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## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

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(TO BE HELD ON MAY 25, 2010)

Notice is hereby given that the annual meeting of shareholders of Indiana Business Bancorp will be held at the Parkwood Conference Center, 500 E. 96th Street, Indianapolis, Indiana, on Tuesday, May 25, 2010 at 4:00 p.m. (Indianapolis time).

The annual meeting will be held for the following purposes:

- (1) To elect sixteen directors to serve until the next annual meeting of shareholders;
- (2) To ratify the appointment of BKD, LLP as our independent registered public accounting firm for 2010; and
- (3) To consider and act upon such other matters as may properly come before the meeting or any adjournment thereof.

Shareholders of record at the close of business on April 12, 2010 are entitled to vote at the meeting or any adjournment thereof.

We urge you to read the accompanying proxy statement carefully so that you may be informed about the business to come before the meeting, or any adjournment thereof. At your earliest convenience, please sign and return the accompanying proxy in the postage-paid envelope furnished for that purpose.

A copy of our Annual Report for the fiscal year ended December 31, 2009 is enclosed.

By Order of the Board of Directors

Gregory G. Gault,  
Secretary

Indianapolis, Indiana  
April 19, 2010

**IT IS IMPORTANT THAT THE PROXIES BE RETURNED PROMPTLY. THEREFORE, WHETHER OR NOT YOU PLAN TO BE PRESENT IN PERSON AT THE ANNUAL MEETING, PLEASE SIGN, DATE AND COMPLETE THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.**

# Indiana Business Bancorp

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## PROXY STATEMENT

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250 E. 96th Street, Suite 100  
Indianapolis, Indiana 46240  
(317) 218-2180

### INFORMATION CONCERNING THE SOLICITATION

Indiana Business Bancorp (“Bancorp”) is providing this proxy statement to shareholders in connection with the annual meeting of shareholders to be held at the Parkwood Conference Center, 500 E. 96th Street, Indianapolis, Indiana on May 25, 2010 at 4:00 p.m., Indianapolis Time, and at any adjournment of such meeting.

This proxy statement is being mailed to shareholders on or about April 19, 2010.

#### Voting Information

April 12, 2010 is the record date for purposes of determining the shareholders entitled to receive notice of, and to vote at, the annual meeting. On that date, there were 1,494,325 shares of Bancorp common stock issued and outstanding. Each holder of common stock will be entitled to one vote for each share held as of the record date.

The presence in person or by proxy of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum for the transaction of business at the annual meeting. In determining whether a quorum is present, shareholders who vote in favor, abstain (that is, proxies on which the box labeled “Abstain” has been checked) or withhold authority to vote as well as any broker non-votes (shares for which a broker has submitted a valid proxy, but for which the beneficial owner has not given any voting instructions) on the proposal to ratify auditors will be deemed present at the annual meeting. Due to a recent regulatory change, brokers will no longer be entitled to exercise discretion to vote shares in an uncontested election of directors if the shareholder does not give voting instructions. Accordingly, if you hold your shares in “street name” and wish your shares to be voted in the election of directors, you must give your broker voting instructions.

The items of business to be considered at the annual meeting are the election of sixteen directors and the ratification of the appointment of auditors. Directors will be elected upon receipt of a plurality of votes cast at the annual meeting. Plurality means that individuals who receive the largest number of votes cast are elected up to the maximum number of directors to be chosen at the meeting. Abstentions and instructions on the accompanying proxy to withhold authority to vote for one or more of the nominees will result in the respective nominee receiving fewer votes. However, the number of votes otherwise received by the nominee will not be reduced by such action nor will such action affect the election of a nominee. The proposal to ratify the appointment of auditors will be approved if more votes are cast in favor of it than are cast against.

The proxy solicited hereby, if properly signed and returned and not revoked prior to its use, will be voted in accordance with the instructions contained therein. If no contrary instructions are given, each proxy received will be voted “FOR” each of the named director nominees, “FOR” the proposal to ratify the appointment of auditors, and, upon the transaction of such other business as may properly come before the meeting, in accordance with the best judgment of the persons appointed as proxies.

Any shareholder giving a proxy has the power to revoke it at any time before it is exercised by (1) filing with the Secretary written notice thereof (Gregory G. Gault, 250 E. 96th Street, Indianapolis, Indiana 46240),

(2) submitting a duly executed proxy bearing a later date, or (3) appearing at the annual meeting and giving the Secretary notice of his or her intention to vote in person. Proxies solicited hereby may be exercised only at the annual meeting and any adjournment thereof and will not be used for any other meeting.

