

FIRST MIDWEST BANCORP INC  
Form DEF 14A  
April 07, 2010  
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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**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

**First Midwest Bancorp, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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

(3) Filing Party:

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April 7, 2010

Dear Stockholder:

I am pleased to invite you to attend the 2010 Annual Meeting of Stockholders of First Midwest Bancorp, Inc. which will be held on Wednesday, May 19, 2010 at 9:30 a.m., Central time, at the Westin Chicago Northwest, 400 Park Blvd., Itasca, Illinois 60143. Attached and enclosed you will find a Notice setting forth the business expected to come before the meeting, the Proxy Statement, a Proxy Card and a copy of our 2009 Annual Report.

Your vote is very important to us. Whether or not you plan to attend the meeting in person, your shares should be represented and voted. Please cast your vote either by mail, telephone, or the Internet as instructed on the enclosed proxy card. Voting in any of these ways will not prevent you from attending the Annual Meeting. The Proxy Statement further explains how you can attend and vote your shares at the Annual Meeting.

On behalf of our Board of Directors, I would like to express our appreciation for your continued interest in the affairs of First Midwest Bancorp, Inc. I hope you will be able to attend the Annual Meeting.

Sincerely,

Michael L. Scudder

President and Chief Executive Officer

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**First Midwest Bancorp, Inc.**

**One Pierce Place, Suite 1500**

**Itasca, Illinois 60143**

**NOTICE OF ANNUAL MEETING**

Date and Time:	May 19, 2010 at 9:30 a.m., Central time
Place:	Westin Chicago Northwest, 400 Park Boulevard, Itasca, Illinois 60143
Items of Business:	<p>To elect five directors to our Board of Directors for a three-year term ending in 2013.</p> <p>To consider an advisory (non-binding) vote ratifying the appointment of Ernst &amp; Young LLP as our independent auditors for the fiscal year ending December 31, 2010.</p> <p>To consider approval of certain amendments to and the restatement and renewal of the <i>First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan</i>.</p> <p>To consider an advisory (non-binding) vote approving executive compensation.</p> <p>To transact such other business as may properly come before the Annual Meeting.</p>
Record Date:	You can vote only if you owned shares of First Midwest Bancorp, Inc. common stock at the close of business on March 26, 2010, the Record Date for the Annual Meeting.
Stockholders of Record List:	A list of the stockholders of record as of March 26, 2010 will be available for inspection during ordinary business hours at our offices, One Pierce Place, Suite 1500, Itasca, Illinois 60143, from May 7, 2010 to May 18, 2010, as well as at the Annual Meeting.
Additional Information:	Additional information regarding the matters to be acted upon at the Annual Meeting is included in the accompanying Proxy Statement.
Proxy Voting:	It is important that your shares be represented and voted at the Annual Meeting. You can vote your shares by mail, telephone, or the Internet as instructed on your Proxy Card. Voting in any of these ways will not prevent you from attending or voting your shares at the Annual Meeting. For instructions on how to vote your shares, see pages 1 to 4 of the enclosed Proxy Statement.
Mailing Date:	

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This notice and the accompanying Proxy Statement, Proxy Card and 2009 Annual Report were mailed to you on or about April 7, 2010.

By order of the Board of Directors,

Cynthia A. Lance

Executive Vice President and

Corporate Secretary

First Midwest Bancorp, Inc.

April 7, 2010

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**First Midwest Bancorp, Inc.**

**One Pierce Place, Suite 1500**

**Itasca, Illinois 60143**

**PROXY STATEMENT**

Annual Meeting of Stockholders

May 19, 2010

**INTRODUCTION**

This Proxy Statement is furnished in connection with a solicitation of proxies by the Board of Directors (Board) of First Midwest Bancorp, Inc., a Delaware corporation (FMBI, First Midwest, the Company or we), to be used at our 2010 Annual Meeting of Stockholders (Annual Meeting) on Wednesday, May 19, 2010 at 9:30 a.m., Central time, at the Westin Chicago Northwest, 400 Park Boulevard, Itasca, Illinois 60143, and at any adjournments or postponements of the Annual Meeting. The approximate date on which this Proxy Statement and the accompanying form of proxy are first being sent to stockholders is April 7, 2010.

**DEFINED TERMS**

For your reference, *Annex A* to this proxy statement includes a glossary of certain terms, including terms relating to certain federal programs designed to restore stability to the financial markets and which impose executive compensation limitations on institutions participating in those programs.

**VOTING INSTRUCTIONS AND INFORMATION**

***Who can vote at the Annual Meeting?***

You are entitled to vote or direct the voting of your shares of FMBI common stock (Common Stock) if you were a stockholder of record at the close of business on March 26, 2010, the record date (Record Date) for the Annual Meeting. On that date, there were approximately 74,147,000 shares of Common Stock outstanding, each of which is entitled to one vote for each matter to be voted on at the Annual Meeting, held by approximately 2,500 registered stockholders of record.

A proxy is your direction to another person to vote your shares in the manner you instruct. When you sign the enclosed proxy card, you will appoint certain members of our management to vote your shares at the Annual Meeting in the manner you instruct. Even if you plan to attend the Annual Meeting, you should complete, sign and return your proxy card in advance.

***Who is and is not a stockholder of record?***

If you hold Common Stock that is registered in your name at our transfer agent, BNY Mellon Shareowner Services, as of the Record Date, you are a stockholder of record. However, if you hold shares of our Common Stock indirectly through a broker, bank or similar institution, you are not a stockholder of record, rather, you are a stockholder whose shares are held in street name and your broker, bank, or other nominee is considered the stockholder of record and you are considered the beneficial owner of the shares.

We sent copies of our proxy materials directly to all stockholders of record. If you are a beneficial owner whose shares are held in street name, these materials were sent to you by the bank, broker or similar institution through which you hold your shares. As the beneficial owner, you can direct this entity on how to vote your shares at the Annual Meeting and it is obligated to provide you with a voting instruction form for you to

use for this purpose.



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### ***What does it mean if I receive more than one proxy card?***

If you receive multiple proxy cards, this means you hold your shares in more than one account. To ensure that all your shares are voted, sign and return each proxy card. If you vote on the Internet or by telephone, you will need to vote for each proxy voting instruction card you receive.

### ***Do current FMBI employees who participate in the FMBI benefit plans receive a proxy mailing?***

Employees who participate in the *First Midwest Bancorp, Inc. Savings and Profit Sharing Plan* (Savings and Profit Sharing Plan), *First Midwest Bancorp, Inc. Non-qualified Retirement Plan* (Retirement Plan), *First Midwest Bancorp, Inc. Stock Option Gain Deferral Plan* (Gain Deferral Plan) and/or the *First Midwest Bancorp, Inc. Dividend Reinvestment Plan*, and have a Company e-mail address, will receive an e-mail from Broadridge Financial Solutions, Inc. describing how to access proxy materials and vote via the Internet or telephone. One e-mail will be sent for all accounts registered in the same employee name. If the employee's accounts are registered in different names, he or she will receive a separate e-mail for each account. This e-mail will be titled: FIRST MIDWEST BANCORP, INC. 2010 ANNUAL MEETING OF STOCKHOLDERS AND PROXY VOTE.

The trustees under these plans are the record owners of all shares of Common Stock held in the plans, and the trustees will vote the shares held for the account of each employee in accordance with the instructions received from the employee. Employees should instruct the trustees how to vote their shares by using the instructions provided in the e-mail and vote via the Internet or by telephone. If the trustees do not receive voting instructions by the specified deadline, the trustees will vote the shares proportionally in the same manner as those shares for which instructions were received. Because the employees are not the record owners of the related shares, the employees may not vote these shares in person at the Annual Meeting.

### ***What do I need to do to attend the Annual Meeting?***

All stockholders must bring an acceptable form of identification, such as a driver's license, in order to attend the Annual Meeting in person. In addition, if you hold shares in street name and would like to attend our Annual Meeting, you will need to bring an account statement or other acceptable evidence of ownership of Common Stock as of the close of business on March 26, 2010, the Record Date for voting. In order to vote at the Annual Meeting, you will also need a valid legal proxy, which you can obtain by contacting your account representative at the broker, bank or similar institution through which you hold your shares. See below *How do I vote?*

### ***How do I vote?***

You may cast your vote in one of four ways:

*By Internet.* The web address for Internet voting can be found on the enclosed proxy card. Internet voting is available 24 hours a day. If you choose to vote by Internet, then you do not need to return the proxy card. To be valid, your vote by Internet must be received by the deadline specified on the card.

*By Telephone.* The number for telephone voting can be found on the enclosed proxy card. Telephone voting is available 24 hours a day. If you choose to vote by telephone, then you do not need to return the proxy card. To be valid, your vote by telephone must be received by the deadline specified on the card.

*By Mail.* Mark the enclosed proxy card, sign and date it, and return it in the pre-paid envelope we have provided. To be valid, your vote by mail must be received by the deadline specified on the card.

*At the Annual Meeting.* You can vote your shares in person at the Annual Meeting. If you are a stockholder of record, in order to vote at the Annual Meeting, you must present an acceptable form of identification, such as a driver's license. If you hold your shares in street name, in order to vote at the Annual Meeting, you must obtain a legal proxy which you can obtain by contacting your account representative at the broker, bank or similar institution through which you hold your shares (see, *What do I need to do to attend the Annual Meeting?*), and bring that proxy to the Annual Meeting.



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***How can I revoke my proxy, substitute a new proxy or change my vote?***

You can revoke your proxy or substitute a new proxy at any time before your proxy is voted at the Annual Meeting by:

subsequently submitting a new proxy through the Internet or by telephone; or

subsequently executing and mailing a proxy card that is received on a later date; or

giving written notice of revocation to our Corporate Secretary at One Pierce Place, Suite 1500, Itasca, Illinois 60143; or

voting in person at the Annual Meeting.

If your shares are held in street name, you may change your vote by submitting new voting instructions to your broker, bank, or other nominee.

***How can I obtain an additional proxy card?***

If you lose, misplace or otherwise need to obtain a proxy card, and:

you are a stockholder of record, contact our Corporate Secretary's office at 630-875-7463; or

you hold Common Stock indirectly through a bank, broker or similar institution, contact your account representative at that organization.

***If I submit a proxy by the Internet, telephone or mail, how will my shares be voted?***

If you properly submit your proxy by the Internet, telephone or mail, and you do not subsequently revoke your proxy, your shares will be voted in accordance with your instructions. If you sign, date and return your proxy card, but do not give voting instructions, your shares will be voted as follows:

FOR the election of our director nominees;

FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors for our fiscal year ending December 31, 2010;

FOR approval of certain amendments to and the restatement and renewal of the *First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan*;

FOR approval of executive compensation; and

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otherwise in accordance with the judgment of the persons voting the proxy on any other matter properly brought before the Annual Meeting.

### ***How are votes counted?***

*Election of Directors.* You may vote FOR or AGAINST any or all director nominees, or you may ABSTAIN as to one or more directors. A majority of the votes cast with respect to the election of a director must be voted FOR the director in order for the director to be elected. A vote to ABSTAIN is not treated as a vote cast with respect to the election of a director, and thus will have no effect on the outcome of the vote. A director who fails to receive a majority FOR vote will tender his or her resignation to the Board for consideration, and our Nominating and Corporate Governance Committee will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will consider the recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results.

*Advisory (non-binding) Vote Ratifying the Appointment of Independent Auditors.* You may vote FOR or AGAINST this proposal or you may ABSTAIN. A majority of the votes cast must be voted FOR ratification in order for the proposal to pass. A vote to ABSTAIN is not treated as a vote FOR or AGAINST, and thus will have no effect on the outcome of the vote. This is an advisory vote, the results of which will be considered by the Audit Committee of the Board.

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*Approval of Certain Amendments to and the Restatement and Renewal of the First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan.* You may vote FOR or AGAINST this proposal or you may ABSTAIN. A majority of the shares present in person or represented by proxy at the Annual Meeting must be voted FOR this proposal in order for it to pass. A vote to ABSTAIN will have the effect of a vote AGAINST the proposal.

*Advisory (non-binding) Vote Approving Executive Compensation.* You may vote FOR or AGAINST this proposal or you may ABSTAIN. A majority of the votes cast must be voted FOR the proposal in order for it to pass. A vote to ABSTAIN is not treated as a vote FOR or AGAINST, and thus will have no effect on the outcome of the vote. This is an advisory vote, the results of which will be considered by the Compensation Committee of the Board.

*Broker Non-Vote.* Under certain circumstances, including the election of directors, banks and brokers are prohibited from exercising discretionary authority for beneficial owners who have not provided voting instructions to the broker (a broker non-vote). In these cases, and in cases where the shareholder abstains from voting on a matter, those shares will be counted for the purpose of determining if a quorum is present, but will not be included as votes cast with respect to those matters. Whether a bank or broker has authority to vote shares on uninstructed matters is determined by stock exchange rules.

We expect brokers will be allowed to exercise discretionary authority for beneficial owners who have not provided voting instructions with respect to all of the Items to be voted on at the Annual Meeting, other than Item 1 (Election of Directors) and Item 3 (Approval of Certain Amendments to and the Restatement and Renewal of the First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan). Because the affirmative vote of a majority of the shares present in person or represented by proxy is necessary to approve Item 3, a failure by your broker to vote your shares when you have not given voting instructions will have the effect of a vote AGAINST that proposal.

***How many shares are required to be present to transact business at the Annual Meeting?***

A quorum is required to transact business at the Annual Meeting. The holders of a majority of the outstanding shares of Common Stock as of March 26, 2010, present in person or represented by proxy and entitled to vote, will constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and broker non-votes are treated as present for quorum purposes.

***Who pays for the expenses of this proxy solicitation?***

We will pay the expenses of the preparation of proxy materials and the solicitation of proxies for the Annual Meeting. In addition to the solicitation of proxies by mail, solicitations may be made by certain of our directors, officers or employees or affiliates telephonically, electronically or by other means of communication. Directors, officers and employees will receive no additional compensation for any such solicitation. We will reimburse brokers and other similar institutions for costs incurred by them in mailing proxy materials to beneficial owners in accordance with applicable rules.

***Additional Information***

A copy of our Annual Report for the fiscal year ended December 31, 2009 is enclosed with this Proxy Statement. You also may obtain additional information regarding First Midwest Bancorp, Inc., including our corporate governance policies and practices, by visiting our website at [www.firstmidwest.com/investorrelations](http://www.firstmidwest.com/investorrelations), or by a written request to our Corporate Secretary at First Midwest Bancorp, Inc., One Pierce Place, Suite 1500, Itasca, Illinois 60143.

***Important Notice Regarding the Availability of Proxy Materials***

A complete copy of this Proxy Statement and our Annual Report for the fiscal year ended December 31, 2009 are also available at [www.firstmidwest.com/proxymaterials](http://www.firstmidwest.com/proxymaterials).

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### **ITEM 1 ELECTION OF DIRECTORS**

#### **Nominees for Election**

Our Board consists of 14 directors, which are divided into three classes, with each class serving for staggered three-year terms. As a result, each year, only one class of directors stands for election at our annual meeting of stockholders. This year, upon the recommendation of our Nominating and Corporate Governance Committee, Brother James Gaffney, Patrick J. McDonnell, Michael L. Scudder, John L. Sterling and J. Stephen Vanderwoude have each been nominated by our Board to stand for election at the Annual Meeting. All nominees are currently directors of FMBI and previously have been elected by our stockholders.

If elected, each nominee will hold office for a three-year term ending in 2013 and until his successor has been elected and qualified, or until his earlier resignation or removal. All nominees have informed us that they are willing to serve as directors. Each nominee will tender his resignation as a director in accordance with our By-Laws and Corporate Governance Guidelines if he fails to receive the required vote for election, and the Board will determine whether it is in the best interest of the Company to accept any tendered resignation.

#### **Nomination Process**

In evaluating, identifying and recommending nominees for the Board, our Nominating and Corporate Governance Committee places primary emphasis on the criteria set forth in our Corporate Governance Guidelines which includes:

the individual's judgment, expertise, character, skills, background, knowledge of matters useful to the oversight of the Company and other relevant experience;

the individual's ability and willingness to commit adequate time to Board and committee matters; and

the extent to which the interplay of the individual's expertise, skills, knowledge and personality with that of other Board members will build a Board that is effective, collegial and responsive to the needs of the Company.

We do not set specific, minimum qualifications that nominees must meet in order to be recommended to the Board. Each nominee is evaluated based on his or her individual merits, taking into account the needs of the Company and the composition of the Board. The Nominating and Corporate Governance Committee discusses and evaluates possible candidates in detail and outside consultants are sometimes employed to help identify potential candidates, the fees for which are reviewed and approved by the Chair of the Nominating and Corporate Governance Committee. When determining whether to recommend a director for re-election, the Nominating and Corporate Governance Committee considers the director's past participation in and contributions to Board activities and the most recent Board self-evaluation. The Board has not adopted a formal diversity policy for nominees. However, when making recommendations for nominees to the Board, the Nominating and Corporate Governance Committee attempts to include directors who, when taken together with the other nominees and continuing directors, will create a group that offers a diversity of education, professional experience, background, age, perspective, viewpoints and skill.

The Nominating and Corporate Governance Committee will consider and evaluate director candidates recommended by stockholders in the same manner as other candidates identified by the Committee. A stockholder wanting to formally nominate a candidate must do so by following the procedures described in the Company's Restated Certificate of Incorporation and By-Laws, as amended from time to time.

#### **Independence of Nominees and Non-Employee Directors**

Our Board determines the independence of all non-employee directors in accordance with the independence requirements of the Nasdaq Stock Market listing standards (Nasdaq Rules). Accordingly, each year the Board affirmatively determines whether each non-employee director has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Annually, each non-employee director is required to complete a questionnaire that provides information about relationships that might affect the determination of independence. Management then provides the Nominating and Corporate Governance Committee and Board with relevant facts and circumstances of any relationship bearing on the independence of a director or nominee that are outside the categories permitted under Nasdaq Rules.



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Based on the review and recommendation by the Nominating and Corporate Governance Committee, the Board analyzed the independence of each of the Company’s nominees and other current directors, and determined that the following directors meet the standards of independence under our Corporate Governance Guidelines and Nasdaq Rules: Barbara A. Boigegrain, Bruce S. Chelberg, John F. Chlebowski, Jr., Joseph W. England, Brother James Gaffney, Thomas M. Garvin, Patrick J. McDonnell, John E. Rooney, Ellen A. Rudnick, John L. Sterling and J. Stephen Vanderwoude. Our Board also determined that Robert P. O’Meara, the Company’s current Chairman and former Chief Executive Officer, Michael L. Scudder, the Company’s current President and Chief Executive Officer and Thomas J. Schwartz, the current President and Chief Executive Officer of our wholly owned subsidiary First Midwest Bank are all not independent under the standards of our Corporate Governance Guidelines and Nasdaq Rules. We expect that Mr. O’Meara will qualify as an independent director in September of 2011 under Nasdaq Rules.

In addition, our Board determined that each member of the Audit Committee is financially literate and has accounting or related financial management expertise, as such qualifications are defined under Nasdaq Rules, and Patrick J. McDonnell is an audit committee financial expert within the meaning of the rules and regulations of the Securities and Exchange Commission (SEC).

As discussed above under the section entitled *Nomination Process*, the evaluation and selection of each member of the Board is based on a variety of factors including professional experience, recognized achievements and community leadership. Included in the table below is the name of each member of the Board, along with his or her principal occupation for at least the previous five years and other professional experience and achievements. Each director has been identified as possessing the requisite skills, experience and attributes that qualify him or her to serve as a member of the Company’s Board.

**Nominees Standing for Election at the Annual Meeting For a Term Expiring in 2010**

*Brother James Gaffney (67) Director since 1998* Brother Gaffney, FSC has served as the President of Lewis University in Romeoville, Illinois since 1988. Brother Gaffney obtained a bachelors degree in Theology and a masters in education from Saint Mary’s University of Minnesota. He also received a masters degree in Theology from Manhattan College in New York and a D.Min. degree in Pastoral Theology from the University of Saint Mary of the Lake in Mundelein, Illinois.

Brother Gaffney serves as a member of the Compensation and Advisory Committees and the Chair of the Nominating and Corporate Governance Committee. He serves in various leadership positions with several civic and charitable organizations, including the Executive Council of Chicago Metropolis 2020 and the Board of Directors and Executive Committee, Will County Center for Economic Development.

Brother Gaffney has been the recipient of numerous honors including the Roger Osman Award for Distinguished Volunteer Service from the United Way of Will County (1997), Lifetime Achievement Award from the Joliet Region Chamber of Commerce and Industry (2002), the De La Salle Award from Bethlehem University (2005) and the Provena St. Joseph Medical Center Founder’s Award (2007).

His extensive background in education and administration enables him to bring valuable leadership, institutional management and consensus-building skills to the Board. His civic and charitable activities in the metro Chicago area also give him unique insight into the markets and communities in which the Company operates.

*Patrick J. McDonnell (66) Director since 2002* Since July 2000, Mr. McDonnell has served as the President and Chief Executive Officer of The McDonnell Company LLC located in Lake Forest, Illinois (a business consulting company). In this position he works with companies in a wide variety of industries to help define organizational opportunities to improve performance and achieve results. Previously, he served as director of global assurance for



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PricewaterhouseCoopers LLP, an accounting firm, and vice chairman of business assurance for its predecessor, Coopers & Lybrand, LLP. He has also served as President and COO of LAI Worldwide, Inc., an executive recruiting firm, including facilitating its sale to TMP Worldwide, Inc.

Mr. McDonnell serves as a member of our Audit and Nominating and Corporate Governance Committees. He also serves as a member of the board of directors of Material Science Company, Inc. (since 2006). He also is an Adjunct Professor at the Lake Forest Graduate School of Management where he teaches Leading Organizational Change.

Mr. McDonnell earned a BBA degree from the University of Notre Dame in 1965 and an MBA from the University of Michigan in 1970. He is the author of *Everybody Wants to Go to Heaven- Six Steps to Organizational Excellence* (Summer, 2000). Through his notable professional background, Mr. McDonnell brings valuable tactical skills and experience in business management, strategic planning and finance to the Board.

*Michael L. Scudder (49) Director since 2008* Michael L. Scudder is the President and Chief Executive Officer of First Midwest Bancorp, Inc. and the Vice Chairman of the Board of First Midwest Bank. He serves as a member of our Advisory Committee.

Prior to his current appointment in September 2008, Mr. Scudder served as the Company's President and Chief Operating Officer beginning in May 2007, and as its Chief Financial Officer from January 2002 to May 2007. He previously served as the Group Executive Vice President and Chief Financial Officer of First Midwest Bank from May 1995 to December 2001. He also has served in various other management capacities in his 22 years of service to the Company.

Mr. Scudder earned a bachelor's degree in accounting from Illinois Wesleyan University in 1982, and an MBA from DePaul University in 1993. He serves in various leadership positions with several civic and charitable organizations in the metropolitan Chicago area. He is a certified public accountant and a member of both the American Institute of Certified Public Accountants and the Illinois CPA Society. He has over 26 years of experience in the banking and financial institution industry.

Mr. Scudder brings extensive financial and banking experience to the Board and his day to day management of the Company provides the Board with Company-specific experience and expertise, including a complete understanding of the Company's vision and strategy.

*John L. Sterling (66) Director since 1998* Mr. Sterling has owned and operated Sterling Lumber Company, a distributor of lumber headquartered in Blue Island, Illinois for over 43 years. He serves as a member of our Compensation Committee.

Mr. Sterling earned a bachelors degree in Business Administration in 1967 from Michigan State University. He serves in various leadership positions with several civic and charitable organizations in the Chicago metropolitan area, including the Boy Scouts of America, and he is the recipient of their council's highest award.

Mr. Sterling's extensive background as a business owner allows him to bring valuable leadership, business development, customer service and strategic management experience to the Board. His business, civic and charitable activities in the metropolitan Chicago area also give him unique insight into the markets and communities in which the Company operates.

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*J. Stephen Vanderwoude (66) Director since 1991* Mr. Vanderwoude is currently a private investor. From 1996 until April 2007, he served as Chairman and Chief Executive Officer of Madison River Telephone Company LLC, a company that acquired and operated rural telephone companies. Prior to his service to Madison River, he served as the President, Chief Executive Officer and a director of Powerhouse Technologies, Inc. from 1994 to 1995, and from 1989 to 1993 he served as President and Chief Operating Officer and a director of Centel Corporation.

Mr. Vanderwoude serves as the Chair of the Company's Compensation Committee and is a member of its Advisory and Nominating and Corporate Governance Committees. From 1999 to 2009, Mr. Vanderwoude served as a member of the board of directors of Centennial Communications Corp and as its Chairman from 2007 to 2009.

