by providing such persons with equity ownership opportunities and equity-based incentives, thereby better aligning the interests of such persons with those of our shareholders. We believe that our equity-based incentive compensation programs have been integral to our past success and will continue to be an essential element contributing to our future performance. Therefore, we believe that approval of the 2012 Plan is important to our future success. If our shareholders approve the 2012 Plan, the Existing Equity Plan will terminate and no new awards will be granted under the Existing Equity Plan.

Key Reasons to Support the 2012 Plan:

Our equity-based incentive compensation programs, including the Existing Equity Plan, have been integral to our past success and the 2012 Plan will continue to be an essential element contributing to our future performance.

The number of shares reserved under the 2012 Plan represents what we believe is an acceptable level of dilution to our existing shareholders in light of the benefits to our future performance that we expect the 2012 Plan to support. Based on our historical annual equity grant levels, we believe that the 200,000 shares of Common Stock reserved for issuance under the 2012 Plan, plus the 45,542 shares of Common Stock remaining available for future grants of awards under the Existing Equity Plan, which shares also will be available for grant under the 2012 Plan, will last us approximately five to seven years.

Our equity grants under the Existing Equity Plan have been at a level we