## VOTING SECURITIES, PRINCIPAL HOLDERS AND OWNERSHIP BY MANAGEMENT

The following table sets forth information regarding the beneficial ownership, as of March 31, 2010, of shares of common stock by each person who is known by management to own beneficially 5% or more of the outstanding shares. Unless otherwise indicated, the named beneficial owner has sole voting and dispositive power with respect to the shares.

| <u>Name</u>                      | <u>Number of Shares</u> | <u>Percentage of Class</u> |
|----------------------------------|-------------------------|----------------------------|
| S.Y. Bancorp <sup>(1)</sup>      | 141,225 <sup>(2)</sup>  | 9.4%                       |
| Wynne Family, LLC <sup>(3)</sup> | 131,935 <sup>(4)</sup>  | 8.7%                       |
| WI-IBB, LLC <sup>(4)</sup>       | 112,695 <sup>(5)</sup>  | 7.5%                       |

- <sup>(1)</sup> The mailing address for S.Y. Bancorp is 1040 E. Main Street, Louisville, Kentucky 40206.
- <sup>(2)</sup> Includes 375 restricted shares and 2,250 shares that may be acquired under currently exercisable options by Mr. Hillebrand.
- <sup>(3)</sup> Wynne Family, LLC is a limited liability company of which Robert S. Wynne, a director of Bancorp, is a member. The mailing address for Wynne Family, LLC is 7250 Hull Road, Zionsville, Indiana 46077.
- <sup>(4)</sup> Includes 1,735 restricted shares and 10,000 shares that may be acquired under currently exercisable warrants and 6,700 shares that may be acquired under currently exercisable options by Mr. Wynne. Of the shares shown, 113,500 shares have been pledged.
- <sup>(4)</sup> The mailing address for WI-IBB, LLC is 900 Michigan Avenue, Suite 1100, Chicago, Illinois 60611.
- <sup>(5)</sup> Includes 195 restricted shares and 1,400 shares that may be acquired under currently exercisable options by Ms. Otis.

The following table sets forth information regarding the beneficial ownership of shares of common stock, as of March 31, 2010, by each director, nominee and executive officer and by all directors and executive officers as a group. Unless indicated otherwise, the named beneficial owner has sole voting and dispositive power with respect to the shares.

| <u>Name</u>   | <u>Number of Shares</u> | <u>Percentage of Class</u> |
|---|-------------------------|----------------------------|
| J. Murray Clark   | 14,560 <sup>(1)</sup>   | 1.0%                       |
| John J. Dillon  | 16,950 <sup>(2)</sup>   | 1.1%                       |
| Patrick J. Early  | 3,945 <sup>(3)</sup>    | *                          |
| Gregory G. Gault  | 44,434 <sup>(4)</sup>   | 2.9%                       |
| Thomas Godby  | 39,000 <sup>(5)</sup>   | 2.6%                       |
| James A. Hillebrand <sup>(6)</sup>                              | 2,625 <sup>(6)</sup>    | *                          |
| Thomas Killion  | 25,120 <sup>(7)</sup>   | 1.7%                       |
| Richard D. Kruse  | 16,040 <sup>(8)</sup>   | 1.1%                       |
| Beverly J. Middaugh   | 44,570 <sup>(9)</sup>   | 3.0%                       |
| Brian E. Moore  | 38,135 <sup>(10)</sup>  | 2.5%                       |
| Ifeanyi Osili   | 740 <sup>(11)</sup>     | *                          |
| Meghan P. Otis <sup>(12)</sup>                                  | 1,595 <sup>(12)</sup>   | *                          |
| James C. Shook, Jr.   | 26,030 <sup>(13)</sup>  | 1.7%                       |
| Jane E. Nold Shriner  | 33,630 <sup>(14)</sup>  | 2.2%                       |
| Robert S. Wynne   | 131,935 <sup>(15)</sup> | 8.7%                       |
| James S. Young  | 63,732 <sup>(16)</sup>  | 4.2%                       |
| Dana H. Dillard   | 30,166 <sup>(17)</sup>  | 2.0%                       |
| All directors and executive officers<br>as a group (17 persons) | 533,207 <sup>(18)</sup> | 31.5%                      |

\* Represents less than one percent of the shares of common stock outstanding as of the Voting Record Date.

<sup>(1)</sup> Includes 9,350 shares that may be acquired under currently exercisable warrants and options.

<sup>(2)</sup> Includes 9,650 shares that may be acquired under currently exercisable warrants and options.

<sup>(3)</sup> Includes 1,300 shares that may be acquired under currently exercisable options.

<sup>(4)</sup> Includes 2,500 shares beneficially owned by Mr. Gault's spouse, 1,000 shares beneficially owned by his minor children and 31,766 shares that may be acquired under currently exercisable warrants and options.

<sup>(5)</sup> Includes 4,000 shares beneficially owned by Mr. Godby's spouse, 16,000 shares owned by Godby Enterprises, LLC, a limited liability company of which Mr. Godby is a member, and 15,950 shares that may be acquired under currently exercisable warrants and options.

<sup>(6)</sup> Mr. Hillebrand, an officer of Stock Yards Bank, is S.Y. Bancorp, Inc.'s designee on the Board of Directors. Includes 2,250 shares that may be acquired under currently exercisable options.

<sup>(7)</sup> Includes 9,700 shares that may be acquired under currently exercisable warrants and options.

<sup>(8)</sup> Includes 9,750 shares that may be acquired under currently exercisable warrants and options.

<sup>(9)</sup> Includes 11,100 shares that may be acquired under currently exercisable warrants and options.

<sup>(10)</sup> Includes 10,600 shares that may be acquired under currently exercisable warrants and options.

<sup>(11)</sup> Includes 650 shares that may be acquired under currently exercisable options.

<sup>(12)</sup> Ms. Otis is a principal of Waveland Investments, LLC, which is a managing member of WI-IBB, LLC and is WI-IBB, LLC's designee on the Board of Directors. Includes 1,400 shares that may be acquired under currently exercisable options, but excludes the 111,100 shares beneficially owned by WI-IBB, LLC.