Mr. Vanderwoude earned a bachelors degree in engineering from the University of Pennsylvania in 1967 and an MBA from the University of Chicago in 1977. Through his significant professional background, Mr. Vanderwoude brings valuable skills and experience in leadership, business management, strategic planning and corporate development to the Board. He also has extensive knowledge and experience regarding the Company's businesses, which he gained as a result of his over 19 years of service to the Board.

**Continuing Directors Serving a Term Expiring in 2011**

*John F. Chlebowski, Jr. (64) Director since 2007* Mr. Chlebowski, served as the President and Chief Executive Officer of Lakeshore Operating Partners, LLC (a bulk liquid distribution firm) from March 2000 until his retirement in December 2004. From July 1999 until March 2000, Mr. Chlebowski was a senior executive and co-founder of Lakeshore Liquids Operating Partners, LLC, a private venture firm, and from January 1998 until July 1999, he was a private investor and consultant in bulk liquid distribution. Mr. Chlebowski served as President and Chief Executive Officer of GATX Terminals Corporation, a subsidiary of GATX Corporation, from 1994 until 1997. He also served in various leadership positions with GATX Corporation, a specialized finance and leasing company, from 1984 to 1994.

Mr. Chlebowski currently serves as a member of the Company's Advisory and Audit Committees. He also is the Chairman of the Board of SemGroup Corporation (since 2009) and is a member of the board of directors of NRG Energy, Inc. (since 2003). He is a former Board member of Laidlaw International, Inc. (2003 to 2007), Phosphate Resource Partners LP (2003 to 2004) and SpectraSite, Inc. (2004 to 2005).

Mr. Chlebowski earned a bachelor degree in Business Administration from the University of Delaware in 1970 and an MBA with a concentration in finance (Beta Gamma Sigma) from Pennsylvania State University in 1971. He is active in community affairs and is the past President of the Board of Directors of Heartland Alliance. He has also served on the Boards of the Chicago Heart Association, Chicago City Ballet and Merit Music Program.

Through his notable professional background and achievements, Mr. Chlebowski brings important leadership, business management and finance experience to the Board, as well as valuable experience in corporate strategy.

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*Thomas M. Garvin (74) Director since 1989* Mr. Garvin retired in 2001 as the President and Chief Executive Officer of G.G. Products Company (a food business acquirer) located in Oak Brook, Illinois. Prior to his service to G.G. Products, he served in various senior management positions with Keebler Company from 1969 to 1993, including serving as its President and Chief Executive Officer from 1978 to 1993.

Mr. Garvin serves as a member of the Company's Compensation and Nominating and Corporate Governance Committees.

Mr. Garvin earned a bachelor's degree in 1957 and an MBA in 1969 from Loyola University. During his business career, Mr. Garvin gained significant experience in product and business development, marketing, customer service, and manufacturing. He has been the recipient of numerous honors including the Stuart Henderson Britt Award for Marketing Achievement in 1985 by the American Marketing Association, and Loyola University's School of Business Distinguished Alumni of the Year Award in 1989. In 1984 Mr. Garvin was honored by President Ronald Reagan both personally and as the representative of Keebler for exemplary service to the nation in the campaign against drug and alcohol abuse. He also is a certified public accountant.

With his significant professional background and achievements, Mr. Garvin brings considerable leadership, general management, marketing and business development experience to the Board. He also has extensive knowledge and experience regarding the Company's businesses, which he gained as a result of his over 20 years of service to the Board.

*John E. Rooney (67) Director since 2005* Mr. Rooney has served as the President and Chief Executive Officer of U.S. Cellular since 2000. Under his leadership, U.S. Cellular has expanded its network and markets, significantly improved customer service, enhanced employee training and expanded product development. Prior to his service to U.S. Cellular, Mr. Rooney served Ameritech Corporation in various leadership positions for nine years. Prior to Ameritech, Mr. Rooney held executive positions with Firestone Tire and Rubber Corporation, Pullman Incorporated, and the Federal Reserve Bank of Chicago.

Mr. Rooney serves as a member of the Company's Audit Committee. He also is a member of the board of directors of U.S. Cellular Corporation (since 2000).

Mr. Rooney earned a bachelor's degree in business administration from John Carroll University in 1964 and an MBA in finance from Loyola University in 1969. He serves in various leadership positions with several civic and charitable organizations, including the President's Board of Uhlich Children's Advantage Network (UCAN) and the board of After School Matters. He also is a member of the board of trustees of Loyola University as well as a member of the board of advisors of the University's School of Business Administration.

With his notable and diverse professional background and achievements, Mr. Rooney brings considerable general management, finance and business development experience to the Board, as well as banking and related financial management expertise from his service as a bank regulator.

*Ellen A. Rudnick (59) Director since 2005* Since 1999, Ms. Rudnick has served as the Executive Director of the Michael Polsky Center for Entrepreneurship at the University of Chicago Booth School of Business. Prior to joining the University of Chicago, Ms. Rudnick served as President and CEO of Healthcare Knowledge Resources, President of HCIA, Chairman and Founder of Pacific Biometrics, and Corporate Vice President of Baxter Healthcare Corporation.

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Currently, Ms. Rudnick serves as a member of the Company's Audit, Nominating and Corporate Governance and Advisory Committees. She also currently serves on the Board of Patterson Companies (since 2003) and HMS Holdings, Corp. (since 1997).

Ms. Rudnick earned a bachelor's degree from Vassar College in 1972 and an MBA from the University of Chicago in 1973. She has spent 25 years in business management and entrepreneurial activities, primarily in the health care and information services industries. She serves in various leadership positions with several civic and charitable organizations in the Chicago metropolitan area, including serving on the Northshore University Health System board of directors for over 20 years. She is the recipient of several honors including the Today's Chicago Woman 20th Anniversary Hall of Fame and the YWCA Leadership Award.

With her broad professional background and significant achievements, Ms. Rudnick brings important leadership, corporate and entrepreneurial experience to the Board, as well as valuable experience in business management.

**Continuing Directors Serving a Term Expiring in 2012**

*Barbara A. Boigegrain (52) Director since 2008* Since 1994, Ms. Boigegrain has served as the General Secretary and Chief Executive Officer of the General Board of Pension and Health Benefits of The United Methodist Church in Evanston, Illinois (a pension, health and welfare benefit trustee and administrator). Prior to 1994, she spent 11 years as a consultant with Towers Perrin and KPMG Peat Marwick.

Ms. Boigegrain currently serves as a member of the Company's Audit and Compensation Committees. Ms. Boigegrain also is a member of the Board of Directors of Church Benefits Association, Evanston Inventure and Church Alliance.

Ms. Boigegrain earned a bachelor's degree from Trinity University in 1979. In her current position with the General Board she has overseen its restructuring and significantly improved its performance and services. In her experience as a benefits consultant, she established the San Diego office of Towers Perrin and built a client base of over \$2.5 million. Through her broad professional background, Ms. Boigegrain brings significant leadership, business development and management skills to the Board, as well as valuable knowledge of financial markets.

*Bruce S. Chelberg (75)<sup>1</sup> Director since 1989* Mr. Chelberg retired in 2000 as the Chairman and Chief Executive Officer of Whitman Corporation (a diversified, multinational company with a concentration in specialty foods, consumer services, commercial products and railroad transportation) headquartered in Rolling Meadows, Illinois. During his tenure with Whitman, Mr. Chelberg expanded the company's presence in numerous national and international markets culminating with the company's merger with PepsiAmericas, Inc. in 2000. Prior to being appointed Chairman and CEO of Whitman, Mr. Chelberg served as its Executive Vice President, Senior Vice President of Consumer Services and Senior Vice President of Planning and Development. Prior to his tenure with Whitman, from 1958 to 1981, he served in various senior management positions for Trans Union Corporation, eventually reaching the position of President, Chief Operating Officer and director.

<sup>1</sup> In accordance with Board policy, Mr. Chelberg submitted his resignation upon reaching the age of 75, however the Board has requested that Mr. Chelberg continue to serve as a director through the remainder of his term which will expire in 2012.

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Mr. Chelberg serves as a member of the Company's Advisory, Audit and Nominating and Corporate Governance Committees. Currently he also is a member of the board of directors of Snap-On Tools Corporation (since 1993) and he previously served as a member of the board of directors of Northfield Laboratories, Inc. (from 1989 to 2009).

Mr. Chelberg earned a bachelor's degree from the University of Illinois in 1956 and an LLB degree from the Illinois College of Law in 1958. Through his significant professional background, Mr. Chelberg brings extremely valuable leadership, strategic planning, corporate development and legal experience to the Board.

*Joseph W. England (69) Director since 1986* Mr. England retired in 2000 as senior vice president of Deere & Company, Moline, Illinois (a mobile power equipment manufacturer). During his 37 year career with Deere & Company, Mr. England held several senior management positions in the area of finance and accounting, and served on its board of directors.

Mr. England serves as a member of the Company's Advisory Committee and is the Chair of its Audit Committee. He is also a member of the board of directors of Winnebago Industries (since 2001).

Mr. England earned a bachelor's degree in accounting from the University of Illinois in 1962 and is a certified public accountant. Mr. England is active in community affairs in the Quad Cities area and has served on numerous civic and human service boards. With his professional background and charitable activities, Mr. England brings valuable perspective and business management and finance experience to the Board. In addition, Mr. England has extensive knowledge and experience relating to the Company's businesses, which he gained as a result of his over 24 years of service on the Board.

*Robert P. O Meara (72) Director since 1982* Mr. O Meara is the Chairman of the Board of First Midwest Bancorp, Inc. and First Midwest Bank. Mr. O Meara serves as a member of the Company's Advisory Committee. From 1998 to 2007 Mr. O Meara served as the Chairman of the Board of First Midwest Bancorp, Inc. He also served as the Company's Chief Executive Officer from 1987 through 2002 and as its Chief Operating Officer from 1983 to 1987. Mr. O Meara has over 39 years of experience in the banking and financial institution industry. Prior to his tenure with First Midwest, Mr. O Meara was in private legal practice in Lake County Illinois.

Mr. O Meara earned a bachelor's degree from the University of Notre Dame in 1959 and a juris doctorate from Loyola University in 1962. He serves in various leadership positions with several civic and charitable organizations in the metropolitan Chicago area.

Mr. O Meara brings extensive experience in law, regulatory compliance, banking and executive management to the Board. Through his leadership, intimate knowledge of the Company's business, and significant experience in corporate strategy and bank mergers and acquisitions, Mr. O Meara provides the Board with invaluable information about the Company and its historic operations as well as considerable experience and expertise with respect to the financial industry.

*Thomas J. Schwartz (60) Director since 2008* Thomas J. Schwartz is the President and Chief Executive Officer of First Midwest Bank and an Executive Vice President of the Company. Previously, Mr. Schwartz served as the President and Chief Operating Officer of First Midwest Bank from

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May of 2007 to September of 2008. He has served in various other management capacities with First Midwest Bank in his 38 years of service to the Company.

Mr. Schwartz earned a bachelor's degree in business administration from Bradley University in 1971. He has over 38 years of experience in the banking and financial institution industry. Mr. Schwartz provides the Board with valuable insights on the factors that impact the Bank and the markets in which it operates, as well as perspective on the Bank's mission with respect to the communities it serves.

For more information regarding our Board, its members, its committees and our corporate governance practices, please see the section of this Proxy Statement entitled *Corporate Governance at First Midwest Bancorp, Inc.* beginning on page 21, or visit the Investor Relations section of our website at [www.firstmidwest.com/corporategovernance](http://www.firstmidwest.com/corporategovernance).

**Directors Recommendation**

The Board unanimously recommends a vote For the election of each of Brother James Gaffney, Patrick J. McDonnell, Michael L. Scudder, John L. Sterling and J. Stephen Vanderwoude for service on the Board.

**Table of Contents****ITEM 2 ADVISORY (NON-BINDING) VOTE RATIFYING INDEPENDENT AUDITORS****Independent Auditors**

The Audit Committee of the Board has selected Ernst & Young LLP as our independent auditors for our fiscal year ending December 31, 2010. We are submitting the selection of independent auditors for stockholder ratification at the Annual Meeting. We expect a representative of Ernst & Young LLP to be present at the Annual Meeting and will have the opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions from stockholders. Ernst & Young LLP also served as our independent auditors for our fiscal year ended December 31, 2009.

Our organizational documents do not require that our stockholders ratify the selection of our independent auditors. If our stockholders do not ratify the selection, the Audit Committee will reconsider whether to retain Ernst & Young LLP, but may retain them nonetheless. Even if the selection is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interests of FMBI.

**Fees Paid to Independent Auditors**

The Audit Committee, or a designated member thereof, approves in advance all audit and any non-audit services rendered by Ernst & Young LLP on behalf of the Company. The following table shows information about fees paid by the Company to Ernst & Young LLP.

	2009	Percent of 2009 Services Approved by Audit Committee	2008	Percent of 2008 Services Approved by Audit Committee
Audit fees	\$ 778,490	100%	\$ 901,635	100%
Audit-related fees <sup>(a)</sup>	299,600	100%	110,195	100%
Tax fees <sup>(b)</sup>	120,000	100%	111,285	100%
All other fees <sup>(c)</sup>	306,408	100%	1,500	100%

(a) Includes fees related to the audit of the Company's benefit plans, and consultation regarding technical accounting and reporting matters.

(b) Includes tax return review services and tax advice and planning.

(c) Includes SEC filings, comfort letters, consents, and comment letters.

For audit related services, tax services and all other services, our Audit Committee has determined specific services and dollar thresholds under which such services would be considered pre-approved. To the extent management requests services other than these pre-approved services, or beyond the dollar thresholds, our Audit Committee must specifically approve the services. Further, under our fee policy, the independent auditors may not perform the non-audit services identified by the SEC as prohibited. Our fee policy requires management to provide to our Audit Committee on a quarterly basis a summary of all services performed by the independent auditors.

**Directors' Recommendation**

The Board unanimously recommends a vote For ratification of the appointment of Ernst & Young LLP as our independent auditors for our fiscal year ending December 31, 2010.

**Table of Contents****ITEM 3 APPROVAL OF CERTAIN AMENDMENTS TO AND THE RESTATEMENT AND RENEWAL OF THE FIRST MIDWEST BANCORP, INC. OMNIBUS STOCK AND INCENTIVE PLAN****Background**

We currently maintain a *First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan* (Omnibus Plan), which we use for awarding all equity-based compensation to employees. We believe equity awards align the interest of employees with those of stockholders. As of the Record Date, the Company had approximately 74,146,997 shares of Common Stock outstanding and 993,535 shares of Common Stock reserved for future issuance under the Omnibus Plan. The following table shows a breakdown of the status of our equity benefit plans as of the Record Date:

Total	Director Plan	Omnibus Plan
1,122,187*	128,652*	993,535*

\* May be used for restricted stock or restricted stock unit awards

As of the Record Date, there were outstanding awards of 2,523,622 stock options, which have a weighted-average exercise price of \$32.42 and a weighted-average term of 4.5 years, and 1,055,261 shares of restricted stock under all of our equity compensation plans. As of the Record Date, the average of the high and low sale price of one share of our Common Stock as quoted on the Nasdaq Stock Market was \$13.89.

**Proposed Amendment**

We are asking our stockholders for approval of certain amendments to and the restatement and renewal of the Omnibus Plan which will:

1. Increase the number of shares available for issuance under the Omnibus Plan by 1,200,000 shares of Common Stock.
2. Re-approve the performance criteria for setting performance goals for awards to be made under the Omnibus Plan (Performance Goals).
3. Extend the period during which awards can be made under the Omnibus Plan by ten years to February 21, 2021.

We believe that our ability to attract and retain qualified, high-performing employees is vital to our success and growth as a company. Equity compensation is a very effective retention tool that encourages and appropriately rewards employee performance and aligns their interests with those of the stockholders. Consequently, we believe increasing the number of shares available for issuance under the Omnibus Plan, and extending the duration of the plan for another ten years will allow us to issue compensatory awards that are responsive to FMBI's needs and will advance our long-term interests. If the duration of the Omnibus Plan is not extended we will not be able to issue equity awards under our employee equity compensation programs, and we would be at a competitive disadvantage in our ability to provide a market-competitive, total compensation package necessary to attract, retain and motivate the talent critical to our future success.

**Increase in Shares**

On March 24, 2010, our Board approved an increase in the number of shares available for issuance under the Omnibus Plan and the extension of the duration of the Omnibus Plan to February 21, 2021, subject to stockholder approval. In reaching these decisions the Board considered current best practices. The following table shows what the breakdown of available shares would have been had the increase in the number of shares available for issuance under the Omnibus Plan been in effect as of the Record Date:

Total	Director Plan	Amended Omnibus Plan
2,322,187*	128,652*	2,193,535*

\* May be used for restricted stock or restricted stock unit awards

**Performance Criteria for Setting Performance Goals under the Omnibus Plan**



## Edgar Filing: FIRST MIDWEST BANCORP INC - Form DEF 14A

Section 162(m) of the Code imposes an annual deduction limit of \$1 million on the amount of compensation paid to each of our chief executive officer, chief financial officer and three other most highly compensated officers, however

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this amount is currently limited to \$500,000 due to our participation in the TARP Capital Purchase Program. (See *Regulatory Limits on Executive Compensation* beginning on page 32.) The deduction limit does not apply to performance-based compensation. Options granted under the Omnibus Plan are considered performance-based compensation if, among other things, the Omnibus Plan was approved by stockholders and the awards are granted at no less than fair market value on the grant date. Awards of performance shares or units or annual or multi-year incentive compensation awards will qualify as performance-based, if such awards are subject to performance criteria which have been approved by stockholders within five years.

Almost four years have passed since the Company's stockholders have approved the performance criteria to be used to establish the Performance Goals under the Omnibus Plan, and during that time the Omnibus Plan's list of performance criteria has not changed. As a result, the Board is submitting this proposal to First Midwest stockholders to re-approve the performance criteria for setting the Performance Goals. If First Midwest stockholders fail to approve the proposal, First Midwest will still be able to make such awards under the Omnibus Plan, but the awards (other than stock options and stock appreciation rights) will be subject to the \$1 million deduction limit under Section 162(m) of the Code with any amount in excess of the deduction limit not deductible.

Under the Omnibus Plan, awards may, but need not, be subject to the satisfaction of one or more Performance Goals. The Compensation Committee will award performance-based compensation if it determines that such awards are in the best interest of First Midwest and its stockholders. The Compensation Committee will determine Performance Goals for awards that the Compensation Committee believes most enables First Midwest to structure incentive compensation that furthers its business strategy and aligns executives' interests with stockholder interests in a tax-efficient manner.

Awards (other than stock options and stock appreciation rights) intended to qualify as performance-based compensation under Section 162(m) of the Code will be subject to Performance Goals based on one or more of the following performance criteria as applied, in the Compensation Committee's discretion, as described in the Omnibus Plan: total shareholder return; earnings; earnings per share; net income; revenues; expenses; market share; charge-offs; loan loss reserves; non-performing assets; return on assets; return on equity; assets; deposits; loans; asset quality levels; interest-sensitivity gap levels; fair market value of the Common Stock; value of assets; regulatory compliance; satisfactory internal or external audits; improvement of financial ratings; and achievement of balance sheet or income statement objectives.

### **Summary Description of the Omnibus Plan**

The following discussion sets forth the material terms of the Omnibus Plan as amended by this proposal. The following is only a summary, and does not purport to be complete and is qualified in its entirety by reference to the provisions of the amended and restated Omnibus Plan which is attached hereto as [Appendix B](#).

*Administration.* The Compensation Committee administers the Omnibus Plan and will determine the number of shares covered by awards and establish the terms, conditions and other provisions of the awards. Each member of the Compensation Committee must be a non-employee director within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and an outside director within the meaning of Section 162(m) of the Code. For more information about our Compensation Committee, see the section entitled *Board Committees Compensation Committee* beginning on page 23.

*Participants.* The Compensation Committee determines the employees eligible to participate in the Omnibus Plan. As of December 31, 2009, there were approximately 121 employees eligible for participation under the Plan.

*Authorized Shares for Future Awards.* The Omnibus Plan authorizes the issuance of future awards for the acquisition of 2,193,535 shares of Common Stock to participants, which represents approximately 3% of our issued and outstanding Common Stock as of the Record Date. Of the shares available for issuance, all shares may be used for full value awards, which are awards other than stock options or stock appreciation rights. The following shares may be added back to the aggregate Omnibus Plan limit: (1) shares tendered in payment of the option price; (2) shares withheld by the Company to satisfy the tax withholding obligations; and (3) shares subject to an outstanding award which were not issued due to forfeiture, cancellation or cash settlement of the award. The Omnibus Plan provides a specific number of shares available for awards and does not contain an annual or automatic increase in the number of available shares.

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*No Repricing of Stock Options.* The Omnibus Plan expressly prohibits the repricing of stock options without stockholder approval and the Company has never repriced such awards.

*Death, Disability or Retirement.* In the event the employment of a participant is terminated by reason of death, disability, or retirement, any outstanding awards then exercisable may be exercised at any time prior to the earlier of: (1) the award's expiration date, or (2) the third anniversary of the termination date. Awards vest 100% upon the death of the participant or if the participant's employment terminates due to disability or retirement at or after his or her normal retirement date (as defined by our Omnibus Plan).

*Dividends Paid on Shares of Restricted Stock.* The Compensation Committee has determined that, with respect to issuances of restricted stock on or after May 2009, we will hold all dividends and pay them to participants only upon completion of the restricted period when the restrictions lapse. Dividends on forfeited shares will be forfeited. We may pay such dividends in cash or in shares.

*Types of Awards.* The Compensation Committee may in its discretion issue the awards listed below to participants subject to the terms of the Omnibus Plan and such terms, conditions, and provisions as the Compensation Committee may determine to be necessary or desirable. Except to the extent permitted by the specific terms of nonqualified stock options, no award will be assignable or transferable except by will, the laws of descent and distribution or, in the Compensation Committee's discretion, in certain other manners.

- i *Stock Options.* Stock options may be issued in the form of incentive stock options within the meaning of Section 422 of the Code, or stock options not meeting such Code definition, nonqualified stock options. For information about our historical practice regarding stock options see the section entitled *What are the elements of our Executive Compensation Program? Equity Grants* beginning on page 34.
- i *Restricted Stock Awards (RSAs).* Restricted stock awards are awards of shares of Common Stock that after issuance, may not be sold or otherwise disposed of during a restricted period. Once the restricted period ends the shares may be sold or transferred by the holder. For information about our historical practice regarding RSAs see the section entitled *What are the elements of our Executive Compensation Program? Equity Grants* beginning on page 34.
- i *Restricted Stock Units (RSUs).* RSUs are fixed or variable share units generally valued in whole or in part by reference to, or otherwise based on, the fair market value of our Common Stock. An RSU may be payable in Common Stock, cash or a combination of both. For information about our historical practice regarding RSUs see the section entitled *What are the elements of our Executive Compensation Program? Equity Grants* beginning on page 34.
- i *Performance Shares.* Performance shares are awards of restricted stock (described above) that are awarded, or vest, upon the achievement of certain performance goals as determined by the Compensation Committee. For information about our historical practice regarding performance shares see the section entitled *What are the elements of our Executive Compensation Program? Equity Grants and Performance-Awarded Restricted Stock Awards* beginning on pages 34 and 35.
- i *Stock Appreciation Rights (SARs).* Stock appreciation rights may be issued independently of any stock option or in tandem with all or any part of a stock option issued under the Omnibus Plan. When exercised, stock appreciation rights provide for the payment by the Company in cash or in shares of Common Stock, an amount equal to the difference between the fair market value per share of our Common Stock at the time of exercise over such value at the time of grant for each stock appreciation right exercised.
- i *Other Awards.* The Compensation Committee may issue other types of awards of Common Stock or awards based in whole or in part by reference to Common Stock. Such awards could include, without limitation, unrestricted stock grants or awards related to the establishment or acquisition by the Company or any subsidiary of a new or start-up business or facility.

*Adjustments.* In the event there is a change in the capital structure of the Company as a result of any stock dividend or split, recapitalization, merger, consolidation or spin-off or other similar corporate change, the Compensation Committee will make an adjustment in the number and class of shares of Common Stock available for issuance under the Omnibus Plan, the number and class of shares subject to the per person limit

on awards issued in any year and the number and class of shares covered by any outstanding award and the price per share thereof.

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*Change-in-Control.* The definition of *Change-in-Control* will require the acquisition of 25% of the voting stock of the Company by an unrelated third party. Also, a *Change-in-Control* will occur if there is an unwelcome change in a majority of the members of our Board, the stockholders approve a plan of complete liquidation or dissolution of the Company, or in the event that after we merge with another organization, our stockholders do not continue to own more than half of the voting stock of the merged company and more than half of the members of the board of the merged company are not members of our Board.

