R F INDUSTRIES LTD
Form 4
November 21, 2014

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Benoit Edward Joseph

(Last) (First) (Middle)

7610 MIRAMAR ROAD, BUILDING 6000

(Street)

SAN DIEGO, CA 92126

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
R F INDUSTRIES LTD [RFIL]

3. Date of Earliest Transaction (Month/Day/Year)
11/19/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. D S

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					(I
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option	$ 4.41	11/19/2014		A		14,916		(1)	11/19/2019	Common Stock	14,916

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Benoit Edward Joseph 7610 MIRAMAR ROAD, BUILDING 6000 SAN DIEGO, CA 92126	X			

Signatures

/s/ Edward Joseph Benoit	11/20/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Stock Option vests and becomes exercisable in four equal increments over a one-year period on 1/31/15, 4/30/15, 7/31/15 and 10/31/15.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. TD> 271 3.89 9,032 141 3.12

Total interest-bearing liabilities
503,128 8,012 3.18 443,630 5,085 2.29
Non-interest-bearing liabilities
50,945 42,961

Total liabilities
554,073 486,591
Minority interest in 51% owned subsidiary
3,555
Stockholders equity
39,193 30,867

Total liabilities and Stockholders equity	$593,266	$521,013
Net interest income/interest rate spread	$8,807 2.71%	$8,277 2.98%
Net interest-earning assets	$67,678	$63,480
Net interest margin	3.09%	3.26%
Ratio of average interest-earning assets to average interest- earning liabilities	1.13	1.14
Return on average assets	0.93%	0.92%
Return on average equity	14.02%	15.54%
Average equity to average assets	6.61%	5.92%
Non-interest expense to average assets	2.57%	2.67%

(1) The average balances of loans and leases include non-performing loans and leases, interest of which is generally recognized on a cash basis.

(1) Includes amortized cost

basis of assets
held and
available for
sale.

28

Financial Condition

General. The total assets of FBFS increased $42.8 million, or 7.4%, to $604.8 million at June 30, 2005 from $563.0 million at December 31, 2004. This increase was funded primarily by net increases in deposits of $36.1 million. This growth is generally invested in securities and loans and leases receivable.

Securities. Securities available-for-sale increased $23.4 million at June 30, 2005 from December 31, 2004 as a result of purchases of $37.1 million net of maturities of $13.7 million during the year. Mortgage-related securities consisted largely of agency-backed mortgage-derivative securities in the form of REMICSs.

Loans and Leases Receivable. Total net loans and leases increased $15.9 million to $485.7 million at June 30, 2005 from $469.8 million at December 31, 2004. The activity in the loan and lease portfolio consisted of originations of $149.3 million and purchases of $6.4 million offset by principal repayments of $139.8 million and an increase in the allowance for loan and lease losses of $62,000. Deferred loan fees declined $63,000 to $247,000 at June 30, 2005 from $310,000 at December 31, 2004. The primary reason for this decrease was a decrease in loans originated in the Corporation s asset-based lending subsidiary from the prior year ended December 31, 2004 to the six months ended June 30, 2005 accompanied by increased payoff activity in the prior period as compared to the six months ended June 30, 2005. The increased payoff activity in the prior period resulted in accelerated deferred loan fee amortization for those loans that were paid off.

Deposits. As of June 30, 2005, deposits increased $35.9 million to $510.6 million from $474.7 million at December 31, 2004. The increase during the six months ended June 30, 2005 was largely attributable to an increase of $18.9 million in money market accounts accompanied by an increase in certificates of deposit of $12.4 million and an increase of $4.7 million in transaction accounts, respectively. The weighted average cost of deposits increased to 3.05% at June 30, 2005 from 2.33% at December 31, 2004.

