

FIRST MIDWEST BANCORP INC

Form DEF 14A

April 08, 2009

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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)

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- No fee required.
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount Previously Paid:

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(3) Filing Party:

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April 8, 2009

Dear Stockholder:

I am pleased to invite you to attend the 2009 Annual Meeting of Stockholders of First Midwest Bancorp, Inc. which will be held on Wednesday, May 20, 2009 at 9:30 a.m., Central time, at the Wyndham Drake Oak Brook, 2301 York Road, Oak Brook, Illinois 60523. 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 2008 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 20, 2009 at 9:30 a.m., Central time

Place: Wyndham Drake Oak Brook, 2301 York Road, Oak Brook, Illinois 60523

Items of Business: To elect seven directors to our Board of Directors for a three-year term ending in 2012.

To consider an advisory (non-binding) vote ratifying the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2009.

To consider approval of certain amendments to the *First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan*.

To consider an advisory (non-binding) vote approving executive compensation.

To transact such other business as may properly come before the Annual Meeting.

Record Date: You can vote only if you owned shares of First Midwest Bancorp, Inc. common stock at the close of business on March 23, 2009, the Record Date for the Annual Meeting.

Stockholders of Record List: A list of the stockholders of record as of March 23, 2009 will be available for inspection during ordinary business hours at our offices, One Pierce Place, Suite 1500, Itasca, Illinois 60143, from May 8, 2009 to May 20, 2009, 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 5 of the enclosed Proxy Statement.

Mailing Date: This notice and the accompanying Proxy Statement, Proxy Card and 2008 Annual Report, were mailed to you on or about April 8, 2009.

By order of the Board of Directors,

Cynthia A. Lance

Executive Vice President and

Corporate Secretary

First Midwest Bancorp, Inc.

April 8, 2009

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**First Midwest Bancorp, Inc.**

**One Pierce Place, Suite 1500**

**Itasca, Illinois 60143**

**PROXY STATEMENT**

Annual Meeting of Stockholders

May 20, 2009

**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, the Company or we), to be used at our 2009 Annual Meeting of Stockholders (Annual Meeting) on Wednesday, May 20, 2009 at 9:30 a.m., Central time, at the Wyndham Drake Oak Brook, 2301 York Road, Oak Brook, Illinois 60523, 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 8, 2009.

**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 23, 2009, the record date (Record Date) for the Annual Meeting. On that date, there were approximately 48,712,000 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 (formerly, Mellon Investor Services L.L.C.) as of the Record Date, you are a stockholder of record. However, if you hold shares of our Common Stock indirectly through a

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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.

### ***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 once 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. 2009 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 23, 2009, 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?*

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### ***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?* on page 2), and bring that proxy to the Annual Meeting.

### ***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



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

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### ***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, 2009;

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

FOR approval of executive compensation; and

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 act on 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 the ratification of the appointment of our independent auditors 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.

*Amendments to the First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan.* You may vote FOR or AGAINST approval of certain amendments to the *First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan* 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 the advisory (non-binding) vote approving executive compensation 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.



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*Broker Non-Vote.* A failure by your broker to vote your shares when you have not given voting instructions will have no effect on the outcome of the vote on the election of directors, the advisory (non-binding) vote ratifying the independent auditors or the advisory (non-binding) vote approving executive compensation. Because the affirmative vote of a majority of the outstanding shares of Common Stock is necessary to approve the proposal regarding certain amendments to the *First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan*, 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 votes are required 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 23, 2009, 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, 2008 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/aboutinvestor\\_corporate.asp](http://www.firstmidwest.com/aboutinvestor_corporate.asp), 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, 2008 are also available at [www.firstmidwest.com/aboutinvestor\\_electronic.asp](http://www.firstmidwest.com/aboutinvestor_electronic.asp).

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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, the seven individuals named below have been, upon the recommendation of our Nominating and Corporate Governance Committee, nominated by our Board to stand for election at the Annual Meeting. All nominees are currently directors of FMBI and, with the exception of Barbara A. Boigegrain, Michael L. Scudder, and Thomas J. Schwartz, previously have been elected by our stockholders.