Under the Omnibus Plan, in the event of a *Change-in-Control*, unless a particular award agreement provides otherwise:

- i all awards will vest 100% and all options will become exercisable in full;
- i all restrictions applicable to RSAs and RSUs will terminate;
- i all Performance Units and Performance Shares will be paid out based upon the extent to which performance goals during the performance period have been met up to the date of the *Change-in-Control*, or at target, whichever is higher; and
- i all Other Awards will be paid out based on the terms thereof.

*Amendments and Termination.* The Board may amend, modify, suspend or terminate the Omnibus Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that no amendment or alteration that would adversely affect the rights of any participant under any award previously issued to such participant shall be made without the consent of such participant. There is no set termination date for the Omnibus Plan, although as proposed to be amended, no award may be granted under the Omnibus Plan on or after February 21, 2021.

## **Effect of EESA and ARRA**

We are participants in the TARP Capital Purchase Program and we are subject to the executive compensation limitations contained in the EESA and ARRA. (See, Annex A *Glossary of Terms*, and the section entitled *Regulatory Limits on Executive Compensation* beginning on page 32). These legislative and regulatory restrictions preclude us from issuing stock options and impose limits on our ability to issue restricted stock grants to certain of our officers so long as we are a participant in the TARP Capital Purchase Program.

## **Federal Income Tax Considerations**

The following discussion summarizes the federal income tax consequences to participants who may receive grants of awards under the Omnibus Plan. The discussion is based upon current interpretations of the Code and the regulations promulgated thereunder.

*Nonqualified Stock Options.* For federal income tax purposes, no income is recognized by a participant upon the issuance of a nonqualified stock option under the Omnibus Plan. Upon the exercise of a nonqualified option, compensation taxable as ordinary income will be realized by the participant in an amount equal to the excess of the fair market value of a share of Common Stock on the date of such exercise over the exercise price. A subsequent sale or exchange of such shares will result in gain or loss measured by the difference between (1) the exercise price, increased by any compensation reported upon the participant's exercise of the option, and (2) the amount realized on such sale or exchange. Such gain or loss will be capital in nature if the shares were held as a capital asset and will be long-term if such shares were held for more than one year. The Company is entitled to a deduction for compensation paid to a participant at the same time and in the same amount as the participant is considered to have realized compensation by reason of the exercise of an option.

*Incentive Stock Options.* No taxable income is realized by a participant pursuant to the exercise of an incentive stock option issued under the Omnibus Plan, and if no disqualifying disposition of such shares is made by such participant within two years after the date of grant or within one year after the transfer of such shares to such participant, then (1) upon the sale of such shares, any amount realized in excess of the option price will be taxed to



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such participant as a long-term capital gain and any loss sustained will be a long-term capital loss, and (2) no deduction will be allowed to the Company for Federal income tax purposes. Upon exercise of an incentive stock option, the participant may be subject to alternative minimum tax on certain items of tax preference. If the shares of Common Stock acquired upon the exercise of an incentive stock option are disposed of prior to the expiration of the holding period described above, generally (1) the participant will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares at the time of exercise (or, if less, the amount realized on the disposition of the shares) over the option price thereof, and (2) the Company will be entitled to deduct such amount. Any further gain or loss realized will be taxed as short-term or long-term capital gain or loss, as the case may be, and will not result in any deduction by the Company. If an incentive stock option is exercised at a time when it no longer qualifies as an incentive stock option, the option is treated as a nonqualified stock option.

*Stock Appreciation Rights.* No taxable income is recognized by a participant upon the issuance of an SAR under the Omnibus Plan. Upon the exercise of an SAR, however, compensation taxable as ordinary income will be realized by the participant in an amount equal to the cash received upon exercise, plus the fair market value on the date of exercise of any shares of Common Stock received upon exercise. Shares of Common Stock received on the exercise of an SAR will be eligible for capital gain treatment, with the capital gain holding period commencing on the date of exercise of the SAR.

*Restricted Stock and Performance Shares.* A recipient of restricted stock or performance shares generally will be subject to tax at ordinary income rates on the fair market value of the Common Stock at the time the award vests or is no longer subject to forfeiture. However, a recipient who so elects under Section 83(b) of the Code within 30 days of the date of the grant will recognize ordinary taxable income on the date of the grant equal to the fair market value of the award as if the award was unrestricted and could be sold immediately. If the shares subject to such election are forfeited, the recipient will not be entitled to any deduction, refund or loss for tax purposes with respect to the forfeited stock. Upon sale of the restricted stock after vesting or after the forfeiture period has expired, the holding period to determine whether the recipient has long-term or short-term capital gain or loss begins when the restriction period expires.

However, if the recipient timely elects to be taxed as of the date of the grant, the holding period commences on the date of the grant and the tax basis will be equal to the fair market value of the award on the date of the grant as if the award were then unrestricted and could be sold immediately. A participant receiving dividends with respect to an award for which the above-described election has not been made and prior to the time the restrictions lapse will recognize compensation taxable as ordinary income, rather than dividend income, in an amount equal to the dividends paid. The amount of ordinary income recognized upon the lapse of restrictions or by making the above-described election is deductible by the Company as compensation expense, except to the extent the deduction limits of Section 162(m) of the Code apply.

*Restricted Stock Units.* A recipient of RSUs will generally be subject to tax at ordinary income rates on the fair market value of Common Stock issued pursuant to such an award. The fair market value of any Common Stock received will generally be included in income at the time of receipt. The capital gain or loss holding period for any Common Stock distributed under an award will begin when the recipient recognizes ordinary income with respect to that distribution. The amount of ordinary income recognized is deductible by the Company as compensation expense, except to the extent the deduction limits of Section 162(m) of the Code apply.

*Other Incentive Awards.* The federal income tax consequences of Other Incentive Awards will depend on how such awards are structured. Generally, the Company will be entitled to a deduction with respect to such awards only to the extent that the recipient realizes compensation income in connection with such awards. It is anticipated that Other Incentive Awards will usually result in compensation income to the recipient in some amount. However, some forms of Other Incentive Awards may not result in any compensation income to the recipient or any income tax deduction for the Company.

*Golden Parachute Payments.* Awards that are granted, accelerated or enhanced upon the occurrence of, or in anticipation of, a change-in-control may give rise, in whole or in part, to excess parachute payments under Section 280G and Section 4999 of the Code. With respect to any excess parachute payment, the participant would be subject to a 20% excise tax on, and we would be denied a deduction for the excess amount.

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**Omnibus Plan Benefits**

The type and amount of any future awards under the Omnibus Plan are not currently determinable by the Compensation Committee.

**Registration with the SEC**

The Company intends to file a Registration Statement on Form S-8 with the SEC relating to the additional shares of Common Stock proposed for issuance under the Omnibus Plan pursuant to the Securities Act of 1933, as amended (Securities Act), as soon as is practicable after approval of the Omnibus Plan by the Company's stockholders.

**Directors' Recommendation**

The Board unanimously recommends stockholders vote For this proposal.



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**ITEM 4 ADVISORY (NON-BINDING)**

**VOTE ON EXECUTIVE COMPENSATION**

As a participant in the TARP Capital Purchase Program, we are subject to the executive compensation requirements contained in the EESA and ARRA (See, Annex A *Glossary of Terms*, and the section entitled *Regulatory Limits on Executive Compensation* beginning on page 32). Accordingly, we are providing shareholders with the right to cast an advisory vote to approve the compensation of the Company's executives at the Annual Meeting. This proposal, commonly known as a "say-on-pay" proposal, gives you as a shareholder the opportunity to endorse or not endorse our executive compensation program through the following resolution:

Resolved, that the stockholders approve the compensation of the Company's executives, as described in the *Compensation Discussion and Analysis* and the tabular and accompanying narrative disclosure regarding compensation in this Proxy Statement for its 2010 Annual Meeting.

Because your vote is advisory, it will not be binding upon the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

We believe that our compensation policies and procedures are reasonable as they further the Company's goals of offering our employees market-competitive compensation that is appropriately balanced between base and variable, or "at-risk" pay. We also believe that our compensation program is effective and appropriate. We encourage you to review closely our *Compensation Discussion and Analysis* and the related tabular disclosure (beginning on page 30). We organized this information to discuss each element of our compensation programs and certain compensation information for our named executive officers for the past three years as required by SEC rules. As a result, most of our tabular disclosure is backwards-looking.

**Directors' Recommendation**

The Board unanimously recommends stockholders vote "For" this proposal.

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**CORPORATE GOVERNANCE AT FIRST MIDWEST BANCORP, INC.**

Our Board is committed to maintaining strong corporate governance principles and practices. If you would like additional information about our corporate governance practices, you may view the following documents on our website at [www.firstmidwest.com/corporategovernance](http://www.firstmidwest.com/corporategovernance) or request them in print by sending a written request to the Corporate Secretary at First Midwest Bancorp, Inc., One Pierce Place, Suite 1500, Itasca, Illinois 60143:

Corporate Governance Guidelines

Code of Ethics and Standards of Conduct and Code of Ethics for Senior Financial Officers

Audit Committee Charter

Compensation Committee Charter

Nominating and Corporate Governance Committee Charter

Related Person Transaction Policies and Procedures

**Corporate Governance Guidelines and Committee Charters**

The Corporate Governance Guidelines and the charters of the three standing committees of our Board describe our corporate governance practices. The Corporate Governance Guidelines and charters are intended to ensure that our Board has practices in place to review and evaluate our business operations and to make decisions that are independent of management. The Corporate Governance Guidelines establish the practices the Board follows with respect to Board composition and selection, Board meetings, management and Board performance evaluations, succession planning, Board committees and director compensation. The Corporate Governance Guidelines and standing committee charters are reviewed periodically and updated as necessary to reflect changes in regulatory requirements and evolving corporate governance practices.

**Code of Ethics and Standards of Conduct and Code of Ethics for Senior Financial Officers**

We have adopted a Code of Ethics and Standards of Conduct, which applies to all of our directors, officers and employees, as well as a Code of Ethics for Senior Financial Officers which applies to our senior financial officers. Our Code of Ethics and Standards of Conduct meets the requirements of a code of ethics as defined by Item 406 of Regulation S-K, and also meets the requirements of a code of business conduct and ethics under Nasdaq Rules. Annually all employees are required to certify that they have reviewed and are familiar with the Code of Ethics and Standards of Conduct, and all officers are required to certify compliance with the code. Waivers of the Code of Ethics and Standards of Conduct for executive officers are required to be disclosed to the Chair of the Nominating and Corporate Governance Committee of the Board. Both documents are available on our website and we will provide stockholders with a printed copy upon request.

**Board Leadership and Structure**

As provided in the Corporate Governance Guidelines, the Board does not have a fixed policy regarding the separation of the offices of Chairman and Chief Executive Officer and believes that it should maintain the flexibility to select the Chairman and its Board leadership structure, from time to time, based on the criteria that it deems to be in the best interests of the Company and its stockholders.

At this time, the position of Chairman of the Board is held by Robert P. O Meara and the position of President and Chief Executive Officer is held by Michael L. Scudder. The Board of Directors has determined that, under current circumstances the separation of the offices of Chairman of the Board and President and Chief Executive Officer will enhance Board oversight. This separation allows Mr. Scudder to focus on his responsibilities of running the Company, enhancing shareholder value and expanding and strengthening the Company's business. Concurrently,

Mr. O Meara as Chairman of the Board can focus on leadership for the Board as it provides advice to and independent oversight of management.

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### **Risk Oversight**

Risk is inherent with every business and we face a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of the risks the Company faces, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes, policies and levels designed and implemented by management are adequate and functioning as designed.

The Board performs its risk oversight function primarily through its committees and the operation of the Bank's board of directors, as well as reports directly from the President and Chief Executive Officer or other members of management regarding the Company's risk management functions. In addition, the Chairman of the Board meets regularly with the President and Chief Executive Officer to discuss strategy and risks facing the Company. Key members of senior management attend Board meetings and are available to address any questions or concerns raised by the Board.

### **Meetings**

Our Board holds regularly scheduled quarterly meetings. Typically, committee meetings occur either the day of, or the day prior to the Board meeting. Twice a year, the Board devotes additional time to presentations and discussions with senior management about the Company's long-term strategy.

In addition to the quarterly meetings, typically there are special meetings each year. For example, during 2009 our Board held eight special meetings, our Compensation Committee held three special meetings, our Nominating and Corporate Governance Committee held two special meetings and our Advisory Committee held five special meetings. Our Audit Committee did not hold any special meetings during 2009. Consequently, during the 2009 fiscal year, our full Board met 12 times, our Audit Committee met 12 times, our Compensation Committee met 7 times, our Nominating and Corporate Governance Committee met 6 times and our Advisory Committee met 5 times.

We expect our directors to attend all Board meetings and meetings of committees of the Board on which they serve. Directors are also expected to attend each annual stockholders meeting. All directors, including the current nominees for director, attended last year's annual stockholders meeting held on May 20, 2009, with the exception of Mr. Garvin.

Director attendance at meetings of the Board and its committees averaged 92% during 2009. Each director attended at least 79% of the total number of meetings of the Board and committees on which he or she served. The Board met in executive session during all regularly scheduled quarterly Board meetings without management present during all of its 2009 meetings, with the committee chair who is most familiar with the subject matter being discussed leading the discussion.

### **Board Committees**

Our Board has three standing committees, our Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee. Each standing committee has a written charter and the Board has determined that each of the members of our standing committees is independent under the provisions of our Corporate Governance Guidelines and Nasdaq Rules. The Board has also established an Advisory Committee for the purpose of providing general advice to management with respect to general business matters as needed between regular meetings of the Board.

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Under our Corporate Governance Guidelines, the members of each Board committee (including each committee chair) are appointed by the Board upon the recommendation of the Nominating and Corporate Governance Committee, and a member may only serve as the chair of one committee of the Board at any given time. The table below provides current membership and meeting information for each of the Board committees for the 2009 fiscal year.

Name	Nominating &			
	Advisory	Audit	Compensation	Corporate Governance
Boigegrain, Barbara A.		X	X	
Chelberg, Bruce S.	X	X		X
Chlebowski Jr., John F.	X	X		
England, Joseph W.	X	X*		
Gaffney, Brother James	X		X	X*
Garvin, Thomas M.			X	X
McDonnell, Patrick J.		X		X
O Meara, Robert P.	X*			
Rooney, John E.		X		
Rudnick, Ellen A.	X	X		X
Schwartz, Thomas J.				
Scudder, Michael L.	X			
Sterling, John L.			X	
Vanderwoude, J. Stephen	X		X*	X
Total meetings in fiscal year 2009	5	12	7	6

\* Committee Chair

Below is a description of each standing committee of our Board as well as our Advisory Committee. Each standing committee has the authority to engage legal counsel or other advisors or consultants as it deems appropriate to carry out its responsibilities. The charter of each standing committee describes the specific responsibilities and functions of such committee, and you may view each charter by visiting our website at [www.firstmidwest.com/corporategovernance](http://www.firstmidwest.com/corporategovernance).

**Audit Committee.** The primary responsibilities of the Audit Committee are to: (1) assist the Board in its oversight of the integrity of our financial statements and systems of internal control over financial reporting; (2) oversee the Company's compliance with legal and regulatory requirements relating to financial reporting and disclosure; (3) evaluate the independence and qualifications of our independent auditors; and (4) oversee the performance of our independent auditors and our internal audit function. The Audit Committee also is solely responsible for the appointment, compensation, and retention of our independent auditors. The Audit Committee relies on the expertise and knowledge of management, the internal auditors, and the independent auditor in carrying out its oversight responsibilities. The Audit Committee Charter describes the Committee's specific responsibilities.

**Compensation Committee.** The primary responsibilities of the Compensation Committee are to: (1) assist the Board in establishing the annual goals and objectives of the Chief Executive Officer; (2) recommend to the Board the compensation of the Chief Executive Officer and senior officers of the Company; (3) oversee and advise the Board on the adoption of policies that govern our compensation programs and other compensation-related policies; (4) oversee administration of our equity-based compensation and other benefit plans; and (5) approve and authorize grants of equity compensation awards under our equity plans. From time to time the Compensation Committee reviews the compensation paid to non-employee directors, and makes recommendations to the Board for any adjustments. Our Chief Executive Officer generally attends Compensation Committee meetings but is not present for the executive sessions or for any discussion of his compensation.

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The Compensation Committee has the sole authority to retain and terminate any compensation consultant used to assist in the evaluation of executive compensation and to approve the consultant's fees and retention terms. From time to time the Compensation Committee retains Deloitte Consulting, a compensation consultant, to provide analysis and advice on various matters relating to the compensation of our executive officers and directors. Deloitte Consulting does not perform any other services for the Company and is directly accountable to the Compensation Committee. The Committee must approve all services performed by the consultant and the Committee believes that the advice of Deloitte Consulting has been fully independent during its service to the Compensation Committee. From time to time the Compensation Committee may delegate authority to the Company's Retirement and Benefit Plans Administration Committee, Chief Executive Officer, Chief Financial Officer or the employee resources director to fulfill certain administrative duties regarding the compensation programs. Each member of the Compensation Committee must be a non-employee director within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and an outside director within the meaning of Section 162(m) of the Code (see the section entitled *Compensation Discussion and Analysis* beginning on page 30 for more information about the Compensation Committee's work).

*Nominating and Corporate Governance Committee.* The primary responsibilities of the Nominating and Corporate Governance Committee are to: (1) determine the slate of director nominees for election to our Board; (2) identify and recommend candidates to fill vacancies occurring between annual stockholder meetings; (3) review the composition of Board committees; (4) monitor compliance with, review, and recommend changes to the Code of Ethics and Standards of Conduct and Corporate Governance Guidelines; and (5) review our policies and programs that relate to matters of corporate responsibility. The Chair of the Nominating and Corporate Governance Committee also is responsible for leading the Board's annual performance review. The Nominating and Corporate Governance Committee regularly reviews and recommends any necessary or desirable changes to our By-Laws.

*Advisory Committee.* The primary responsibility of the Advisory Committee is to advise and consult with management with respect to general business matters as needed between regular meetings of the Board.

## **Related Person Transactions**

We maintain a policy for reviewing, approving and monitoring transactions involving the Company and related persons (generally, directors and executive officers or their immediate family members, or stockholders owning 5% or more of our Common Stock). Our policy covers any transaction that meets the minimum threshold for disclosure in a proxy statement under SEC rules and regulations (generally, transactions involving amounts exceeding \$120,000 in which a related person has a direct or indirect interest).

Our Nominating and Corporate Governance committee is responsible for reviewing and approving (or ratifying) all transactions with related persons. The Nominating and Corporate Governance Committee will take into account all relevant factors in its analysis, including whether the transaction is on terms comparable to those available to third-parties. The Nominating and Corporate Governance Committee will also determine whether any transaction with a related person impairs the independence of a director, or presents a conflict of interest on the part of a director or executive officer. The Chair of the Nominating and Corporate Governance Committee may pre-approve or ratify any transaction with a related person involving an amount up to \$500,000. The policy also provides that transactions involving competitive bids, the rendering of services by a regulated entity and certain ordinary course of business banking transactions shall be deemed to be pre-approved by the Nominating and Corporate Governance Committee.

During 2009, the Company and our banking subsidiary, engaged in transactions in the ordinary course of business with some of our executive officers, directors and entities with which they are associated. All loans, loan commitments and other banking services in connection with these transactions were in the ordinary course of business, on substantially the same terms, including current interest rates and collateral, as those prevailing at the time for comparable transactions with others not related to the Company and did not involve more than the normal risk of collectibility or present other unfavorable features.

## **Compensation Committee Interlocks and Insider Participation**

None of our executive officers during the 2009 fiscal year served, or currently serves, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board or our Compensation Committee.

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**Stockholder Communication with Directors**

Stockholders may contact an individual director, the Board as a group, or a specified Board committee or group, including our independent directors as a group, by submitting written correspondence to First Midwest Bancorp, Inc., Attn: Board of Directors, One Pierce Place, Suite 1500, Itasca, Illinois 60143. Each communication should specify the applicable addressee or addressees to be contacted as well as the general topic of the communication. The Company will initially receive and process communications before forwarding them to the addressee. Communications also may be referred to other departments within the Company. The Company generally will not forward to the directors a stockholder communication that it determines to be primarily commercial in nature or related to an improper or irrelevant topic, or that requests general information about the Company. Concerns about questionable accounting or auditing matters should be reported in writing to the Board's Audit Committee Chair or the Company's Audit Services Director at First Midwest Bancorp, Inc., One Pierce Place, Suite 1500, Itasca, Illinois 60143.

**Table of Contents****INFORMATION REGARDING BENEFICIAL OWNERSHIP OF PRINCIPAL****STOCKHOLDERS, DIRECTORS, AND MANAGEMENT**

The following table sets forth, as of February 1, 2010, information about the beneficial ownership of our Common Stock by all directors, our named executive officers (as defined on page 30), and our directors and all executive officers as a group. Unless indicated in the notes, each stockholder has sole voting and investment power for all shares shown, subject to applicable community property laws that may apply to create shared voting and investment power. Unless indicated in the notes, the address of each beneficial owner is c/o First Midwest Bancorp, Inc., One Pierce Place, Suite 1500, Itasca, Illinois 60143.

We calculated the Percent of Class based on approximately 73,715,000 shares of Common Stock outstanding on February 1, 2010. In accordance with SEC regulations, we also include shares subject to options that are currently exercisable or will become exercisable within 60 days of February 1, 2010. Those shares are deemed to be outstanding and beneficially owned by the person holding such option for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Beneficial Owner	Number of Shares <sup>(1)(2)(3)(4)</sup>	Percent of Class
<b>Directors</b>		
Barbara A. Boigegrain	7,322	*
Bruce S. Chelberg	64,115	*
John F. Chlebowski, Jr.	11,752	*
Joseph W. England	57,205	*
Brother James Gaffney	25,381 <sup>(5)</sup>	*
Thomas M. Garvin	76,832	*
Patrick J. McDonnell	33,878	*
Robert P. O Meara	669,086	*
John E. Rooney	30,540	*
Ellen A. Rudnick	20,819	*
Thomas J. Schwartz	303,345	*
Michael L. Scudder	228,230	*
John L. Sterling	112,067	*
J. Stephen Vanderwoude	79,571	*
<b>Named Executive Officers</b>		
<b>(other than Messrs. Schwartz and Scudder)</b>		
Victor P. Carapella	188,271 <sup>(6)</sup>	*
Paul F. Clemens	35,840	*
James P. Hotchkiss	68,826	*
<b>All directors and executive officers (including named executive officers) as a group</b>		
(23 persons)	2,542,951 <sup>(7)</sup>	3.41%

\* Less than 1%

**Notes:**

- (1) Includes the following shares of Common Stock subject to options exercisable within 60 days after February 1, 2010: Barbara A. Boigegrain, 0 shares; Bruce S. Chelberg, 25,283 shares; John F. Chlebowski, Jr., 6,586 shares; Joseph W. England, 25,283 shares; Brother James Gaffney, 25,283 shares; Thomas M. Garvin, 6,366 shares; Patrick J. McDonnell, 18,712 shares; Robert P. O Meara, 14,475 shares; John E. Rooney, 12,321 shares; Ellen A. Rudnick, 10,653 shares; Thomas J. Schwartz, 128,699 shares; Michael L. Scudder, 123,215 shares; John L. Sterling, 21,669 shares; J. Stephen Vanderwoude, 22,485 shares; Victor P. Carapella, 79,659 shares; Paul F. Clemens, 15,514 shares; and James P. Hotchkiss, 50,911 shares.





