
**SECURITIES AND EXCHANGE COMMISSION
FORM 10-Q**

Washington, D.C. 20549

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarter ended **September 30, 2002** or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File Number 0-10967

FIRST MIDWEST BANCORP, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

36-3161078

(IRS Employer Identification No.)

**300 Park Blvd., Suite 405, P.O. Box 459
Itasca, Illinois 60143-9768**

(Address of principal executive offices) (zip code)

(630) 875-7450

(Registrant's telephone number, including area code)

Common Stock, \$.01 Par Value

Preferred Share Purchase Rights

Securities Registered Pursuant to Section 12(g) of the Act

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

As of November 12, 2002, 47,446,331 shares of the Registrant's \$.01 par value common stock were outstanding, excluding treasury shares.

Exhibit Index is located on page 30.

FIRST MIDWEST BANCORP, INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST MIDWEST BANCORP, INC. CONSOLIDATED STATEMENTS OF CONDITION

(Amounts in thousands)

	September 30, 2002	December 31, 2001
	(Unaudited)	
Assets		
Cash and due from banks	\$ 179,391	\$ 155,822
Federal funds sold and other short-term investments	5,036	4,334
Mortgages held for sale	15,670	15,240
Securities available for sale, at market value	2,123,412	1,771,607
Securities held to maturity, at amortized cost.....	94,533	89,227
Loans, net of unearned discount.....	3,398,393	3,372,306
Reserve for loan losses	(47,919)	(47,745)
Net loans	3,350,474	3,324,561
Premises, furniture and equipment	80,636	77,172
Accrued interest receivable	34,680	32,027
Investment in corporate owned life insurance.....	139,902	135,280
Goodwill	16,397	16,397
Other intangible assets	373	1,313
Other assets	33,026	44,939
Total assets	\$ 6,073,530	\$ 5,667,919
Liabilities		
Demand deposits	\$ 803,499	\$ 738,175
Savings deposits	456,221	421,079
NOW accounts.....	759,386	662,530
Money market deposits	531,041	584,030
Time deposits.....	1,709,615	1,788,107
Total deposits	4,259,762	4,193,921
Borrowed funds	1,238,846	971,851
Accrued interest payable	8,301	10,231
Other liabilities	69,285	44,649
Total liabilities	5,576,194	5,220,652
Stockholders' equity		
Preferred stock, no par value; 1,000 shares authorized, none issued	—	—
Common stock, \$.01 par value; authorized 100,000 shares; issued 56,927 shares; outstanding: September 30, 2002 - 47,616 shares December 31, 2001 - 48,725 shares	569	569
Additional paid-in capital	71,124	74,961
Retained earnings.....	580,707	537,600
Accumulated other comprehensive income, net of tax.....	46,887	5,265
Treasury stock, at cost: September 30, 2002 - 9,311 shares December 31, 2001 - 8,202 shares	(201,951)	(171,128)
Total stockholders' equity	497,336	447,267
Total liabilities and stockholders' equity	\$ 6,073,530	\$ 5,667,919

See notes to consolidated financial statements.

FIRST MIDWEST BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except per share data)
(Unaudited)