<sup>(13)</sup> Includes 2,600 shares beneficially owned by his minor children and 11,550 shares that may be acquired under currently exercisable warrants and options.

<sup>(14)</sup> Includes 22,500 shares held in the name of the Jane E. Nold Shriner Revocable Trust, and 10,600 shares that may be acquired under currently exercisable warrants and options.

<sup>(15)</sup> Includes 6,700 shares that may be acquired under currently exercisable options owned by Mr. Wynne, 113,500 shares owned by Wynne Family, LLC, a limited liability company of which Mr. Wynne is a member, and 10,000 shares that may be acquired by Wynne Family, LLC under currently exercisable warrants. He shares beneficial ownership with the other members of such company. The 113,500 shares beneficially owned by Wynne Family, LLC and attributed to Mr. Wynne have been pledged.

<sup>(16)</sup> Includes 3,500 shares beneficially owned by Mr. Young's spouse and 37,832 shares that may be acquired under currently exercisable warrants and options.

<sup>(17)</sup> Includes 10,166 shares that may be acquired under currently exercisable warrants and options.

<sup>(18)</sup> Includes 200,314 shares that may be acquired under currently exercisable warrants and options.

## ITEM 1 - ELECTION OF DIRECTORS

Bancorp's Articles of Incorporation provide for a Board of Directors consisting of not less than five nor more than 25 members. The Board of Directors has adopted a resolution fixing the number of directors at sixteen. The nominees for director this year are listed below. The same persons also serve as the directors of Indiana Business Bank (the "Bank"). Each of the nominees is currently a director. If elected by the shareholders at the annual meeting, the terms of the directors will expire at the 2011 annual meeting of shareholders.

Unless otherwise directed, each proxy executed and returned by a shareholder will be voted for the election of the nominees listed below. If any person named as a nominee should be unable or unwilling to stand for election, the proxy holders will nominate and vote for a replacement nominee recommended by the Board of Directors. At this time, the Board of Directors knows of no reason why the nominees listed below may not be able to serve as directors if elected.

### Nominees

The following are the nominees for election as directors. No nominee, director or executive officer is related to any other nominee, director or executive officer by blood, marriage or adoption. Except for the rights of S.Y. Bancorp, as explained later in this proxy, there are no arrangements or understandings between any nominee and any other person pursuant to which such nominee was selected. All of the nominees are currently directors of Bancorp.

**Gregory G. Gault**, 47, is the Secretary of Bancorp and Chief Credit Officer and Executive Vice President of the Bank. From 1986 to 1988, Mr. Gault was a Regulatory Analyst with the Federal Home Loan Bank Board (predecessor to the Office of Thrift Supervision). For the next ten years, Mr. Gault held positions in credit administration, cash management, and commercial lending with Huntington National Bank. Beginning in 1998, Mr. Gault spent a year and a half in commercial lending for First National Bank & Trust, now Harris Bank & Trust. From March 2001 until January 2003, Mr. Gault served as the Chief Credit Officer of First National. Mr. Gault is a member of the Indiana Statewide Community Development Corporation Central Loan Committee and serves on the board of the Indianapolis Art Center and the Friends of Garfield Park.

**James S. Young**, 48, is the Chief Executive Officer and President of Bancorp and the Bank. During the fourteen years Mr. Young spent with Huntington National Bank from 1985 through 1998, he held positions in retail and commercial lending. His last position at Huntington was business unit manager for middle market lending in the Indiana market. From 1998 to 2003, Mr. Young worked in commercial lending with First National Bank & Trust, now Harris Bank & Trust, the last two of which were spent as the Director of Commercial Banking. Mr. Young serves on the board of Behavior Corp.

**J. Murray Clark**, 52, has been a partner in the Indianapolis office of Baker & Daniels LLP, a law firm, since 2005. Prior to that time he was a partner in the Indianapolis law firm of Clark, Quinn, Moses, Scott & Grahn. Mr. Clark is a graduate of Kenyon College and the Indiana University School of Law. He served in the Indiana State Senate from 1994 to 2005. Mr. Clark serves as a trustee of the Indianapolis Foundation, serves on the Executive Committee of the Greater Indianapolis Progress Committee (GIPC), as President of the Board of the Indiana Youth Soccer Association, is on the board of The Hundred Club, and as President of the Board of the Indiana Youth Soccer Association..

**John J. Dillon**, 50, is currently serving as an Executive Vice President of City Securities Corporation, an investment firm headquartered in Indianapolis. From 2006 to 2007, Mr. Dillon served as the Chief Deputy Mayor and Chief of Staff to the Mayor of Indianapolis. He was a private business consultant and Chairman of the Indianapolis Bond Bank from 2000 to 2006. Prior to that, Mr. Dillon served as the Chief Operating Officer of Standard Management Corporation from January 2002 to March 2003. Mr. Dillon also served as Chief Administrative Officer and Senior Vice President of MSE Corporation and ASI Corporation, each civil engineering firms, from 1997 until their sale in 2000. Mr. Dillon was the Indiana Insurance Commissioner from 1989 to 1991. Mr. Dillon also serves as a director of the Indiana University School of Medicine.