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- (2) Some of our directors and officers have deferred cash compensation (in the form of phantom Common Stock) or stock option gains (in the form of Common Stock equivalents) under our deferred compensation plans which are described on page 28. Some of these deferred amounts will be paid out in shares of our Common Stock upon the directors or officers retirement or other termination of employment or service with the Company. The number of shares of Common Stock to which the directors and officers would be entitled had their employment or service with the Company terminated as of February 1, 2010, is as follows: Thomas M. Garvin, 33,094 shares; Robert P. O Meara, 99,054 shares; John E. Rooney, 5,133 shares; Thomas J. Schwartz, 92,849 shares; Michael L. Scudder, 8,889 shares; J. Stephen Vanderwoude, 18,426 shares; Victor P. Carapella, 48,910 shares; Paul F. Clemens, 306 shares; and James P. Hotchkiss, 0 shares. The directors and officers have voting and investment power for the shares of phantom Common Stock and voting power but no dispositive power for the Common Stock equivalent shares.
- (3) Includes the following shares of Common Stock held through the Company's Savings and Profit Sharing Plan: Thomas J. Schwartz, 1,354 shares; Michael L. Scudder, 6,114 shares; Victor P. Carapella, 25,580 shares; Paul F. Clemens, 115 shares; and James P. Hotchkiss, 1,970 shares.
- (4) Includes the following shares of restricted stock subject to future vesting conditions as to which the individual has voting power but no dispositive power: Barbara A. Boige grain, 4,531 shares; Bruce S. Chelberg, 4,531 shares; John F. Chlebowski, Jr., 4,531 shares; Joseph W. England, 4,531 shares; Brother James Gaffney, 0 shares; Thomas M. Garvin, 4,531 shares; Patrick J. McDonnell, 4,531 shares; Robert P. O Meara, 4,531 shares; John E. Rooney, 4,531 shares; Ellen A. Rudnick, 4,531 shares; Thomas J. Schwartz, 27,567 shares; Michael L. Scudder, 70,992 shares; John L. Sterling, 4,531 shares; J. Stephen Vanderwoude, 4,531 shares; Victor P. Carapella, 19,274 shares; Paul F. Clemens, 16,847 shares; and James P. Hotchkiss, 12,903 shares.
- (5) Includes 98 shares of Common Stock owned by Lewis University as to which Brother James Gaffney disclaims beneficial ownership.
- (6) Includes 12,139 shares of Common Stock held in a margin account or subject to a pledge.
- (7) Includes: 105,105 shares of Common Stock held in our Savings and Profit Sharing Plan for the accounts of certain executive officers; 266,534 shares of restricted stock which are subject to future vesting conditions; 347,861 shares of Common Stock payable to certain directors and executive officers pursuant to our deferred compensation plans; and 914,085 shares of Common Stock subject to options exercisable within 60 days after February 1, 2010. Includes 12,560 shares of Common Stock held in margin accounts or subject to a pledge.

**Other Security Ownership**

The following table identifies each person or group known to us as of February 1, 2010 to beneficially own more than 5% of our outstanding Common Stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
BlackRock, Inc. <sup>(1)</sup>	5,016,275 shares	9.15%
40 East 52 <sup>nd</sup> Street		
New York, NY 10022		
Wellington Management Company, LLC <sup>(2)</sup>	3,877,161 shares	7.08%

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Boston, MA 02109

**Notes:**

- (1) This information is based solely on a Schedule 13G filed with the SEC on January 29, 2010 by BlackRock, Inc. which reported sole voting power as to 5,016,275 shares and sole dispositive power as to 5,016,275 shares as of December 31, 2009.
- (2) This information is based solely on a Schedule 13G filed with the SEC on February 12, 2010 by Wellington Management Company, LLP, which reported shared voting power as to 3,050,891 shares and shared dispositive power as to 3,877,161 shares as of December 31, 2009.

**Table of Contents****DIRECTOR COMPENSATION**

We use a combination of cash and equity-based compensation to attract and retain qualified candidates to serve on our Board. In setting director compensation, we consider the significant amount of time that directors expend in fulfilling their duties and comparative data regarding director compensation of our peers. Neither Michael L. Scudder, our President and Chief Executive Officer, nor Thomas J. Schwartz, the President and Chief Executive Officer of First Midwest Bank, receives compensation for serving as a member of the Board.

*Cash Compensation.* In 2009, the annual cash component of our director compensation program consisted of an annual fixed retainer of \$40,000 for each non-employee director, plus additional annual retainers of: (1) \$8,000 for the chair of the Audit Committee; (2) \$4,000 for each Audit Committee member; (3) \$4,000 for the Chair of the Compensation Committee; (4) \$4,000 for the Chair of the Nominating and Corporate Governance Committee; and (5) \$100,000 for our non-employee Chairman of the Board. Each annual retainer was paid in equal quarterly installments in arrears. Payment of each annual retainer was contingent upon the director's service during the preceding quarter. We also reimbursed our directors for any Board and committee attendance-related expenses.

*Equity-Based Compensation.* Generally, the annual equity component of our non-employee director compensation program each year is issued on the day of our February full Board meeting. Equity awards are issued as authorized by the Board and recommended by the Compensation Committee. Since May of 2008 non-employee director equity awards have been in the form of shares of restricted stock. Prior to that time such awards were made in the form of non-qualified stock options. Director equity awards are issued under the *First Midwest Bancorp, Inc. Amended and Restated Directors Stock Plan* (Directors Plan).

In 2009, the aggregate dollar value of the equity component of our annual non-employee director compensation was based on \$56,000 for each director, and such awards were made on May 20, 2009. These awards were calculated by taking the dollar value of the balance, as adjusted by 25% for the market opportunity, divided by \$9.27, the average of the high and low sale price of one share of our Common Stock on the date of grant as reported by the Nasdaq Stock Market. Each non-employee director received a full equity award in 2009. The equity awards for our non-employee directors for the 2009 fiscal year were as follows:

	Shares of Restricted Stock
Barbara A. Boigegrain	4,531
Bruce S. Chelberg	4,531
John F. Chlebowski, Jr.	4,531
Joseph W. England	4,531
Brother James Gaffney	-
Thomas M. Garvin	4,531
Patrick J. McDonnell	4,531
Robert P. O Meara	4,531
John E. Rooney	4,531
Ellen A. Rudnick	4,531
John L. Sterling	4,531
J. Stephen Vanderwoude	4,531

*Restricted Stock.* The number of shares granted under each award of restricted stock is equal to the dollar value of the award, as adjusted by 25% for the market opportunity, divided by the average of the high and low sale price of one share of our Common Stock on the date of grant. These awards have a vesting period of one year from the date of grant, and generally are nontransferable prior to vesting. In the event of a change-in-control, as defined in the Directors Plan, all unvested shares of restricted stock will vest in full, the restrictions will lapse and the shares will be freely transferable.

*Deferred Compensation Plan for Non-Employee Directors.* The *First Midwest Bancorp, Inc. Deferred Compensation Plan for Non-employee Directors* (Directors Deferred Plan) allows non-employee directors to defer receipt of either 50% or 100% of any director fees and retainers. Deferral elections are made in December of each year for amounts to be earned in the following year. Accounts are deemed to be invested in separate investment accounts under the plan, with the same investment alternatives as those available under our Retirement Plan, including an

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investment account for shares of our Common Stock. For a list of the funds available for investment under the Directors Deferred Plan and the investment returns for the year ended December 31, 2009, see the fund table presented in the section of this Proxy Statement entitled *Non-qualified Deferred Compensation* beginning on page 45.

The accounts of directors participating in the Directors Deferred Plan are adjusted to reflect the investment return related to such deemed investments and they are able to modify their investment elections at any time. Deferred director fees and retainers are payable at the director's election, either as a lump sum or in installments over a period not to exceed fifteen years. Payments under the Directors Deferred Plan begin at the date specified by the director or upon cessation of service as a director.

The following table and explanatory footnotes provide information with regard to the cash award and restricted stock grant issued to each non-employee director during 2009.

(a) Name	(b) Fees Earned or Paid in Cash <sup>(1)</sup> (\$)	(c) Stock Awards <sup>(2)</sup> (\$)	(d) Option Awards <sup>(3)</sup> (\$)	(e) All Other Compensation <sup>(4)</sup> (\$)	(f) Total (\$)
Barbara A. Boiegrain	\$ 44,000	\$ 42,002	-	\$ -	\$ 86,002
Bruce S. Chelberg	44,000	42,002	-	-	86,002
John F. Chlebowski, Jr.	44,000	42,002	-	-	86,002
Joseph W. England	48,000	42,002	-	-	90,002
Brother James Gaffney <sup>(5)</sup>	-	-	-	2,000	2,000
Thomas M. Garvin	40,000	42,002	-	-	82,002
Patrick J. McDonnell	44,000	42,002	-	-	86,002
Robert P. O Meara	140,000 <sup>(6)</sup>	42,002	-	8,010 <sup>(6)</sup>	190,012
John E. Rooney	44,000	42,002	-	-	86,002
Ellen A. Rudnick	44,000	42,002	-	2,500	88,502
John L. Sterling	40,000	42,002	-	-	82,002
J. Stephen Vanderwoude	44,000	42,002	-	-	86,002

Notes:

- (1) Includes amounts deferred at the election of the Directors pursuant to our Directors Deferred Plan.
- (2) The aggregate number of shares of restricted stock issued by the Company to each non-employee director during the 2009 fiscal year is as follows: Barbara A. Boiegrain, 4,531; Bruce S. Chelberg, 4,531; John F. Chlebowski, Jr., 4,531; Joseph W. England, 4,531; Brother James Gaffney, 0; Thomas M. Garvin, 4,531; Patrick J. McDonnell, 4,531; Robert P. O Meara, 4,531; John E. Rooney, 4,531; Ellen A. Rudnick, 4,531; John L. Sterling, 4,531; and J. Stephen Vanderwoude, 4,531. The amounts in columns (c) reflect the aggregate grant-date fair value of stock awards granted in 2009 to each named Non-employee director in accordance with the accounting guidance for share-based compensation.
- (3) The aggregate number of unexercised stock options outstanding as of December 31, 2009 issued to each non-employee director is as follows: Barbara A. Boiegrain, 0; Bruce S. Chelberg, 25,283; John F. Chlebowski, Jr., 6,586; Joseph W. England, 25,283; Brother James Gaffney, 25,283; Thomas M. Garvin, 6,366; Patrick J. McDonnell, 18,712; Robert P. O Meara, 14,475; John E. Rooney, 12,321; Ellen A. Rudnick, 10,653; John L. Sterling, 21,669; and J. Stephen Vanderwoude, 22,485.
- (4) The amounts in column (e) for Brother James Gaffney and Ellen A. Rudnick represent amounts paid under our matching gift donation program to eligible educational institutions designated by the applicable director.

- (5) Brother James Gaffney has elected not to receive any compensation for his service on the Board.
- (6) The fees earned amount reported for Robert P. O Meara includes an annual cash non-employee Board Chair retainer as described on page 28. The all other compensation amount reported for Robert P. O Meara also includes payments made on his behalf under a Retirement and Consulting Agreement between him and the Company. Under this agreement he pays 17% of the premium for health coverage under the Company's medical program for retirees and the Company pays the balance. For 2009, the Company's payment under this provision was approximately \$8,010.

In addition to the forgoing, pursuant to the terms of our merger agreement with the former directors of the 2<sup>nd</sup> National Bank of Danville, we paid a cash annual director emeritus fee to William F. O Meara in the amount of \$1,200, in equal quarterly installments.

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**COMPENSATION DISCUSSION AND ANALYSIS**

This section provides information and perspective regarding our compensation programs for our named executive officers for SEC purposes, and senior executive officers or CEOs for TARP purposes for the 2009 fiscal year and accompanies the tables that follow. Our named executive officers and CEOs for 2009 were:

Michael L. Scudder, President & Chief Executive Officer, First Midwest Bancorp, Inc.

Thomas J. Schwartz, President & Chief Executive Officer, First Midwest Bank

Paul F. Clemens, Executive Vice President & Chief Financial Officer, First Midwest Bancorp, Inc. and First Midwest Bank

Victor P. Carapella, Executive Vice President and Commercial Banking Group Manager, First Midwest Bank

James P. Hotchkiss, Executive Vice President and Treasurer, First Midwest Bank

**Overview**

Our Compensation Committee reviews and evaluates our general compensation philosophy and oversees the development, implementation and any revision to our compensation policies and programs, including:

recommending to our Board goals and objectives relating to the compensation of our Chief Executive Officer;

assisting our Board in evaluating our Chief Executive Officer and recommending to our Board the Chief Executive Officer's compensation;

reviewing and recommending to our Board the annual compensation of senior management; and

monitoring all compensation and benefit programs for our senior management.

The Compensation Committee evaluates the compensation for our named executive officers each year. In evaluating the compensation of our Chief Executive Officer's direct reports, the Compensation Committee considers the Chief Executive Officer's recommendations to the Committee. This includes the compensation of the other named executive officers based on his review of their performance, job responsibilities, importance to our overall business strategy, our compensation philosophy (including market practice) and his subjective evaluation of performance relative to strategic, financial and leadership objectives. Our Chief Executive Officer does not make a recommendation to the Compensation Committee regarding his own compensation.

**What is the Company's Compensation Philosophy?**

Our Compensation Committee believes that our ability to attract and retain qualified, high-performing employees is vital to our success and growth as a Company. To help achieve that, the Compensation Committee strives to design compensation programs that provide appropriate rewards and incentives to our employees, and that employ proper features that mitigate the risk associated with the compensation, but that do not diminish its ability to motivate employees. We believe it is important to reward employees for their efforts in producing and carrying out sustainable growth strategies and creating value for the Company's shareholders while also implementing internal controls designed to limit the

risks attendant to compensation arrangements. We also believe that our ability to attract and retain qualified, high-performing employees is vital to our success and growth as a Company.

In carrying out this philosophy, the Compensation Committee regularly reviews the risks and rewards associated with each element of our compensation programs, and generally reviews our compensation elements in aggregate to assess employees' total direct compensation opportunity. For more information regarding the Compensation Committee's risk review process see our *Compensation Committee Report* beginning on page 51.



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**How do we measure corporate performance?**

We measure our performance against a peer group of fourteen banking companies whose size and business lines are similar to ours, and who operate primarily in larger, urban centers like ours. For 2009, this peer group consisted of the following companies:

AMCORE Financial, Inc.	Fulton Financial Corporation	UMPQUA Holdings Corporation
BOK Financial Corporation	MB Financial, Inc.	Valley National Bancorp
Commerce Bancshares, Inc.	Old National Bancorp	Whitney Holding Corporation
Cullen/Frost Bankers, Inc.	Cathay General Bancorp	Wintrust Financial Corporation

First Commonwealth Financial Corporation      Susquehanna Bancshares, Inc.

Our relative performance is measured on multiple factors focusing heavily on three indicators frequently used to assess a banking company's results: return on assets, earnings per share and loan portfolio quality.

**Who advises our Compensation Committee?**

In formulating our approach to compensation over the past decade, our Compensation Committee has been advised by several compensation consulting firms. Over the most recent years, the Compensation Committee has retained Deloitte Consulting (Deloitte). Deloitte has in-depth knowledge of our business and the competitive environment for executive talent. Deloitte has consulted with us on peer group analysis and program design. In 2006, Deloitte assisted in the implementation of our Performance-Awarded Restricted Stock program described on page 35. Deloitte has also actively reviewed the workings of our remaining compensation programs as part of its ongoing work.

The Compensation Committee and management also receive legal advice with respect to executive and employee compensation and benefit plan matters from Vedder Price P.C., a law firm with extensive experience advising financial institutions with respect to such matters.

**What are the elements of our Executive Compensation Program?**

Our named executive officer compensation program is made up of:

Base Salary

Short-Term Incentive Compensation (STIC)

Discretionary Cash Bonus

Equity Grants (LTIC)

Performance-Awarded Restricted Stock Awards (PARS)

When setting the total direct compensation opportunity for named executive officers, we use data available to us through compensation surveys prepared by consultants and obtained from SEC filings, as well as general advice and counsel with respect to market practices. In conducting our review and setting compensation levels, we consider the median salary paid for positions of similar responsibility by select local and national institutions that are similar to our size and business, and which operate in markets similar to ours, as well as by competitors. We also consider

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other relevant factors, including internal pay bands and performance. All information is used as a market reference point for the evaluation of the competitiveness of our compensation and a guide to setting compensation, rather than a formal benchmark.

We generally review compensation elements in aggregate to assess each named executive officer's total direct compensation opportunity. Our approach results in some pay difference among our named executive officers (including

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our Chief Executive Officer and other named executive officers), which is consistent with the survey data and the scope and the level of job responsibilities for each office. Final decisions concerning compensation reflect a named executive officer's annual achievements, Company performance, and our views regarding a named executive officer's scope of responsibilities, demonstrated leadership abilities, and management experience and effectiveness. The Compensation Committee considers these factors collectively, along with recommendations from our Chief Executive Officer for his direct reports, and ultimately uses its judgment in making final decisions concerning compensation.

### **Regulatory Limits on Executive Compensation**

Due to our participation in the TARP Capital Purchase Program during 2009, we were subject to the executive compensation limitations contained in the EESA and ARRA. (See, Annex A *Glossary of Terms*). Currently these limitations include: (1) a prohibition on accruing or paying any bonus, retention award or incentive compensation to the five most highly compensated employees; (2) a prohibition on making golden parachute payments (incremental pay or benefits due as a result of termination of employment or a change-in-control) to our CEOs and our next five most highly compensated employees; (3) a prohibition on the payment of any tax gross-up to our CEOs and our next 20 most highly compensated employees; (4) the recovery of any bonus or incentive compensation paid to our CEOs and our next 20 most highly compensated employees if the financial criteria it was based on was later proven to be materially inaccurate; and (5) a prohibition on compensation that encourages our CEOs or employees to take unnecessary and excessive risks that could threaten the value of the Company or to manipulate earnings. These regulations also limit our tax deduction for compensation paid to our named executive officers to \$500,000 annually and eliminates the exclusion of certain performance based compensation paid under shareholder approved plans from this limit.

The regulations do allow payment of long term restricted stock awards (or restricted stock units) to the five most highly compensated employees if, among other things, the value of the award does not exceed one-third of the employee's total annual compensation, and the shares do not become transferable before the TARP funds are repaid in accordance with a sliding schedule (e.g., 25% of the award may become transferable when 25% of the TARP funds are repaid). The employee receiving the award must be required to forfeit the award if he or she terminates employment within two years of the grant date, except in certain circumstances such as death or disability or after a change-in-control.

As a result, during 2009 we were not able to use STIC bonuses or PARS awards as incentive compensation for Messrs. Scudder, Schwartz, Clemens and Carapella, and their LTIC awards were reduced to meet the regulatory limits.

Also, under the EESA and ARRA our Compensation Committee must certify that it has reviewed with the Company's senior risk officers at least every six months: (1) the Company's compensation plans for senior executive officers to ensure that the plans do not encourage unnecessary and excessive risk taking that may threaten the value of the company; and (2) all employee compensation plans in light of the risks posed to the company. For more information see our *Compensation Committee Report* beginning on page 51.

### **Base Salary**

We pay our named executive officers and other employees a base salary as part of a competitive compensation package. We typically consider salary levels as part of our annual compensation review process or in some cases upon a promotion. Base salary is set based upon the responsibilities of the executive taking into account competitive market compensation paid by other companies for positions of similar responsibility. Median salary levels are targeted for each position.

Our Chief Executive Officer recommends changes in base salary for his direct reports directly to the Compensation Committee. Chief Executive Officer pay is set directly by the Compensation Committee and is recommended to the Board for approval. Annual base salary changes generally become effective January 1 except for certain interim-year promotions. See the 2009 *SUMMARY COMPENSATION TABLE* for details regarding the base salaries of our named executive officers for the 2009 fiscal year.

On October 15, 2009, the Board approved adjustments to the 2010 base salaries of Messrs. Scudder, Schwartz, Clemens and Carapella, as permitted by the executive compensation provisions of the TARP Capital Purchase

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Program, and suspended each officer's participation in the Company's STIC and PARS programs (described below). In accordance with the agreements with these executives, the adjustments modified the mix between the fixed and variable components of compensation to be paid to each officer during 2010, and approximately increased the fixed component of each such executive's base salary as follows: Michael L. Scudder \$409,000; Thomas J. Schwartz \$208,000; Paul F. Clemens \$73,000; and Victor P. Carapella \$63,000. These Salary Adjustments are paid in accordance with the Company's standard payroll procedures, 25% in cash and 75% in fully vested shares of Common Stock which may not be sold or otherwise transferred so long as the Company holds TARP funds except upon death or permanent disability.

### **Short-Term Incentive Compensation**

Except as described above under the sections entitled *Base Salary* and *Regulatory Limits on Executive Compensation*, our named executive officers participate in our STIC program, a program under which we award performance-based cash compensation to employees. Under our STIC program, each participant's target award is based upon a combination of company performance and individual performance.

Annually the Compensation Committee determines the *company performance* metrics for the fiscal year, including the number of performance metrics and allocation or weighting among multiple metrics. *Individual performance* is based on achievement of a combination of qualitative and quantitative objectives during the performance period, which are specific to the individual's responsibilities and position within the Company. Individual performance is based upon the participant's annual performance evaluation rating. In order for the individual performance award to be paid, the Company must achieve threshold and at least one of the company performance measurements for the year.

Under this program, Target performance is the level at which a participant will earn 100% of his or her target award. Target payouts are set at 60% of base salary for our Chief Executive Officer and 50% or 40% for the remaining named executive officers. Depending upon the relationship of actual financial performance, loan portfolio quality and the individual's annual evaluation, final payouts under our STIC program may be as little as zero and as high as 150% of target award.

STIC awards for our named executive officers have a heavier weighting placed upon company performance (60% to 85% depending upon grade). The weighting of each component varies based upon the grade of the participant. With respect to the STIC award for our Chief Executive Officer, 85% is based upon company performance.

### **STIC Awards Reflecting 2009 Performance**

The specifications for our STIC program for the 2009 fiscal year included an overall company performance threshold where, in order for any award to be issued under the program, the Company was required to achieve a specific net income level for the year. If the performance threshold was met, the program would then need to achieve at least one of the two additional company performance metrics to determine the level (if any) of awards to be paid to participants. These additional performance metrics consisted of pre-tax pre-provision earnings (weighted at 75%) and asset quality (weighted at 25%). Payout amounts were set for each metric based on a graduated scale, which included Threshold, Target and Maximum performance levels and corresponding bonus payment levels.

The Company did not meet the STIC program's overall company performance threshold for 2009, and as a result no awards were granted under the program. See the 2009 *SUMMARY COMPENSATION TABLE* for details regarding the STIC awards granted to our named executive officers in 2009 (for 2008 performance).

### **Discretionary Bonus**

Discretionary cash or equity bonuses may be paid from time to time to executive level officers, including named executive officers. When awarded, these bonuses result from unusual or nonrecurring activity such as a significant corporate acquisition or extraordinary circumstances. As applicable, awards are based upon the recommendation of our Chief Executive Officer for his direct reports, and at the recommendation of the Compensation Committee for our Chief Executive Officer. Unlike the other elements of our compensation programs which are based on either a combination of Company and individual performance or peer group data, discretionary cash bonuses are based solely on individual performance.

**Table of Contents****Discretionary Awards Reflecting 2009 Performance**

The Compensation Committee did not approve discretionary cash bonuses for any named executive officer for the 2009 performance year, except James Hotchkiss, who became an executive officer in May of 2009. Mr. Hotchkiss was awarded a discretionary cash bonus of \$30,200 and a discretionary equity award of 3,705 shares of restricted stock in February 2010. In evaluating this award, the Compensation Committee considered his accomplishments of priorities set at the beginning of the year, including the successful execution of several key capital measures that greatly improved the Company's capital position. See the *2009 SUMMARY COMPENSATION TABLE* for details regarding the discretionary awards granted to our named executive officers in 2009 (for 2008 performance).

**Equity Grants**

Subject to the limitations discussed above under the section entitled *Regulatory Limits on Executive Compensation*, all of our executive officers, including our named executive officers, are eligible to receive long-term incentive compensation (LTIC) in the form of equity awards. We intend our equity awards to provide a vehicle for equity ownership in alignment with the interest of our stockholders, retain key executives through the vesting periods, and maintain market competitive compensation.

We have granted equity awards annually at the discretion of the Compensation Committee and Board based upon the recommendation of our Chief Executive Officer for his direct reports, and at the recommendation of the Compensation Committee for our Chief Executive Officer. Recommendations are based on the individual's performance for the preceding year. The Chief Executive Officer award is targeted at a value of 100% of base pay. The awards for the other named executive officers are targeted at 75% or 55% of base pay. Individual awards can vary from zero to 125% of the target award level based upon assessment of the executive's personal performance.

No executive officer, including the Chief Executive Officer or any other named executive officer, has a role in the timing of equity awards. We do not choose the time for making equity awards based in any way on any pending release to the public of material information, rather we adhere to a policy established over 20 years ago. Under this policy, awards generally are granted on the day of our Board meeting in February, following acceptance by the Board of awards approved by the Compensation Committee at its meeting held the day before. The February Board meeting generally occurs mid-month, approximately four weeks after we have announced year-end financial results.

**February 2010 LTIC Awards Reflecting 2009 Performance**

Based on the evaluation of individual performance for the 2009 performance year, the average LTIC award as a percentage of the LTIC target for the named executive officers was 125%. In assessing individual performance, the Compensation Committee considered the recommendation of the Chief Executive Officer for his direct reports and the Compensation Committee's sole determination with respect to the Chief Executive Officer, and each officer's accomplishments of priorities set at the beginning of the year, contributions to the Company's strategic initiatives, support of the Company's mission, execution of leadership objectives, and initiatives in addressing business and financial issues arising as a result of the general economic environment and developments within the retail and commercial markets in which we operated during the year.