Messrs. Scudder and Schwartz were each elected by the Board as a director on September 14, 2008 following the unexpected death of John M. O Meara, the Company's former Chairman and Chief Executive Officer.

The Nominating and Corporate Governance Committee identified and recommended Barbara A. Boigegrain as a director to the full Board on August 19, 2008, and the Board elected her as member effective August 20, 2008.

If elected, each nominee will hold office for a three-year term ending in 2012 and until his or her successor has been elected and qualified, or until his or her earlier resignation or removal. All nominees have informed us that they are willing to serve as directors. Each nominee will tender his or her resignation as a director in accordance with our By-Laws and Corporate Governance Guidelines if he or she 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, namely:

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

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the director's past attendance at meetings, participation in and contributions to Board activities and the most recent Board self-evaluation.

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 Articles 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.

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, Vernon A. Brunner, 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.

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).

The following individuals are the nominees for election for service on the Board:

<p><i>Barbara A. Boigegrain</i></p> <p>(51)</p> <p><i>Director since 2008</i></p>	<p>Since 1994, Ms. Boigegrain has served as general secretary and chief executive officer of the General Board of Pension and Health Benefits of The United Methodist Church, 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 also is a member of the Board of Directors of Church Benefits Association, Evanston Inventure and Church Alliance.</p>
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Ms. Boigegrain serves as a member of our Audit Committee and Compensation Committee.

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*Bruce S. Chelberg*  
(74)  
Mr. Chelberg retired in 2000 as chairman and chief executive officer of Whitman Corporation, Rolling Meadows, Illinois (a diversified, multinational holding company). He also is a member of the Board of Directors of Snap-On Tools Corporation and Northfield Laboratories, Inc.

*Director since 1989*

Mr. Chelberg serves as a member of our Audit Committee and Nominating and Corporate Governance Committee.

In accordance with Board policy, Mr. Chelberg has submitted his resignation each year since he reached age 70, however the Board has waived the retirement policy as it applied to Mr. Chelberg through December 31, 2009.

*Joseph W. England*

(68)

Mr. England retired in 2000 as senior vice president of Deere & Company, Moline, Illinois (a mobile power equipment manufacturer). He also is a member of the Board of Directors of Winnebago Industries.

*Director since 1986*

Mr. England serves as a member of our Executive Committee and the Chair of our Audit Committee.

*Patrick J. McDonnell*

(65)

Since July 2000, Mr. McDonnell has served as the president and chief executive officer of The McDonnell Company LLC, Lake Forest, Illinois (a business consulting company). Previously, he served as director of global assurance for PriceWaterhouseCoopers LLP, an accounting firm, and vice chairman of business assurance for its predecessor, Coopers & Lybrand, LLP. Mr. McDonnell also is a member of the Board of Directors of Material Science Company, Inc.

*Director since 2002*

Mr. McDonnell serves as a member of our Audit Committee and Nominating and Corporate Governance Committee.

*Robert P. O Meara*

(71)

Robert P. O Meara has served as Chairman of the Board of First Midwest Bancorp, Inc. and First Midwest Bank since September 14, 2008 following the unexpected death of John M. O Meara, the Company's former Chairman and Chief Executive Officer.

*Director since 1982*

Robert P. O Meara previously served as the Chairman of the Board of First Midwest Bancorp, Inc. from 1998 to 2007. He also served as the Company's Chief Executive Officer from 1987 through 2002. Robert P. O Meara has over 39 years of experience in the banking and financial institution industry.

Robert P. O Meara serves as a member of our Executive Committee.

In accordance with Board policy, Mr. O Meara submitted his resignation in connection with his attaining age 70, however the Board has waived the retirement policy as it applies to Mr. O Meara through December 31, 2009.

*Thomas J. Schwartz (58)*

Thomas J. Schwartz is the President and Chief Executive Officer of First Midwest Bank and an Executive Vice President of the Company. He was appointed to these positions on September 14, 2008 following the unexpected death of John M. O Meara, the Company's former Chairman and Chief Executive Officer.