**Patrick J. Early**, 53, has served as the President of Somerset CPAs, a 120-person CPA firm headquartered in Indianapolis, since 1989. In addition to his role as CEO of one of the larger CPA firms in Indianapolis, Mr. Early has been prominent in Indianapolis civic organizations. From 1993 to 1999, Mr. Early was President of the Marion County Capital Improvements Board and presided over the design, construction and financing of Victory Field and Conseco Fieldhouse. Since 2000, Mr. Early has served as Vice President of the Capital Improvements Board. In addition to public service, Mr. Early has been active in the leadership of various local youth organizations and organizations focused on promotion of amateur athletics.

**Thomas Godby**, 65, is a native of Indianapolis, Indiana, and has spent the majority of his business career in the mechanical contracting business. He was the founder and President of Godby Brothers, Inc., a mechanical contractor servicing central Indiana. Mr. Godby was also President of Godby Rental, a national provider of power distribution and mechanical services to the special event industry. He sold his business to American Residential Service Companies, a national business consolidator, in 1997. Mr. Godby is currently President of Godby Enterprises, a property management company. He also currently serves as the Chairman of the Board of Polymer Technology Systems, Inc. and is President of Godby Heating & Air Conditioning. Mr. Godby has a strong background in introducing and marketing new products and has been actively engaged in assisting early stage and start-up companies with development of business plans, obtaining financing, executive staffing and business development. Mr. Godby serves on many Boards of community service organizations in central Indiana.

**James A. Hillebrand**, 41, is the President of Stock Yards Bank & Trust and S.Y. Bancorp. He is involved in a number of civic and community service organizations in Louisville, KY. He currently serves as Chairman-Elect of the Kentucky Derby Festival Board of Directors and as a Board member of the Kentucky Derby Festival Foundation. Additionally, he serves on the St. Joseph's Children's Home Board of Directors.

**Thomas Killion**, 63, has served as President of Killion Corp. since 1985. Mr. Killion also serves as the president of Killion LLC, 123 Marketing Specialties and Twisted Pen Factory, a manufacturer of promotional products. Mr. Killion began his career in Indianapolis in 1970 as a secondary education teacher and within six years had developed the largest secondary education plastics program in the United States. By 1979 Mr. Killion had developed and begun manufacturing the bent pencil product now known as the "Bencil." Killion Corp. sells millions of Bencils each year in the United States and around the world. Mr. Killion is the recipient of the Technology Innovation/Entrepreneur Award from School of Technology, Indiana State University.

**Richard D. Kruse**, 67, has over 40 years' experience in a variety of agricultural, real estate and transportation service businesses. Mr. Kruse actively farms 1,000 acres of land near Ladoga, Indiana. Mr. Kruse has made venture capital investments in a variety of budding enterprises over the past 15 years. He is the co-trustee with his wife, Katherine, of the Mothershead Foundation, which makes gifts to not-for-profit organizations located primarily in central Indiana. He currently serves on the Farmhouse Fraternity International Foundation Board and the Endowment and Finance committees at the Second Presbyterian Church in Indianapolis.

**Beverly J. Middaugh**, 66, is the Chief Executive Officer of Bright Ideas in Broad Ripple, Inc., a specialty advertising sales firm she founded in 1983. Bright Ideas is a woman-owned business certified by the City of Indianapolis and State of Indiana. The company has received the U.S. Chamber of Commerce's Blue Chip Initiative Award and is a three-year member of the Indiana University School of Business' Growth 100 program. Bright Ideas is involved in numerous other business and philanthropic organizations.

**Brian E. Moore**, 52, is a Registered Professional Engineer and has worked in sales and engineering for the last thirty years. Mr. Moore is President of Moore Development of Southern Indiana, LLC and President of Moore Technical Services, LLC. From 1989 until 1996, Mr. Moore worked for Indiana Limestone which mines and fabricates Indiana limestone. In 1996, he acquired the company with a partner. Indiana Limestone was sold in 2003 but Mr. Moore stayed with the firm as Executive Vice President through December 2009.

**Ifeyanyi Osili**, 47, established A2SO4 Architecture in 2001 after spending six years developing properties in downtown Indianapolis. Prominent A2SO4 projects include work on the Indianapolis Urban League Building, the new Indianapolis Midfield Terminal and Garage, the new Lucas Oil Stadium, and currently a number of new developments in Abu Dhabi in the United Arab Emirates. Mr. Osili presently serves on the Children's Museum Board of Trustees and as Chairman of the Department of Metropolitan Development's Board of Zoning Appeals III.

He is a 1986 graduate of Carnegie-Mellon University and received a Master of Science in Architecture and Urban Design from Columbia University in 1990.

**Meghan P. Otis**, 38, is a Principal with Waveland Investments, LLC, a private investment partnership based in Highland Park, Illinois. She has been with Waveland since 2000. Her primary responsibilities include analyzing, executing and monitoring principal investment opportunities. Previously, Ms. Otis held positions with Goldman, Sachs & Co. and LaSalle Partners (now Jones Lang LaSalle), an institutional real estate investment and services company. Ms. Otis has a B.A. from Northwestern University and an M.B.A. from Harvard Business School.