As a result, the February 2010 LTIC awards for the named executive officers which were approved by the Compensation Committee and the Board in February of 2010 were:

Michael L. Scudder	39,270 shares of restricted stock
Thomas J. Schwartz	20,135 shares of restricted stock
Paul F. Clemens	12,240 shares of restricted stock
Victor P. Carapella	11,657 shares of restricted stock
James P. Hotchkiss	8,782 shares of restricted stock

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The LTIC awards for each of Messrs. Scudder, Schwartz, Clemens and Carapella met the requirements described above under the section entitled *Regulatory Limits on Executive Compensation*. The primary features of the award issued to Mr. Hotchkiss were the same as awards issued to all other employees, including that the award vests in equal installments on the second and third anniversaries of the date of grant. In determining the number of shares of restricted stock awarded in the February 2010 LTIC awards, the Compensation Committee uses the average of the high and low trading prices as quoted on the Nasdaq Stock Market on the date of grant.

See the 2009 *SUMMARY COMPENSATION TABLE* for details regarding the LTIC awards granted to our named executive officers in February 2009 (for 2008 performance).

### **Performance-Awarded Restricted Stock Awards**

Except as described above under the sections entitled *Base Salary* and *Regulatory Limits on Executive Compensation*, all of our senior executive officers, including our named executive officers, are entitled to participate in our Performance-Awarded Restricted Stock Award Program (PARS). The PARS Program was adopted in 2006 after an analysis of our executive compensation program revealed that although the compensation program is intended to deliver above median level compensation for above median performance, the executive compensation program had, in fact fallen short of this goal over the period of 2001 through 2005. With the assistance of Deloitte, the Compensation Committee implemented a new performance-awarded restricted stock, or PARS Program during 2006 designed to deliver above-median compensation for above-median performance.

The total award cycle for our PARS program is five years, consisting of a three year measurement period followed by a two-year vesting period (50% on the first and second anniversaries of the grant date). The measurement period is set at three years to reflect a realistic time period for achieving long-term Company performance goals, and the vesting period is set at two years to enhance the retentive power of the award.

PARS awards may be made annually at the discretion of the Compensation Committee, but only if our performance, as measured by annual core return on average assets (ROAA) for the fiscal year plus the prior two years (the performance period), exceeds the seventy-fifth percentile of our peer group's performance as measured by annual core ROAA during the same performance period. If we exceed this threshold, the participants will be eligible to receive an award, based on the extent our average change in core earnings per share (EPS)<sup>2</sup> over the measurement period is above median peer levels based on the following table:

Average Change in Core Earnings Per Share	Upper Limit as a % of Target Grant
FMBI Performance to Peer	Value
75 <sup>th</sup>	100%
70 <sup>th</sup>	80%
65 <sup>th</sup>	60%
60 <sup>th</sup>	40%
55 <sup>th</sup>	20%
Median	0%

Targeted percentages for awards are based on a percentage of base pay. The resultant dollar amount is converted to restricted share awards or units on the day of the grant based on the average of the high and low trading prices of one share of our Common Stock on that date.

### PARS Awards Reflecting Three-year Period of 2006-2008

The PARS awards we issued in May of 2009 reflect the Company's core ROAA for the 2006, 2007 and 2008 fiscal years, and the Company's change in core EPS for the three-year period ended December 31, 2008. Based on the

<sup>2</sup> For purposes of calculating core return on average assets and core earnings per share, a core net income component is used and defined as net income before extraordinary items less the after-tax portion of gains or losses on the sale of investment securities and nonrecurring items, applying a tax rate of 35%.



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Company's core ROAA and change in core EPS during these periods when compared to peers using the framework discussed above, the 2009 PARS grants were made at 12% of target as approved by the Compensation Committee and the Board in May of 2009.

Due to the executive compensation limitation discussed above under the section *Regulatory Limits on Executive Compensation*, we were not able to use PARS awards as incentive compensation for Messrs. Scudder, Schwartz, Clemens and Carapella in 2009. However, the PARS award for Mr. Hotchkiss was 785 shares.

The Compensation Committee will next consider the grant of PARS awards at its May 2010 meeting. These grants will be based on the Company's core ROAA for the 2007, 2008 and 2009 fiscal years, and the Company's change in core EPS for the 2007, 2008 and 2009 fiscal years.

### **How do we determine retirement and other welfare benefits?**

There is no material difference in the welfare benefit plans we provide to executive officers compared to the welfare benefit plans we provide to other salaried employees. Years of service and pay level of our executives drive the value of their retirement benefits. These programs, which are available to all employees, include group insurance, vacation, tuition reimbursement and contribution matching gift plans.

Retirement benefits are delivered through tax-qualified defined benefit and defined contribution plans and non-qualified defined contribution plans. Executive officers are beneficiaries of these qualified programs on the same basis as other employees, and in the non-qualified programs, on the same basis as other officers in accordance with the plans. Upon the recommendation of management, in November 2006 the Compensation Committee authorized the making of a number of amendments to the long-standing pension plan of the Company which is described in further detail beginning on page 44. The amendments were adopted in February 2007 and included a so-called "soft freeze" eliminating any new enrollments of employees into the plan and a reduction in the growth of benefits effective April 1, 2007. These changes will assist us in controlling what had become an unacceptably high and rapidly increasing cost, while continuing to provide appropriate, competitive retirement benefits for our employees.

### **Do we have formal equity ownership guidelines for our executive officers?**

The Company grants stock awards to employees with the intent of closely aligning the interests of the Company's management and stockholders. Accordingly, the Company would like senior officers to retain ownership of a material portion of Company stock obtained through its equity programs.

In this spirit, the Company's Board of Directors recently has established minimum stock ownership guidelines that apply to all non-employee directors and members of senior management of the Company. Under these guidelines, non-employee directors are encouraged to own Company stock equal in value to five times their annual retainer. Our President and Chief Executive Officer is encouraged to own Company stock equal in value to three times his annual salary, and senior officers are encouraged to own Company stock equal in values ranging from one to two times their annual salary, depending upon their salary grade. Ownership levels will be determined by considering stock acquired through open market purchases, employee benefit plans and the Company's equity compensation plans.

### **Do we have employment contracts with our executive officers?**

Employment contracts are extended to executive level employees in exchange for loyal service, and agreements not to solicit or compete in the event of a termination of employment. The Compensation Committee has determined that the terms of the agreements are consistent with competitive practice and are important to attracting and retaining executive talent. The agreements provide for the executive's position, compensation and benefits, including severance payments in the event of loss of position for other than cause. The agreements also impose confidentiality and non-solicitation obligations on the executive. In the event of a loss of position following a change-in-control of the corporation, significant separation benefits are triggered, including lump sum payments, equity award vesting acceleration and similar benefits. These agreements are detailed in the tables and narrative following this Compensation Discussion and Analysis.



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Our named executive officers entered into amendments to their employment contracts and executed waivers consenting to the restrictions and limitations required by the TARP program rules in connection with our participation with the CPP. During the period that the Treasury holds preferred stock of the Company pursuant to the CPP, we may be prohibited or restricted from making many of the payments to which our named executive officers are entitled under their respective employment contracts. See the section entitled *Regulatory Limits on Executive Compensation*.

**Do we provide perquisites to our executive officers?**

The Company provides perquisites to executives, including the named executive officers, which the Compensation Committee believes are reasonable and within market practice.

We have a Company vehicle policy that provides a car allowance to senior management, including our executive officers. We also reimburse certain officers for a portion of country club dues. We provide these benefits because we believe they are consistent with competitive practices. We also provide relocation assistance to our newly hired or relocated salaried executive employees, including our named executive officers. We provide the relocation assistance to offer a competitive compensation package to our current and prospective executive employees because we believe that potential new hires and our current executive employees view relocation assistance as a valuable benefit.

**What tax considerations do we evaluate in making compensation decisions?**

We consider the tax effects of various forms of compensation and the potential for excise taxes to be imposed on our named executive officers, which might have the effect of frustrating the purpose(s) of such compensation. In conducting this assessment we consider several provisions of the Code including:

*Section 162(m)*. Prior to amendments enacted by EESA, Section 162(m) limited the ability of public companies like ours to deduct certain compensation in excess of \$1 million paid to our Chief Executive Officer or to other named executive officers. This limitation did not apply to compensation that qualifies as performance-based. In administering the performance-based portion of our executive compensation program (the STIC, stock options and PARS described above), the Compensation Committee historically has satisfied the requirements for deductibility under Section 162(m) and believes, based on current tax laws, that substantially all the payments under those awards will be deductible.

*Effect of EESA on Section 162(m)*. We participated in the TARP Capital Purchase Program on December 5, 2008. See the section entitled *Regulatory Limits on Executive Compensation*. As a result, we became subject to certain executive compensation requirements under EESA. Among those was our agreement to not take a federal income tax deduction for annual compensation paid to any named executive officer in excess of \$500,000. In addition, certain performance-based compensation paid under our shareholder approved plans is no longer exempt from Section 162(m) limits. We first became subject to amended Section 162(m) on December 5, 2008. This limit was prorated in 2008 but fully applied to compensation earned by our named executive officers in 2009. It will continue to apply to us with respect to compensation earned for so long as Treasury owns any securities purchased from us under the CPP. As a result, we will be denied a deduction for a portion of the compensation earned by our named executive officers in 2009 and in any future years until we have redeemed all of our CPP securities.

*Sections 280G and 4999*. We provide our named executive officers with a change-in-control provision (CIC) through their employment agreements with the Company. Our CIC provisions provide for tax protection in the form of a reimbursement to the executive for any excise tax under Section 4999 as well as any additional income and employment taxes resulting from such reimbursement. Section 4999 imposes a 20% nondeductible excise tax on our named executive officers who receive an excess parachute payment and Section 280G disallows the tax deduction to the payer (our successor) for any excess parachute payment. An excess parachute payment is the aggregate amount of cash and other benefits payable upon a change-in-control that exceeds 2.99 times the executive's base amount (average W-2 compensation for 5 calendar years preceding the change in control). The IRS imposes the excise tax on the amount that exceeds the executive's base amount. The intent of the reimbursement is to provide a benefit without a tax penalty to our executives who are displaced in the event of a change-in-control. We believe the provision of tax protection for excess parachute payments for our executive officers is consistent with market practice, is a valuable executive talent retention incentive, and is consistent with the objectives of our overall executive compensation program.

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*Section 409A.* Section 409A generally governs the form and timing of nonqualified deferred compensation payments. Section 409A imposes sanctions on participants in nonqualified deferred compensation plans that fail to comply with Section 409A rules, including accelerated income inclusion, an additional 20% income tax (in addition to ordinary income tax) and an interest penalty. We have amended our nonqualified deferred compensation plans to comply with Section 409A or to qualify for an exemption from Section 409A.

**Table of Contents****2009 SUMMARY COMPENSATION TABLE**

The table and explanatory footnotes below summarize the total compensation for the years 2009, 2008 and 2007 paid to or earned by our named executive officers.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position	Year	Salary <sup>(1)</sup>	Bonus <sup>(1)</sup>	Stock Awards <sup>(2)(4)</sup>	Option Awards <sup>(3)(4)</sup>	Non-Equity Incentive Plan Compensation <sup>(1)</sup>	Change in Pension Value and Non- qualified Deferred Compensation Earnings <sup>(5)</sup>	All Other Compensation <sup>(6)</sup>	Total
Michael L. Scudder, President & Chief Executive Officer	2009	\$ 623,077	-	\$ 360,450	-	-	\$ 43,122	\$ 97,471	\$ 1,124,120
	2008	\$ 472,846	-	\$ 671,205	\$ 98,537	-	\$ 38,109	\$ 95,537	\$ 1,376,234
Thomas J. Schwartz, President & Chief Executive Officer, First Midwest Bank	2007	\$ 355,100	\$ 147,443	\$ 167,539	\$ 123,728	\$ 57,526	\$ 13,735	\$ 109,491	\$ 974,562
Paul F. Clemens, EVP and Chief Financial Officer	2009	\$ 493,269	-	\$ 243,117	-	-	\$ 87,500	\$ 61,118	\$ 885,004
	2008	\$ 439,192	-	\$ 82,693	\$ 89,968	-	\$ 80,876	\$ 139,201	\$ 831,930
Victor P. Carapella, EVP and Commercial Banking Group Manager, First Midwest Bank	2007	\$ 409,900	\$ 104,277	\$ 204,753	\$ 136,599	\$ 66,404	\$ 41,976	\$ 166,417	\$ 1,130,326
James P. Hotchkiss, <sup>(7)</sup> EVP and Treasurer, First Midwest Bank	2009	\$ 306,346	-	\$ 151,984	-	-	NA	-	\$ 458,330
	2008	\$ 262,000	-	\$ 24,241	\$ 66,397	-	NA	\$ 14,560	\$ 367,198
	2007	\$ 219,000	\$ 75,753	-	\$ 33,527	\$ 49,932	NA	\$ 18,362	\$ 396,574
	2009	\$ 353,077	-	\$ 174,685	-	-	\$ 74,265	\$ 41,785	\$ 643,812
	2008	\$ 230,000	\$ 47,753	\$ 26,446	\$ 60,190	\$ 60,444	\$ 68,146	\$ 43,881	\$ 536,860
	2007	\$ 219,000	-	\$ 65,351	\$ 72,631	\$ 111,829	\$ 36,975	\$ 56,115	\$ 561,901
	2009	\$ 218,337	\$ 27,200	\$ 116,078	-	-	\$ 34,809	\$ 5,645	\$ 402,069

Notes:

- (1) The dollar amounts in column (d) represent discretionary cash bonuses paid in February 2010, 2009 and 2008 to certain named executive officers for performance during the preceding fiscal year. See the section entitled *Discretionary Bonus* beginning on page 33. The dollar amounts in column (g) represent cash bonuses paid in February 2010, 2009 and 2008 under our STIC Program for performance during the preceding fiscal year. See the section entitled *Short-Term Incentive Compensation* beginning on page 33.

The dollar amounts in columns (c), (d) and (g) include amounts deferred at the direction of the named executive officer, if elected, pursuant to the qualified and, if applicable, non-qualified defined contribution retirement plans. For additional information regarding amounts deferred in the current year, see the *Non-qualified Deferred Compensation* table below on page 46.

(2)

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The awards in column (e) represent the issuance of restricted stock awards under our annual LTIC equity compensation practice and our PARS Program pursuant to our Omnibus Plan. See the section entitled *Equity Grants* beginning on page 34 and *Performance-Awarded Restricted Stock Awards* beginning on page 35.

(3) The awards in column (f) represent the issuance of non-qualified stock options under our Omnibus Plan per our annual equity compensation practice. See the section entitled *Equity Grants* beginning on page 34.

(4) The amounts in columns (e) and (f) reflect the aggregate grant-date fair value of stock awards and option awards granted in 2009, 2008, and 2007, respectively, to each named executive officer in accordance with the accounting guidance for share-based compensation. The grant-date fair value for stock awards is determined by multiplying the number of restricted shares granted by the average of the Company's high and low stock price on the grant date. In addition, the value shown includes dividends received on the restricted stock awards. The grant-date fair value of the stock-based awards will likely vary from the actual amount the individual receives. See the *2009 Grants of Plan-Based Awards* table below beginning on page 41 for the full fair value of stock and option awards granted in 2009.

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Refer to Note 18 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2009, for a discussion of the relevant assumptions used in calculating the grant-date fair value for option awards pursuant to the accounting guidance for share-based compensation.

- (5) The amounts in column (h) represent the actuarial increase in the present value of the named executive officer's benefit under our qualified broad-based pension plan. See the section entitled *Pension Benefits* beginning on page 44. These amounts were determined using the interest rate and mortality rate assumptions consistent with those used in our 2009 audited financial statements.
- (6) The following table presents the type and amounts for each component included in column (i). No amount has been included for perquisites and other personal benefits, except where the aggregate amount exceeds \$10,000.

**Contributions to Defined Contribution Retirement Plans**

Name		Qualified Profit Sharing <sup>(a)</sup>	Non-Qualified Profit Sharing <sup>(b)</sup>	Non-Qualified Pension Restoration <sup>(c)</sup>	Perquisites and Other Personal Benefits
Michael L. Scudder	2009	\$ 3,231	\$ 9,231	\$ 65,637	\$ 19,372 <sup>(d)</sup>
	2008	\$ 8,625	\$ 11,895	\$ 64,627	\$ 10,390
	2007	\$ 15,188	\$ 17,066	\$ 66,847	\$ 10,390
Thomas J. Schwartz	2009	\$ 4,900	\$ 4,965	\$ 18,771	\$ 32,482 <sup>(e)</sup>
	2008	\$ 8,625	\$ 10,724	\$ 97,552	\$ 22,300
	2007	\$ 15,188	\$ 22,044	\$ 110,185	\$ 19,000
Paul F. Clemens	2009	-	-	NA	-
	2008	\$ 8,625	\$ 5,935	NA	-
	2007	-	-	-	\$ 18,362 <sup>(f)</sup>
Victor P. Carapella	2009	\$ 4,900	\$ 2,162	\$ 34,723	-
	2008	\$ 8,625	\$ 2,243	\$ 33,013	-
	2007	\$ 14,786	\$ 5,259	\$ 36,070	-
James P. Hotchkiss	2009	\$ 4,367	-	\$ 1,278	-

Notes:

- (a) For 2009, amounts represent a 2% Company match; for 2008, amounts represent a 2% Company match and a discretionary 1.75% Company Savings and Profit Sharing contribution; for 2007, amounts represent a 2% Company match and a discretionary 4.75% Company Savings and Profit Sharing contribution, on eligible compensation under our Savings and Profit Sharing Plan subject to compensation limitations under the Code. For 2009, amounts excluded the 2% Company match for Mr. Clemens that was paid in March 2010. For 2008, the discretionary contribution for Mr. Clemens was 3.75% since he does not participate in the Company's pension plan.
- (b) For 2009, amounts represent a 2% Company match; for 2008, amounts represent a 2% Company match and a discretionary 1.75% Company Savings and Profit Sharing contribution; for 2007, amounts represent a 2% Company match and a discretionary 4.75% Company Savings and Profit Sharing contribution, on eligible compensation that would have accrued under the Savings and Profit Sharing Plan, but for the limitations under the Code. For 2009, amounts excluded the 2% Company match for Mr. Clemens that was paid in March 2010. For 2008, the discretionary contribution for Mr. Clemens was 3.75% since he does not participate in the Company's pension plan.
- (c) Represents the present value of amounts that would have accrued to the named executive officer during 2009, 2008 and 2007 under the actuarially based pension formula of the qualified pension plan but for the compensation limitations of the Code.

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- (d) Represents amounts paid to Mr. Scudder for annual automobile allowance and amounts paid by the Company on behalf of Mr. Scudder for personal security equipment.
  
  - (e) Represents amounts paid to Mr. Schwartz for annual automobile allowance and amounts paid by the Company on behalf of Mr. Schwartz for personal security equipment and country club dues. The club membership is maintained for business entertainment but may be used for personal use. The entire amount of club dues has been included, although we believe that only a portion of this cost represents a perquisite.
  
  - (f) Represents amounts paid to Mr. Clemens for annual automobile allowance and amounts paid by the Company to Mr. Clemens for relocation expenses in 2007. No such amounts were paid in 2008 and 2009.
- (7) Mr. Hotchkiss first became an executive officer in 2009. Accordingly, no compensation information is required for fiscal years 2008 and 2007.

**Table of Contents****2009 GRANTS OF PLAN-BASED AWARDS TABLE**

The following table and explanatory footnotes provide information with regard to the potential cash award opportunity for 2009 and with respect to non-qualified stock option awards and restricted stock awards granted during 2009.

(a)	(b)	(c) Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			(f)	(g)	(h)	(i)	(j)
Name	Grant Date	Threshold	Target	Maximum	All Other Stock Awards: Number of Shares of Stock or Units (2)	All Other Option Awards: Number of Securities underlying Options (3)	Exercise or Base Price of Option Awards (3) Per share	Closing Market Price Per share	Grant Date Fair Value of Stock and Option Awards (4)
Michael L. Scudder	04/14/09	\$ 161,415	\$ 360,000	\$ 616,500	27 <sup>(5)</sup>				\$ 301
	05/20/09				38,659 <sup>(6)</sup>			\$ 358,369	
	07/14/09				42 <sup>(5)</sup>			\$ 305	
	10/20/09				28 <sup>(5)</sup>			\$ 308	
Thomas J. Schwartz	05/20/09	\$ 118,750	\$ 237,500	\$ 415,625	26,079 <sup>(6)</sup>			\$ 241,752	
Paul F. Clemens	05/20/09	\$ 54,191	\$ 118,000	\$ 197,650	16,370 <sup>(6)</sup>			\$ 151,750	
Victor P. Carapella	05/20/09	\$ 63,444	\$ 136,000	\$ 224,400	18,797 <sup>(6)</sup>			\$ 174,248	
James P. Hotchkiss	05/20/09	\$ 39,232	\$ 84,100	\$ 138,765	11,695 <sup>(6)</sup>				\$ 108,413
	05/20/09				785 <sup>(7)</sup>			\$ 7,277	

Notes:

- (1) Amounts in columns (c), (d) and (e) reflect the range of possible payouts under our STIC Program. See the section entitled *Short-Term Incentive Compensation* beginning on page 33.
- (2) The awards in column (f) represent the issuance of restricted stock awards under our annual equity compensation practice and our PARS Program pursuant to our Omnibus Plan. See the section entitled *Equity Grants* beginning on page 34 and *Performance-Awarded Restricted Stock Awards* beginning on page 35. For unvested awards granted prior to 2009, the named executive officers are entitled to receive dividend equivalent payments based on cash dividends paid on our Common Stock. For awards granted after 2008, the named executive officers are entitled to receive dividend equivalent payments based on cash dividends paid on our Common Stock, but only after the award vests in full.
- (3) The awards in column (g) represent the issuance of non-qualified stock options and reload non-qualified stock options under our Omnibus Plan per our equity compensation practice. See the section entitled *Equity Grants* on page 34. Column (h) reflects the exercise price of these options determined based on the average of the high and low sales price of one share of our Common Stock on the date of grant as required by the Omnibus Plan. Column (i) reflects the closing price of one share of our Common Stock on the date of grant as reported by the Nasdaq Stock Market.

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- (4) The amounts in column (j) represent the full fair value of the non-qualified stock options reported in column (g) as well as the stock awards listed in column (f) as of the date of grant as determined in accordance with the accounting guidance for share-based compensation.
- (5) Pursuant to the restricted stock award of 30,920 shares granted to Mr. Scudder on December 22, 2008, all dividend equivalent payments earned on such award are applied to purchase additional shares and those shares will be treated as restricted shares which will vest or be forfeited on the same basis as the restricted shares on which the dividends were paid.
- (6) Amounts represent the issuance of restricted stock awards under our Omnibus Plan in May 2009 per our annual equity compensation practice. See the section entitled *Equity Grants* beginning on page 34. Restricted stock awards vest over three years in two equal installments beginning two years from the date of grant (subject to continued employment and accelerated vesting in connection with death, disability or a change-in-control).
- (7) Amount represents the issuance of a performance-awarded restricted stock award pursuant to our Omnibus Plan in May 2009. See the section entitled *Performance-Awarded Restricted Stock Awards* beginning on page 35. Performance-awarded restricted stock awards vest over two years in two equal installments beginning one year from the date of grant (subject to continued employment and accelerated vesting in connection with death, disability or a change-in-control).



**Table of Contents****OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2009 TABLE**

The following table and explanatory footnotes provide information regarding unexercised stock options and unvested stock awards held by our named executive officers as of December 31, 2009. All values in the table are based on a market value for our Common Stock of \$10.89, the closing price on December 31, 2009, the last trading day of 2009, as reported by the Nasdaq Stock Market. Information regarding when unvested awards are scheduled to vest, subject to continued employment and acceleration in the event of death, disability or change-in-control, is set forth in the footnotes below.