*Director since 2008*



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Previously, Mr. Schwartz served as the President and Chief Operating Officer of First Midwest Bank from May of 2007 to September of 2008 and in various other management capacities with First Midwest Bank and the Company in his 38 years of service. He has over 38 years of experience in the banking and financial institution industry.

Mr. Schwartz serves as a member of our Executive Committee.

*Michael L. Scudder (46)*

Michael L. Scudder is the President and Chief Executive Officer of First Midwest Bancorp, Inc. and is an Executive Vice President of First Midwest Bank. He was appointed to these positions on September 14, 2008 following the unexpected death of John M. O Meara, the Company's former Chairman and Chief Executive Officer.

*Director since 2008*

Previously, Mr. Scudder served as the Company's President and Chief Operating Officer from May 2007 to September of 2008 and its Chief Financial Officer from January 2002 to May 2007. He also has served as the Group Executive Vice President and Chief Financial Officer of First Midwest Bank from May 1995 to December 2001 and in various other management capacities in his 22 years of service to the Company. Mr. Scudder has over 26 years of experience in the banking and financial institution industry.

Mr. Scudder serves as a member of our Executive Committee.

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 19, or visit the Investor Relations Section of our website at [http://www.firstmidwest.com/aboutinvestor\\_corporate.asp](http://www.firstmidwest.com/aboutinvestor_corporate.asp).

**Directors Recommendation**

The Board unanimously recommends a vote For the election of each of the nominees listed above for service on the Board.

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The Audit Committee of the Board has selected Ernst & Young LLP as our independent auditors for our fiscal year ending December 31, 2009. 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, 2008.

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 service 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.

		<b>Percent of</b>		<b>Percent of</b>
		<b>2008 Services</b>		<b>2007 Services</b>
		<b>Approved by</b>		<b>Approved by</b>
	<b>2008</b>	<b>Audit Committee</b>	<b>2007</b>	<b>Audit Committee</b>
Audit fees	\$901,635	100%	\$739,216	100%
Audit-related fees <sup>(a)</sup>	110,195	100%	84,000	100%
Tax fees <sup>(b)</sup>	111,285	100%	47,100	100%
All other fees	1,500	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.

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, 2009.



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**ITEM 3 APPROVAL OF AMENDMENTS TO  
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. Historically, we have granted stock options and shares of restricted stock and restricted stock units to key employees under the Omnibus Plan. We believe such equity awards align the interest of employees with those of stockholders because the value of an option award is only realized if our stock price increases after the date of grant, and the value of a restricted stock or restricted stock unit award appreciates as our stock price increases. As of the Record Date, only 663,918 shares remain available for future issuance under the Omnibus Plan, of which only 154,810 may be used for restricted stock or restricted stock unit awards.

**Proposed Amendment**

We are asking our stockholders to approve an amendment to the Omnibus Plan to:

1. Increase the number of shares available for issuance under the Omnibus Plan by 1 million shares of Common Stock.
2. Remove all restrictions on the number of authorized shares that may be issued as restricted stock or restricted stock units.
3. Change the definition of *Change-in-Control* to conform to our form of employment agreement adopted in 2007, so that the definition of *Change-in-Control* will require the acquisition of 25% of the voting stock of the Company rather than acquisition of only 10% of the voting stock of the Company.
4. Expressly prohibit the re-pricing of equity awards without stockholder approval.
5. Add provisions relating to compliance with the EESA and TARP (collectively, the Omnibus Plan Amendments).

**Purpose of the Omnibus Plan Amendments**

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 the Omnibus Plan Amendments will allow us to issue compensatory awards that are responsive to FMBI's needs and will advance our long-term interests.

If the Omnibus Plan Amendments are not approved by stockholders we will be severely limited in our ability to make awards under our employee equity compensation programs. Without equity-based compensation, we would be at a competitive disadvantage in the ability to provide a market-competitive, total compensation package necessary to attract, retain and motivate the talent critical to our future success. We strongly believe that our equity-based incentive programs and emphasis on employee stock ownership have been integral to our success in the past and will continue to be important to our ability to achieve consistently strong performance in the years ahead.

