FIRST BUSINESS FINANCIAL SERVICES, INC.
Form DEF 14A
April 07, 2017
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 ý
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
ý Definitive Proxy Statement
o Definitive Additional Materials
o 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)

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NOTICE OF 2017 ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

FIRST BUSINESS FINANCIAL SERVICES, INC.
401 Charmany Drive
Madison, WI 53719
April 7, 2017

Dear Fellow Shareholder:

You are cordially invited to attend the 2017 annual meeting of shareholders of First Business Financial Services, Inc. (the “Company”), which will be held at 5:00 P.M., local time, on Tuesday, May 23, 2017 at the Monona Terrace Community and Convention Center located at One John Nolen Drive, 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.

We are using the Securities and Exchange Commission (“SEC”) rule that allows us to furnish proxy materials to shareholders over the Internet. On or about April 7, 2017, we will begin mailing a Notice of Internet Availability of Proxy Materials (“Notice”) to our shareholders informing them that our Proxy Statement and the 2016 Annual Report on Form 10-K along with voting instructions, are available online. This means that our shareholders will receive only the Notice containing instructions on how to access the proxy materials over the Internet and vote online. If you receive this Notice, but would still like to request paper copies of the proxy materials, please follow the instructions on the Notice or on the website referred to in the Notice. On or about April 21, 2017, we will also mail a proxy card to all registered shareholders, but not the proxy materials, which will allow voting of shares by completing and returning the proxy card. By delivering proxy materials electronically to our shareholders, we can conserve natural resources and reduce the costs of printing and distributing the proxy materials, while providing our shareholders with access to the proxy materials in a fast, easily accessible and efficient manner.

The Board of Directors of the Company recommends that you vote your shares “FOR” all the nominees listed in proposal one and “FOR” proposals two and three.

As previously announced, Barbara Stephens recently resigned from the Board due to other professional obligations. She had been a valued member of the Board since 2010. Please join us in thanking her for her service to the Company.

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 following the instructions on the Notice. Your vote is important. Please join us and the Board of Directors in supporting these proposals.

Sincerely,
Jerry Smith
Chair 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 23, 2017

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 Tuesday, May 23, 2017, at 5:00 P.M., local time, at the Monona Terrace Community and Convention Center located at One John Nolen Drive, Madison, Wisconsin 53703, for the following purposes:

1. To elect two Class I director nominees named in the accompanying Proxy Statement, each to hold office until the 2020 annual meeting of shareholders and until their successors are duly elected and qualified.

2. To approve, in a non-binding, advisory vote, the compensation of the Company's named executive officers as described in the accompanying Proxy Statement, which is referred to as a "say-on-pay" proposal.

3. To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017.

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 23, 2017 has been fixed as the record date for the determination of shareholders entitled to notice of, and to vote at, the meeting. In the event there is an insufficient number of votes for a quorum or to approve any of the proposals at the time of the annual meeting, the meeting may be adjourned or postponed in order to permit the further solicitation of proxies.

You may vote your shares by following the instructions on the Notice of Internet Availability of Proxy Materials or in person at the 2017 annual meeting of shareholders. On or about April 21, 2017, we will also mail a proxy card to all registered shareholders, but not the proxy materials, that will allow voting of shares by completing and returning the proxy card. You may revoke your proxy and vote your shares in person at the meeting or by using any of the voting options provided in accordance with the instructions provided. Please review the Notice of Internet Availability of Proxy Materials and follow the directions carefully in exercising your vote.

By Order of the Board of Directors
FIRST BUSINESS FINANCIAL SERVICES, INC.
Barbara M. Conley
General Counsel & Corporate Secretary
Madison, Wisconsin
April 7, 2017

Your vote is important, no matter how large or small your holdings may be. To assure your representation at the meeting, please vote by following the instructions on the Notice of Internet Availability of Proxy Materials.
Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on May 23, 2017: Copies of this Notice, Proxy Statement, Notice of Annual Meeting and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 are available at www.envisionreports.com/FBIZ.

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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 23, 2017

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”) beginning on or about April 7, 2017 in connection with a solicitation of proxies by the Board for use at the annual meeting of shareholders to be held on Tuesday, May 23, 2017, at 5:00 P.M., local time, at the Monona Terrace Community and Convention Center at One John Nolen Drive, Madison, Wisconsin 53703, and all adjournments or postponements thereof (the “Annual Meeting”) for the purposes set forth in the Notice of Annual Meeting of Shareholders. In accordance with rules and regulations of the Securities and Exchange Commission (the “SEC”), we furnish proxy materials, which include this proxy statement and the accompanying proxy card, Notice of Annual Meeting, and Annual Report on Form 10-K for fiscal year ended December 31, 2016, to our shareholders by making such materials available on the Internet unless otherwise instructed by the shareholder. If you received a Notice of Internet Availability of Proxy Materials (the “Notice”) by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice, which is first being mailed to shareholders on or about April 7, 2017.

The Notice is not a proxy card and cannot be used to vote your shares. To vote your shares, you should follow the instructions included on the Notice, or return a completed proxy card, which we will mail to all registered shareholders on or about April 21, 2017.

Voting your shares in advance of the Annual Meeting will not affect your right to attend the Annual Meeting and to vote in person. However, when you vote pursuant to the proxy card or one of the methods set forth in the Notice, you appoint the proxy holder as your representative at the Annual Meeting. The proxy holder will vote your shares as you instruct, thereby ensuring that your shares will be voted whether or not you attend the Annual Meeting. Presence at the Annual Meeting of a shareholder who has appointed a proxy does not in itself revoke a proxy. Any shareholder appointing a proxy may revoke that appointment at any time before it is exercised by: (i) giving notice thereof to the Company in writing or at the Annual Meeting; (ii) signing another proxy, if you voted by mailing in a proxy card, with a later date and returning it to the Company; (iii) timely submitting another proxy via the telephone or Internet, if that is the method you used to submit your original proxy; or (iv) voting in person at the Annual Meeting. Even if you plan to attend the Annual Meeting, we ask that you instruct the proxies how to vote your shares in advance of the Annual Meeting in case your plans change.

If you appointed the proxies to vote your shares and an issue comes up for a vote at the Annual Meeting that is not identified in the proxy materials, the proxy holder will vote your shares, pursuant to your proxy, in accordance with his or her judgment.