	Quarters Ended		Nine Months Ended	
	September 30,		September 30,	
	2002	2001	2002	2001
Interest Income				
Loans.....	\$ 56,209	\$ 66,722	\$ 169,865	\$ 203,784
Securities available for sale	25,496	26,971	77,260	88,404
Securities held to maturity.....	1,334	1,381	3,767	4,217
Federal funds sold and other short-term investments.....	220	277	551	749
Total interest income	83,259	95,351	251,443	297,154
Interest Expense				
Deposits.....	20,074	31,762	63,931	108,113
Borrowed funds.....	7,727	10,310	21,511	38,509
Total interest expense	27,801	42,072	85,442	146,622
Net interest income	55,458	53,279	166,001	150,532
Provision for loan losses	3,020	5,248	11,175	12,771
Net interest income after provision for loan losses	52,438	48,031	154,826	137,761
Noninterest Income				
Service charges on deposit accounts	6,439	6,062	18,414	17,643
Trust and investment management fees	2,543	2,589	7,802	7,910
Other service charges, commissions, and fees.....	4,501	4,924	13,252	13,819
Corporate owned life insurance income	1,831	1,935	5,268	6,222
Security gains, net.....	9	55	33	757
Other income	1,566	1,673	4,644	5,082
Total noninterest income	16,889	17,238	49,413	51,433
Noninterest Expense				
Salaries and wages.....	16,334	15,408	46,782	44,709
Retirement and other employee benefits	4,683	4,111	14,011	12,345
Occupancy expense of premises.....	3,682	3,459	10,795	11,392
Equipment expense.....	1,956	1,872	5,810	5,715
Technology and related costs	2,448	2,594	7,465	7,693
Professional services	1,615	1,637	5,004	4,474
Advertising and promotions.....	1,157	628	3,360	2,597
Other expenses	6,231	7,175	19,129	19,771
Total noninterest expense	38,106	36,884	112,356	108,696
Income before income tax expense.....	31,221	28,385	91,883	80,498
Income tax expense	8,542	7,136	24,199	19,634
Net income	<u>\$ 22,679</u>	<u>\$ 21,249</u>	<u>\$ 67,684</u>	<u>\$ 60,864</u>
Per Share Data				
Basic earnings per share.....	\$ 0.47	\$ 0.43	\$ 1.40	\$ 1.21
Diluted earnings per share.....	\$ 0.47	\$ 0.42	\$ 1.39	\$ 1.20
Cash dividends per share	\$ 0.17	\$ 0.16	\$ 0.51	\$ 0.48
Weighted average shares outstanding.....	47,839	49,727	48,293	50,475
Weighted average diluted shares outstanding.....	48,146	50,119	48,652	50,794

See notes to consolidated financial statements.

FIRST MIDWEST BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2002	2001
Operating Activities		
Net income	\$ 67,684	\$ 60,864
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	11,175	12,771
Depreciation of premises, furniture, and equipment	6,546	6,620
Net amortization of premium on securities	5,661	712
Net (gains) on sales of securities	(33)	(757)
Net (gains) on sales of other real estate owned	(159)	(98)
Net losses (gains) on sales of premises, furniture, and equipment	144	(220)
Tax benefits from employee exercises of nonqualified stock options	942	620
Net decrease (increase) in deferred income taxes	110	(1,045)
Net amortization of goodwill and other intangibles	940	2,245
Originations and purchases of mortgage loans held for sale	(152,003)	(191,912)
Proceeds from sales of mortgage loans held for sale	151,573	186,384
Net (increase) in corporate owned life insurance	(4,622)	(6,552)
Net (increase) decrease in accrued interest receivable	(2,653)	4,268
Net (decrease) in accrued interest payable	(1,930)	(8,716)
Net (increase) in other assets	(14,945)	(9,012)
Net increase in other liabilities	24,791	13,079
Net cash provided by operating activities	93,221	69,251
Investing Activities		
Securities available for sale:		
Proceeds from maturities, repayments, and calls	384,209	512,724
Proceeds from sales	267,873	505,001
Purchases	(942,751)	(675,939)
Securities held to maturity:		
Proceeds from maturities, repayments, and calls	27,261	25,651
Purchases	(32,566)	(27,820)
Net (increase) in loans	(42,014)	(229,409)
Proceeds from sales of other real estate owned	5,743	2,022
Proceeds from sales of premises, furniture, and equipment	1,314	2,415
Purchases of premises, furniture, and equipment	(11,468)	(4,633)
Net cash (used) provided by investing activities	(342,399)	110,012
Financing Activities		
Net increase (decrease) in deposit accounts	65,841	(72,711)
Net increase (decrease) in borrowed funds	266,995	(28,859)
Purchase of treasury stock	(40,659)	(52,072)
Proceeds from issuance of treasury stock	8	9
Cash dividends paid	(24,773)	(24,385)
Exercise of stock options	6,037	2,144
Net cash provided (used) by financing activities	273,449	(175,874)
Net increase in cash and cash equivalents	24,271	3,389
Cash and cash equivalents at beginning of period	160,156	184,493
Cash and cash equivalents at end of period	\$ 184,427	\$ 187,882

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements of First Midwest Bancorp, Inc. ("First Midwest" or the "Company") have been prepared in accordance with generally accepted accounting principles and with the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of Management, all normal and recurring adjustments that are necessary to fairly present the results for the interim periods presented have been included. The preparation of financial statements requires Management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. In addition, certain reclassifications have been made to the 2001 data to conform to the 2002 presentation. For further information with respect to significant accounting policies followed by First Midwest in the preparation of its consolidated financial statements, refer to First Midwest's Annual Report on Form 10-K for the year ended December 31, 2001.