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On February 18, 2009, our Board approved the Omnibus Plan Amendments, subject to stockholder approval. In formulating and reaching its decision to recommend approval of the Omnibus Plan Amendments, the Board considered current best practices.

The following table shows what the breakdown of available shares would have been had the Omnibus Plan Amendments been in effect as of the Record Date:

Total	Director Plan	Amended Omnibus Plan
1,873,196	209,278	1,663,918

As of the Record Date, there were outstanding awards of 2,733,453 stock options, which have a weighted-average exercise price of \$31.57 and a weighted-average term of 5.2 years, and 142,243 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 \$9.22.

**Effect of EESA and ARRA\***

We are participants in the CPP, and we have consented to the limitations on executive compensation that were established for this program and in effect as of October 20, 2008 (see the section entitled *2008 Developments- Government Intervention and Regulation* beginning on page 31). Subsequently, on February 17, 2009, the President signed into law the ARRA, which directs the Treasury to adopt rules to implement compensation standards for CPP participants, including a prohibition on bonus, retention or incentive pay, other than a certain prescribed value of restricted stock.

It is likely that these new legislative and regulatory restrictions will preclude us from issuing stock options and impose limits on our ability to issue restricted stock grants to our named executive officers so long as we are CPP participants.

**Summary Description of the Omnibus Plan Amendments**

The following discussion sets forth the material terms of the Omnibus Plan as amended by this proposal if approved by stockholders. 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 Omnibus Plan Amendments which are 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. The Compensation Committee may interpret the Omnibus Plan and establish, amend and rescind any rules relating to the plan, including adoption of rules or procedures. For more information about our Compensation Committee, see the section entitled *Board Committees - Compensation Committee* beginning on page 21.

*Participants.* The Compensation Committee determines the employees eligible to participate in the Omnibus Plan. As of December 31, 2008, there were approximately 117 employees eligible for participation under the Plan.

\* Annex A includes a glossary of certain terms used in this proxy statement including terms relating to the federal programs discussed in this proposal.

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*Authorized Shares for Future Awards.* The Omnibus Plan authorizes the issuance of future awards for the acquisition of 1,663,918 shares of Common Stock to participants, which represents approximately 3.4% 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) canceled awards.

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

*No Annual Evergreen Provision.* The Omnibus Plan provides a specific number of shares of our Common Stock available for awards and does not contain an annual or automatic increase in the number of available shares.

*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.* Historically we have paid dividends during the restricted period to the holders of unvested shares of restricted stock issued under the Omnibus Plan. However, the Compensation Committee has determined that, with respect to future issuances of restricted stock, 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 dividends in cash or in shares of restricted stock.

*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. All of the shares available under the Omnibus Plan may be awarded in the form of incentive stock options. The exercise price of any option may not be less than the fair market value per share of our Common Stock on the date of issuance.\* Each stock option may be exercised in whole or in part after the grant becomes exercisable. The exercise price may be paid in cash, in shares of already owned Common Stock, in any combination of cash and shares, pursuant to a broker-assisted cashless exercise program or by such methods as the Compensation Committee may deem appropriate. 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 37.

\* Fair market value is the average of the high and low sale price of one share of Common Stock as quoted on the Nasdaq Stock Market on the operative date.

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- 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. The Compensation Committee will determine the terms and conditions applicable to RSAs. Restricted stock may be voted by the recipient during the restricted period. A recipient of a grant of restricted stock will generally earn unrestricted ownership thereof only if he or she is continuously employed by us during the entire restricted period. 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 37.
  
- 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. The Compensation Committee will determine the terms and conditions applicable to RSUs. A 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 37.
  
- 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. The Compensation Committee will determine the terms and conditions applicable to performance shares. The value of performance shares is determined by the market value of our Common Stock on the date of issuance. Performance shares may be voted by the recipient during the applicable performance period. 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 37 and 39.
  