**James C. Shook, Jr.**, 51, is the Chairman of the Board of Bancorp and the Bank and President of Coldwell Banker Commercial Realty Services, Indianapolis, Indiana. Mr. Shook has served as a director of NBD Bank, N.W. and the Salin Bank & Trust Company, where he was a member of the Audit Committee. Mr. Shook is a director of Centaur, Inc. and serves as a Trustee of North Central Health Services, Inc., the Camping & Education Foundation and the Indiana Historical Society.

**Jane E. Nold Shriner**, 49, is a CPA and served as Vice President of Finance and Strategic Planning for the Indianapolis Symphony Orchestra from 2005 until 2009. Prior to that time she was engaged in consulting in the areas of financial reporting, management information systems and project management. Ms. Shriner was the Chief Financial Officer of the Marina Limited Partnership, a publicly traded partnership specializing in real estate development, marina operations and utility applications, from 1989 to 1997. She served on the Advisory Board for the Big Sisters of Central Indiana for two years, after serving on the Board of Big Sisters for six years.

**Robert S. Wynne**, 52, is a partner in the Indianapolis office of Baker & Daniels LLP, a law firm in which he has practiced in the area of commercial law and lending, corporate finance and mergers and acquisitions since joining the firm in 1985. Mr. Wynne has a B.A. from DePauw University, an M.B.A. from the Graduate School of Business at Indiana University, and a J.D. from the Indiana University School of Law (Bloomington, Indiana).

**The Board of Directors recommends a vote FOR the nominees listed above.**

**ITEM 2 - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed BKD LLP, or BKD, as our independent registered public accounting firm for 2010. The Board of Directors is submitting the appointment of BKD for ratification in order to permit shareholders to express their approval or disapproval. In the event of a negative vote, the Audit Committee may reconsider this appointment. Representatives of BKD will be present at the meeting and will be given an opportunity to respond to questions and make a statement, if they desire.

The following table sets forth the aggregate fees billed by BKD for audit, tax and all other services for 2009 and 2008.

|                       | <b>2009</b>            | <b>2008</b>            |
|-----------------------|------------------------|------------------------|
| Audit Fees .....      | \$39,728               | \$35,208               |
| Tax Fees .....        | 4,620                  | 3,500                  |
| All Other Fees* ..... | <u>\$21,055</u>        | <u>16,663</u>          |
|                       | <u><u>\$65,403</u></u> | <u><u>\$55,371</u></u> |

\*All Other Fees consists of loan review and regulatory compliance services.

Item 2 will be approved if more votes are cast FOR the proposal than are cast AGAINST it. The failure to vote, abstentions and broker non-votes will not affect the outcome of the vote on this proposal.

**The Board of Directors recommends a vote FOR the ratification of the appointment  
of BKD, LLP as independent registered public accounting firm for 2010.**

**CORPORATE GOVERNANCE**

**The Board of Directors and its Committees**

Bancorp's only asset is its ownership of the Bank. It has no other business activities at present. The Bank conducts all business activities. The same persons who serve as directors of Bancorp serve as directors of the Bank. During 2009, the Board of Directors of Bancorp had four meetings, all of which were joint meetings with the Board of Directors of the Bank. The Bank's Board had nine additional meetings during 2009.

Five of the directors attended all of Bancorp's Board meetings; seven attended three of the meetings; and four attended two of the meetings. The following table specifies the attendance percentage for each director of the total of board and committee meetings on which the director served during 2009:

| <b>Director</b>      | <b>Attendance</b> |
|----------------------|-------------------|
| J. Murray Clark      | 85%               |
| John J. Dillon III   | 100%              |
| Patrick J. Early     | 54%               |
| Gregory G. Gault     | 100%              |
| Thomas Godby         | 63%               |
| James A. Hillebrand  | 78%               |
| Thomas Killion       | 80%               |
| Richard D. Kruse     | 85%               |
| Beverly J. Middaugh  | 69%               |
| Brian E. Moore       | 76%               |
| Ifeanyi Osili        | 54%               |
| Meghan P. Otis       | 71%               |
| James C. Shook, Jr.  | 86%               |
| Jane E. Nold Shriner | 100%              |
| Robert S. Wynne      | 89%               |
| James S. Young       | 95%               |

All current directors attended the 2009 annual meeting of shareholders, except for Messrs. Clark, Early, Godby, and Hillebrand, and Ms. Otis. The Board of Directors of Bancorp has an Executive Committee, an Audit Committee and a Strategic Capitalization Committee.

The Board of Directors of the Bank has an Executive Committee, a Loan Committee, an ALCO Committee and a Compensation Committee. All committee members are appointed by the Board of Directors.

*Audit Committee (Bancorp).* This committee is responsible for the annual audit, working in conjunction with the outside auditor and for CRA compliance. The Audit Committee also performs all duties required by the FDIC to be performed by audit committees of depository institutions that the Board of Directors determines are appropriate

to the size of the Bank and the complexity of its operations, and will exercise all other powers of the Board of Directors that may lawfully be delegated to it regarding such matters. The Audit Committee currently consists of Messrs. Hillebrand and Killion and Ms. Shriner, all of whom qualify as an outside director independent of management in accordance with FDIC regulations.