Borrowings. The Corporation had borrowings of $44.0 million as of June 30, 2005, largely consisting of FHLB advances of $12.6 million which had a weighted average rate of 2.79%. Fed funds purchased and securities sold under agreement to repurchase totaled $13.6 million and had a weighted average rate of 2.92%. The Corporation also had a $2.5 million line of credit with a weighted average rate of 4.42%, a $5.0 million subordinated note payable which carried a weighted average rate of 5.20% and junior subordinated debentures of $10.3 million with a weighted average rate of 8.96%. Borrowings increased $3.7 million during the six months ended June 30, 2005. Maturing FHLB advances of approximately $12.9 million were replaced with Fed funds of approximately $11.2 million along with the availability of deposits for funding. At December 31, 2004, FHLB advances were $23.8 million with a weighted average rate of 1.91%. Fed funds purchased and securities sold under agreement to repurchase totaled $678,000 and had a weighted average rate of 2.20%. The Corporation s line of credit of $500,000 had a weighted average rate of 3.76%, the subordinated note payable carried a weighted average rate of 4.62% and junior subordinated debentures of $10.3 million had a weighted average rate of 8.66%.

Stockholders Equity. As of June 30, 2005, stockholders equity was $40.4 million or 6.7% of total assets. Stockholders equity increased $2.3 million during the six months ended June 30, 2005 primarily as a result of comprehensive income of $2.5 million, which includes net income of $2.7 million. Stock options exercised totaled $103,000. These increases were partially offset by an increase in accumulated other comprehensive loss of $293,000, dividends paid of $278,000 and treasury stock purchases of $3,000. As of December 31, 2004, stockholders equity totaled $38.1 million or 6.8% of total assets.

During the six months ended June 30, 2005, options for 6,280 shares of common stock were exercised at a weighted-average price of $16.34 per share.

Table of Contents

Asset Quality

Non-performing Assets. Non-performing assets consists of non-accrual loans and leases of $1.2 million as of June, 2005, or 0.31% of total assets, as compared to $2.9 million, or 0.52% of total assets, as of December 31, 2004. This represents a decrease of $1.1 million in non-performing assets largely due to the receipt of $750,000 from the sale of printing equipment which was part of the collateral for a non-accrual lease which had a carrying value of $1.1 million as of December 31, 2004. Management believes it will receive payment in full on the lease.

The Corporation s non-accrual loans and leases consist of the following at June 30, 2005 and December 31, 2004, respectively.

	As of June 30, 2005	**As of December 31, 2004**
	(Dollars in Thousands)	
Non-accrual loans	$ 711	$ 696
Non-accrual leases	507	1,566
Total non-accrual loans and leases	1,218	2,262
Foreclosed properties and repossessed assets, net	650	665
Total non-performing assets	$ 1,868	$ 2,927
Performing troubled debt restructurings	$	$
Total non-accrual loans and leases to total loans and leases	0.25%	0.47%
Total non-performing assets to total assets	0.31	0.52
Allowance for loan and lease losses to total loans and leases	1.31	1.34
Allowance for loan and lease losses to non-accrual loans and leases	528.49	281.83

At June 30, 2005, the Banks had a total of $5.8 million in assets classified substandard as compared to $5.5 million at December 31, 2004. This increase of $300,000 is primarily attributable to the addition of a foreclosed property which was formerly a first and second mortgage secured by a borrower s residence in the amount of $650,000. The foreclosure took place in May, 2005. The property is located in Eagle, Wisconsin and FBB Milwaukee believes it will be able to sell the property at or above its carrying amount. The majority of the decrease in substandard assets that offset the addition of the foreclosed property was a lease with a net carrying value of $115,000 upgraded from substandard due to its performance in accordance with contractual terms.

Included in assets classified substandard are loans and leases of $4.6 million and $507,000, respectively at June 30, 2005 and the above foreclosed property with a net carrying value of $650,000. There are two substandard loans with a net carrying value greater than $1.0 million as of June 30, 2005. The first is a $1.5 million loan to a concrete contractor. The second is a $1.5 million loan to a plastic injection molding company. This loan was subsequently paid in full on July 11, 2005. The loan to the concrete contractor is current as of June 30, 2005. As of December 31, 2004, assets classified substandard with a net carrying value of greater than $1.0 million included the above loan to a plastic injection molding company with a net carrying value of $1.3 million and a loan to a metal stamping company with a net carrying value of $1.7 million. The second loan was removed from the substandard classification as a result of performance in accordance with contractual terms.