- 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, upon such terms and conditions as the Compensation Committee may determine. 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 Incentive 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.* As amended, the definition of *Change-in-Control* will require the acquisition of 25% of the voting stock of the Company (rather than 10% as previously provided) 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.

This provision is consistent with our form of employment agreement adopted in 2007. 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 no award may be issued under the plan on or after February 21, 2011.

## **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



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excess of the option price will be taxed to 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.

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*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.

*Performance Goals and Maximum Awards.* Section 162(m) of the Code disallows federal income tax deductions for certain compensation in excess of \$1,000,000 per year paid to each of the Company's Chief Executive Officer and its other four most highly compensated executive officers (collectively, the Covered Employees). Under Section 162(m), compensation that qualifies as other performance-based compensation is not subject to the \$1,000,000 limit. One of the conditions necessary to qualify certain incentive awards as other performance-based compensation is that the material terms of the performance goals under which the award is made must be disclosed to, and approved by, the stockholders of the Company before the incentive compensation is paid.

*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.

*Effect of EESA.* We have contractually agreed to abide by a provision of EESA and the Treasury's regulations which limits our tax deduction for compensation paid to our named executive officers to \$500,000 annually. This provision of EESA amended the Code by adding Section 162(m)(5). Code Section 162(m)(5) imposes a \$500,000 deduction limit. In addition, prior to the amendment, certain performance based compensation paid under shareholder approved plans did not count toward such limit. The EESA and Code Section 162(m)(5) eliminate that exclusion for us. See the section entitled *2008 Developments - Government Intervention and Regulation* beginning on page 31.

## **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 relating to the issuance of Common Stock under the Omnibus Plan with the SEC 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 approval of the Omnibus Plan Amendment.

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

**VOTE ON EXECUTIVE COMPENSATION \***

On February 17, 2009, the President signed into law the ARRA, which revised Section 111(e) of the EESA to require any recipient of funds in the TARP program to permit a separate shareholder vote to approve the compensation of executives, as disclosed pursuant to the compensation disclosure rules of the SEC. We received TARP funds through our participation in the CPP (see the section entitled *2008 Developments - Government Intervention and Regulation* beginning on page 31). In order to comply with the ARRA, the Board has decided to provide 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 *Named Executive Officer Compensation Discussion and Analysis* and the tabular and accompanying narrative disclosure regarding Named Executive Officer compensation in this Proxy Statement for its 2009 Annual Meeting.

Because your vote is advisory, it will not be binding upon the Board. However, the Compensation Committee may 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 named executive officers 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 *Named Executive Officer Compensation Discussion and Analysis* and the related tabular disclosure (pages 30 through 59). 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.

The EESA and ARRA, and future regulations will greatly affect our compensation practices going forward. These laws apply to us because we sold preferred stock to the Treasury in the fourth quarter of 2008 under the CPP. Unfortunately, key details of these new laws will be determined only after the Treasury issues new regulations. As a result, we cannot reliably predict what changes we will be required to make to our compensation programs, and what effect these changes will have on our competitive position.

**Directors' Recommendation**

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

\* Annex A includes a glossary of certain terms used in this proxy statement including terms relating to the federal programs discussed in 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/aboutinvestor\\_corporate.asp](http://www.firstmidwest.com/aboutinvestor_corporate.asp) 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:

Code of Ethics for Senior Financial Officers

Code of Ethics and Standards of Conduct

Related Person Transaction Policies and Procedures

Audit Committee Charter

Compensation Committee Charter

Nominating and Corporate Governance Committee Charter

Corporate Governance Guidelines

**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.

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### **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. At each quarterly Board meeting, time is set aside for the independent directors to meet without management present.

In addition to the quarterly meetings, typically there are special meetings each year. For example, during 2008 our Board held four special meetings, our Compensation Committee held three special meetings and our Nominating and Corporate Governance Committee held two special meetings. Our Audit Committee did not hold any special meetings during 2008.

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 21, 2008, with the exception of Ms. Boige grain who was not elected to the Board until August 20, 2008.