*Strategic Capitalization Committee (Bancorp).* This committee is responsible for evaluating various capitalization strategies that may be employed to keep the Bank properly capitalized, liquid and in a position to be responsive and to continue making loans, and making recommendations to the Board regarding such strategies. The Strategic Capitalization Committee currently consists of Messrs. Early, Hillebrand, Young and Gault and Ms. Otis and Ms. Shriner.

*Executive Committee (Bancorp and Bank).* This committee is responsible for considering and establishing strategic planning and direction, Bank policies and any other major issues. This committee is empowered to exercise the full authority of the Boards of Directors of Bancorp and the Bank between regular meetings of the full Boards, except for those matters that cannot be delegated to a committee. The Executive Committee currently consists of Messrs. Young, Gault, Dillon, Hillebrand, Shook and Wynne and Ms. Shriner and Ms. Middaugh. As explained further below, S.Y. Bancorp, Inc. (“SYB”) has the right to designate a director to the Board who serves on the Executive Committee. Mr. Hillebrand is the director designated by SYB.

*Loan Committee (Bank).* This committee reviews and approves all policies of the Bank with regard to loans and risk management, makes amendments to such policies, and exercises all other powers of the Board of Directors that may lawfully be delegated to it regarding loans and risk management, including approving loans within limits established by the Board of Directors. The Loan Committee currently consists of Messrs. Wynne, Early, Godby, Kruse, Moore, Shook, Young and Gault. As explained further below, SYB has the right to designate an observer to the Loan Committee.

*ALCO Committee (Bank).* This committee reviews the performance of the Bank and approves all policies of the Bank with regard to asset and liability management, capital planning, dividend planning, budgeting and forecasting; recommends amendments to such policies; and exercises all powers of the Board of Directors regarding such matters that may be lawfully delegated to it. The ALCO Committee currently consists of Messrs. Dillon, Young and Gault and Ms. Otis and Ms. Shriner.

*Compensation Committee (Bank).* This committee is responsible for establishing the compensation of executive officers, approving the terms of any compensation-related agreements with executive officers and administering and making awards under the stock-based compensation plans and overseeing human resources functions and policies. The Compensation Committee currently consists of Messrs. Hillebrand and Kruse and Ms. Middaugh.

### **SYB Nominee and Observer Rights**

Bancorp has granted S.Y. Bancorp (“SYB”) the right to designate a person to be nominated as a director of Bancorp. The designee must have relevant experience as a bank officer or director. The Board of Directors has included the designee as one of the nominees for whom the Board of Directors is soliciting proxies for the annual meeting. The SYB designee will also serve on the Executive Committee of the Bank’s Board of Directors. James A. Hillebrand, an officer of Stock Yards Bank, is the SYB designee.

SYB also has the right to designate one person who may attend and observe all meetings of the Loan Committee of the Bank’s Board of Directors, receive notices of such meetings, minutes and other material provided to members of Bank’s Loan Committee. The observer does not have the ability to vote on any matters acted on by the Loan Committee. Phillip S. Smith, an officer of Stock Yards Bank, is the SYB observer to the Loan Committee.

The rights of SYB to designate a nominee and an observer will continue for only as long as SYB maintains ownership of the number of shares it acquired when the Bank was organized. In addition, these rights will terminate if SYB owns less than 4.9% of Bancorp or if a change in control of SYB occurs.

## Director Compensation

Neither Bancorp nor the Bank has paid any cash fees to its directors since formation and does not expect to do so in the foreseeable future.

Each person serving as a non-employee director receives annual grants of restricted stock for his or her services for the preceding calendar year. The shares of restricted stock vest in three equal annual installments, commencing on the first anniversary of the date of grant and are subject to the other terms and conditions of the Indiana Business Bancorp 2008 Equity Incentive Plan, or the 2008 plan.

The number of shares of restricted stock granted to each non-employee director is determined based on meeting attendance during the prior calendar year as follows:

- The Chairman of the Board receives 100 shares for each Board meeting attended;
- All other non-employee directors receive 30 shares for each Board meeting attended;
- The chair of each Board committee receives 50 shares for each committee meeting attended for which he or she serves as chair; and
- Non-chair members of Board committees receive 30 shares for each committee meeting attended.

Compensation for meetings attended via teleconference is reduced by 50%; provided, however, that (1) members of committees that meet quarterly are entitled to 100% of the compensation listed above for one meeting attended via teleconference in the preceding 12 months, (2) members of committees that meet monthly are entitled to 100% of the compensation listed above for two meetings attended via teleconference in the preceding 12 months, and (3) members of committees that meet twice per month are entitled to 100% of the compensation listed above for four meetings attended via teleconference in the preceding 12 months. Notwithstanding the above, non-employee directors participating in unscheduled meetings that are held via teleconference only and not in person are entitled to 100% of the compensation listed above. Non-employee directors do not receive any compensation for participation in a meeting held for the sole purpose of approving Regulation O transactions.