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If you sign and return a proxy card or vote over the Internet or by telephone without giving specific voting instructions, the shares represented by your proxy will be voted “FOR” the two persons nominated for election as directors referred to in this proxy statement, “FOR” the approval of the non-binding, advisory proposal on the compensation of named executive officers, which is referred to as a “say-on-pay” proposal, “FOR” the ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2017, and on such other business matters which may properly come before the Annual Meeting in accordance with the judgment of the persons named as proxies. 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 23, 2017 are entitled to vote at the Annual Meeting. On that date, the Company had outstanding and entitled to vote 8,718,307 shares of Common Stock, each of which is entitled to one vote.

ITEM 1 - ELECTION OF DIRECTORS

The Company’s Amended and Restated By-Laws 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 two directors to hold office until the 2020 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 two persons named as nominees by the Board herein. The Board has no reason to believe that the listed nominees will be unable or unwilling to serve as directors if elected, except for Mr. Smith, who is expected to retire effective as of the date of the Company’s 2019 annual meeting of shareholders in accordance with the Board’s Director Retirement Policy. However, in the event that any nominee should be unable or unwilling to 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.

The following sets forth certain information, as of January 27, 2017, 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 2020 Annual Meeting

Jerome J. Smith, age 72, has served as a director of the Company since December 1989, and Chair of the Board 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 First Business Bank (“FBB”), a wholly-owned subsidiary of the Company, from December 1989 to July 1999 and as Chair of the FBB Board of Directors (the “FBB Board”) from April 2001 to December 2003. Mr. Smith currently serves on the board of directors of Secura Insurance Companies.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Mr. Smith is qualified to serve on the Board include his 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 the boards of other privately held companies and non-profit organizations, CEO-level experience in strategy development

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and implementation, merger and acquisition experience, strong background in sales and marketing management and National Association of Corporate Directors director certification.

Gerald L. Kilcoyne, age 57, 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 FBB Board since May 2010 and has been a member of the FBB Board since August 2005. He has served as a director of First Business Equipment Finance, LLC, a wholly-owned subsidiary of FBB, since January 2006 and as a director of Alterra Bank since May 2016. He served as a director of First Business Capital Corp. (FBCC), a wholly-owned subsidiary of FBB, from January 2006 to December 2013. Mr. Kilcoyne has been Managing Partner of Pinnacle Enterprises, LLC, a private investment holding company, since February 1997.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Mr. Kilcoyne is qualified to serve on the Board, as well as the Audit Committee and Compensation Committee, include his CEO-level experience in strategic planning and financial management, financial services industry expertise as a FBB director and involvement in mergers and acquisitions work for over 25 years.

THE BOARD RECOMMENDS EACH OF THE FOREGOING NOMINEES FOR ELECTION AS DIRECTOR AND URGES EACH SHAREHOLDER TO VOTE “FOR” EACH OF THE 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 2018 Annual Meeting

Mark D. Bugher, age 68, has served as a director of the Company since July 2005, is a member of the Corporate Governance and Nominating Committee and was named Chair of the Compensation Committee effective January 27, 2017. Mr. Bugher served as the Director of University Research Park in Madison, Wisconsin from 1999 until his retirement in November 2013. University Research Park is a non-profit research and technology park involved in developing, leasing and managing properties for technology sector businesses affiliated with the University of Wisconsin-Madison. 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 and also serves on the audit committee of MGE Energy, Inc. Mr. Bugher additionally serves on the board of directors and as Chair of the Marshfield Clinic Health System and has served in leadership positions as chairman 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 is qualified to serve on the Board, as well as the Corporate Governance and Nominating Committee and Compensation Committee, include his executive level experience in strategy development and implementation, governance experience through service on boards including another public company board and other board committees, economic development expertise and a strong background in the commercial real estate, government and health care sectors.

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Corey A. Chambas, age 54, has served as a director of the Company 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 FBB from July 1999 to September 2006 and as President of FBB from July 1999 to February 2005. He currently serves as a director of First Madison Investment Corp., a wholly-owned subsidiary of FBB. Mr. Chambas also serves on the board of directors and as Chair of the board and audit committee of M3 Insurance Solutions, Inc., a privately held insurance agency, and has served on the boards of other privately held companies and non-profit organizations.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Mr. Chambas is qualified to serve on the Board include the depth and breadth of his experience as Chief Executive Officer of the Company and his over 30 years of financial services industry experience with specific focus in the commercial banking sector, his CEO-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 the boards of other privately held companies and non-profit organizations.

John J. Harris, age 64, has served as a director of the Company since January 2012 and is a member of the Audit Committee. 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 to 2007 and a Principal in the Investment Banking Financial Institutions Group of William Blair & Co., LLC from 2000 to 2005.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Mr. Harris is qualified to serve on the Board, as well as the Audit Committee, include over 25 years of experience providing financial advisory services to senior management, boards and special committees of publicly traded and privately held companies; his extensive experience in the financial services sector and with mergers and acquisitions; and his significant work advising clients on capital formation and execution of public and private capital raises.

Terms expiring at the 2019 Annual Meeting

Jan A. Eddy, age 67, 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 Compensation Committee. From April 1990 to May 2010, she served as a director of FBB and served as Chair of the FBB Board from January 2004 to May 2010. Ms. Eddy founded Wingra Technologies, a designer and distributor of software, and served as President and Chief Executive Officer of Wingra Technologies from October 1991 to January 2005, when Quest Software purchased Wingra Technologies. Ms. Eddy held the position of Business Development Executive at Quest Software from January 2005 until her retirement in October 2005. Ms. Eddy has served on the boards of other privately held companies and non-profit organizations and is currently a director of Edgewood College, the Sauk Prairie Healthcare Foundation and several technology sector organizations.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Ms. Eddy is qualified to serve on the Board, as well as on the Corporate Governance and Nominating Committee and the Compensation Committee, include her CEO-level experience as founder and Chief Executive Officer of her own company in strategy development and implementation, mergers and acquisitions and enterprise risk management, her significant governance experience from service on other boards and her strong background in information technology.

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John M. Silseth, age 61, has served as a director of the Company since October 2006 and serves on the Audit Committee and Corporate Governance & Nominating Committee. He also serves as Chair of the Board of Directors of the Company's First Business Bank-Milwaukee ("FBBM") 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 non-profit organizations.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Mr. Silseth is qualified to serve on the Board, as well as the Audit Committee and Corporate Governance and Nominating Committee, include his 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 his experience in mergers and acquisitions.