The Board held a total of eight meetings during 2008. Director attendance at meetings of the Board and its committees averaged 95% during 2008. Each director attended at least 75% of the total number of meetings of the Board and committees on which he or she served. The Board met in executive session without management present during all of its 2008 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 and 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 also established an Executive Committee in October of 2008. The Executive Committee held one meeting during 2008.

Under our Corporate Governance Guidelines, the members of each Board committee (including each committee chair and any vice-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. On April 1, 2009 Vernon A. Brunner, the chair of our Compensation Committee, died. As a result: (1) J. Stephen Vanderwoude (who was previously the vice-chair of our Compensation Committee and chair of the Nominating and Corporate Governance Committee) became the chair of our Compensation Committee; and (2) Brother James Gaffney (who was previously the vice-chair of our Nominating and Corporate Governance Committee) became the chair of our Nominating and Corporate Governance Committee.

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The table below provides current membership and meeting information for each of the Board committees for the 2008 fiscal year. In November of 2008: (1) Both Ms. Boiegrain and Ms. Rudnick joined the Audit Committee; (2) Both Ms. Boiegrain and Brother James Gaffney joined the Compensation Committee; and (3) Mr. McDonnell joined the Nominating and Corporate Governance Committee.

Name	Executive	Audit	Compensation	Nominating & Corp. Governance
Boiegrain, Barbara A.		X	X	
Chelberg, Bruce S.		X		X
Chlebowski Jr., John F.		X		
England, Joseph W.	X	X*		
Gaffney, Brother James			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
Schwartz, Thomas J.	X			
Scudder, Michael L.	X			
Sterling, John L.			X	
Vanderwoude, J. Stephen	X		X*	X
Total meetings in fiscal year 2008	1	12	7	6

\* Committee Chair

Below is a description of each standing committee of our Board as well as our Executive 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/aboutinvestor\\_corporate.asp](http://www.firstmidwest.com/aboutinvestor_corporate.asp).

**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

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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.

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 *Named Executive Officer 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.

*Executive Committee.* The Executive Committee, which is subject to the supervision and control of the Board, has been delegated substantially all of the powers of the Board of Directors to act between meetings of the Board, except for certain matters reserved to the Board by law.

## **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

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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 2008, the Nominating and Corporate Governance Committee reviewed and approved the employment of Brian J. O Meara, our Director of Marketing and son of our former Chairman and Chief Executive Officer John M. O Meara, who earned more than \$120,000 in 2008. Also during 2008, 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 2008 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.

### **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 15, 2009, information about the beneficial ownership of our Common Stock by all directors, our named executive officers (as defined on page 32), 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 48,712,000 shares of Common Stock outstanding on February 15, 2009. 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 15, 2009. 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	973	*
Vernon A. Brunner	22,333	*
Bruce S. Chelberg	60,582	*
John F. Chlebowski, Jr.	7,221	*
Joseph W. England	44,550	*
Brother James Gaffney	26,379 <sup>(5)</sup>	*
Thomas M. Garvin	63,229 <sup>(6)</sup>	*
Patrick J. McDonnell	33,847	*
Robert P. O Meara	666,502	1.37%
John E. Rooney	16,657	*
Ellen A. Rudnick	14,288	*
Thomas J. Schwartz	256,318	*
Michael L. Scudder	166,210	*
John L. Sterling	108,039	*
J. Stephen Vanderwoude	72,021	*
<b>Named Executive Officers (other than Messrs. Schwartz and Scudder)</b>		
Victor P. Carapella	159,177 <sup>(7)</sup>	*
Paul F. Clemens	6,514	*
Janet M. Viano	104,398	*
<b>All directors and executive officers (including named executive officers) as a group</b>		
(23 persons)	2,122,532 <sup>(8)</sup>	4.29%
* Less than 1%		