Reserve for Loan Losses

The reserve for loan losses is maintained at a level believed adequate by Management to absorb probable losses inherent in the loan portfolio and is based on the size and current risk characteristics of the loan portfolio, an assessment of individual problem loans, actual and anticipated loss experience, and current economic events in specific industries and geographical areas including regulatory guidance, general economic conditions, and other pertinent factors. Determination of the reserve is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends, all of which may be susceptible to significant change. Loan losses are charged off against the reserve while recoveries of amounts previously charged off are credited to the reserve. A provision for loan losses is charged to operating expense based on Management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors.

Based on an estimation done pursuant to the requirements of Financial Accounting Standards Board ("FASB") Statement No. 5, "Accounting for Contingencies," and FASB Statements Nos. 114 and 118, "Accounting by Creditors for Impairment of a Loan," the reserve for loan losses consists of three components: (i) specific reserves established for expected losses resulting from analysis developed through specific credit allocations on individual loans for which the recorded investment in the loan exceeds its fair value; (ii) general allocated reserves based on historical loan loss experience for each loan category; and (iii) unallocated reserves based on general economic conditions as well as specific economic factors in the markets in which the Company operates.

The specific reserves component of the reserve for loan losses is based on a regular analysis of loans over a fixed-dollar amount where the internal credit rating is at or below a predetermined classification. A loan is considered impaired when it is probable that First Midwest will be unable to collect all contractual principal and interest due according to the terms of the loan agreement. Loans subject to impairment valuation are defined as nonaccrual and restructured loans, exclusive of smaller homogeneous loans such as home equity, installment, and 1-4 family residential loans. The fair value of the loan is determined based on either the present value of expected future cash flows discounted at the loan's effective interest rate, the market price of the loan, or, if the loan is collateral dependent, the fair value of the underlying collateral less cost of sale.

The general allocated component of the reserve for loan losses is determined statistically using a loss migration analysis that examines historical loan loss experience and the related internal gradings of loans charged-off. The loss migration analysis is performed quarterly and loss factors are updated regularly based on actual experience. The general allocated element of the reserve for loan losses also includes consideration of the amounts necessary for concentrations and changes in portfolio mix and volume.

The unallocated component of the reserve for loan losses reflects Management's estimate of probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information (including unfavorable information about a borrower's financial condition), the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet manifested themselves in loss allocation factors. In

addition, the unallocated component includes a portion that explicitly accounts for the inherent imprecision in loan loss migration models. The uncertainty following the events of September 11, 2001 and the current recessionary environment also impact the allocation model's estimate of loss. The historical losses used in the migration analysis may not be representative of actual losses inherent in the portfolio that have not yet been realized.

Goodwill And Other Intangible Assets

Effective January 1, 2002, First Midwest adopted FASB Statement No. 142, "Goodwill and Other Intangible Assets" ("FASB No. 142"), which addresses the accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion 17. Under FASB No. 142, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but reviewed for impairment annually, or more frequently if certain indicators arise. In addition, the Statement requires intangible assets with identifiable lives to be evaluated periodically and to continue to be amortized over their useful lives.

As part of the Statement's adoption provisions, FASB No. 142 requires a transitional impairment test to be applied to goodwill and other indefinite-lived assets as of or within six months of the date of adoption. Any impairment loss resulting from the transitional impairment test would be recorded as a cumulative effect of a change in accounting principal with any subsequent impairment losses reflected in operating income in the income statement. First Midwest completed the transitional impairment test required on its goodwill balances as of its January 1, 2002 adoption date and determined that no impairment existed as of such date. For additional disclosures regarding goodwill and other intangible assets, see Note 5 on page 10 of this Form 10-Q.

Accounting For Long-Lived Assets

Effective January 1, 2002, First Midwest adopted FASB Statement No. 144, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," ("FASB No. 144") which addresses how and when to measure impairment on long-lived assets and how to account for long-lived assets that an entity plans to dispose of either through sale, abandonment, exchange, or distribution to owners. The new provisions supersede FASB No. 121, which addressed asset impairment, and certain provisions of APB Opinion 30 related to reporting the effects of the disposal of a business segment and requires expected future operating losses from discontinued operations to be recorded in the period in which the losses are incurred rather than the measurement date. Under FASB No. 144, more dispositions may qualify for discontinued operations treatment in the income statement. The adoption of FASB No. 144 had no material impact on the Company's financial position as of September 30, 2002 or results of operations for the quarter and nine months ended September 30, 2002.