Dean W. Voeks, age 74, 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. Mr. Voeks is expected to retire from the Board effective as of the 2018 annual meeting of shareholders in accordance with the Board's Director Retirement Policy. Mr. Voeks was the President and Chief Executive Officer of Chorus Communications Group Ltd., a telecommunications company, from January 1991 until his retirement in September 2002.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Mr. Voeks is qualified to serve on the Board, as well as the Audit Committee and Corporate Governance and Nominating Committee, include his CEO-level experience in core management disciplines such as strategic planning, human resources and enterprise risk management, governance experience through service as Chairman of the Board for Chorus Communications Group Ltd. and service on the boards of other non-profit organizations, strong financial background and experience with regulated companies.

Carol P. Sanders, age 49, has served as a director of the Company since September 2016 and is a member of the Audit Committee. Ms. Sanders has been the President of Carol P. Sanders Consulting LLC, a consulting firm providing executive level consulting services to the insurance and technology industries, since July 2015. She served as the Executive Vice President, Chief Financial Officer and Treasurer of Sentry Insurance from July 2013 to June 2015 and as Executive Vice President and Chief Operating Officer of Jewelers Mutual Insurance Company from November 2012 to June 2013 where she previously served in other executive capacities from September 2004 to November 2012. Ms. Sanders has over 25 years of experience in the insurance industry, primarily serving in EVP, CFO, COO and Treasurer roles.

Ms. Sanders has served on the board of directors of Alliant Energy Corporation ("Alliant") and its two utility subsidiaries since December 2005. She presently serves as Chair of Alliant's compensation and personnel committee and as a member of Alliant's nominating and governance and executive committees and previously served as a member and Chair of Alliant's audit committee. Ms. Sanders also serves on the board of directors of RenaissanceRe Holdings Ltd. ("RenaissanceRe"), a global provider of reinsurance and insurance and is a member of that company's audit committee.

The particular and specific experience, qualifications, attributes or skills that led the Board to conclude Ms. Sanders is qualified to serve on the Board, as well as the Audit Committee, include her background as an executive in the insurance industry as well as her board and committee service with other public companies and her executive level background in finance, operations, strategic planning, enterprise risk management and human resources.

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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 for (i) Mr. Bugher, who serves on the board of directors and the audit committee of MGE Energy, Inc., a public company, (ii) Ms. Sanders, who serves on the board of directors, as chair of the compensation and personnel committee and as a member of both the nominating and governance and executive committees of Alliant, and is on the board of directors and a member of the audit committee of RenaissanceRe, and (iii) Mr. Chambas, who serves on the board of directors of Three Lakes Securities, LLC, which is a registered investment advisor. None of the directors, executive officers or nominees is related to one another and there are no arrangements or understandings between any of the directors, executive officers or any other person pursuant to which any of our directors or executive officers have been selected for their respective positions. 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 in the past ten years.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company’s directors, executive officers and holders of 10% or more of the outstanding Common Stock to file reports concerning their ownership of Company equity securities with the SEC. Other than a late Form 4 filing by Mr. Chambas with respect to a gift of 312 shares to the United Way of Dane County, based solely upon a review of such reports, the Company believes that during the fiscal year ended December 31, 2016, all of its directors and executive officers complied with the Section 16(a) filing requirements.

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

Independent Directors and Meeting Attendance

Of the nine directors currently serving on the Board, the Board has determined that all except for Mr. Chambas, the Company’s President and Chief Executive Officer, are “independent directors” for purposes of applicable NASDAQ rules.

Directors are expected to attend the Company’s annual meeting of shareholders each year. All directors who were board members at the time attended the Company’s 2016 annual meeting.

The Board held nine meetings in 2016. Each director attended at least 75% of the aggregate of (1) the total number of meetings of the Board during 2016 while he or she was a director and (2) the total number of meetings held by all committees of the Board on which such director served during 2016 while he or she was a member of such committees.

Board Leadership Structure

The roles of Chair of the Board 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 this time, separation of these roles is in the best interests of the Company and its shareholders because separation:

- allows for additional talents, perspectives and skills on the Board;

- preserves the distinction between the Chief Executive Officer's leadership of management and the Chair's leadership of the Board;
- promotes a balance of power and an avoidance of conflict of interest;
- provides an effective channel for the Board to express its views on management; and
- allows the Chief Executive Officer to focus on leading the Company and the Chair to focus on leading the Board, monitoring corporate governance and shareholder issues.

Since Mr. Smith is the Company's former Chief Executive Officer, 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 conducts its business through meetings of the Board and the following standing Committees: 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. The Board has also adopted guidelines on significant corporate governance matters that, together with the Company's Code of Conduct and other policies, create the Board's corporate governance standards. Copies of these charters and the Corporate Governance Guidelines are available free of charge on the Company's website located at www.firstbusiness.com. The following table reflects the current membership of each Board Committee:

Name	Audit	Compensation	Corporate Governance & Nominating
Mark D. Bugher		Chair	X
Jan A. Eddy		X	Chair
John J. Harris	X		
Gerald L. Kilcoyne	X	X	
Carol P. Sanders	X		
John M. Silseth	X		X
Dean W. Voeks	Chair		X
Number of Meetings in 2016	10	5	3

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), John J. Harris, Gerald L. Kilcoyne, Carol Sanders, and John M. Silseth, each of whom meets the requirements set forth in NASDAQ Listing Rule 5605(c)(2)(A) and the independence standards set forth in Rule 10A-3(b)(1) promulgated by the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Board has thus determined that each of the Audit Committee's current members is qualified to serve in such capacity. The Board has determined that Carol P. Sanders qualifies as an "audit committee financial expert," for purposes of applicable SEC regulations, and has the financial sophistication required by applicable NASDAQ rules because she has the requisite attributes through, among other things, her education and experience as a certified public accountant and financial executive in the insurance industry and her service on the audit committee of other public companies.

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. Mark D. Bugher (Chair), Jan A. Eddy and Gerald L. Kilcoyne are the current members of the Compensation Committee, each of whom is considered to be "independent" and meets the requirements set forth in applicable NASDAQ rules and the independent standards set forth in Rule 10C-1(b)(1) promulgated by the SEC under the Exchange Act. The Board has determined that none of the aforementioned directors has a relationship to the Company which is material to his or her ability to be independent from management in connection with the duties of a Compensation Committee member and has further determined that each of the Compensation Committee's current members is qualified to serve in such capacity.