Table of Contents

The following represents information regarding the Corporation s impaired loans:

	As of June 30, 2005	As of December 31, 2004
	(In Thousands)	
Impaired loans and leases with impairment reserves required	$ 1,184	$ 2,262
Less:		
Impairment reserve (included in allowance for loan and lease losses)	378	470
Net impaired loans and leases	$ 806	$ 1,792
Average impaired loans and leases	$ 1,739	$ 2,112
Interest income attibutable to impaired loans and leases	80	177
Interest income recognized on impaired loans and leases	13	85

Loan charge-offs were $9,000 for the three and six months ended June 30, 2005 and were $0 for the same periods in 2004, respectively. Recoveries for the three and six months ended June 30, 2005 were $2,000 and $6,000 and were $114,000 and $118,000 for the same periods in 2004, respectively. The higher level of recoveries in 2004 resulted from a recovery of $114,000 from a lease to a printer of wall boards for manufactured housing that had been charged off in 2002.

A summary of the activity in the allowance for loan and lease losses follows:

Table of Contents

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(Dollars in Thousands)			
Allowance at beginning of period	$ 6,444	$ 6,812	$ 6,375	$ 6,811
Charge-offs:				
Mortgage				
Commercial				(3)
Lease				
Consumer	(9)		(9)	
Total charge-offs	(9)		(9)	(3)
Recoveries:				
Mortgage			1	
Commercial	2	1	5	5
Lease		113		113
Consumer				
Total recoveries	2	114	6	118
Net recoveries (charge-offs)	(7)	114	(3)	115
Provision			65	
Allowance at end of period	$ 6,437	$ 6,926	$ 6,437	$ 6,926
Allowance to gross loans and leases	1.31%	1.49%	1.31%	1.49%

Liquidity and Capital Resources

During the six months ended June 30, 2005 and the years ended December 31, 2004 and 2003, the Banks did not make dividend payments to the Corporation. The Banks are subject to certain regulatory limitations regarding their ability to pay dividends to the Corporation. Management believes that the Corporation will not be adversely affected by these dividend limitations and that any future projected dividends from the Banks will be sufficient to meet the Corporation s liquidity needs. The Corporation s principal liquidity requirements at June 30, 2005 are the repayment of a short-term borrowing of $2.5 million and interest payments due on subordinated debentures and the junior subordinated debentures during 2005. The Corporation expects to meet its liquidity needs through existing cash flow sources, its bank line of credit and/ or dividends received from the Banks. The Corporation and its subsidiaries continue to have a strong capital base and the Corporation s regulatory capital ratios continue to be significantly above the defined minimum regulatory ratios.

FBFS manages its liquidity to ensure that funds are available to each of its Banks to satisfy the cash flow requirements of depositors and borrowers and to ensure the Corporation s own cash requirements are met. The Banks maintain liquidity by obtaining funds from several sources.

The Banks primary sources of funds are principal and interest repayments on loans receivable and mortgage-related securities, FHLB advances, deposits and other borrowings such as federal funds and Federal Home Loan Bank advances. The scheduled repayments of loans and the repayments of mortgage-related securities are a predictable source of funds. Deposit flows and loan repayments, however, are greatly influenced by general interest rates, economic conditions and competition.

Brokered deposits are used by the Banks, which allows them to gather funds across a larger geographic base at price levels considered attractive. Access to such deposits allows the flexibility to not pursue single service deposit relationships in markets that have experienced some unprofitable pricing levels. Brokered deposits account for

$262.6 million and $246.7 million of deposits as of June 30, 2005 and December 31, 2004, respectively. Brokered deposits are utilized to support asset growth and are generally a lower cost source of funds when compared to the interest rates that would need to be offered in

32

---

the local markets to generate a sufficient level of funds. In addition, the administrative costs associated with brokered deposits are considerably less than the administrative costs that would be incurred to administer a similar level of local deposits. Although local market deposits are expected to increase as new client relationships are established and as existing clients increase the balances in their deposit accounts, the usage of brokered deposits will likely remain. In order to provide for ongoing liquidity and funding, all of the brokered deposits are certificates of deposit that do not allow for withdrawal, at the option of the depositor, before the stated maturity. In the event that there is a disruption in the availability of brokered deposits at maturity, the Banks have managed the maturity structure so that at least 90 days of maturities would be funded through other means, including but not limited to advances from the Federal Home Loan Bank, replacement with higher cost local market deposits or cash flow from borrower repayments and security maturities.

The Banks are required by federal regulation to maintain sufficient liquidity to ensure safe and sound operations. Management believes that its Banks have an acceptable liquidity percentage to match the balance of net withdrawable deposits and short-term borrowings in light of present economic conditions and deposit flows.