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
Michael L. Scudder					1,289 <sup>(1)</sup>	\$ 14,037
					30,920 <sup>(2)</sup>	\$ 336,719
					27 <sup>(2)</sup>	\$ 294
					38,659 <sup>(3)</sup>	\$ 420,997
					42 <sup>(2)</sup>	\$ 457
					28 <sup>(2)</sup>	\$ 305
		3,173		\$ 18.40	2/16/10	
		2,077		\$ 34.59	2/16/10	
		2,562		\$ 25.30	2/16/10	
		9,534		\$ 22.50	2/21/11	
		7,998		\$ 28.70	2/20/12	
		1,673		\$ 29.25	8/21/12	
		13,997		\$ 26.26	2/19/13	
	12,020		\$ 32.72	2/24/14		
	1,202		\$ 32.75	5/20/14		
	17,940		\$ 33.61	2/23/15		
	19,631		\$ 33.92	2/22/16		
	9,449	9,449 <sup>(4)</sup>	\$ 38.62	2/21/17		
		25,019 <sup>(5)</sup>	\$ 28.10	2/20/18		
Thomas J. Schwartz					1,488 <sup>(1)</sup>	\$ 16,204
					26,079 <sup>(3)</sup>	\$ 284,000
		3,320		\$ 35.78	2/16/10	
		3,919		\$ 35.78	2/21/11	
		6,138		\$ 35.78	2/20/12	
		5,898		\$ 37.23	2/20/12	
		9,084		\$ 26.26	2/19/13	
		6,407		\$ 37.23	2/19/13	
		15,601		\$ 32.72	2/24/14	
		1,560		\$ 32.75	5/20/14	
		23,276		\$ 33.61	2/23/15	
		19,171		\$ 33.92	2/22/16	
		10,908	10,907 <sup>(4)</sup>	\$ 38.62	2/21/17	
		25,019 <sup>(5)</sup>	\$ 28.10	2/20/18		
Paul F. Clemens					477 <sup>(1)</sup>	\$ 5,195
					16,370 <sup>(3)</sup>	\$ 178,269
		902		\$ 38.79	11/15/16	
	2,690	2,690 <sup>(4)</sup>	\$ 38.62	2/21/17		
		18,464 <sup>(5)</sup>	\$ 28.10	2/20/18		

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Victor P. Carapella				477 <sup>(1)</sup>	\$ 5,195
				18,797 <sup>(3)</sup>	\$ 204,699
	5,471	\$ 36.74	2/16/10		
	266	\$ 36.74	2/21/11		
	4,726	\$ 37.37	2/21/11		
	8,442	\$ 28.70	2/20/12		
	4,827	\$ 26.26	2/19/13		
	3,393	\$ 37.37	2/19/13		
	8,116	\$ 32.72	2/24/14		
	812	\$ 32.75	5/20/14		
	11,324	\$ 33.61	2/23/15		
	12,258	\$ 33.92	2/22/16		
	5,828	5,827 <sup>(4)</sup>	\$ 38.62	2/21/17	
		16,738 <sup>(5)</sup>	\$ 28.10	2/20/18	
James P. Hotchkiss				423 <sup>(1)</sup>	\$ 4,606
				11,695 <sup>(3)</sup>	\$ 127,359
				785 <sup>(6)</sup>	\$ 8,549
	3,203	\$ 28.70	2/20/12		
	4,823	\$ 26.26	2/19/13		
	4,581	\$ 32.72	2/24/14		
	10,687	\$ 33.61	2/23/15		
	11,340	\$ 33.92	2/22/16		
	5,171	5,171 <sup>(4)</sup>	\$ 38.62	2/21/17	
		11,870 <sup>(5)</sup>	\$ 28.10	2/20/18	

Notes:

- (1) Restricted stock awards vest in two equal annual installments with the remaining vesting date of May 21, 2010.
- (2) Performance-vested restricted stock award and dividends on performance-vested restricted stock award issued in the form of shares vests on March 15, 2012, subject to meeting performance criteria.
- (3) Restricted stock awards vest in two equal annual installments with vesting dates of May 20, 2011 and May 20, 2012.
- (4) Stock options vest over three years in two equal annual installments beginning two years from the date of grant with the remaining vesting date of February 21, 2010.
- (5) Stock options vest over three years in two equal annual installments beginning two years from the date of grant with vesting dates of February 20, 2010 and February 20, 2011.
- (6) Restricted stock awards vest in two equal annual installments with vesting dates of May 20, 2010 and May 20, 2011.

**Table of Contents****2009 OPTION EXERCISES AND STOCK VESTED TABLE**

The following table and explanatory footnotes provide information with respect to amounts paid to or received by our named executive officers during 2009 as a result of the exercise of non-qualified stock options and the vesting of restricted stock awards or units.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Michael L. Scudder	-	-	3,506	\$ 32,438
Thomas J. Schwartz	-	-	4,194	\$ 38,871
Paul F. Clemens	-	-	477	\$ 4,038
Victor P. Carapella	-	-	1,342	\$ 12,437
James P. Hotchkiss	-	-	1,192	\$ 11,046

**PENSION BENEFITS**

We sponsor a noncontributory tax-qualified defined benefit retirement plan (Pension Plan). The amount of the monthly pension benefit is based on the average monthly pension-eligible compensation and credited service of the participant. Average monthly compensation is the average of the highest eighty-four consecutive months of pay within the last 120 months of service and credited service is based on the period of employment with First Midwest, subject to limitations on services prior to 1980.

Pension-eligible compensation consists of base salary, bonuses, incentive compensation, overtime and vacation pay, but excludes severance, and amounts realized from exercise of non-qualified stock options and the release of restricted stock/unit awards. Pension-eligible compensation is capped by tax laws applicable to tax-qualified pension plans. For 2009, this limit was \$245,000. Any amounts that become ineligible due to the Code limits are used to compute the pension restoration contribution to the non-qualified retirement plan as discussed further under the section entitled *Non-qualified Deferred Compensation*.

Our Pension Plan provides for pension benefits under normal retirement (the attainment of age 65), early retirement (the attainment of age 55 with fifteen or more years of service), termination after five years of service, disability retirement after ten years of service and death before retirement with five or more years of service. A participant may elect to have his/her benefit paid each month in the form of a single life annuity or one of several actuarially equivalent forms of payment, including a lump sum.

Early retirement pension benefits are reduced by 6% for each of the first five years (ages 60-65) and by 4% for each of the next five years (ages 55-60) that the pension commencement date precedes the normal retirement age of 65. Of the named executive officers, only Mr. Schwartz and Mr. Carapella are eligible for early retirement.

The Pension Plan is designed to provide an annual pension benefit at normal retirement of 27% of final average pension-eligible compensation for a participant with thirty years of credited service.

**2009 PENSION BENEFITS TABLE**

The following table shows the present value of the accumulated benefit as of December 31, 2009 payable to each of the named executive officers, including the number of years of service credited to each named executive officer under our Pension Plan determined using interest rate and mortality rate assumptions consistent with those used in our 2009 audited financial statements.

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During Last Fiscal Year
Michael L. Scudder	Pension Plan	23.75	\$ 241,197	-
Thomas J. Schwartz	Pension Plan	30.00	\$ 582,888	-
Paul F. Clemens <sup>(1)</sup>	NA	NA	NA	NA
Victor P. Carapella	Pension Plan	21.33	\$ 469,814	-

James P. Hotchkiss	Pension Plan	9.50	\$ 175,911	-
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Notes:

- (1) The Pension Plan was closed to new participants as of April 1, 2007. Based on Mr. Clemens' date of hire, he is not eligible to participate in the Plan.

**NON-QUALIFIED DEFERRED COMPENSATION**

We maintain two non-qualified deferred compensation plans in which our named executive officers may participate, the *First Midwest Bancorp, Inc. Non-qualified Retirement Plan* (Retirement Plan) and the *First Midwest Bancorp, Inc. Stock Option Gain Deferral Plan* (Gain Deferral Plan).

**Non-qualified Retirement Plan**

The Retirement Plan is a defined contribution deferred compensation plan under which participants are credited with deferred compensation equal to contributions and benefits based on amounts that would have accrued under our tax-qualified plans but for limitations under the Code, and up to 75% of base salary and up to 100% of annual bonus and auto allowance that the participant has elected to defer. Deferral elections are made by eligible participants in December of each year for amounts to be earned in the following year. Participant accounts are deemed to be invested in separate investment accounts in an irrevocable rabbi trust under the plan, with similar investment alternatives as those available under our Savings and Profit Sharing Plan (our tax-qualified 401(k) savings and profit sharing plan), including an investment account deemed invested in shares of our Common Stock. Participants are able to modify their investment elections at any time. Participant accounts are adjusted to reflect the investment return of the deemed investments. The table below shows the investment funds available under the Retirement Plan and their annual rate of return for the calendar year ended December 31, 2009, as reported by the trustee of the Retirement Plan.

Name of Fund	Rate of Return	Name of Fund	Rate of Return
Wells Fargo Advtg Csh Inv MM	0.52%	American Funds Grwth Fund of America R4	34.54%
Wells Fargo Advtg Short-term Bd	9.45%	Aston/Optimum Mid Cap N	66.18%
Dreyfus Bond Market Index	4.47%	Wells Fargo Advtg Opport	47.16%
Fidelity Advisor High Inc Advant	69.45%	Federated Mid Cap Grwth Strat	30.87%
American Funds American Balanced R4	21.10%	Wells Fargo Advtg Sm Cap Discp	25.83%
T. Rowe Price Equity-Income Adv	25.40%	Baron Small Cap	35.26%
Wells Fargo Advtg Index Admin	26.46%	Fidelity Advisor Overseas A	26.31%
Davis NY Venture A	32.06%	FMBI Stock Fund	(45.27%)

**Non-qualified Stock Option Gain Deferral Plan**

In 1998 our Board adopted the Gain Deferral Plan with the purpose to encourage stock ownership of certain key executives. This plan combines traditional deferred compensation arrangements with stock option exercise transactions by allowing eligible stock option participants to defer to a future date the receipt of shares representing the value realized upon exercise of the underlying stock options. In response to the addition of Section 409A of the Code, the Gain Deferral Plan is only available on a limited basis. Currently, 20 stock option participants are eligible to participate, including the named executive officers with the exception of Mr. Hotchkiss. Deferrals are held for each participant in separate individual accounts in an irrevocable rabbi trust. Amounts deferred under the Gain Deferral Plan are denominated and paid in shares of Common Stock and are adjusted for dividends as if the dividends were reinvested in shares of Common Stock.

**Distributions**

Under both the Retirement Plan and the Gain Deferral Plan, payments begin after termination and are payable at the participant's election, either as a lump sum or in installments over a period not to exceed fifteen years. Earlier payment may be made upon showing of financial hardship to the satisfaction of the Compensation Committee. Distributions are paid in cash under the Retirement Plan, and are paid as in-kind stock distributions under the Gain Deferral Plan. Payments to executive officers and others will be delayed as necessary to comply with Code Section 409A.



**Table of Contents****2009 NON-QUALIFIED DEFERRED COMPENSATION TABLE**

The following table summarizes the activity in each of the named executive's deferred compensation accounts during 2009.

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Name	Plan Name	Executive Contributions in 2009 <sup>(1)</sup>	Company Contributions in 2009 <sup>(2)</sup>	Aggregate Earnings in 2009	Aggregate Withdrawals/ Distributions in 2009	Aggregate Balance at December 31, 2009 <sup>(3)(4)</sup>
Michael L. Scudder	Retirement Plan	\$28,375	\$74,868	\$13,952	-	\$725,877
	Gain Deferral Plan	-	NA	\$2,226	-	\$96,713
Thomas J. Schwartz	Retirement Plan	\$59,050	\$23,736	\$23,841	-	\$1,749,570
	Gain Deferral Plan	-	NA	\$19,188	-	\$833,680
Paul F. Clemens	Retirement Plan	-	-	\$9	-	\$3,327
	Gain Deferral Plan	NA	NA	NA	NA	NA
Victor P. Carapella	Retirement Plan	\$13,105	\$36,885	\$7,084	-	\$573,176
	Gain Deferral Plan	-	NA	\$12,241	-	\$531,850
James P. Hotchkiss	Retirement Plan	-	\$1,278	\$14	\$39,932 <sup>(5)</sup>	\$1,572
	Gain Deferral Plan	-	NA	-	-	-

Notes:

- (1) Executive contributions represent amounts that would have been contributed by the named executive officer under the tax-qualified defined contribution plan, but for limitations under the Code.
- (2) Company contributions represent amounts that would have been contributed under the tax-qualified benefit plans, but for limitations under the Code. The Company contributions for each named executive officer to the Retirement Plan are included in All Other Compensation of the 2009 Summary Compensation Table on page 39.
- (3) Aggregate balances at December 31, 2009 reflect amounts accumulated from participant and Company contributions, in the case of the Retirement Plan, and solely from participant contributions, in the case of the Gain Deferral Plan, over the following years of participation: (A) with respect to the Retirement Plan- since 1989 for Mr. Schwartz, 1998 for Mr. Carapella, and 1999 for Mr. Scudder; and (B) with respect to the Gain Deferral Plan since 1998 for Mr. Schwartz, and 2004 for Messrs. Carapella and Scudder. The following table presents those amounts included in the aggregate deferred compensation balances for each named executive officer as of December 31, 2009 that have been reported in prior proxy statements filed with the SEC for the fiscal year in which earned:

Name	Proxy Location of Amounts Previously Reported			Total
	Summary Compensation Table	Pension Discussion	Option Exercise Table	
Michael L. Scudder	\$ 444,286	\$ 102,506	\$ 249,651	\$ 796,443
Thomas J. Schwartz	\$ 833,230	\$ 325,181	\$ 689,043	\$ 1,847,454
Paul F. Clemens	\$ 5,935	-	-	\$ 5,935
Victor P. Carapella	\$ 65,782	-	-	\$ 65,782
James P. Hotchkiss	-	-	-	-

- (4) As of December 31, 2009, aggregate balances in the Retirement Plan and Gain Deferral Plan equate to stock ownership in the Company of 8,881 shares for Mr. Scudder; 92,767 shares for Mr. Schwartz; 48,867 shares for Mr. Carapella, and 306 shares for Mr. Clemens.
- (5) The amount in column (f) represents a one-time distribution of Mr. Hotchkiss' post-2004 balance in the Retirement Plan, pursuant to his election dated December 18, 2008.



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**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL**

We have entered into agreements and maintain plans covering our executive officers that will require the Company to provide incremental compensation in the event of involuntary termination of employment or a change-in-control. We describe these obligations below. Please note, during the period that the Treasury holds preferred stock of the Company pursuant to the CPP, the Company is prohibited from making many of the payments described below to our named executive officers.

**Overview**

We have entered into employment agreements with each of our named executive officers. These agreements have been in place for many years, in most instances since 1997, and provide for automatic annual renewal. The agreements set forth the executive's title and responsibilities and the executive's pay, confidentiality and non-solicitation commitments by the executive and payments, if any, to be made to the executive upon termination of employment. Termination of employment also impacts stock option and restricted stock awards we have made, as well as benefits payable under our employee benefit plans.

The following discussion takes each termination of employment situation—voluntary resignation, discharge for cause, discharge without cause, resignation due to constructive discharge, death and disability—and a change-in-control of the Company, and describes the additional amounts that the Company would pay or provide to the executive officer or the officer's beneficiaries as a result. The discussion below and the amounts shown reflect certain assumptions we have made in accordance with SEC rules. These assumptions are that the termination of employment or change-in-control occurred on December 31, 2009 and that the value of a share of our Common Stock on that day was \$10.89, the closing price as reported by the Nasdaq Stock Market on December 31, 2009.

In addition, the following discussion and amounts do not include the payments and benefits which are not enhanced by the termination of employment or change-in-control. These payments and benefits include:

Benefits accrued under our Savings and Profit Sharing Plan and Pension Plan in which all employees participate;

Accrued vacation pay, health plan continuation and other similar amounts payable when employment terminates under programs applicable to our salaried employees generally;

Balances accrued under the non-qualified Retirement Plan and Gain Deferral Plan as more fully described beginning on page 45; and

Stock options that have vested and become exercisable prior to the employment termination or change-in-control.

For convenience, the payments and benefits described above are referred to in the following discussion as the executive officer's vested benefits. Payments of vested benefits would not be prohibited by the limitations under TARP.

**Voluntary Resignation**

We are not obligated to pay amounts over and above vested benefits in the event of employment termination due to voluntary resignation, unless the executive's age and years of service qualify for special provisions applicable for retirement. None of our executives have qualified upon any retirement provisions as of December 31, 2009.

Under the confidentiality commitments in the employment agreement, the executive is required to not disclose our confidential information or use it for another's benefit. In addition, the executive may not solicit any of our clients or customers to not do business with us or solicit any of our employees to leave us. These non-solicitation provisions apply for two years after termination of employment for Mr. Scudder; eighteen months after termination of employment for Mr. Schwartz; and one year after termination for all other named executive officers.



**Table of Contents****Discharge for Cause**

We are not obligated to pay any amounts over and above vested benefits if an executive officer's employment terminates because of discharge for cause and the executive is bound by the confidentiality and non-solicitation commitments. The executive officer's right to exercise vested options expires upon discharge for cause, and, if the cause is fraud or embezzlement of funds, benefits under the Gain Deferral Plan are subject to forfeiture. In general, a discharge will be for cause if the executive has intentionally failed to perform his or her duties, engaged in illegal or gross misconduct that harms the Company or been convicted of a felony involving moral wrongdoing.

**Death or Disability**

We provide our employees, including our executive officers, with group life and disability insurance coverage. The group life insurance benefit is a multiple of base salary ranging from two times to four times base salary and is subject to limits contained in the policy. The disability benefit is a monthly benefit, paid until age 65, equal to two-thirds of base salary at the time of disability. These benefits would be paid to the named executives or beneficiary, in addition to the vested benefits, in the event of death or disability. The amount of the payments assuming death or disability on December 31, 2009 are set forth in the table below. These payments would not be prohibited by the compensation limitations under TARP.

Name	Life Insurance (Death) Benefit	Monthly Amount	Disability Benefits	
			Months to Age 65	Total Payment
Michael L. Scudder	\$ 980,000	\$ 20,000	187	\$ 3,740,000
Thomas J. Schwartz	\$ 750,000	\$ 20,000	56	\$ 1,120,000
Paul F. Clemens	\$ 524,000	\$ 14,556	91	\$ 1,324,596
Victor P. Carapella	\$ 10,000	\$ 12,667	51	\$ 646,017
James P. Hotchkiss	\$ 607,000	\$ 11,234	136	\$ 1,527,824

We have provided that all unvested stock options and restricted stock awards become vested in the event of the death or disability of the employee, including our executive officers. The following table summarizes the unvested stock options and restricted stock awards that would have vested on December 31, 2009 if the executive's employment terminated that day due to death or disability.

Name	Stock Options		Restricted Stock Awards	
	Number <sup>(1)</sup>	Value <sup>(2)</sup>	Number <sup>(3)</sup>	Value <sup>(4)</sup>
Michael L. Scudder	34,468		70,965	\$ 772,809
Thomas J. Schwartz	35,926		27,567	\$ 300,204
Paul F. Clemens	21,154		16,847	\$ 183,464
Victor P. Carapella	22,565		19,274	\$ 209,894
James P. Hotchkiss	17,041		12,903	\$ 140,514

Notes:

- (1) Total number of unvested stock options as of December 31, 2009.
- (2) Difference between \$10.89 Common Stock value on December 31, 2009 and exercise price for each option. All options may be exercised at any time during the three years after employment termination due to death or disability.
- (3) Total number of shares of unvested restricted stock as of December 31, 2009.

(4) Value of unvested shares of restricted stock based on \$10.89 Common Stock value on December 31, 2009.

**Discharge Not For Cause; Resignation Due to Constructive Discharge**

Our employment agreements obligate the Company to pay severance benefits if an executive officer's employment is involuntarily terminated other than for cause and the confidentiality and non-solicitation commitments bind the executive. The executive is also required to execute a general release of claims as a condition to receiving severance benefits. This scenario includes the resignation by the executive under circumstances that constitute constructive

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discharge, except in this case; the non-solicitation commitments do not apply. Constructive discharge will generally arise if the executive determines we have breached the employment agreement by not maintaining his or her appointed positions, power and authority, failed to pay or provide the agreed-upon compensation, given notice that the agreement will not automatically renew, or required the executive to move to an office location more than eighty miles from his or her current location.

Our primary obligation in these circumstances is to continue the executive's salary and participation in medical plans for a defined severance period and to pay a pro-rata annual bonus for the year employment terminates. We will also provide outplacement assistance. The severance period is nine months for Mr. Scudder and Mr. Schwartz and six months for the other executive officers. The severance period may be extended for up to an additional six-month severance period.

**SEVERANCE**

The following table summarizes the severance benefits that would be payable to the named executive officers had employment terminated involuntarily on December 31, 2009, and the limitations under TARP did not apply. The Company would be prohibited from making these payments upon a termination of employment prior to the Company's repayment of the TARP funds.

**Salary Continuation**

Name	Monthly Amount	Number of Months	Total Salary Continuation	Pro-Rated Annual Bonus <sup>(1)</sup>	Medical Benefits/Outplacement <sup>(2)</sup>	Total
Michael L. Scudder	\$ 50,000	9	\$ 450,000	\$ 360,000	\$ 80,710	\$ 890,710
Thomas J. Schwartz	\$ 39,583	9	\$ 356,250	\$ 237,500	\$ 63,641	\$ 657,391
Paul F. Clemens	\$ 24,583	6	\$ 147,500	\$ 118,000	\$ 41,206	\$ 306,706
Victor P. Carapella	\$ 28,333	6	\$ 170,000	\$ 136,000	\$ 45,227	\$ 351,227
James P. Hotchkiss	\$ 17,521	6	\$ 105,126	\$ 84,100	\$ 31,036	\$ 220,262

Notes:

- (1) Pro-rated annual bonus based on target bonus for year of termination and number of days elapsed at date of termination. Amount reflects full 2009-target bonus since termination is presumed to occur on last day of year.
- (2) Reflects amount of health benefit continuation (COBRA) premium paid by the Company during salary continuation period and outplacement services estimated to be 12% of annual base salary.

**CHANGE-IN-CONTROL**

We have special provisions in our employment agreements and plans in the event of a change-in-control of our Company. In general, a change-in-control will occur if a person or group acquires more than 25% of our voting stock, there is an unwelcome change in a majority of the members of our Board, or if after we merge with another organization our stockholders do not continue to own more than half of the voting stock of the merged company and more than half of the members of the board of the merged company were not members of our Board.

The severance benefits under our employment agreements are enhanced in the event of involuntary termination (including constructive discharge) upon a change-in-control and the confidentiality commitments apply. For this purpose, resignation by the executive for any reason after completion of a one-year post-change-in-control transition period will qualify as constructive discharge. The enhanced benefits consist of a lump sum payment of approximately two and one-half years' pay in the case of Mr. Scudder and Mr. Schwartz and two years' pay for the other named executive officers. The employment agreements also provide for a gross-up payment should the executive be subject to the excise tax on golden parachute payments under the Code. In addition, all unvested stock options and restricted stock awards vest in full upon a change-in-control, whether or not the executive's employment terminates.



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The table below summarizes the additional payments we would be obligated to make if a change-in-control and the executive's employment terminated on December 31, 2009, and the limitations under TARP did not apply. Note however, if a change-in-control occurs during the period that the Treasury holds preferred stock of the Company pursuant to the TARP Capital Purchase Plan, the Company is prohibited from making the payments described below.

Name	Severance Payments			Stock Options		Equity Awards Restricted Stock		Total Equity Value
	Cash Lump Sum	Gross-Up Payment	Total Severance Payments	Number <sup>(1)</sup>	Value <sup>(2)</sup>	Number <sup>(3)</sup>	Value <sup>(4)</sup>	
Michael L. Scudder	\$ 2,743,340	\$ 1,179,866	\$ 3,923,206	34,468	-	70,965	\$ 772,809	\$ 772,809
Thomas J. Schwartz	\$ 1,970,600	\$ 718,477	\$ 2,689,077	35,926	-	27,567	\$ 300,204	\$ 300,204
Paul F. Clemens	\$ 892,047	\$ 323,717	\$ 1,215,764	21,154	-	16,847	\$ 183,464	\$ 183,464
Victor P. Carapella	\$ 1,098,342	\$ 397,594	\$ 1,495,936	22,565	-	19,274	\$ 209,894	\$ 209,894
James P. Hotchkiss	\$ 654,484	-	\$ 654,484	17,041	-	12,903	\$ 140,514	\$ 140,514

Notes:

(1) Total number of unvested stock options as of December 31, 2009.

(2) Difference between \$10.89 Common Stock value on December 31, 2009 and exercise price for each option. All options may be exercised at any time during the three years after employment termination due to change-in-control.

(3) Total number of shares of unvested restricted stock as of December 31, 2009.

(4) Value of unvested shares of restricted stock based on \$10.89 Common Stock value on December 31, 2009.

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**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with management the *Compensation Discussion and Analysis* that precedes this report. Based on this review and discussion, the Compensation Committee has recommended to the Board that the *Compensation Discussion and Analysis* be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2009.