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, Board and committee structure and director independence; develop and recommend to the Board corporate governance principles, policies and procedures and oversee execution of the Company's enterprise risk management and succession planning programs and advise the Board on the effectiveness of these programs. The Corporate Governance and Nominating Committee consists of Jan A. Eddy (Chair), Mark D. Bugher, John M. Silseth, and Dean W. Voeks. The Board has determined that each of the Corporate Governance and Nominating Committee members is considered to be "independent" according to applicable NASDAQ rules and has further determined that each current member is qualified to serve in such capacity.

Director Selection, Qualifications and Nominations

In making recommendations to the Company's Board with respect to 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. While the Company does not have a separate diversity policy, 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 as well as diversity of personal characteristics such as race, gender, age, ethnicity and geographic representation to ensure a balanced, diverse Board, with each director contributing talents, skills and experiences needed for the Board as a whole.

The Board also believes the following minimum qualifications must be met by a director nominee to be recommended by the Corporate Governance and Nominating Committee:

- Strong personal and professional ethics, integrity and values.

- The ability to exercise sound business judgment.

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- 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.
- Relevant expertise and experience and the ability to offer advice and guidance based on that expertise and experience.
- Independence from any particular constituency, the ability to represent all shareholders of the Company and a commitment to enhancing long-term shareholder value.
- Sufficient time available to devote to activities of the Board and to enhance his or her knowledge of the Company’s business.

The Corporate Governance and Nominating Committee works with the full Board to evaluate:

1) Board composition and assess whether directors should be added in view of director departures,

2) the number of directors needed to fulfill the Board’s responsibilities under the Corporate Governance Guidelines and committee charters, and

3) the skills and capabilities that are relevant to the Board’s work and the Company’s strategy.

The table below summarizes key qualifications, skills and attributes relevant to the decision to nominate candidates to serve on the Board and possessed by current directors. A mark indicates this particular qualification, skill or attribute was identified as one of the director’s top five strongest qualifications, skills or attributes, but the absence of a mark does not mean the director does not possess that qualification, skill or attribute. Detailed director biographies are included on pages 2 through 5 of this proxy statement.

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In making recommendations to the Board, the Corporate Governance and Nominating Committee also considers the mix of different tenures of directors, taking into account the benefits of directors with longer tenures including greater Board stability, continuity of organizational knowledge and the critical importance of expertise and understanding of the commercial banking industry as well as the benefits of directors with shorter tenures who help to foster new ideas and examination of the status quo.

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 Amended and Restated By-Laws 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). Under the Amended and Restated By-Laws, if the Company does not receive notice of an intent to make such a nomination on or after February 22, 2018 and on or prior to March 24, 2018, then the notice will be considered untimely and the Company will not be required to present such proposal at the 2018 annual meeting.

Board Role in Risk Oversight

The Company believes that establishing the right “tone at the top” and providing for full and open communication between management and the Board is essential for effective risk management and oversight. The Board, acting as a whole and through its committees, is responsible for oversight of the Company’s enterprise wide risk management including strategic risk, financial reporting risk, credit risk, liquidity risk, compensation risk, cyber risk and operational risk. Given the critical link between strategy and risk, the 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. At its annual planning session, the Board meets with executive management to discuss the strategies, key challenges, risks and opportunities facing the Company.

Oversight of Risk

- The full Board has responsibility for oversight of risk management;
- The Corporate Governance and Nominating Committee has responsibility for the oversight of the Company’s enterprise risk management program (“ERM Program”) including overseeing management’s execution of the ERM Program, periodically evaluating the effectiveness of the Board’s risk management structure and processes and ensuring appropriate Board-level risk reporting;
- Board committees, which meet regularly and report back to the Board, monitor key risks and oversee effective risk remediation when and as appropriate;
- Company management is responsible for managing risk through robust internal processes and effective internal controls and for effective reporting to the Board and its committees.

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Under the ERM Program, a Risk Dashboard has been developed, the Company's most significant risks along with related metrics/key risk indicators ("KRIs") have been identified and risk tolerance thresholds established. ERM is a standing agenda item for each of the Board's regular quarterly meetings. At these meetings the Board reviews the Risk Dashboard, the status of each KRI relative to the designated tolerance threshold and the related remediation plans. The Board has delegated oversight of each of the key risks to either the Audit, Compensation or Corporate Governance and Nominating Committee in accordance with the committee charters. These charters are reviewed annually to reflect the changing risk environment. Each committee monitors the assigned specific key risks, determines whether the key risk is within tolerance and ensures that appropriate mitigation plans are in place for all out of tolerance risks, identifies emerging risks, reports back to the Board with recommendations and updates and apprises the Board of any areas of concern. The table below summarizes each committee's role in the risk oversight function:

Committee	Risk Oversight Focus
Audit Committee	• Monitors key risks including financial, accounting and internal controls. • Additionally oversees management's remediation plans and Board reporting relating to key risks outside of defined tolerance thresholds: capital, asset quality, earnings, liquidity, sensitivity to market and operational risk (including fraud, internal controls, information and cyber security, and compliance and regulatory).
Compensation Committee	• Oversees the Company's executive compensation program, evaluates risks presented by all compensation programs and confirms that the programs do not encourage risk taking to a degree that is likely to have a materially adverse impact on the Company, do not encourage the management team to take unnecessary and excessive risks that threaten the value of the Company and do not encourage the manipulation of reported earnings of the Company.
Governance and Nominating Committee	• Oversees the ERM Program. • Monitors key risks including risks relating to corporate governance structure, director independence, succession, strategy and reputation.

Management is responsible for the day to day management of the Company's key risks and operates through a Senior Management Risk Committee which monitors key risks, develops and executes remediation plans as appropriate, identifies emerging risks, evaluates the effectiveness of the Company's risk management processes and reports such to the Board or its committees on a regular basis.

More information about risks facing the Company is available in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, Part I, Item IA, Risk Factors.

Director Refreshment: Education, Development and Evaluation Processes

The Board is committed to continuing director education and development. As such, the Board conducts a robust peer and self-evaluation process in addition to its existing annual board and committee evaluation process. The peer and self-evaluation process has served as a mechanism to communicate and measure clear performance standards, both objective and subjective, including expectations for ongoing education. All directors have participated in educational opportunities including internally developed presentations and programs presented by third parties. The Company provides financial support for director education, and all directors are in compliance with the Board's director education guidelines.