The following table indicates the number of shares of restricted stock granted to each of the eligible directors at the 2009 annual meeting for 2008 services and the number to be granted at the 2010 annual meeting for 2009 services:

| <u>Name</u>          | <u>Number of Shares</u>             |                      |
|----------------------|-------------------------------------|----------------------|
|                      | <u>2008 Services</u> <sup>(1)</sup> | <u>2009 Services</u> |
| J. Murray Clark      | 210                                 | 225                  |
| John J. Dillon       | 300                                 | 410                  |
| Patrick J. Early     | 645                                 | 525                  |
| Thomas Godby         | 1,050                               | 675                  |
| James A. Hillebrand  | 375                                 | 420                  |
| Thomas Killion       | 420                                 | 510                  |
| Richard D. Kruse     | 1,290                               | 1,020                |
| Beverly J. Middaugh  | 470                                 | 420                  |
| Brian E. Moore       | 1,035                               | 795                  |
| Ifeanyi Osili        | 90                                  | 150                  |
| Meghan P. Otis       | 195                                 | 225                  |
| James C. Shook, Jr.  | 1,880                               | 1,570                |
| Jane E. Nold Shriner | 530                                 | 740                  |
| Robert S. Wynne      | 1,735                               | 1,260                |
| <b>Total</b>         | <b>10,225</b>                       | <b>8,945</b>         |

<sup>(1)</sup> Restricted shares issued at the May 19, 2009 Annual Meeting had a weighted average grant date fair value of \$2.96.

## Executive Officers

The executive officers of Bancorp and the Bank are identified below. The executive officers are elected annually by the Board of Directors.

**James S. Young** — President and Chief Executive Officer of Bancorp and the Bank. For biographical information, see "Item 1 – Election of Directors – Nominees."

**Gregory G. Gault** — Secretary of Bancorp and Executive Vice President, Chief Operating Officer and Chief Credit Officer of the Bank. For biographical information, see "Item 1 – Election of Directors – Nominees."

**Dana H. Dillard** — Treasurer and Chief Financial Officer of Bancorp and Senior Vice President and Chief Financial Officer of the Bank. Mr. Dillard has been the Senior Vice President and Chief Financial Officer of the Bank since its formation. Prior to that time he served as the Controller of Union Federal Savings Bank from December 1989 to February 2003.

## Remuneration of Named Executive Officers

The following table sets forth information as to annual, long-term and other compensation for services in all capacities to the President and Chief Executive Officer of Bancorp for the fiscal years ended December 31, 2009, 2008 and 2007 and to the two other executive officers who earned over \$100,000 in salary and bonuses during the fiscal year ended December 31, 2009 (the "Named Executive Officers").

**Summary Compensation Table**

| <b>Name and Principal Position</b>   | <b>Fiscal Year</b> | <b>Salary</b> | <b>Bonus</b> | <b>Securities Underlying Options (#)</b> | <b>All Other Compensation (1)</b> |
|--|--------------------|---------------|--------------|--|-----------------------------------|
| James S. Young<br>President and CEO  | 2009               | \$ 167,285    | \$0          | -0-                                      | \$ 3,456                          |
|  | 2008               | \$ 180,000    | \$0          | 2,000                                    | \$ 10,800                         |
|  | 2007               | \$ 170,000    | \$0          | 2,000                                    | \$ 10,000                         |
| Gregory G. Gault<br>Executive Vice President,<br>COO and Chief Credit<br>Officer | 2009               | \$ 145,651    | \$0          | -0-                                      | \$ 3,007                          |
|  | 2008               | \$ 155,000    | \$0          | 1,600                                    | \$ 9,300                          |
|  | 2007               | \$ 144,000    | \$0          | 1,600                                    | \$ 8,700                          |
| Dana H. Dillard<br>Senior Vice President<br>and Chief Financial Officer          | 2009               | \$ 105,619    | \$0          | -0-                                      | \$ 4,169                          |
|  | 2008               | \$ 110,645    | \$0          | 1,000                                    | \$ 6,639                          |
|  | 2007               | \$ 102,750    | \$0          | 1,000                                    | \$ 6,165                          |

(1) Consists of matching contributions to 401(k) plan. The Named Executive Officers received certain perquisites, but the incremental cost of providing such perquisites did not exceed \$10,000.

## Stock Option and Incentive Plan

The 2008 plan and the predecessor Stock Option and Incentive Plan permit the award of incentive stock options and non-qualified stock options to directors, officers and employees. While there are still outstanding awards under the predecessor plan, no further awards can be made under it. The 2008 plan is administered, construed and interpreted by the Compensation Committee. The Board may at any time amend, terminate or modify the plan; provided, however, that no such amendment, termination or modification will affect any outstanding award without the consent of the holder of the award. Participants are selected by the committee from those officers, directors and

employees who, in the opinion of the committee, have the capacity for contributing in substantial measure to Bancorp's successful performance.

An aggregate of 142,050 shares of common stock are reserved for issuance upon exercise of outstanding stock option awards. After giving effect to the 10,225 shares of restricted stock awarded to non-employee directors during 2009, and 8,945 shares to be awarded at the meeting, 130,830 shares of common stock remain available for issuance pursuant to the 2008 plan.

The Compensation Committee did not make any equity awards to employees during 2009.

The following table presents certain information for the Named Executive Officers relating to the exercise of stock options during 2009 and, in addition, information relating to the valuation of unexercised stock options.