Under Federal law and regulation, the Banks are required to meet certain tier 1 and risk-based capital requirements. Tier 1 capital generally consists of stockholders equity plus certain qualifying debentures and other specified items less intangible assets such as goodwill. Risk-based capital requirements presently address credit risk related to both recorded and off-balance sheet commitments and obligations.

As of June 30, 2005 and 2004, the most recent notification from the Federal Deposit Insurance Corporation and the state of Wisconsin Department of Financial Institutions (DFI) categorized the Banks as well capitalized under the regulatory framework for prompt corrective action. The qualification results in lower assessment of FDIC premiums, among other benefits.

In addition, the Banks exceeded minimum net worth requirement of 6.0% as required by the State of Wisconsin at December 31, 2004 and 2003.

The following table summarizes the Corporation and Banks capital ratios and the ratios required by its federal regulators at June 30, 2005, December 31, 2004 and June 30, 2004, respectively:

Table of Contents

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required to be Well Capitalized Under FDIC Requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
As of June 30, 2005 (as restated):						
Total capital (to risk-weighted assets)						
Consolidated	$59,954	11.21%	$42,787	8.00%	N/A	N/A
First Business Bank	52,158	11.24	37,116	8.00	$46,395	10.00%
First Business Bank Milwaukee	8,507	11.65	5,839	8.00	7,299	10.00
Tier 1 capital (to risk-weighted assets)						
Consolidated	$48,517	9.07%	$21,393	4.00%	N/A	N/A
First Business Bank	46,874	10.10	18,558	4.00	$27,837	6.00%
First Business Bank Milwaukee	7,592	10.40	2,920	4.00	4,380	6.00
Tier 1 capital (to average assets)						
Consolidated	$48,517	8.08%	$24,030	4.00%	N/A	N/A
First Business Bank	46,874	9.03	20,770	4.00	$25,962	5.00%
First Business Bank Milwaukee	7,592	9.09	3,342	4.00	4,177	5.00

Table of Contents

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required to be Well Capitalized Under FDIC Requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
As of December 31, 2004 (as restated):						
Total capital (to risk-weighted assets)						
Consolidated	$57,296	11.03%	$41,550	8.00%	N/A	N/A
First Business Bank	48,611	10.75	36,164	8.00	$45,205	10.00%
First Business Bank Milwaukee	8,185	12.45	5,259	8.00	6,574	10.00
Tier 1 capital (to risk-weighted assets)						
Consolidated	$45,921	8.84%	$20,775	4.00%	N/A	N/A
First Business Bank	43,323	9.58	18,082	4.00	$27,123	6.00%
First Business Bank Milwaukee	7,360	11.20	2,629	4.00	3,944	6.00
Tier 1 capital (to average assets)						
Consolidated	$45,921	8.21%	$22,365	4.00%	N/A	N/A
First Business Bank	43,323	8.92	19,430	4.00	$24,287	5.00%
First Business Bank Milwaukee	7,360	10.09	2,918	4.00	3,648	5.00

Table of Contents

	Actual Amount	Actual Ratio	Minimum Required for Capital Adequacy Purposes Amount	Minimum Required for Capital Adequacy Purposes Ratio	Minimum Required to be Well Capitalized Under FDIC Requirements Amount	Minimum Required to be Well Capitalized Under FDIC Requirements Ratio
			(Dollars in Thousands)			
As of June 30, 2004 (as restated):						
Total capital (to risk-weighted assets)						
Consolidated	$ 54,249	11.04%	$ 39,293	8.00%	N/A	N/A
First Business Bank	45,880	10.87	34,475	8.00	$ 43,094	10.00%
First Business Bank - Milwaukee	8,334	13.97	4,772	8.00	5,965	10.00
Tier 1 capital (to risk-weighted assets)						
Consolidated	$ 43,100	10.00%	$ 19,647	4.00%	N/A	N/A
First Business Bank	40,484	9.59	17,238	4.00	$ 25,856	6.00%
First Business Bank - Milwaukee	7,588	12.72	2,386	4.00	3,579	6.00
Tier 1 capital (to average assets)						
Consolidated	$ 43,100	8.23%	$ 20,956	4.00%	N/A	N/A
First Business Bank	40,484	8.97	18,046	4.00	$ 22,558	5.00%
First Business Bank - Milwaukee	7,588	10.70	2,838	4.00	3,547	5.00

Contractual Obligations

The following table summarizes the Corporation s contractual cash obligations and other commitments at June 30, 2005.