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CEO and Executive Officer Succession Planning

Because of the significance of the CEO's leadership, the full Board retains primary responsibility for oversight of CEO succession planning as well as overall executive leadership development and succession planning practices and strategies. The Board has delegated certain responsibility for the ongoing development and monitoring of CEO and executive officer succession planning to the Corporate Governance and Nominating Committee, and at least annually, that committee reviews the policies and principles of selecting a successor to the CEO, both in an emergency situation as well as in the ordinary course of business. The full Board participates in this annual review of the CEO succession plan. This review includes an assessment of potential internal and external CEO successors and contingency plans in the event of a sudden termination (including death or disability) as well as a review of the Company CEO's recommendations for contingency and longer term succession planning for the CEO and executive officer positions. The Corporate Governance and Nominating Committee in accordance with its Charter also reviews succession plans for the other executive officers.

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, 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.

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PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of March 23, 2017 by: (i) each director and director nominee; (ii) each of the executive officers named in the Summary Compensation Table (the "Named Executive Officers"); (iii) all of the directors, director nominees and executive officers (including the Named Executive Officers) 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. The percentage of beneficial ownership shown in the following table is based on 8,718,307 shares of Common Stock outstanding as of March 23, 2017. For purposes of calculating each person's or group's percentage ownership, shares of common stock issuable pursuant to the terms of restricted stock units vesting within 60 days after March 23, 2017 are included as outstanding and beneficially owned for that person or group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned		Percent of Common Stock Beneficially Owned
Charles H. Batson	42,407		*
Mark D. Bugher	9,196	(1)	*
Corey A. Chambas	140,647		1.6%
Jan A. Eddy	16,056	(2)	*
John J. Harris	8,000	(3)	*
Gerald L. Kilcoyne	39,636	(4)	*
Mark J. Meloy	46,274	(5)	*
James F. Ropella (6)	9,214	(7)	*
Carol Sanders	0		*
David Seiler	5,995		*
John M. Silseth	70,000		*
Edward G. Sloane, Jr	4,850		*
Jerome J. Smith	36,337	(8)	*
Dean W. Voeks	11,294		*
All directors, nominees and executive officers as a group (19 persons)	575,790	(9)	6.6%
5% Holders			
The Banc Funds Company, LLC (10)	735,728		8.4%
Manulife Financial Corporation (11)	478,346		5.5%
Wellington Management Group LLP (12)	526,402		6.0%

* Denotes less than 1%.

(1) Includes 160 shares held by Mr. Bugher through an IRA, 6,536 shares held in a revocable trust held jointly with his spouse, 500 shares held by Mr. Bugher's spouse directly and 2,000 shares held by his spouse through an IRA.

(2) All shares held jointly with Ms. Eddy's spouse.

(3) Includes 4,000 shares held jointly with Mr. Harris' spouse.

(4) All shares held in a revocable trust held jointly with Mr. Kilcoyne's spouse.

(5) Includes 40,305 shares held jointly with Mr. Meloy's spouse.

(6) Mr. Ropella retired as Senior Vice President and Treasurer on April 1, 2016.

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(7) All shares held jointly with Mr. Ropella's spouse. The total does not include 5,001 shares issuable pursuant to restricted stock units owned by Mr. Ropella, none of which will vest within 60 days of March 23, 2017.

(8) All shares held in a revocable living trust held jointly with Mr. Smith's spouse.

(9) Includes 2,500 shares held by spouses of the group members, 88,306 shares held through direct joint ownership with spouses of the group members and 104,597 shares held in revocable trusts of the group members and their spouses.

(10) Information based on Schedule 13G/A filed with the SEC on February 14, 2017 by Banc Fund VI L.P., Banc Fund VII L.P., Banc Fund VIII L.P. and Banc Fund IX L.P. (collectively, the "Banc Fund Reporting Persons"). According to the Schedule 13G/A, Banc Fund VII L.P. had sole voting and dispositive power with respect to 162,200 shares, Banc Fund VIII L.P. had sole voting and dispositive power with respect to 452,100 shares, Banc Fund IX L.P. had sole voting and dispositive power with respect to 121,428 shares, and Charles J. Moore, the manager of each of the Banc Fund Reporting Persons, held voting and dispositive power over the shares held by those entities. According to the Schedule 13G/A, each of the Banc Fund Reporting Persons lists its address as 20 North Wacker Drive, Suite 3300, Chicago, IL 60606.

(11) Information based on Schedule 13G/A filed with the SEC on February 14, 2017 by Manulife Financial Corporation, Manulife Asset Management (US) LLC, Manulife Asset Management (North America) Limited, and Manulife Asset Management Limited. According to the Schedule 13G/A, Manulife Asset Management (US) LLC had sole voting and dispositive power with respect to 471,317 shares, Manulife Asset Management (North America) Limited had sole voting and dispositive power with respect to 2,589 shares and Manulife Asset Management Limited had sole voting and dispositive power with respect to 4,440 shares. According to the Schedule 13G/A, the principal business offices of Manulife Financial Corporation, Manulife Asset Management (North America) Limited and Manulife Asset Management Limited are located at 200 Bloor Street East, Toronto, Ontario, Canada, M4W 1E5 and the principal business office of Manulife Asset Management (US) LLC is located at 197 Clarendon Street, Boston, Massachusetts 02116.

(12) Information based on Schedule 13G/A filed with the SEC on February 9, 2017 by Wellington Management Group LLP, Wellington Group Holdings LLP, Wellington Investment Advisors Holdings LLP and Wellington Management Company LLP (collectively, the "Wellington Reporting Persons"). According to the Schedule 13G/A, each of the Wellington Reporting Persons had shared voting power with respect to 514,102 shares and shared dispositive power with respect to 528,502 shares. According to the Schedule 13G/A, the principal business office of each of the Wellington Reporting Persons is c/o Wellington Management Company LLP, 280 Congress Street, Boston, MA 02210.

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DIRECTOR COMPENSATION

In 2016, each non-employee director of the Company received an annual retainer of $24,000. The Company's Board Chair received an additional annual retainer comprised of $50,000 in cash and $113,013 in vested Company stock. The Chair of the Compensation Committee and the Chair of the Corporate Governance and Nominating Committee received additional annual retainers of $5,000, while the Chair of the Audit Committee received an additional annual retainer of $10,000. All Board and committee members, except those serving as executive officers of the Company, were paid $750 for each Board and committee meeting attended in person or via teleconference. All director and committee fees were paid in cash except for the stock issued to Mr. Smith.