## Notes:

- (1) Includes the following shares of Common Stock subject to options exercisable within 60 days after February 15, 2009: Barbara A. Boigegrain, 0 shares; Vernon A. Brunner, 7,643 shares; Bruce S. Chelberg, 26,281 shares; John F. Chlebowski, Jr., 6,586 shares; Joseph W. England, 26,281 shares; Brother James Gaffney, 26,281 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, 107,708 shares; Michael L. Scudder, 102,283 shares; John L. Sterling, 22,172 shares; J. Stephen Vanderwoude, 22,997 shares; Victor P. Carapella, 69,587 shares; Paul F. Clemens, 3,141 shares; and Janet M. Viano, 72,617 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 52. 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 15, 2009, is as follows: Thomas M. Garvin, 29,022 shares; Robert P. O Meara, 131,474 shares; John E. Rooney, 781 shares; Thomas J. Schwartz, 92,471 shares; Michael L. Scudder, 8,853 shares; J. Stephen Vanderwoude, 14,895 shares; Victor P. Carapella, 48,710 shares; Paul F. Clemens, 305 shares; and Janet M. Viano, 9,400 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, 1,355 shares; Michael L. Scudder, 5,806 shares; Victor P. Carapella, 25,527 shares; Paul F. Clemens, 114 shares; and Janet M. Viano, 15,156 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. Boigegrain, 973 shares; Vernon A. Brunner, 635 shares; Bruce S. Chelberg, 635 shares; John F. Chlebowski, Jr., 635 shares; Joseph W. England, 635 shares; Brother James Gaffney, 0 shares; Thomas M. Garvin, 635 shares; Patrick J. McDonnell, 635 shares; Robert P. O Meara, 635 shares; John E. Rooney, 635 shares; Ellen A. Rudnick, 635 shares; Thomas J. Schwartz, 5,682 shares; Michael L. Scudder, 35,715 shares; John L. Sterling, 635 shares; J. Stephen Vanderwoude, 635 shares; Victor P. Carapella, 1,819 shares; Paul F. Clemens, 954 shares; and Janet M. Viano, 1,807 shares.
- (5) Includes 98 shares of Common Stock owned by Lewis University as to which Brother James Gaffney disclaims beneficial ownership.
- (6) Includes 27,206 shares of Common Stock held in a margin account.
- (7) Includes 7,139 shares of Common Stock held in a margin account.
- (8) Includes: 69,061 shares of Common Stock held in our Savings and Profit Sharing Plan for the accounts of certain executive officers; 60,798 shares of restricted stock which are subject to future vesting conditions; 366,217 shares of Common Stock payable to certain directors and executive officers pursuant to our deferred compensation plans; and 779,619 shares of Common Stock subject to options exercisable within 60 days after February 15, 2009. Includes 34,766 shares of Common Stock held in margin accounts.

**Other Security Ownership**

The following table identifies each person or group known to us as of February 15, 2009 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
Barclays Global Investors, N.A. <sup>(1)</sup> 45 Fremont Street San Francisco, CA 94105	4,257,283 shares	8.77%

Notes:

- (1) This information is based solely on a Schedule 13G filed with the SEC on February 5, 2009 by Barclays Global Investors, NA., and a group of affiliated entities which reported sole voting and dispositive power as of December 31, 2008 as follows: (i) Barclays Global Investors, NA., sole voting power as to 898,631 shares and sole dispositive power as to 1,004,991 shares; (ii) Barclays Global Fund Advisors, sole voting power as to 2,666,578 shares and sole dispositive power as to 3,219,700 shares; and (iii) Barclays Global Investors, LTD, sole voting power as to 1,500 shares and sole dispositive power as to 32,592 shares.

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**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 2008, 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; and (4) \$4,000 for the Chair of the Nominating and Corporate Governance Committee. As of September 14, 2008, we implemented an annual cash retainer for our non-employee Chairman of the Board in the amount of \$100,000. 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.* The annual equity component of our non-employee director compensation program generally 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. Historically, our non-employee director equity awards have been in the form of nonqualified stock options, however, in May of 2008 the Board determined that shares of restricted stock, rather than non-qualified stock options would be issued for the equity component of our non-employee director compensation program in the future. Director equity awards are issued under the *First Midwest Bancorp, Inc. Amended and Restated Directors Stock Plan* (Directors Plan).