Accounting for Costs Associated with Exit or Disposal Activities

Effective June 2002, First Midwest adopted FASB Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," ("FASB No. 146") which addresses financial accounting and reporting for costs associated with exit or disposal activities. FASB No. 146 requires recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred, as opposed to when the entity commits to an exit plan under EITF No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." FASB No. 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002. Management does not anticipate that FASB No. 146 will have a material impact on the Company's financial position or results of operations.

Acquisitions of Certain Financial Institutions

In October 2002, the FASB issued Statement No. 147, "Acquisitions of Certain Financial Institutions," ("FASB No. 147") which brings all business combinations involving financial institutions, except mutuals, into the scope of FASB No. 141, "Business Combinations." FASB No. 147 requires that all acquisitions of financial institutions that meet the definition of a business must be accounted for in accordance with FASB No. 141 and the related intangibles accounted for in accordance with FASB No. 142, "Goodwill and Other Intangible Assets." The new statement removes such acquisitions from the scope of FASB No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions." In addition, FASB No. 147 amends FASB No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. FASB No. 147's transition provisions require affected institutions to reclassify their FASB No. 72 goodwill as FASB No. 142 goodwill as of the date the company initially applied FASB No. 142 in its entirety. The effective date for adoption by First Midwest will be October 1, 2002. The adoption of FASB No. 147 had no effect on the Company's financial position or results of operations.

2. SECURITIES

The aggregate amortized cost, gross unrealized gains and losses, and market value of securities were as follows:

	September 30, 2002			December 31, 2001				
	Amortized Cost	Gross Unrealized Gains	Unrealized Losses	Market Value	Amortized Cost	Gross Unrealized Gains	Unrealized Losses	Market Value
Securities Available for Sale								
U.S. Treasury	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ 5	\$ -	\$ 205
U.S. Agency	195,873	1,284	-	197,157	70,217	208	(30)	70,395
Mortgage-backed....	1,314,498	34,635	(1,575)	1,347,558	1,152,535	12,091	(2,887)	1,161,739
State and municipal.	471,082	45,798	-	516,880	473,873	9,347	(4,046)	479,174
Other.....	63,579	149	(1,911)	61,817	63,167	51	(3,124)	60,094
Total	<u>\$ 2,045,032</u>	<u>\$ 81,866</u>	<u>\$ (3,486)</u>	<u>\$ 2,123,412</u>	<u>\$ 1,759,992</u>	<u>\$ 21,702</u>	<u>\$ (10,087)</u>	<u>\$ 1,771,607</u>
Securities Held to Maturity								
U.S. Treasury	\$ 1,206	\$ -	\$ -	\$ 1,206	\$ 2,006	\$ 40	\$ -	\$ 2,046
U.S. Agency	126	-	-	126	126	-	-	126
State and municipal	57,943	153	-	58,096	63,452	127	(4)	63,575
Other.....	35,258	-	-	35,258	23,643	-	-	23,643
Total	<u>\$ 94,533</u>	<u>\$ 153</u>	<u>\$ -</u>	<u>\$ 94,686</u>	<u>\$ 89,227</u>	<u>\$ 167</u>	<u>\$ (4)</u>	<u>\$ 89,390</u>

For additional details of the securities available for sale portfolio and the related impact of unrealized gains/(losses) thereon, see Note 7 on page 11 of this Form 10-Q.

3. LOANS

Total loans, net of deferred loan fees and other discounts of \$2.1 million and \$2.3 million at September 30, 2002 and December 31, 2001, respectively, were as follows:

	September 30, 2002	December 31, 2001
Commercial and industrial.....	\$ 914,531	\$ 827,281
Agricultural	87,590	87,188
Consumer	933,520	947,246
Real estate - 1 - 4 family	155,090	196,741
Real estate - commercial	990,526	998,857
Real estate - construction	317,136	314,993
Total loans, net of unearned discount	<u>\$ 3,398,393</u>	<u>\$ 3,372,306</u>

First Midwest concentrates its lending activity in the geographic market areas that it serves, generally lending to consumers and small to mid-sized businesses from whom deposits are garnered in the same market areas. As a result, First Midwest strives to maintain a loan portfolio that is diverse in terms of loan type, industry, borrower and geographic concentrations. Such diversification reduces the exposure to economic downturns that may occur in different segments of the economy or in different industries. As of September 30, 2002 and December 31, 2001, there were no significant loan concentrations with any single borrower or industry.