	Fees earned or paid in cash (1)	Stock awards	All other compensation	Total
Mark D. Bugher	$37,500	0	0	$37,500
Jan A. Eddy	$42,500	0	0	$42,500
John J. Harris	$39,000	0	0	$39,000
Gerald L. Kilcoyne	$73,800	0	0	$73,800
Carol P. Sanders	$11,750	0	0	$11,750
John M. Silseth	$57,700	0	0	$57,700
Jerome J. Smith	$86,000	$113,013	0	$199,012
Barbara H. Stephens (2)	$39,500	0	0	$39,500
Dean W. Voeks	$51,250	0	0	$51,250

(1) Includes Company subsidiary board of directors and committee fees.
(2) Ms. Stephens ceased serving as a director of the Company as of January 27, 2017.

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COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

The Company is a registered bank holding company engaged in the commercial banking business through its wholly-owned bank subsidiaries (the “Banks”). The Banks operate as business banks focusing on delivering a full line of commercial banking products, including commercial loans and commercial real estate loans, and services tailored to meet the specific needs of small- and medium-sized businesses, business owners, executives, professionals and high net worth individuals. In early 2017, the Company announced its intention to consolidate the charters of the wholly-owned bank subsidiaries into a single charter; however, it is not currently anticipated that the consolidation will impact the Company’s existing management structure.

Performance highlights for the year ending December 31, 2016 include:

- Net income for the year ended December 31, 2016 was $14.9 million, 9.7% lower than the $16.5 million earned for the year ended December 31, 2015.

- Diluted earnings per common share were $1.71 for the year ended December 31, 2016, compared to $1.90 earned in the prior year.

- Top line revenue, which consists of net interest income and non-interest income, increased 7.5% to a record $81.3 million for the year ended December 31, 2016, compared to $75.7 million for the same period in 2015.

- Return on average assets and return on average equity for the year ended December 31, 2016 were 0.82% and 9.40% respectively, compared to 0.97% and 11.36% for 2015.

The following chart depicts total return to the Company’s stockholders during the period beginning December 31, 2011 and ending December 31, 2016 compared to the Total Return Index for the NASDAQ Composite, which is a broad nationally recognized index of stock performance by publicly traded companies and the SNL Bank NASDAQ, which is an index that contains securities of NASDAQ-listed companies classified according to the Industry Classification Benchmark as banks. The chart assumes that the value of the investment in the Company’s common stock and each of the three indices was $100 on December 31, 2011, and that all dividends were reinvested in FBIZ common stock.

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	Period Ending					
Index	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
First Business Financial Services, Inc.	$ 100.00	$ 140.87	$ 235.22	$ 305.32	$ 324.95	$ 315.09
NASDAQ Composite	100.00	117.45	164.57	188.84	201.98	219.89
SNL Bank NASDAQ	100.00	119.19	171.31	177.42	191.53	265.56

Additional information on the Company's business results can be found in the Company's 2016 Annual Report under the Management's Discussion and Analysis section.

Executive Compensation Highlights

The Company's executive compensation program is designed to be heavily weighted toward compensating its executives based on Company performance. To that end the Company has implemented executive compensation policies and practices that reinforce its pay for performance philosophy and align with commonly viewed best practices and sound governance principles. The following highlights some of the Company's executive compensation policies and practices:

- In December 2016 the CEO's employment agreement was amended, and the post-change in control "walk away" right was removed. As a result, the CEO's employment agreement and executive officers' change-in-control agreements require double-triggers upon a change-in-control. In addition, none of these agreements include an excise tax gross-up;

- The clawback language in the Company Bonus Plan was further strengthened for conduct that is detrimental to the Company and results in a material restatement;

- The Company Bonus Plan was reviewed; the Bonus Plan is formulaic with clear disclosure of business drivers; the 2016 review determined that the Bonus Plan is operating as intended and is providing appropriate incentives for the management team;

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- The Company's Compensation Philosophy was reviewed and approved;
- The Company's Stock Ownership Guidelines for the CEO & Executive Officers were reviewed; the CEO and all Executive Officers are in compliance;
- The no-hedging and no-pledging policies were reviewed; all Executive Officers are in compliance;
- The Company offers limited perquisites.

Consideration of 2016 Say on Pay

At the Company's 2016 annual meeting of shareholders, approximately 96% of voting shareholders approved the non-binding advisory proposal on the compensation of the Named Executive Officers, (commonly referred to as a "say-on-pay" vote).

The Board and the Compensation Committee pay careful attention to communications received from shareholders regarding executive compensation, including the non-binding advisory vote. The Company carefully considered the result of the 2016 advisory vote on executive compensation but not for specific 2016 compensation decisions. Based on this consideration and the other factors described in this Compensation Discussion and Analysis, the Compensation Committee did not materially alter the policies or structure for the Named Executive Officers' compensation for 2016 or 2017.

Overview of our Executive Compensation Program

This Compensation Discussion and Analysis describes the Company's compensation philosophy and policies for 2016 as applicable to the Named Executive Officers in the Summary Compensation Table on page 31 ("Named Executive Officers"). This section explains the structure and rationale associated with each material component of the Named Executive Officers' compensation, and it provides important context for the more detailed disclosure tables and specific compensation amounts provided following the section. The Company regularly utilizes an outside consultant to conduct Director and Executive compensation reviews and is scheduled to engage an outside consultant and conduct the reviews again in 2017.

Compensation Program Components

Our Compensation Committee strives to provide an appropriate mix of compensation components, including finding a balance between current and long-term compensation and between cash and equity incentive compensation. Cash payments primarily are aligned with and reward more recent performance, while equity awards encourage our executives to continue to deliver results over a longer period of time and also serve as a retention tool. Compensation for the Named Executive Officers was allocated between base salary, annual incentive compensation and longer-term awards as follows.

Base Salary. The Company annually reviews the base salaries of the Named Executive Officers to determine whether or not they will be adjusted. The salaries for 2016, determined by the Compensation Committee at the end of 2015, are set forth in the Summary Compensation Table on page 31. In determining these salary levels, the Company considered the following factors, with no specific weighting applied to any single factor:

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- the compensation philosophy and guiding principles described below;
- the performance of the Company versus key financial objectives;
- the base salary paid to the Named Executive Officers in comparable positions at companies in the Peer Group, generally using the median as its point of reference if the Named Executive Officer's overall performance and experience warrants such consideration;
- the overall professional experience and background and the industry knowledge of the Named Executive Officers and the quality and effectiveness of their leadership at the Company;
- all of the other components of executive compensation, including bonus, equity grants, retirement and death benefits, as well as other benefits and perquisites;
- total shareholder return and the long-term performance of the Company's stock price, however, short-term stock price performance is not a key factor in considering compensation as the Compensation Committee believes that the short-term performance of the stock price may be subject to various factors including those outside the control of executive management; and
- internal pay equity among the Company's Named Executive Officers.