		Payment Due by Period			
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**More than 5 Years**
		(Dollars in Thousands)			
Operating lease obligations	$ 5,494	$ 534	$ 1,066	$ 1,066	$ 2,829
Fed funds purchased and securities repurchase agreements	13,588	13,588			
Time deposits	319,852	182,478	87,660	39,517	10,197
Line of Credit	2,500	2,500			
Subordinated debt	5,000				5,000
Junior subordinated debentures	10,310				10,310
FHLB advances	12,649	11,104	1,029	11	505
Other long-term liabilities					

Total contractual obligations	$ 369,393	$ 210,204	$ 89,755	$ 40,593	$ 28,841

36

Table of Contents

Off-balance Sheet Arrangements

As of June 30, 2005 the Corporation had outstanding commitments to originate $153.5 million of loans and commitments to extend funds to or on behalf of clients pursuant to standby letters of credit of $13.3 million. Commitments to extend funds typically have a term of less than one year; however the Banks have $53.5 million of commitments which extend beyond one year. No losses are expected as a result of these funding commitments. The Banks have entered into agreements with certain brokers that provide blocks of funds at specified interest rates for agreed upon fees. The Banks also utilize interest rate swaps for the purposes of interest rate risk management. Such instruments are discussed in **Note 10** to the Consolidated Financial Statements. Management believes adequate capital and liquidity are available from various sources to fund projected commitments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary function of asset liability management is to provide liquidity and maintain an appropriate balance between interest-earning assets and interest-bearing liabilities within specified maturities and/or repricing dates. Interest rate risk is the imbalance between interest-earning assets and interest-bearing liabilities at a given maturity or repricing date, and is commonly referred to as the interest rate gap (the gap). A positive gap exists when there are more assets than liabilities maturing or repricing within the same time frame. A negative gap occurs when there are more liabilities than assets maturing or repricing within the same time frame. During a period of rising interest rates, a negative gap over a particular period would tend to adversely affect net interest income over such a period, while a positive gap over a particular period would tend to result in an increase in net interest income.

The Corporation s strategy for asset and liability management is to maintain an interest rate gap that minimizes the impact of interest rate movements to the net interest margin by maintaining a favorable match between the maturities and repricing dates of interest-earning assets and interest-bearing liabilities. This strategy is monitored by the respective Banks Asset/Liability Management Committees, in accordance with policies approved by the respective Banks Boards. These committees meet regularly to review the sensitivity of the Corporation s assets and liabilities to changes in interest rates, liquidity needs and sources, and pricing and funding strategies.

The Corporation uses two techniques to measure interest rate risk. The first is simulation of earnings. The balance sheet is modeled as an ongoing entity whereby future growth, pricing, and funding assumptions are implemented. These assumptions are modeled under different rate scenarios that include a simultaneous, instant and sustained change in interest rates.

The second measurement technique used is static gap analysis. This technique measures the difference between the amount of interest-earning assets maturing and/or repricing and the amount of interest-bearing liabilities and interest rate swaps maturing and/or repricing in specified time periods. A significant repricing gap could result in a large impact on net interest margin during periods of changing interest rates.

The Corporation s asset and liability management requires management to make a number of assumptions as to when an asset or liability will reprice or mature. Management believes that its assumptions approximate actual experience and considers them reasonable, although the actual amortization and repayment of assets and liabilities may vary substantially. The Corporation s economic sensitivity to change in rates at June 30, 2005 has not changed materially since December 31, 2004.