4. RESERVE FOR LOAN LOSSES/IMPAIRED LOANS

A summary of the transactions in the reserve for loan losses and details regarding impaired loans for the quarters and nine months ended September 30, 2002 and 2001 are summarized below:

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Balance at beginning of period	\$ 47,818	\$ 46,705	\$ 47,745	\$ 45,093
Loans charged-off.....	(3,732)	(5,032)	(13,603)	(12,308)
Recoveries of loans previously charged-off.....	813	824	2,602	2,189
Net loans charged-off.....	(2,919)	(4,208)	(11,001)	(10,119)
Provision for loan losses.....	3,020	5,248	11,175	12,771
Balance at end of period.....	<u>\$ 47,919</u>	<u>\$ 47,745</u>	<u>\$ 47,919</u>	<u>\$ 47,745</u>
			<u>As of September 30,</u>	
			2002	2001
Impaired Loans:				
Requiring valuation reserve ⁽¹⁾			\$ 2,443	\$ 8,552
Not requiring valuation reserve.....			4,766	8,666
Total impaired loans.....			<u>\$ 7,209</u>	<u>\$ 17,218</u>
Valuation reserve related to impaired loans.....			\$ 2,047	\$ 3,010
Average impaired loans ⁽²⁾			\$ 10,496	\$ 15,771
Interest income recognized on impaired loans ⁽²⁾			\$ 286	\$ 224

(1) These impaired loans require a valuation reserve allocation because the value of the loans is less than the recorded investments in the loans.

(2) Amounts are for the nine months ended September 30, 2002.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Upon adoption of FASB No. 142, "Goodwill and Other Intangible Assets," First Midwest discontinued the amortization of goodwill, which decreased noninterest expense and increased net income for the quarter and nine months ended September 30, 2002 as compared to the same 2001 periods. A reconciliation of previously reported net income and earnings per share as adjusted for the exclusion of goodwill amortization is presented below as if First Midwest had accounted for goodwill under FASB No. 142 for all periods presented:

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Reported net income	\$ 22,679	\$ 21,249	\$ 67,684	\$ 60,864
Add back of goodwill amortization	-	540	-	1,620
Adjusted net income	<u>\$ 22,679</u>	<u>\$ 21,789</u>	<u>\$ 67,684</u>	<u>\$ 62,484</u>
Basic earnings per share:				
Reported net income	\$ 0.47	\$ 0.43	\$ 1.40	\$ 1.21
Goodwill amortization	-	0.01	-	0.03
Adjusted net income	<u>\$ 0.47</u>	<u>\$ 0.44</u>	<u>\$ 1.40</u>	<u>\$ 1.24</u>
Diluted earnings per share:				
Reported net income	\$ 0.47	\$ 0.42	\$ 1.39	\$ 1.20
Goodwill amortization	-	0.01	-	0.03
Adjusted net income	<u>\$ 0.47</u>	<u>\$ 0.43</u>	<u>\$ 1.39</u>	<u>\$ 1.23</u>

First Midwest's carrying value of goodwill was \$16.4 million at September 30, 2002 and December 31, 2001. Information regarding the Company's other intangible assets follows:

	September 30, 2002			December 31, 2001		
	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Other intangible assets:						
Core deposit premiums	\$ 5,359	\$ 5,042	\$ 317	\$ 6,982	\$ 5,856	\$ 1,126
Other identified intangibles	423	367	56	423	236	187
Total.....	<u>\$ 5,782</u>	<u>\$ 5,409</u>	<u>\$ 373</u>	<u>\$ 7,405</u>	<u>\$ 6,092</u>	<u>\$ 1,313</u>

Amortization expense of other intangible assets, which is deductible for income tax purposes, was \$382 and \$179 for the quarters ended September 30, 2002 and 2001, respectively. Amortization expense of other intangible assets was \$940 and \$625 for the nine months ended September 30, 2002 and 2001, respectively.

6. EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per share for the quarters and nine months ended September 30, 2002 and 2001:

	<u>Quarters Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Basic Earnings per Share:				
Net income	\$ 22,679	\$ 21,249	\$ 67,684	\$ 60,864
Average common shares outstanding.....	47,839	49,727	48,293	50,475
Basic earnings per share.....	\$ 0.47	\$ 0.43	\$ 1.40	\$ 1.21
Diluted Earnings per Share:				
Net income	\$ 22,679	\$ 21,249	\$ 67,684	\$ 60,864
Average common shares outstanding.....	47,839	49,727	48,293	50,475
Dilutive effect of stock options.....	307	392	359	319
Diluted average common shares outstanding.....	<u>48,146</u>	<u>50,119</u>	<u>48,652</u>	<u>50,794</u>
Diluted earnings per share	\$ 0.47	\$ 0.42	\$ 1.39	\$ 1.20

7. COMPREHENSIVE INCOME

The components of comprehensive income, net of related taxes, for the quarters and nine months ended September 30, 2002 and 2001 are as follows:

	<u>Quarters Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Net income	\$ 22,679	\$ 21,249	\$ 67,684	\$ 60,864
Unrealized holding gains on securities available for sale, net of reclassification adjustment	20,470	19,327	40,727	25,631
Unrealized holding gains (losses) on hedging activity	330	(1,227)	895	(1,897)
Comprehensive income	<u>\$ 43,479</u>	<u>\$ 39,349</u>	<u>\$ 109,306</u>	<u>\$ 84,598</u>

Disclosure of Reclassification Amount:

Unrealized holding gains on securities available for sale arising during the period	\$ 20,475	\$ 19,361	\$ 40,707	\$ 26,094
Less: Reclassification adjustment for net gains (losses) realized during the period	5	34	(20)	463
Net unrealized holding gains on securities available for sale	<u>\$ 20,470</u>	<u>\$ 19,327</u>	<u>\$ 40,727</u>	<u>\$ 25,631</u>

Provided below is the change in accumulated other comprehensive income (loss) for the nine months ended September 30, 2002 and 2001:

	Nine Months Ended September 30,	
	2002	2001
Beginning balance.....	\$ 5,265	\$ (7,039)
Current year change.....	41,622	23,734
Ending balance	<u>\$ 46,887</u>	<u>\$ 16,695</u>
Ending balance consists of:		
Accumulated unrealized gains on securities available for sale	\$ 47,812	\$ 18,592
Accumulated unrealized (losses) on hedging activities	(925)	(1,897)
Total accumulated other comprehensive income	<u>\$ 46,887</u>	<u>\$ 16,695</u>

For additional details of the securities available for sale portfolio and the related impact of unrealized gains/(losses) thereon, see Note 2 on page 8 of this Form 10-Q.

8. SUPPLEMENTARY CASH FLOW INFORMATION

Supplemental disclosures to the Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and 2001 are as follows:

	Nine Months Ended September 30,	
	2002	2001
Income taxes paid.....	\$ 20,926	\$ 17,621
Interest paid to depositors and creditors.....	87,372	155,338
Noncash transfers of loans to foreclosed real estate	4,926	4,238
Dividends declared but unpaid.....	8,107	7,879

9. CONTINGENT LIABILITIES AND OTHER MATTERS

As of September 30, 2002 there were certain legal proceedings pending against First Midwest and its Subsidiaries in the ordinary course of business. In assessing these proceedings, including the advice of counsel, First Midwest believes that liabilities arising from these proceedings, if any, would not have a material adverse effect on the consolidated financial condition of First Midwest as of September 30, 2002.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion presented below provides an analysis of First Midwest's results of operations and financial condition for the quarters and nine months ended September 30, 2002 and 2001. **Management's discussion and analysis should be read in conjunction with the Consolidated Financial Statements and accompanying notes presented elsewhere in this report as well as First Midwest's 2001 Annual Report on Form 10-K.** Results of operations for the quarter and nine months ended September 30, 2002 are not necessarily indicative of results to be expected for the full year of 2002. Unless otherwise stated, all earnings per share data included in this section and throughout the remainder of this discussion are presented on a diluted basis. All financial information is presented in thousands, except per share data.

Summary of Performance

Net income for the quarter ended September 30, 2002 increased to \$22,679, or \$.47 per diluted share, as compared to the 2001 third quarter of \$21,249, or \$.42 per diluted share, representing an increase of 11.9% on a diluted per share basis. Performance for the 2002 quarter resulted in an annualized return on average assets of 1.50% as compared to 1.47% for the same quarter of 2001 and annualized return on average equity of 18.5% as compared to 18.6% for the 2001 quarter. The elimination of goodwill amortization expense resulting from the implementation of FASB No. 142 (effective January 1, 2002) added \$540 (after tax) and \$.01 per share to third quarter 2002 net income and diluted earnings per share, respectively.