In 2008, the aggregate dollar value of the equity component of our annual non-employee director compensation was based on \$56,000 for each director. Due to limitations with regard to the number of shares available for issuance under the Directors Plan, we were able to issue only a partial equity award (in the form of non-qualified stock options) to our non-employee directors on February 20, 2008. The balance of the non-employee director equity awards were issued (in the form of shares of restricted stock) on May 21, 2008 after the Company's stockholders approved an additional 200,000 shares of Common Stock for issuance under the Directors Plan.

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The February awards were calculated by determining a pro-rated dollar amount for each award based on the number of shares available for issuance under the Directors Plan, divided by \$28.095, 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. The May awards were calculated by taking the dollar value of the balance, divided by \$24.79, 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 2008 with the exception of Barbara A. Boigegrain who received a pro-rated award of shares of restricted Common Stock on August 20, 2008 (the day she joined the Board). The equity awards for our non-employee directors for the 2008 fiscal year were as follows:

	Non-Qualified Stock Options	Restricted Stock
Barbara A. Boigegrain	-	973
Vernon A. Brunner	3,740	635
Bruce S. Chelberg	3,740	635
John F. Chlebowski, Jr.	3,740	635
Joseph W. England	3,740	635
Brother James Gaffney	3,740	-
Thomas M. Garvin	3,740	635
Patrick J. McDonnell	3,740	635
Robert P. O Meara	3,740	635
John E. Rooney	3,740	635
Ellen A. Rudnick	3,740	635
John L. Sterling	3,740	635
J. Stephen Vanderwoude	3,740	635

*Non-qualified Stock Options:* The exercise price of non-qualified stock options issued to non-employee directors is equal to 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 option has a term of ten years from the date of grant and becomes exercisable one year from the grant date subject to accelerated vesting in the event of end of Board service, death, disability or a change-in-control, as defined in the Directors Plan. Options are nontransferable except to family members, family trusts or partnerships and include reload features. Information relating to the reload feature can be found on page 38.

*Restricted Stock:* The number of shares granted under each award of restricted stock is equal to the dollar value of the award, 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 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 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, 2008, see the fund table presented in the section of this Proxy Statement entitled *Non-qualified Deferred Compensation* beginning on page 52.

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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 summarizes the cash compensation we paid to our non-employee directors during 2008, and the dollar amount expensed by the Company for financial statement purposes during 2008 with respect to equity grants (including annual equity compensation grants and stock option reload grants) issued in 2008 and 2007 to our non-employee directors.

(a) Name	(b) Fees Earned or Paid in Cash <sup>(1)</sup> (\$)	(c) Stock Awards <sup>(2)(3)</sup> (\$)	(d) Option Awards <sup>(4)(5)</sup> (\$)	(e) All Other Compensation <sup>(6)</sup> (\$)	(f) Total (\$)
Barbara A. Boiegrain <sup>(7)</sup>	\$10,000	\$7,649	\$ -	\$2,500	\$20,149
Vernon A. Brunner	42,000	9,661	13,955	2,500	68,116
Bruce S. Chelberg	47,000	9,661	13,955	-	70,616
John F. Chlebowski, Jr.	44,000	9,661	19,990	-	73,651
Joseph W. England	48,000	9,661	13,955	-	71,616
Brother James Gaffney <sup>(8)</sup>	-	-	13,955	-	13,955
Thomas M. Garvin	40,000	9,661	13,955	1,000	64,616
Patrick J. McDonnell	44,000	9,661	13,955	-	67,616
Robert P. O Meara	44,620 <sup>(9)</sup>	9,661	15,301	8,535 <sup>(9)</sup>	78,117
John E. Rooney	44,000	9,661	13,955	-	67,616
Ellen A. Rudnick	40,000	9,661	13,955	2,500	66,116
John L. Sterling	40,000	9,661	13,955	-	63,616
J. Stephen Vanderwoude	47,000	9,661	13,955	-	70,616

Notes:

(1) Includes amounts deferred at the election of the Directors pursuant to our Directors Deferred Plan.