**Risk Review**

As participants in the TARP Capital Purchase Program established under the Troubled Asset Relief Program of the Emergency Stabilization Act of 2008, as subsequently amended by the American Recovery and Reinvestment Act of 2009, the Compensation Committee must conduct a risk assessment twice a year under which it must evaluate and review the following with the Company's senior risk officers:

The compensation plans for senior executive officers or CEOs to ensure that the plans do not encourage CEOs to take unnecessary and excessive risks that may threaten the value of the company.

All employee compensation plans in light of the risks posed to the company by such plans and how to limit such risks, and to ensure they do not encourage the manipulation of reported earnings to enhance the compensation of any of the company's employees. The Compensation Committee conducted such reviews of the compensation programs discussed in the section entitled *Compensation Discussion and Analysis* on February 27, 2009, August 18, 2009 and on February 16, 2010. As a result of these reviews, the Compensation Committee has determined that the Company's compensation programs and practices employ adequate features that adequately balance appropriate risk taking with risk mitigation strategies. Below are some of the compensation program features which are used to achieve this balance:

Compensation practices are intended to provide market-responsive, total direct compensation opportunities that include equity-based incentives that align employee interests with stockholders.

Median compensation is targeted at the median percentile paid by competitors for positions of similar responsibility. We believe this strategy is neither overly aggressive nor modest.

The weighting of base salary vs. incentive and performance based compensation is balanced so that base salaries are sufficient to support the employee's reasonable day-to-day needs.

The total award cycle for equity compensation is intended to subject employee compensation to long-term market exposure and the Company's long-term performance.

The full range of risks associated with employee activities, as well as the time horizon over which those risks may be realized, are considered in an effort to insure that no individual employee activity could manipulate the various elements of employee compensation, or that could place the organization at risk.

With respect to performance based compensation we use multiple performance factors that encourage executives to focus on the overall health of the business rather than a single financial measure and we cap awards at appropriate levels.



The Company has substantial stock ownership requirements for senior executives.

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As a result, the Compensation Committee is able to certify that:

1. The Compensation Committee has reviewed with the Company's senior risk officers the CEO compensation plans and the Compensation Committee has made all reasonable efforts to ensure that these plans do not encourage CEOs to take unnecessary and excessive risks that threaten the value of the Company;
  2. The Compensation Committee has reviewed with the Company's senior risk officers the employee compensation plans and has made all reasonable efforts to limit any unnecessary risks these plans pose to the Company; and
  3. The Compensation Committee has reviewed the employee compensation plans to eliminate any features of these plans that would encourage the manipulation of reported earnings of the Company to enhance the compensation of any employee.
- Submitted by the Compensation Committee of the Board of Directors.

J. Stephen Vanderwoude (Chair)

Barbara A. Boigegrain

Brother James Gaffney

Thomas M. Garvin

John L. Sterling

*Members, Compensation Committee*

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**AUDIT COMMITTEE REPORT**

The primary responsibilities of the Audit Committee (we, us) are to: (1) assist the Board in its oversight of the integrity of the Company's financial statements and systems of internal control over financial reporting; (2) oversee the Company's compliance with legal and regulatory requirements relating to financial reporting and disclosure; (3) evaluate the independence and qualifications of the Company's independent auditors; and (4) oversee the performance of the Company's independent auditors and its internal audit function. We also are solely responsible for the appointment, compensation, and retention of the Company's independent auditors. The Board has adopted an Audit Committee Charter, which sets forth the specific duties of the Audit Committee, a copy of which is available on the Company's website.

In carrying out our oversight responsibilities, we rely on the expertise and knowledge of management, the independent auditors and the internal auditors. Management is responsible for determining that its financial statements are complete, accurate and in accordance with U.S. generally accepted accounting principles. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for planning and carrying out a proper audit of the Company's financial statements and internal control over financial reporting. The internal auditors are responsible for evaluating the adequacy and effectiveness of the Company's processes and system of internal controls to achieve the Company's stated goals and objectives. It is not the duty of the Audit Committee to plan or conduct audits, to determine that the Company's financial statements are complete and accurate and are in accordance with U.S. generally accepted accounting principles, or to conduct investigations or other types of auditing or accounting reviews or procedures.

We have reviewed and had discussions with management and Ernst & Young LLP regarding the Company's audited financial statements for the fiscal year ended December 31, 2009. We also have discussed with Ernst & Young LLP the matters required under Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as currently in effect. We have received the required disclosures from Ernst & Young LLP under applicable Public Company Accounting Oversight Board standards regarding auditor independence, and have discussed the auditors' independence with Ernst & Young LLP. We have established policies and procedures regarding the pre-approval of all services provided by the independent auditors. We have reviewed the audit and non-audit services provided by Ernst & Young LLP for the fiscal year ended December 31, 2009 and considered whether such services are compatible with maintaining the auditors' independence, and determined to engage Ernst & Young LLP as the independent registered public accounting firm of First Midwest Bancorp, Inc. for the fiscal year ending December 31, 2010.

Based upon our review of the Company's audited financial statements and the discussions noted above, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in our charter, we have, pursuant to authority delegated by the Board, approved the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 for filing with the SEC.

Joseph W. England (Chair)

Barbara A. Boigegrain

Bruce S. Chelberg

John F. Chlebowski, Jr.

Patrick J. McDonnell

John E. Rooney

Ellen A. Rudnick

*Members, Audit Committee*

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### **OTHER MATTERS**

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended (Exchange Act) requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership of, and transactions in, our equity securities with the SEC. Such directors, executive officers and stockholders are also required to furnish us with copies of all Section 16(a) reports they file. Purchases and sales of our equity securities by such persons are published on our website at [www.firstmidwest.com/secfilings](http://www.firstmidwest.com/secfilings). Based on a review of the copies of such reports, and on written representations from our reporting persons, we believe that all Section 16(a) filing requirements applicable to our directors, executive officers and stockholders were complied with during the fiscal year ended December 31, 2009 with the exception of one report for Joseph W. England which was reported late due to an administrative error.

#### **Incorporation by Reference**

To the extent that this Proxy Statement is incorporated by reference into any other filing by FMBI under the Securities Act or the Exchange Act, the sections of this Proxy Statement entitled *Audit Committee Report* and *Compensation Committee Report* (to the extent permitted by the rules of the SEC) will not be deemed incorporated, unless specifically provided otherwise in such filing. We also include several website addresses in this Proxy Statement for your reference. The information on these websites is not part of this Proxy Statement.

#### **Other Business**

At the date hereof, there are no other matters that the Board intends to present, or has reason to believe others will present, at the Annual Meeting. If other matters come before the Annual Meeting, the persons named in the accompanying form of proxy will vote in accordance with their best judgment with respect to such matters.

#### **Stockholder Proposals for 2011 Annual Meeting of Stockholders**

Stockholders who, in accordance with the SEC's Rule 14a-8, wish to present proposals for inclusion in the proxy materials to be distributed by us in connection with our 2011 Annual Meeting of Stockholders must submit their proposals to our Corporate Secretary on or before January 18, 2011. As the rules of the SEC make clear, simply submitting a proposal does not guarantee its inclusion.

In accordance with our Restated Certificate of Incorporation, for a matter not included in our proxy materials to be properly brought before the 2011 Annual Meeting of Stockholders, a stockholder's notice of the matter must be timely delivered to First Midwest Bancorp, Inc. ATTN: Corporate Secretary, One Pierce Place, Suite 1500, Itasca, Illinois 60143, not less than 120 nor more than 180 days prior to the date of the meeting, which currently is scheduled for May 18, 2011. As a result, any notice given by or on behalf of a stockholder pursuant to these provisions of our Restated Certificate of Incorporation (and not pursuant to the SEC's Rule 14a-8) must be received no earlier than December 19, 2010 and no later than January 17, 2011.

#### **Stockholder Recommendations for Director Candidates**

The Nominating and Corporate Governance Committee will consider candidates recommended by stockholders. The policy of the Nominating and Corporate Governance Committee is to consider candidates recommended by stockholders in the same manner as other candidates. Stockholders who wish to submit director candidates for consideration by the Nominating and Corporate Governance Committee for election at our 2011 Annual Meeting of Stockholders may do so by submitting in writing such candidates' names, in compliance with the procedures and along with the other information required by our Articles of Incorporation, to First Midwest Bancorp, Inc. ATTN: Corporate Secretary, One Pierce Place, Suite 1500, Itasca, Illinois 60143 between December 19, 2010 and January 17, 2011.

#### **Important Notice Regarding Delivery of Stockholder Documents**

SEC rules allow us to deliver a single copy of our proxy materials to multiple stockholders of record sharing the same address and last name, or who we reasonably believe are members of the same family and who consent to receive a

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single copy of these materials in a manner provided by these rules. This practice is referred to as "householding" and can result in significant savings of paper and mailing costs. We have been notified that certain brokers and banks holding our Common Stock for their customers will household proxy materials. Stockholders sharing an address whose shares of our Common Stock are held by a broker or bank, who now receive multiple copies of our proxy materials and who wish to receive only one copy of these materials per household, should contact their broker or bank to request that only one set of these materials be delivered in the future.

If you are a registered holder receiving multiple copies of our annual report and proxy statement, you may request householding in the future by contacting our Corporate Secretary.

## **Policies on Reporting of Concerns Regarding Accounting and Other Matters and on Communicating with Independent Directors**

We have adopted policies on reporting of concerns regarding accounting and other matters and on communicating with our independent Directors.

Any person, whether or not an employee, who has a concern about the conduct of FMBI or its subsidiaries or affiliates, or any of our people, including with respect to our accounting, internal accounting controls or auditing issues, may, in a confidential or anonymous manner, communicate that concern via regular mail to the Company's Audit Services Director, or to the Chairman of the Audit Committee, in either case, at First Midwest Bancorp, Inc., One Pierce Place, Suite 1500, Itasca, Illinois 60143.

Any interested party, whether or not an employee, may contact an individual director, the Board as a group, or a specified Board committee or group, including our independent directors as a group, by submitting written correspondence to First Midwest Bancorp, Inc., Attn: Board of Directors, One Pierce Place, Suite 1500, Itasca, Illinois 60143. Each communication should specify the applicable addressee or addressees to be contacted as well as the general topic of the communication. The Company will initially receive and process communications before forwarding them to the addressee. Communications also may be referred to other departments within the Company.

## **Voting Via the Internet or by Telephone**

Provisions have been made for you to vote your shares of Common Stock via the Internet or by telephone. You may also vote your shares by mail. Please see the section entitled *How do I vote?* beginning on page 2 and the Proxy Card accompanying this Proxy Statement for specific instructions on how to cast your vote by any of these methods.

The Internet and telephone voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. We have been advised that the Internet and telephone voting procedures that have been made available to you are consistent with the requirements of applicable law. Stockholders voting via the Internet and by telephone should understand that there may be costs associated with voting in these manners, such as usage charges from Internet access providers and telephone companies, that must be borne by the stockholder.

By order of the Board of Directors,

Cynthia A. Lance

Executive Vice President and Corporate Secretary,

First Midwest Bancorp, Inc.

April 7, 2010

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**ANNEX A**

**Glossary of Terms**

**ARRA:** means the *American Reinvestment and Recovery Act of 2009*, which was signed into law on February 17, 2009. The ARRA amends the EESA and its programs, and contains additional restrictions on executive compensation applicable to institutions that receive TARP capital, including companies that participated in the CPP prior to enactment of ARRA.

**Code:** means the Internal Revenue Code of 1986, as amended.

**CPP:** means the *Capital Purchase Program* promulgated under TARP and EESA in October of 2008. Under the initial CPP program, the Treasury is empowered to purchase senior preferred stock and warrants from various financial institutions. The CPP requires each participating institution to place certain limits on executive compensation, which are described in greater detail in the section entitled *Regulatory Limits on Executive Compensation* beginning on page 32.

**EESA:** means the *Emergency Economic Stabilization Act of 2008*, which was signed into law on October 17, 2008 and established among other things TARP.

**Senior Executive Officers or SEOs:** means the institution's principal executive officer, the principal financial officer and the three most highly compensated executive officers.

**TARP:** means the *Troubled Asset Relief Program* promulgated under the EESA in October of 2008. TARP initially set forth a series of programs designed to assist U.S. controlled financial institutions in managing certain bad assets resulting from the collapse of the U.S. mortgage industry and the subsequent credit and liquidity crisis. TARP empowered the Treasury to purchase or insure up to \$700 billion of troubled assets through programs under which the Treasury could purchase preferred stock from financial institutions, or purchase bad assets directly from financial institutions at fair market values.

**Treasury:** means the United States Department of the Treasury.

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Annex B

**OMNIBUS STOCK AND INCENTIVE PLAN**

(As Amended and Restated May 19, 2010 ~~May 20, 2009~~)

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### **Section 1. Establishment, Purpose, and Effective Date of Plan**

1.1 *Establishment.* First Midwest Bancorp, Inc., a Delaware corporation, hereby amends and restates the FIRST MIDWEST BANCORP, INC. OMNIBUS STOCK AND INCENTIVE PLAN.

1.2 *Purpose.* The purpose of the Plan is to advance the interests of the Company by providing to employees additional incentives and motivation toward superior performance of the Company and its subsidiaries, and by enabling the Company and its subsidiaries to attract and retain the services of employees upon whose judgment, interest, and special effort the successful conduct of its operations is largely dependent.

1.3 *Effective Date.* The Plan, as amended and restated, shall become effective immediately upon its adoption by the Board of Directors of the Company on ~~May 20, 2009~~ May 19, 2010 subject to approval of the stockholders at the Company's ~~2009~~ 2010 Annual Meeting of Stockholders.

### **Section 2. Definitions**

2.1 *Definitions.* Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) *Award* means any Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Unit, Performance Share or Other Award granted under this Plan.

(b) *Award Agreement* means the agreement that sets forth the terms, conditions and limitations applicable to an Award.

(c) *Board* means the Board of Directors of the Company.

(d) *Cause* shall mean any one of the following:

(i) gross misconduct in, or the continued and willful refusal by the Participant after written notice by the Company to make himself available for the performance of the Participant's duties for the Company or a subsidiary; or

(ii) conviction for a felony for a matter related to the Company or a subsidiary; or

(iii) suspension due to the direction of any authorized bank regulatory agency that the Participant be relieved of his duties and responsibilities to the Company or a subsidiary.

(e) *Code* means the Internal Revenue Code of 1986, as amended.

(f) *Committee* means the Compensation Committee of the Board of Directors or such other committee appointed from time to time by the Board of Directors to administer this Plan. The Committee shall consist of two or more members, each of whom shall qualify as a non-employee director, as the term (or similar or successor term) is defined by Rule 16b-3, and as an outside director within the meaning of Code Section 162(m) and regulations thereunder.

(g) *Company* means First Midwest Bancorp, Inc., a Delaware corporation.

(h) *Disability* means totally and permanently disabled as from time to time defined under the First Midwest Bancorp Consolidated Pension Plan.

(i) *Employee* means a regular salaried employee (including officers and directors who are also employees) of the Company or its Subsidiaries, or any branch or division thereof. A regular salaried employee who, with the approval of the Board of Directors or the Committee enters into a Continuing Participant Agreement with the Company or its Subsidiaries effective upon such person ceasing to be a regular salaried employee, shall continue to be an Employee for purposes of this Plan and shall not be deemed to incur a termination of employment during the term of such Continuing Participant Agreement.

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(j) *Fair Market Value* means the average of the highest and lowest prices of the Stock as reported by the consolidated tape of the Nasdaq National Market System on a particular date. In the event that there are no Stock transactions on such date, the Fair Market Value shall be determined as of the immediately preceding date on which there were Stock transactions.

(k) *Option* means the right to purchase Stock at a stated price for a specified period of time. For purposes of the Plan an Option may be either (i) an Incentive Stock Option, or ISO within the meaning of Section 422 of the Code, (ii) a Nonstatutory (Nonqualified) Stock Option, or NSO or (iii) any other type of option encompassed by the Code.

(l) *Other Award* means an Award, other than a Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Unit or Performance Share granted under this Plan, including the right to receive Stock or a fixed or variable share denominated unit granted under this Plan or any deferred compensation plan established from time to time by the Company.

(m) *Participant* means any Employee designated by the Committee to participate in the Plan.

(n) *Performance Unit* means a right to receive a payment equal to the value of a Performance Unit as determined by the Committee based upon performance and pursuant to Section 10 of the Plan.

(o) *Performance Share* means a right to receive a payment equal to the value of a Performance Share as determined by the Committee based on performance and pursuant to Section 10 of the Plan.

(p) *Period of Restriction* means the period during which the transfer of shares of Restricted Stock is restricted pursuant to Section 9.2 of the Plan.

(q) *Plan* means the First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan as set forth herein and any amendments hereto.

(r) *Previously-Acquired Share* means a share of Stock acquired by the Participant or any beneficiary of Participant other than pursuant to an Award under this Plan or the predecessor to this Plan, or if so acquired, such share of Stock has been held for a period of not less than six months, or such shorter period as the Committee may prescribe.

(s) *Restricted Stock* means Stock granted to a Participant pursuant to Section 9 of the Plan.

(t) *Restricted Stock Unit* means a right to receive a payment equal to the value of a share of Stock, pursuant to Section 9 of the Plan.

(u) *Retirement* means termination of employment other than for Cause, at or after the Participant's (a) age 65 ( Normal Retirement Date ) or (b) age 55 (but prior to age 65), with fifteen or more years of service, or such other date prior to age 65 which constitutes an Early Retirement Date ( Early Retirement Date ) as defined from time to time under the First Midwest Bancorp Consolidated Pension Plan. Years of service shall be determined in accordance with said Pension Plan.

(v) *Rule 16b-3* means Rule 16b-3 or any successor or comparable rule or rules applicable to Awards granted under the Plan promulgated by the Securities and Exchange Commission under Section 16(b) of the Securities Exchange Act of 1934, as amended.

(w) *Stock* means the Common Stock, without par value, of the Company.

(x) *Stock Appreciation Right* and SAR mean the right to receive a payment from the Company equal to the excess of the Fair Market Value of a share of stock at the date of exercise over a specified price fixed by the Committee, which shall not be less than 100% of the Fair Market Value of the Stock on the date of grant. In the case of a Stock Appreciation Right which is granted in conjunction with an Option, the specified price shall be the Option exercise price.

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2.2 *Gender and Number.* Except when otherwise indicated by the context, words in the masculine gender when used in the Plan shall include the feminine gender, the singular shall include the plural, and the plural shall include the singular.

### **Section 3. Eligibility and Participation**

3.1 *Eligibility and Participation.* Participants in the Plan shall be selected by the Committee from among those Employees who, in the opinion of the Committee, are Employees in a position to contribute to the Company's continued growth and development and to its long-term financial success.

### **Section 4. Administration**

4.1 *Administration.* The Committee shall be responsible for the administration of the Plan. The Committee, by majority action thereof (whether taken during a meeting or by written consent), shall determine the type or types of Awards to be made under the Plan and shall designate from time to time the Employees who are to be recipients of such Awards. The Committee is authorized to interpret the Plan, to prescribe, amend, and rescind rules and regulations relating to the Plan, to provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company, and to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. Determinations, interpretations, or other actions made or taken by the Committee pursuant to the provisions of the Plan shall be final and binding and conclusive for all purposes and upon all persons whomsoever. To the extent deemed necessary or advisable for purposes of Rule 16b-3 or otherwise, the Board may act as the Committee hereunder.

4.2 *Delegation of Authority.* To the extent provided by resolution of the Board, the Committee may authorize the Chief Executive Officer of the Corporation and other senior officers of the Company to designate officers and employees to be recipients of Awards, to determine the terms, conditions, form and amount of any such Awards, and to take such other actions which the Committee is authorized to take under this Plan, provided that the Committee may not delegate to any person the authority to grant Awards to, or take other action with respect to, Participants who at the time of such Awards or action are subject to Section 16 of the Exchange Act or are covered employees as defined in Section 162(m) of the Code.

4.3 *Award Agreements.* Each Award shall be embodied in an Award Agreement, which shall contain such terms, conditions and limitations as shall be determined by the Committee. The Award Agreement shall be delivered to, and, to the extent required by the Committee, signed by the Participant.

### **Section 5. Stock Subject to Plan**

5.1 *Number of Shares Available for Awards.* The total number of shares of Stock which may be issued pursuant to Awards under the Plan may not exceed ~~7,431,641~~ 8,631,641 (inclusive of shares issued prior to May 19, 2010 ~~May 20, 2009~~, the date this amended and restated Plan was approved by stockholders and the Board). Such number of shares shall be subject to adjustment upon occurrence of any of the events indicated in Section 5.4. The shares to be delivered under the Plan may consist, in whole or in part, of authorized but unissued Stock or treasury Stock, not reserved for any other purpose.

5.2 *Reuse.* If, and to the extent:

(a) An Option shall expire or terminate for any reason without having been exercised in full (including, without limitation, cancellation and re-grant), or in the event that an Option is exercised or settled in a manner such that some or all of the shares of Stock related to the Option are not issued to the Participant (or beneficiary) (including as the result of a share-for-share exercise or the use of shares for withholding taxes), the shares of Stock subject thereto which have not become outstanding shall (unless the Plan shall have terminated) remain available for issuance under the Plan; or

(b) Any Awards under the Plan are forfeited for any reason, or settled in cash in lieu of Stock or in a manner such that some or all of the shares of Stock related to the Award are not issued to the Participant (or

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beneficiary) (including as a result of the use of shares for tax withholding), such shares of Stock shall (unless the Plan shall have terminated) remain available for issuance under the Plan, except as provided in Section 8.2 which relates to the exercise of SARs in lieu of Options.

*5.3 Limitations on Awards to a Single Participant.* Notwithstanding anything to the contrary contained in this Plan, the following limitations shall apply to Awards made hereunder:

(a) No Participant may be granted, during any calendar year period, Awards consisting of Options or SARs that are exercisable for more than 250,000 shares of Stock (500,000 in the Participant's initial calendar year as an Employee), subject to adjustment pursuant to the provisions of Section 5.4;

(b) No Participant may be granted, during any calendar period, Awards consisting of shares of Common Stock or units denominated in such shares (other than any Awards consisting of Options or SARs) covering or relating to more than 250,000 shares of Common Stock (500,000 in the Participant's initial calendar year as an Employee), subject to adjustment pursuant to the provisions of paragraph 5.4 hereof; and

*5.4 Adjustment in Capitalization.* In the event of any change in the outstanding shares of Stock that occurs after ratification of the Plan by the stockholders of the Company by reason of a Stock dividend or split, recapitalization, merger, consolidation, combination, exchange of shares, or other similar corporate change, the aggregate number of shares of Stock available for issuance under Section 5.1, subject to each outstanding Award and the other terms thereof, and the limitations set forth in Section 5.3, shall be adjusted appropriately by the number of shares the Committee, whose determination shall be conclusive; provided, however, that fractional shares shall be rounded to the nearest whole share.

*5.5 No Repricing Without Stockholder Approval.* Notwithstanding anything in the Plan to the contrary, the Committee may not reprice Options granted under the Plan, nor may the Board amend the Plan to permit repricing of Options granted under the Plan, unless the stockholders of the Company provide prior approval for such repricing. Adjustments pursuant to Section 5.4 shall not be considered a repricing.

## **Section 6. Duration of Plan**

*6.1 Duration of Plan.* This Plan shall remain in effect, subject to the Board's right to earlier terminate the Plan pursuant to Section 15 hereof, until all Stock subject to it shall have been purchased or acquired pursuant to the provisions hereof. Notwithstanding the foregoing, no Award may be granted under the Plan on or after February 21, ~~2011~~ 2021.

## **Section 7. Stock Options**

*7.1 Grant of Options.* Subject to the provisions of Section 5 and 6, Options may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee shall have complete discretion in determining the number of Options granted to each Participant. The Committee may grant any type of Option to purchase Stock that is permitted by law at the time of grant.

*7.2 Option Price.* No Option granted pursuant to the Plan shall have an Option price that is less than the Fair Market Value of the Stock on the date the Option is granted.

*7.3 Exercise of Options.* Options awarded under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall approve, either at the time of grant of such Options or pursuant to a general determination, and which need not be the same for all Participants, provided that, to the extent required to comply with Rule 16b-3, no Option shall be exercisable within the first six months of its term, unless death or Disability of the Participant occurs during such period. Each Option which is intended to qualify as an Incentive Stock Option pursuant to Section 422 of the Code, and each Option which is intended to qualify as another type of ISO which may subsequently be authorized by law, shall comply with the applicable provisions of the Code pertaining to such Options.

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**7.4 Payment.** Options shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of shares of Stock with respect to which the Option is to be exercised, accompanied by full payment for the Stock. The Option Price upon exercise of any Option shall be payable to the Company in full either:

- (a) in cash or its equivalent (including, for this purpose, the proceeds from a cashless exercise as permitted under Federal Reserve Board's Regulation),
- (b) by tendering Previously-Acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option price (including, for this purpose, Stock deemed tendered by affirmation of ownership),
- (c) by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law, or
- (d) by a combination of (a), (b), and (c).