**AGGREGATED OPTIONS/EXERCISES IN LAST FISCAL YEAR  
AND FISCAL OPTION VALUES <sup>(1)</sup>**

| Name             | Shares<br>Acquired<br>on Exercise<br>(#) | Value<br>Realized (\$) | Number of Securities<br>Underlying Unexercised Options<br>at Fiscal Year-End (#) |               | Value of Unexercised "In the<br>Money" Options at Fiscal<br>Year-End (\$) <sup>(2)</sup> |               |
|------------------|--|------------------------|--|---------------|--|---------------|
|                  |  |                        | Exercisable  | Unexercisable | Exercisable  | Unexercisable |
| James S. Young   | —  | —                      | 31,500   | 2,000         | —  | —             |
| Gregory G. Gault | —  | —                      | 25,700   | 1,600         | —  | —             |
| Dana H. Dillard  | —  | —                      | 4,500  | 1,000         | —  | —             |

<sup>(1)</sup> All options were granted at the average of the high bid and low asked quotes as reported on the OTC Bulletin Board on the date prior to the date of grant.

<sup>(2)</sup> The closing price of the common stock as reported on December 31, 2009 was \$4.00. Value is calculated on the basis of the difference between the exercise price and \$4.00, multiplied by the number of shares of common stock underlying "in-the-money" options.

**Employment Agreements**

The Bank has employment agreements with Messrs. Young and Gault. The agreements have substantially identical terms; however, the base salaries and other incentive compensation payable to each executive is determined on an individual basis. Messrs. Young and Gault have agreed to 5% salary reductions for 2010. The agreements provide for a three year term expiring in December 2010 and for termination by either the executive or the Bank at any time, with or without "cause" or "good reason". In the event that the executive's employment is terminated without cause, the executive is entitled to receive an amount equal to (1) that portion of his base salary, together with any other payments or benefits, due him through the termination date, plus (2) a severance payment equal to the sum of his annual base salary in effect immediately prior to termination payable over a period of one year. However, if the executive's employment is terminated without cause or by the executive for good reason within six months before or within one year after a change in control, the executive will be entitled to a lump sum severance payment equal to 2.99 times his annual base salary. The employment agreements prohibit the executives from using or disclosing confidential information and from engaging in a competing business or soliciting the Bank's customers and employees for a period of one year after the termination of employment.

**CERTAIN TRANSACTIONS**

The Bank has banking and other business transactions in the ordinary course of its business with directors, officers and principal shareholders of Bancorp and the Bank and their associates, including members of their families and corporations, partnerships and other organizations in which the directors, officers and principal shareholders have a controlling interest. All such banking transactions have been made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated third parties and are not expected to involve more than the normal risk of collectability or present other unfavorable features to the Bank. All other transactions and agreements are undertaken on terms comparable to similar arrangements with unrelated third parties and will be approved by a majority of disinterested directors. The total amount of loans outstanding to directors and officers at December 31, 2009 was \$3,499,589.

The Bank has entered into participation arrangements with Stock Yards Bank for loans the Bank originates in excess of its lending limits or internal policies. Such arrangements were made on substantially the same terms as those prevailing at the time for comparable transactions with unaffiliated third parties. Stock Yards Bank is a wholly-owned subsidiary of SYB, a significant shareholder with representation on the Board of Directors.

Robert S. Wynne and J. Murray Clark, both directors of Bancorp, are partners at the law firm of Baker & Daniels LLP. Baker & Daniels LLP represents the Bank in connection with certain legal matters.

## **SHAREHOLDER PROPOSALS**

At an annual meeting of the shareholders, only those shareholder nominees and business that have been properly brought before the meeting shall be considered. For director nominees and business to be properly brought before an annual meeting by a shareholder, the shareholder must have the legal right and authority to make the proposal for consideration at the meeting and the shareholder must have given timely notice thereof in writing to the Secretary of Bancorp. To be timely, a shareholder's notice must be delivered to or mailed and received not less than 60 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and record address of the shareholder(s) proposing such business, (c) the class and number of shares of Bancorp common stock which are beneficially owned by such shareholder(s), and (d) any material interest of such shareholder(s) in such business. With respect to a shareholder nomination, such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a Director, (i) the name, age, business address and residence address of such person; (ii) the principal occupation or employment of such person, (iii) the class and number of shares of Bancorp common stock which are beneficially owned by such person, and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (b) as to the shareholder giving the notice (i) the name and record address of such shareholder and (ii) the class and number of shares of Bancorp common stock which are beneficially owned by such shareholder.

## **OTHER MATTERS**

Management is not aware of any business to come before the annual meeting other than those matters described in this proxy statement. However, if any other matters should properly come before the annual meeting, it is intended that the proxies solicited hereby will be voted with respect to those other matters in accordance with the judgment of the persons voting the proxies.

The cost of solicitation of proxies will be borne by Bancorp. Bancorp will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy material to the beneficial owners of Bancorp common stock. In addition to solicitation by mail, directors, officers and employees of the Bank may solicit proxies personally or by telephone without additional compensation.

## **AVAILABLE INFORMATION**

Bancorp does not have a class of securities registered under the Securities Exchange Act of 1934 and is not required to file periodic reports and proxy statements with the Securities and Exchange Commission under that law.

Shareholders who would like to receive copies of the organizational documents of Bancorp or any of the other documents referred to in this proxy statement may obtain copies by contacting Gregory G. Gault at (317) 218-2181.

You should rely only on the information contained in this proxy statement or other information referred to in this document. Bancorp has not authorized anyone to provide you with different or other information. You should

not assume that the information contained in this proxy statement is accurate as of any date other than the date hereof.