At the end of 2016, the Compensation Committee determined the base salaries of the Named Executive Officers for 2017. The Compensation Committee approved raises for all of the Named Executive Officers for 2017 based on the factors described above. The base salaries for 2016 and 2017 are as follows:

Name	Position	2016 Base Salary	2017 Base Salary
Corey A. Chambas	President and Chief Executive Officer	$432,640	$443,456
James F. Ropella(1)	Retired Chief Financial Officer	$267,800	N/A
Edward G. Sloane, Jr.(2)	Chief Financial Officer	$250,000	$257,500
Charles H. Batson	President & CEO - First Business Capital Corp.	$250,000	$255,000
David R. Seiler	Chief Operating Officer	$250,000	$259,375
Mark J. Meloy	CEO - First Business Bank	$213,041	$220,000

(1) Mr. Ropella was the Company's Senior Vice President & Chief Financial Officer until January 18, 2016. He continued his employment with the Company as Senior Vice President and Treasurer until April 1, 2016. After that date, Mr. Ropella provided consulting services to the Company.
(2) Mr. Sloane was appointed Chief Financial Officer of the Company effective January 19, 2016.

Annual Bonus. The Compensation Committee typically determines eligibility for annual bonus payments using the parameters defined in the Company's Bonus Plan, which is a performance-based bonus plan for eligible officers and employees of the Company, including the Named Executive Officers. The plan is formulaic and has clear disclosure of the business drivers. As established, the Compensation Committee retains the right to modify the Bonus Plan or withhold payment at any time.

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For 2016, the Company's overall performance and achievement of individual goals resulted in aggregate bonus payments of approximately $226,369 paid to the Named Executive Officers compared to aggregate bonus payments of $466,234 paid in 2015. Since not all performance measures were achieved at target in 2016, the 2016 aggregate bonus payments were lower than 2015 demonstrating the Company's pay for performance commitment. The bonuses paid to Mr. Chambas and the other Named Executive Officers are set forth in the Summary Compensation Table on page 31 of this Proxy Statement.

In 2016, the Named Executive Officers participating in the Bonus Plan earned bonuses based on the performance of the Company, the Company and FBB, or the Company and the FBCC Division. The measure of the Company's performance is based on a combination of measures including revenue growth goals, operating profitability goals and goals related to strategic objectives, as established and measured by the Compensation Committee and the Board. Each measure is equally weighted.

The Compensation Committee and Board approve threshold, target and superior levels for each of the measures used in the Bonus Plan, given the expectations and strategies for each particular year. The specific performance metrics established with respect to the Company's 2016 performance that are non-GAAP measures are defined below.

Bonus payments under the Bonus Plan are determined by the formulas described below, although the Board reserves the right to modify the payouts in its sole discretion. The Bonus Plan has a safeguard of requiring that the Company must meet one-half of the return on asset threshold before any bonus payment can be made based on performance on any criteria.

The following charts outline the performance measures that were used in the Named Executive Officers' bonus calculations. The bonuses for Mr. Chambas, Mr. Sloane and Mr. Seiler were calculated based 100% on the performance of the Company.

	Measurement	Threshold	Target	Superior	Actual	Weighting
Company	Adjusted Top Line Revenue(1)	74,600,000	76,000,000	81,205,539	76,915,692	25.00%
	Analyzed Service Charges(2)	3,548,276	3,717,241	3,886,207	3,471,623	25.00%
	Adjusted Return on Assets(3)	0.79%	0.89%	0.99%	0.68%	25.00%
	SBA Loan Volume(4)	90,000,000	105,000,000	120,000,000	54,366,612	25.00%

(1) Adjusted Top Line Revenue is defined as net interest income plus non-interest income less gains from the sale of the guaranteed portion of SBA loans.

(2) Analyzed Service Charges are defined as service charges for treasury management services where the Company is compensated by the clients' deposits or direct cash charges when balances are insufficient to cover charges.

(3) Adjusted Return on Assets is defined as the total of adjusted top line revenue less non-interest expense less net loan and lease charge-offs less the net change in specific reserves on impaired loans divided by average assets.

(4) SBA Loan Volume is defined as total SBA 7(a) loans originated and fully funded during the calendar year end December 31, 2016.

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The bonus for Mr. Meloy was calculated based 75% on the performance of FBB and 25% on the performance of the Company.

	Measurement	Threshold	Target	Superior	Actual	Weighting
FBB	Adjusted Top Line Revenue	23,550,000	24,000,000	25,650,000	24,046,192	33.33%
	Analyzed Service Charges	2,253,435	2,293,435	2,333,435	2,092,490	33.33%
	Adjusted Return on Assets	2.88%	3.00%	3.19%	3.14%	33.33%

The bonus for Mr. Batson was calculated based 75% on the performance of FBCC Division and 25% on the performance of the Company.

	Measurement	Threshold	Target	Superior	Actual	Weighting
FBCC Division	Top Line Revenue(5)	11,100,000	11,300,000	12,075,000	11,432,408	25.00%
	Pre-tax Adjusted Earnings(6)	5,800,000	6,000,000	6,775,000	6,130,386	25.00%
	Adjusted Return on Assets(7)	3.25%	3.50%	3.75%	4.13%	25.00%
	Average Loans Month of December	175,000,000	186,000,000	197,000,000	144,160,952	25.00%

The Company’s actual 2016 performance measurements used by the Compensation Committee solely to determine whether the Company met the bonus criteria set forth above include the Company’s adjusted top line revenue(1), analyzed service charges(2), adjusted return on assets(3), and Small Business Administration (“SBA”) loan volume(4). FBB’s measures were adjusted top line revenue, analyzed service charges and adjusted return on assets. The definitions of these FBB criteria are the same as used for the Company, however, the results for all three criteria are based on FBB’s performance. The FBCC Division's measures were top line revenue(5), pre-tax adjusted earnings(6), adjusted return on assets(7), and average loans receivable outstanding for the month ended December 31, 2016.