The exercise of an Option shall cancel any related SAR to the extent of the number of shares as to which the Option is exercised. As soon as practicable after receipt of each notice and full payment, the Company shall deliver to the Participant a certificate or certificates representing the acquired shares of Stock. Notwithstanding the foregoing, the Option price payable with respect to the exercise of any Options by a Participant who has a deferral election in effect under the Company's Nonqualified Stock Option Gain Deferral Plan (the Gain Deferral Plan) shall be made solely by tendering previously-acquired Stock in accordance with paragraph (b) above. As soon as practicable after receipt of notice of exercise and payment, the Company shall deliver to the trustee of the trust established under the Gain Deferral Plan, a certificate or certificates representing such number of shares of Stock determined by dividing (i) the excess of (A) the Fair Market Value of the shares of Stock purchased pursuant to such Option exercise, over (B) the aggregate exercise price of the shares of Stock purchased, by (ii) the Fair Market Value of one share of Stock. In addition, as soon as practicable after receipt of such notice and payment of the Option price (other than payment by affirmation of ownership), the Company shall deliver to the Participant a certificate or certificates representing shares with a Fair Market Value equal to the aggregate option exercise price paid, net of any tax withholding pursuant to Section 16.2. For purposes of the foregoing, Fair Market Value shall be determined on the date of Option exercise.

**7.5 Limitations on ISOs.** All shares authorized for issuance under this Plan may be issued pursuant to Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, to the extent required from time to time by the Code, the following additional provisions shall apply to the grant of Options which are intended to qualify as Incentive Stock Options (as such term is defined in Section 422 of the Code):

- (a) The aggregate Fair Market Value (determined as of the date the Option is granted) of the shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company) shall not exceed \$100,000 or such other amount as may subsequently be specified by the Code; provided that, to the extent that such limitation is exceeded, any excess Options (as determined under the Code) shall be deemed to be Nonstatutory (Nonqualified) Stock Options.
- (b) Any Incentive Stock Option authorized under the Plan shall contain such other provisions as the Committee shall deem advisable, but shall in all events be consistent with and contain or be deemed to contain all provisions required in order to qualify the Options as Incentive Stock Options.
- (c) All Incentive Stock Options must be granted within ten years from the earlier of the date on which this Plan was adopted by the Board of Directors or the date this Plan was approved by the stockholders.
- (d) Unless exercised, terminated, or cancelled sooner, all Incentive Stock Options shall expire no later than ten years after the date of grant.

**7.6 Restrictions on Stock Transferability.** The Committee shall impose such restrictions on any shares of Stock acquired pursuant to the exercise of an Option under the Plan as it may deem advisable, including, without limitation, restrictions under the applicable Federal securities law, under the requirements of any stock exchange upon which such shares of Stock are then listed and under any blue sky or state securities laws applicable to such shares.

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*7.7 Termination of Employment Due to Death, Disability, Retirement.* In the event the employment of a Participant is terminated by reason of death, Disability, or Retirement, any outstanding Options then exercisable may be exercised at any time prior to the expiration date of the Options or within three (3) years after such date of termination of employment, whichever period is the shorter. For purposes of the preceding sentence, in the event such termination is due to death or Disability, then any outstanding Options shall vest 100% and be deemed exercisable in full as of such termination. However, in the case of Incentive Stock Options, the favorable tax treatment prescribed under Section 422 of the Code shall not be available if such options are not exercised within three (3) months after date of termination, or twelve (12) months in the case of Disability, provided such Disability constitutes total and permanent disability as defined in Section 22(e)(3) of the Code. If an Incentive Stock Option is not exercised within three (3) months of termination due to Retirement, it shall be treated as a Nonstatutory (Nonqualified) Stock Option for the remainder of its allowable exercise period.

*7.8 Termination of Employment other than Due to Death, Disability, Retirement or for Cause; Termination for Cause.* If the employment of the Participant shall terminate for any reason other than death, Disability, Retirement, or involuntarily for Cause, the rights under any then outstanding Option granted pursuant to the Plan shall terminate upon the expiration date of the Option or one month after such date of termination of employment, whichever first occurs; provided, however, that in the event such termination of employment occurs after a Change-in-Control (as defined in Section 14.2 of the Plan), the rights under any then outstanding Option granted pursuant to the Plan shall terminate upon the expiration date of the Option or three years after such date of termination of employment, whichever first occurs. Where termination of employment is involuntarily for Cause, rights under all Options shall terminate immediately upon termination of employment.

*7.9 Nontransferability of Options.* Except as provided below, no Option granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise than by will or by the laws of descent and distribution. Further, all Options granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant. Notwithstanding the foregoing, the Committee may, in its discretion, authorize all or a portion of the Options (other than Incentive Stock Options) granted to a Participant to be on terms which permit transfer by such Participant to:

- (a) the spouse, children or grandchildren of the Participant ( Immediate Family Members );
- (b) a trust or trusts for the exclusive benefit of such Immediate Family Members, or;
- (c) a partnership in which such Immediate Family Members are the only partners, provided that:
  - (i) there may be no consideration for any such transfer;
  - (ii) the Award Agreement pursuant to which such Options are granted expressly provides for transferability in a manner consistent with this Section 7.9; and
  - (iii) subsequent transfers of transferred Options shall be prohibited except those in accordance with Section 12. Following transfer, any such Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of Section 12 hereof the term Participant shall be deemed to refer to the transferee. The provisions of Sections 7 and 14 relating to the period of exercisability and expiration of the Option shall continue to be applied with respect to the original Participant, and the Options shall be exercisable by the transferee only to the extent, and for the periods, set forth in said Sections 7 and 14.

**Section 8. Stock Appreciation Rights**

*8.1 Grant of Stock Appreciation Rights.* Subject to the provisions of Sections 5 and 6, Stock Appreciation Rights ( SARs ) may be granted to Participants at any time and from time to time as shall be determined by the Committee. An SAR may be granted at the discretion of the Committee in any of the following forms:

- (a) In lieu of Options,
- (b) In addition to Options,



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(c) Upon lapse of Options,

(d) Independent of Options,

(e) Each of the above in connection with previously awarded Options.

**8.2 Exercise of SARs in Lieu of Options.** SARs granted in lieu of Options may be exercised for all or part of the shares of Stock subject to the related Option upon the surrender of the right to exercise an equivalent number of Options. The SAR may be exercised only with respect to the shares of Stock for which its related Option is then exercisable. Option shares with respect to which the SAR shall have been exercised may not be subject again to an Award under this Plan. SARs granted pursuant to this Section 8.2 with respect to which the Option shares have been exercised will immediately lapse upon such exercise.

**8.3 Exercise of SARs in Addition to Options.** SARs granted in addition to Options shall be deemed to be exercised upon the exercise of the related Options.

**8.4 Exercise of SARs Independent of Options.** SARs granted independent of Options may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon the SARs.

**8.5 Exercise of SARs Upon Lapse of Options.** SARs granted upon lapse of Options shall be deemed to have been exercised upon the lapse of the related Options as to the number of shares of Stock subject to the Options. Notwithstanding Section 5.2 above, cancelled Options in an amount equal to the related SARs shall not be available again for Awards under the Plan.

**8.6 Payment of SAR Amount.** Upon exercise of the SAR, the holder shall be entitled to receive payment of an amount (subject to Section 8.8 below) determined by multiplying:

(a) The difference between the Fair Market Value of a share of Stock at the date of exercise over the price fixed by the Committee at the date of grant, by

(b) The number of shares with respect to which the Stock Appreciation Right is exercised.

**8.7 Form and Timing of Payment.** At the discretion of the Committee, payment for SARs may be made in cash or Stock, or in a combination thereof.

**8.8 Limit of Appreciation.** At the time of grant, the Committee may establish in its sole discretion, a maximum amount per share which will be payable upon exercise of an SAR.

**8.9 Term of SAR.** The term of an SAR granted under the Plan shall not exceed ten years and one day.

**8.10 Termination of Employment.** In the event the employment of a Participant is terminated by reason of death, Disability, Retirement, or any other reason, any SARs outstanding shall terminate in the same manner as specified for Options under Sections 7.7 and 7.8 herein.

**8.11 Nontransferability of SARs.** No SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise than by will or by the laws of descent and distribution. Further, all SARs granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant.

## **Section 9. Restricted Stock and Restricted Stock Units**

**9.1 Grant of Restricted Stock or Restricted Stock Units.** Subject to the provisions of Sections 5 and 6, the Committee, at any time and from time to time, may grant shares of Restricted Stock or Restricted Stock Units under the Plan to such Participants and in such amounts as it shall determine. Each grant of Restricted Stock or Restricted Stock Units shall be in writing. The Committee, in its discretion, may permit a Participant to defer receipt of any Restricted Stock Units beyond the expiration of any applicable Period of Restriction.

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**9.2 Transferability.** Except as provided in Sections 9.8 and 9.9 hereof, the shares of Restricted Stock and Restricted Stock Units granted hereunder may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated for such period of time as shall be determined by the Committee and shall be specified in the Restricted Stock grant or the Restricted Stock Unit grant, or upon earlier satisfaction of other conditions (which may include the attainment of performance goals as defined in Section 10.8 hereof), as specified by the Committee in its sole discretion and set forth in the Restricted Stock grant or the Restricted Stock Unit grant.

**9.3 Other Restrictions.** The Committee shall impose such other restrictions on any shares of Restricted Stock or Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation, restrictions under applicable Federal or state securities laws, and may legend the certificates representing Restricted Stock to give appropriate notice of such restrictions.

**9.4 Voting Rights.** Participants holding shares of Restricted Stock or Restricted Stock Units granted hereunder may exercise full voting rights with respect to those shares during the Period of Restriction.

**9.5 Dividends and Other Distributions.** During the Period of Restriction, Participants holding shares of Restricted Stock or Restricted Stock Units granted hereunder shall be entitled to receive all dividends and other distributions paid with respect to those shares or units while they are so held. If any such dividends or distributions are paid in shares of Stock, the shares shall be subject to the same restrictions on transferability as the shares of Restricted Stock or Restricted Stock Units with respect to which they were paid.

**9.6 Termination of Employment Due to Retirement.** In the event a Participant's employment terminates on or after his Normal Retirement Date, the Period of Restriction applicable to the Restricted Stock or the Restricted Stock Units pursuant to Subsection 9.2 hereof shall automatically terminate and, except as otherwise provided in Subsection 9.3, the shares of Restricted Stock shall thereby be free of restrictions and freely transferable. In the event a Participant terminates employment on or after his Early Retirement Date but prior to Normal Retirement Date, any shares of Restricted Stock and any Restricted Stock Units still subject to restrictions at the date of such termination automatically shall be forfeited and returned to the Company; provided, however, that the Committee in its sole discretion may waive the restrictions remaining on any or all shares of Restricted Stock or any and all Restricted Stock Units, or add such new restrictions to those shares of Restricted Stock or Restricted Stock Units as it deems appropriate.

**9.7 Termination of Employment Due to Death or Disability.** In the event a Participant terminates his employment with the Company because of death or Disability during the Period of Restriction, the restrictions applicable to the shares of Restricted Stock or to the Restricted Stock Units pursuant to Section 9.2 hereof shall automatically terminate and, except as otherwise provided in Subsection 9.3, the shares of Restricted Stock shall thereby be free of restrictions and freely transferable.

**9.8 Termination of Employment for Reasons other than Death, Disability, or Retirement.** In the event that a Participant terminates his employment with the Company for any reason other than those set forth in Sections 9.6 and 9.7 hereof during the Period of Restriction, then any shares of Restricted Stock and any Restricted Stock Units still subject to restrictions at the date of such termination automatically shall be forfeited and returned to the Company; provided, however, that, in the event of an involuntary termination of the employment of a Participant by the Company other than for Cause, the Committee in its sole discretion may waive the automatic forfeiture of any or all such shares or units, and/or may add such new restrictions to such shares of Restricted Stock or Restricted Stock Units as it deems appropriate.

**9.9 Nontransferability.** No shares of Restricted Stock or Restricted Stock Units granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise than by will or by the laws of descent and distribution until the termination of the applicable Period of Restriction. All rights with respect to Restricted Stock or Restricted Stock Units granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant.

## **Section 10. Performance Units and Performance Shares**

**10.1 Grant of Performance Units or Performance Shares.** Subject to the provisions of Sections 5 and 6, Performance Units or Performance Shares may be granted to Participants at any time and from time to time as shall be

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determined by the Committee. The Committee shall have complete discretion in determining the number of Performance Units or Performance Shares granted to each Participant.

*10.2 Value of Performance Units and Performance Shares.* Each Performance Unit shall have an initial value of one hundred dollars (\$100) and each Performance Share initially shall represent one share of Stock. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the ultimate value of the Performance Unit or Performance Share to the Participant. The time period during which the performance goals must be met shall be called a performance period, and also is to be determined by the Committee.

*10.3 Payment of Performance Units and Performance Shares.* After a performance period has ended, the holder of a Performance Unit or Performance Share shall be entitled to receive the value thereof as determined by the extent to which performance goals discussed in Section 10.2 have been met.

*10.4 Form and Timing of Payment.* Payment in Section 10.3 above shall be made in cash, stock, or a combination thereof as determined by the Committee. Payment may be made in a lump sum or installments as prescribed by the Committee. If any payment is to be made on a deferred basis, the Committee may provide for the payment of dividend equivalents or interest during the deferral period.

*10.5 Termination of Employment Due to Death, Disability, or Retirement.* In the case of death, Disability, or Retirement, the holder of a Performance Unit or Performance Share shall receive prorata payment based on the number of months service during the performance period but based on the achievement of performance goals during the entire performance period. Payment shall be made at the time payments are made to Participants who did not terminate service during the performance period.

*10.6 Termination of Employment for Other Reasons.* In the event that a Participant terminates employment with the Company for any reason other than death, Disability or Retirement, all Performance Units and Performance Shares shall be forfeited; provided, however, that in the event of an involuntary termination of the employment of the Participant by the Company other than for Cause, the Committee in its sole discretion may waive the automatic forfeiture provisions and pay out on a prorata basis.

*10.7 Nontransferability.* Units or Performance Shares granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise than by will or by the laws of descent and distribution until the termination of the applicable performance period. All rights with respect to Performance Units and Performance Shares granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant.

*10.8 Performance Goals.* For purposes of Sections 9.2 and 10.2 hereof, performance goals shall mean the criteria and objectives, determined by the Committee pursuant to the Plan, which shall be satisfied or met during the applicable restriction period or performance period, as the case may be, as a condition to the Participant's receipt, in the case of a grant of the Restricted Stock or a grant of Performance Shares, of the shares of Stock subject to such grant, or in the case of a Performance Unit Award, of payment with respect to such Award. Such criteria and objectives may include, but are not limited to, return on assets, return on equity, growth in net earnings, growth in earnings per share, growth in the Fair Market Value of the Stock, or any combination of the foregoing or any other criteria and objectives determined by the Committee. Upon completion of the restricted period or the performance period, as the case may be, the Committee shall certify the level of the performance goals attained and the amount of the Award payable as a result thereof.

## **Section 11. Other Awards**

*11.1 Grant of Other Awards.* Subject to the provisions of Section 5 and 6, Other Awards may be granted to Participants at any time and from time to time as shall be determined by the Committee.

*11.2 Terms of Other Awards.* Other Awards may be made in contribution or in tandem, with, in replacement of, or as alternatives to Awards under Section 7, 8, 9 or 10 of this Plan or of any other incentive or employee benefit plan of the Company or any of its subsidiaries. An Other Award may provide for payment in cash or in Stock or a combination thereof.

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### **Section 12. Beneficiary Designation**

12.1 *Beneficiary Designation.* Each Participant under the Plan may name, from time to time, any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his death before he receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Committee during his lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to his estate.

### **Section 13. Rights of Employees**

13.1 *Employment.* Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

13.2 *Participation.* No employee shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant.

### **Section 14. Change-in-Control**

14.1 *In General.* Except as expressly provided, otherwise in an Award Agreement, in the event of a Change-in-Control of the Company as defined in Section 14.2 below, all Awards under the Plan shall vest 100%, whereupon all Options shall become exercisable in full, the restrictions applicable to Restricted Stock shall terminate, and Performance Units and Performance Shares shall be paid out based upon the extent to which performance goals during the performance period have been met up to the date of the Change-in-Control, or at target, whichever is higher, and all Other Awards shall be paid out based on the terms thereof.

14.2 *Definition.* For purposes of the Plan, a Change-in-Control shall mean any of the following events:

(a) Any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than (i) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a subsidiary, or (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the beneficial owner (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 25% or more of the total voting power of the then outstanding shares of capital stock of the Company entitled to vote generally in the election of directors (the Voting Stock), provided, however, that the following shall not constitute a Change-in-Control: (A) such person becomes a beneficial owner of 25% or more of the Voting Stock as the result of an acquisition of such stock directly from the Company, or (B) such person becomes a beneficial owner of 25% or more of the Voting Stock as a result of the decrease in the number of outstanding shares caused by the repurchase of shares by the Company, or (C) such person becomes a beneficial owner of 25% or more of the Voting Stock without any plan or intention to seek or affect control of the Company, if such person promptly enters into an irrevocable commitment promptly to divest, and thereafter promptly divests, such shares of Voting Stock so that such person ceases to beneficially own 25% or more of the Voting Stock; provided, further, that in the event a person described in clause (A) or (B) shall thereafter increase (other than in circumstances described in clause (A) or (B)) beneficial ownership of stock representing more than 1% of the Voting Stock, such person shall then be deemed to become a beneficial owner of 25% or more of the Voting Stock for purposes of this paragraph (a), provided such person continues to beneficially own 25% or more of the Voting Stock after such subsequent increase in beneficial ownership, or

(b) during any period of two consecutive years, individuals, who at the beginning of such period constitute the Board of Directors of the Company, and any new director, whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or

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(c) the consummation of, a reorganization, merger or consolidation, the sale or other disposition of all or substantially all of the assets, or a similar transaction or series of transactions involving the Company (a Business Combination ) in each case, unless (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the total voting power represented by the voting securities entitled to vote generally in the election of directors of the Company or the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of the Business Combination owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), in substantially the same proportions as their ownership, immediately prior to the Business Combination of the Voting Stock of the Company, and (2) at least a majority of the members of the board of directors of the Company or such corporation resulting from the Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Incumbent Board, providing for such Business Combination; or

(d) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

The Board has final authority to determine the exact date on which a Change-in-Control has been deemed to have occurred under (a), (b), (c) and (d) above.

### **Section 15. Amendment, Modification and Termination of Plan**

15.1 *Amendment, Modification, Suspension and Termination of Plan.* The Board may amend, modify, suspend or terminate this Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that no amendment or alteration that would adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant.

### **Section 16. Tax Withholding**

16.1 *Tax Withholding.* The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy Federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of the Plan.

16.2 *Share Withholding.* With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock, or upon any other taxable event arising as a result of awards granted hereunder, Participants may elect to satisfy the withholding requirement, in whole or in part, by having the Company withhold shares of Stock having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which would be imposed on the transaction; provided, however, that in the event a deferral election is in effect with respect to the shares deliverable upon exercise of an Option, then the Participant may only elect to have such withholding made from the Stock tendered to exercise such Option. All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

### **Section 17. Indemnification**

17.1 *Indemnification.* Each Person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit, or proceeding to which he may be a party or in which he may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him in settlement thereof, with the Company's approval, or paid by him in satisfaction of any judgment in any such action, suit, or proceeding against him, provided he shall give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

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### **Section 18. Requirements of Law**

18.1 *Requirements of Law.* The granting of Awards and the issuance of shares of Stock upon the exercise of an Option shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

18.2 *Governing Law.* The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware.

18.3 *Code Section 409A.* Anything under the Plan or an Award Agreement to the contrary notwithstanding, to the extent applicable, it is intended that any Awards under the Plan which provide for a deferral of compensation subject to Section 409A of the Code and rules, regulation and guidance issued thereunder (collectively, Code Section 409A) shall comply with the provisions of Code Section 409A and the Plan and all applicable Awards shall be construed and applied in a manner consistent with this intent. In furtherance thereof, any amount constituting a deferral of compensation under Treasury Regulation Section 1.409A-1(b) that is payable to a Participant upon a separation from service of the Participant (within the meaning of Treasury Regulation Section 1.409A-1(h)) (other than due to the Participant's death), occurring while the Participant shall be a specified employee (within the meaning of Treasury Regulation Section 1.409A-1(i)) of the Corporation or applicable Subsidiary, shall not be paid until the earlier of (x) the date that is six months following such separation from service or (y) the date of the Participant's death following such separation from service.

18.4 *TARP/Capital Purchase Program.* Anything in this Plan or an Award Agreement to the contrary notwithstanding, it is intended that this Plan and Awards granted hereunder comply with the requirements of the Emergency Economic Stabilization Act of 2008 ( EESA ) and/or requirements of the TARP Capital Purchase Program ( CPP ) (and the guidance or regulations issued thereunder by the United States Treasury Department at 31 CFR Part 30, effective October 20, 2008 (the CPP Guidance ) applicable to the Company, including, but not limited to, provisions limiting payment of golden parachute payments, requiring that the Company may recover ( claw-back ) bonus and incentive compensation to in certain circumstances, and precluding bonus and incentive arrangements that encourage unnecessary or excessive risks that threaten the value of Company, in each case within the meaning of EESA and the CPP Guidance and only to the extent applicable to Company and a Participant. The application of this Section 18.4 is intended to, and shall be interpreted, administered and construed to, comply with Section 111 of EESA and the CPP Guidance and, to the maximum extent consistent with this Paragraph 18.4 and such statute and regulations, to permit the operation of the Plan and each Award in accordance with the terms and provision thereof before giving effect to the provisions of this Section 18.4, EESA or the CPP Guidance.

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**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

*ONE PIERCE PLACE*

*P.O. BOX 459*

*ITASCA, IL 60143*

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Daylight Time on May 18, 2010. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY Materials**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Daylight Time on May 18, 2010. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: "

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**FIRST MIDWEST BANCORP, INC.**

**Vote on Proposals**

(The Board of Directors recommends a vote FOR each of these Proposals.)

**For    Against    Abstain**

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1. Election to the Board of Directors of the following 5 Director Nominees (The Board of Directors recommends a vote FOR each of these nominees):

Nominees:		<b>For</b>	<b>Against</b>	<b>Abstain</b>
1a.	Brother James Gaffney	..	..	..
1b.	Patrick J. McDonnell	..	..	..
1c.	Michael L. Scudder	..	..	..
1d.	John L. Sterling	..	..	..
1e.	J. Stephen Vanderwoude	..	..	..

3. Approval of certain amendments to and the restatement and renewal of the *First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan.*

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
4. Advisory (non-binding) vote to approve executive compensation.	..	..	..

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
2. Advisory (non-binding) vote ratifying the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2010.	..	..	..

**Important** Please sign this proxy card exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

In their discretion, the proxies named on the front of this card are authorized to vote upon such other matters as may properly come before the Annual Meeting and at any adjournment or postponement thereof, and for the election of a person to serve as director if any of the nominees above is unable to serve.

Signature [PLEASE SIGN WITHIN BOX]

Date

Signature (Joint Owners)

Date



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**Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting:** The Notice and Proxy Statement, Form 10K, Telephone/Internet insert (BR supplied) is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**Proxy Solicited on Behalf of the Board of Directors**

**Annual Meeting of Stockholders to be Held May 19, 2010**

The signatory hereby appoints Paul F. Clemens and Cynthia A. Lance, and each of them, as proxies, each with full power of substitution, and hereby authorizes each of them to represent and to vote, as designated on the reverse side, all shares of Common Stock of First Midwest Bancorp, Inc. held of record by the signatory on March 26, 2010, at the 2010 Annual Meeting of Stockholders to be held on May 19, 2010 and at any adjournment or postponement thereof. The signatory hereby further authorizes such proxies to vote in their discretion upon such other matters as may properly come before such Annual Meeting and at any adjournment or postponement thereof. Receipt of the Notice of the 2010 Annual Meeting of Stockholders, the Proxy Statement in connection with such meeting and the 2009 Annual Report to Stockholders is hereby acknowledged. This proxy, when properly executed, will be voted in the manner directed by you. If you sign and return this proxy but do not give any direction, it will be voted FOR all four proposals and in the discretion of the proxies upon such other matters as may properly come before the Annual Meeting. If the shares represented by this proxy are issued to or held for the account of the signatory under the Company's employee benefit plans, then the signatory hereby directs the trustee to vote such shares as designated on the reverse side.

**Continued and to be signed on reverse side**