

FIRST MIDWEST BANCORP INC

Form PRE 14A

April 06, 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.
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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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, 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.

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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> |
|---|---|

Ms. Boigegrain serves as a member of our Audit Committee and Compensation Committee.

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Bruce S. Chelberg
(74)
Director since 1989

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.

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)
Director since 1986

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.

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

Patrick J. McDonnell
(65)
Director since 2002

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.

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

Robert P. O Meara
(71)
Director since 1982

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.

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.

Directors Recommendation

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

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

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

| | | Percent of | | Percent of |
|-----------------------------------|-------------|------------------------|-------------|------------------------|
| | | 2008 Services | | 2007 Services |
| | | Approved by | | Approved by |
| | 2008 | Audit Committee | 2007 | Audit Committee |
| Audit fees | \$901,635 | 100% | \$739,216 | 100% |
| Audit-related fees ^(a) | 110,195 | 100% | 84,000 | 100% |
| Tax fees ^(b) | 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;