(1) Adjusted Top Line Revenue is defined as net interest income plus non-interest income less gains from the sale of the guaranteed portion of SBA loans.
(2) Analyzed Service Charges are defined as service charges for treasury management services where the Company is compensated by the clients’ deposits or direct cash charges when balances are insufficient to cover charges.
(3) Adjusted Return on Assets is defined as the total of adjusted top line revenue less non-interest expense less net loan and lease charge-offs less the net change in specific reserves on impaired loans divided by average assets.
(4) SBA Loan Volume is defined as total SBA 7(a) loans originated and fully funded during the calendar year end December 31, 2016.
(5) Top Line Revenue is defined as net interest income plus non-interest income.
(6) Pre-tax Adjusted Earnings is defined as top line revenue less non-interest expense less net loan and lease charge-offs less the net change in specific reserves on impaired loans.
(7) Adjusted Return on Assets is defined as the total of top line revenue less non-interest expense less net loan and lease charge-offs less the net change in specific reserves on impaired loans divided by average assets.

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The specific performance metrics established with respect to the Company's 2016 performance include non-GAAP financial measures, which Management believes are relevant measures to align employees' performance with the Company's profitability, growth and achievement of our strategic objectives. Return on assets measures current year profitability and was adjusted to exclude the impact of changes in the general allowance for loans and leases, which is predominately driven by historical loss experience. Return on assets was also adjusted to exclude taxes as tax strategy initiatives are influenced by a limited number of employees. Top line revenue performance was used because it is an overall indicator of growth, which is a strong driver of profitability in future years. Growth in analyzed service charges is an indicator of growth in business deposit relationships. This is a strategic as well as financial metric that was chosen because of our branchless model and the resulting need to strongly focus on in-market deposit generation, our strategic focus on adding commercial and industrial ("C&I") relationships and the metric's alignment with our strategy of increasing our fee income percentage through service charge income. SBA loan volume was chosen as a strategic metric because of the Company's focus on expanding that business line.

With respect to the bonus formula, bonuses under the Bonus Plan provide for bonus payments of 0% to 95% of eligible salary. In 2016, the Bonus Plan provided that our President and Chief Executive Officer would receive up to 95% of his salary with a target payment of 45%, the President & Chief Executive Officer of FBCC Division, the Chief Financial Officer and the Chief Operating Officer would each receive up to 75% of his salary with a target payment of 35%, and the Chief Executive Officer of FBB would receive up to 60% of his salary with a target payment of 30%.

Named Executive Officer	Targeted Payout as % of Base Salary	Actual Consolidated Payout as % of Bonus Eligible Compensation	Bonus Payout ($)
Corey A. Chambas	45.00%	13.45%	58,185
James F. Ropella	NA	NA	NA
Edward G. Sloane, Jr.	35.00%	10.51%	24,993
Charles H. Batson	35.00%	28.39%	70,046
David R. Seiler	35.00%	10.51%	18,711
Mark J. Meloy	30.00%	25.55%	54,434

While the amount of the base bonus payment is determined, primarily, by reference to the performance metrics described above, the Compensation Committee also considers each Named Executive Officer's progress toward individual goals when ultimately determining whether the Named Executive Officer will receive 100% of his eligible bonus. Individual goals, which are established at the beginning of the year, are considered but are not necessarily assigned a particular weight or value. In 2016, the Compensation Committee chose not to exercise its discretion under the Individual Goals. The 2016 individual goals are set forth below:

Corey A. Chambas, President & CEO
- Achieve the business objectives set forth in the Company's Strategic Plan.
- Continue focus on succession planning and talent development.
- Maintain positive investor relations and company visibility.
- Properly manage risks of the Company.
- Meet or exceed expected results for Company asset quality, employee engagement, leadership effectiveness, internal client service satisfaction, client satisfaction and turnover.

Edward G. Sloane, Jr., Chief Financial Officer
- Achieve the business objectives set forth in the Company's Strategic Plan.

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- Continue to lead, engage and develop team members in areas of responsibility.
- Maintain positive investor relations and company visibility.
- Properly manage risks of the Company.
- Meet or exceed expected results in areas of responsibility for employee engagement, leadership effectiveness, internal client service satisfaction and turnover.

James F. Ropella, Retired Chief Financial Officer
- Because Mr. Ropella retired effective April 1, 2016, he was not eligible for a bonus for 2016.

Charles H. Batson, President & CEO, FBCC Division
- Continue to lead, engage and develop team members in areas of responsibility.
- Meet or exceed expected results in areas of responsibility for financial performance, asset quality, employee engagement, leadership effectiveness, internal client service satisfaction and turnover.

David R. Seiler, Chief Operating Officer
- Provide leadership for all operating entities and sales and marketing for the Company.
- Serve as interim President & CEO of Alterra Bank.
- Engage and develop senior leaders in the Company.
- Meet or exceed expected results in areas of responsibility for financial performance, asset quality, employee engagement, leadership effectiveness, internal client service satisfaction, client satisfaction and turnover.

Mark J. Meloy, CEO, First Business Bank
- Continue to lead, engage and develop team members in their areas of responsibility.
- Maintain leadership position in local market.
- Meet or exceed expected results in areas of responsibility for asset quality, employee engagement, leadership effectiveness, internal client service satisfaction, client satisfaction and turnover.

Clawback Provision of Bonus Plan Payments. The Company’s Bonus Plan includes a clawback provision that applies to all current and former executive officers. In the event of a material restatement of the Company’s financial results, other than a restatement due to changes in accounting principles or applicable law or interpretations thereof, the Board will review the facts and circumstance that led to the requirement for the restatement and will take such actions, including clawback, as it deems necessary or appropriate. The Board will consider whether any executive officer received cash or equity compensation based on the original financial statements because it appeared he or she achieved financial performance targets which in fact were not achieved based on the restatement. The Board will also consider the accountability of any executive officer whose acts or omissions were responsible in whole or in part for the events that led to the restatement and whether such acts or omissions constituted misconduct.

Long-Term Incentive Plan. The LTI Plan was established to advance the interests of the Company’s shareholders by enhancing the Company’s ability to attract, retain and motivate persons who make or are expected to make important contributions to the Company by providing equity ownership opportunities and equity-based incentives, thereby aligning the interests of such persons with those of the shareholders. The LTI Plan is administered by the Compensation Committee of the Board and provides for the grant of equity ownership opportunities through incentive stock options and nonqualified stock options, restricted stock, restricted stock units, dividend equivalent units, and any other type of award permitted by the LTI Plan.