Table of Contents

Item 4 Controls and Procedures

Evaluation of Disclosure Controls and Procedures

FBFS maintains disclosure controls and procedures as required under Rule 13a-15 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods in the SEC s rules and forms, and that such information is accumulated and communicated to the Corporation s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

At December 31, 2004, March 31, 2005 and June 30, 2005, FBFS s management carried out an evaluation, under the supervision and with the participation of FBFS s Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures. Based on those evaluations, FBFS s management initially concluded that as of December 31, 2004, March 31, 2005 and June 30, 2005, such disclosure controls and procedures were effective. However, on November 8, 2005, management and the Audit Committee of the Board of Directors of FBFS concluded that FBFS had a material weakness in its internal control over financial reporting as described below. Because of this material weakness in its internal control over financial reporting (described below) which impacted the financial statements for the first two quarters of 2005 and as of and for the years ended December 31, 2004, 2003, and 2002, management has, as of the date of the filing of this Form 10-Q/A, concluded that FBFS s disclosure controls and procedures were not effective as of December 31, 2004, March 31, 2005 or June 30, 2005. Management identified the following material weakness in internal control over financial reporting as of December 31, 2004, March 31, 2005 and June 30, 2005:

As of the aforementioned period-ends, FBFS had ineffective policies and procedures relating to the accounting for certain derivative financial instruments under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities (SFAS 133).* Specifically, FBFS s policies and procedures did not provide for sufficient testing and verification of the criteria for the short cut method to ensure proper application of the provisions of SFAS 133 at inception for certain derivative financial instruments and did not provide for periodic timely review of the proper accounting for certain derivative financial instruments for periods subsequent to inception. In addition, FBFS did not have personnel possessing sufficient technical expertise related to the application of the provisions of SFAS 133, or with a sufficient understanding of derivative instruments. This material weakness has resulted in the restatement of the Company s financial statements for the first two quarters of 2005 and for the years ended December 31, 2004, 2003 and 2002 and the restatement of financial information for the year ended December 31, 2001 and each of the quarters in 2004.

Changes in Internal Control over Financial Reporting

FBFS continually assesses the adequacy of its internal control over financial reporting and enhances its controls in response to internal control assessments and internal and external audit and regulatory recommendations.

There were no changes in our internal control over financial reporting that were implemented during the quarter ended June 30, 2005, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Since November 8, 2005, we have implemented or are in the process of implementing several important changes in our internal control over financial reporting related to our accounting for derivatives. These actions include:

Enhancing risk management policies and procedures related to reviewing derivative transactions;

Table of Contents

Reviewing policies and procedures related to the initiation and subsequent review of hedge strategies; and

Changing policies and procedures to limit the Corporation s use of the short cut method.

While we believe these actions have significantly improved our internal control over financial reporting, we further believe that additional time and testing are necessary before concluding that the material weakness has been fully remediated. We anticipate that we will have fully remediated the material weakness by December 31, 2005.

Part II. Other Information

Item 1. Legal Proceedings

From time to time, the Corporation and its subsidiaries are engaged in legal proceedings in the ordinary course of their respective businesses. Management believes that any liability arising from any such proceedings currently existing or threatened will not have a material adverse effect on the Corporation s financial position, results of operations, and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) The following transactions occurred during the quarter ended June 30, 2005 pursuant to the 2001 Equity Incentive Plan. On April 14, 2005, 275 shares of FBFS common stock were sold for $4,217.68, 1,050 shares were sold for $19,950.00 and 750 shares were sold for $16,500.00. Those transactions were entered into pursuant to the exemption provided in Rule 701.

(b) None.

(c) None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders was held May 2, 2005. There were 2,418,539 shares of common stock that could be voted, and 1,413,778 shares present at the meeting by holders thereof in person or by proxy, which constituted a quorum. The following is a summary of the results of items voted on:

Table of Contents

	Number of Shares		
	For	Against	Abstained
Election of Directors for a three-year term expiring in 2008:			
Jerome J. Smith	1,409,499		4,279
Leland C. Bruce	1,406,811		6,967
Loren D. Mortenson	1,406,127		7,651
Appointment of KPMG as independent auditors for the year ending December 31, 2005	1,374,903	1,630	37,245

Item 5. Other Information.

None.

Item 6. Exhibits.

(31.1) Certification of the Chief Executive Officer.

(31.2) Certification of the Senior Vice President and Chief Financial Officer.

(32) Certification of the Chief Executive Officer and Senior Vice President and Chief Financial Officer pursuant to 18 U.S.C. paragraph 1350.

Table of Contents

Signatures

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST BUSINESS FINANCIAL SERVICES, INC.

By: /s/ Jerome J. Smith

Jerome J. Smith
Director and Chief Executive Officer

December 21, 2005