For the nine months ended September 30, 2002, net income increased to a record \$67,684, or \$1.39 per diluted share, as compared to 2001's \$60,864, or \$1.20 per diluted share, representing an increase of 15.8% on a diluted per share basis. Performance for the first nine months of 2002 resulted in an annualized return on average assets of 1.54% as compared to 1.42% for the same 2001 period and an annualized return on average equity of 19.1% as compared to 17.8% for the 2001 period. The elimination of goodwill amortization expense added \$1,620 (after tax) and \$.03 per share to the nine months ended September 30, 2002 net income and diluted earnings per share, respectively.

Net interest income was \$55,458 for third quarter 2002 as compared to \$53,279 for 2001's like quarter, representing an increase of 4.1%. Net interest margin for third quarter 2002 was 4.26%, essentially unchanged from the 2001 quarter of 4.27%.

Total noninterest income for the third quarter and nine months of 2002 was \$16,889 and \$49,413, down 2.0% and 3.9%, respectively, from the like 2001 periods. Total noninterest expense increased by 3.3% and 3.4% for the quarter and nine months ended September 30, 2002, respectively, as compared to the like 2001 periods. The efficiency ratio for third quarter 2002 was 49.1% as compared to 48.9% for 2001's third quarter and 49.7% for full year 2001. The efficiency ratio for the first nine months of 2002 improved to 48.5% as compared to 50.2% for the same period in 2001 as a result of revenue growth outpacing expense increases in the 2002 period.

The provision for loan losses for third quarter 2002 totaled \$3,020, exceeding net charge-offs by \$101. Net loan charge-offs for third quarter 2002 improved to .34% of average loans, as compared to .49% for third quarter 2001 and .36% on a linked-quarter basis.

Net Interest Income, Earning Assets, and Funding Sources

Net Interest Income/Margin

Net interest income is the difference between interest income on earning assets, such as loans and investment securities, and interest expense on liabilities, such as deposits and borrowings, which are used to fund those assets. The level of interest rates and the volume and mix of interest-earning assets and interest-bearing liabilities impact net interest income. Net interest margin represents net interest income as a percentage of total interest-earning assets. The accounting policies underlying the recognition of interest income on loans, securities, and other earning assets are included in the "Notes to Consolidated Financial Statements" contained in First Midwest's 2001 Annual Report on Form 10-K.

Net interest income on a tax equivalent basis totaled \$58,702 for third quarter 2002, representing an increase of \$1,879, or 3.3%, over third quarter 2001 of \$56,823. Net interest margin for third quarter 2002 was 4.26% as compared to 4.27% for the 2001 like quarter and 4.43% in second quarter 2002. Consistent with First Midwest's expectations, the continued low interest rate environment and management steps taken during the year to insulate net interest income against the potential for rising interest rates created margin contraction between the second and third quarters of 2002. In addition, significant increases in mortgage refinance related prepayments have contributed to lower earning asset rates within the mortgage-backed security portion of the investment security portfolio.

Over the course of 2001, the Federal Reserve dropped the federal funds rate from 6.5% at the beginning of the year to 2.75% at September 30, 2001 and ultimately to 1.75% at December 31, 2001. The Federal Reserve did not initiate any changes in interest rates during the first nine months of 2002 (the Federal Reserve did, however, lower the federal funds rate to 1.25% on November 6, 2002). This market dynamic positively benefited the Company's liability sensitive Consolidated Statements of Condition resulting in interest-bearing liabilities repricing more quickly in response to the changing market interest rates than interest-earning assets. As shown in the Volume/Rate Analysis on page 18, the increase in net interest income for third quarter 2002 as compared to third quarter 2001 is attributable to the reduction in interest expense paid on interest-bearing liabilities totaling \$14,271 exceeding the reduction in tax equivalent interest income earned on interest-earning assets of \$12,392 for such quarter.

The decrease in interest expense of \$14,271 for third quarter 2002 was predominately attributable to the decline in the average cost of interest-bearing liabilities to 2.37% for third quarter 2002 as compared to 3.71% for third quarter 2001. The 134 basis point drop in the average interest rates paid is the result of the lower interest rate environment previously discussed and the repricing dynamics of maturing time deposits and borrowed funds, as well as certain steps taken during this period to more favorably manage the mix of funding sources available to the Company.

The \$12,392 reduction in tax equivalent interest income for third quarter 2002 as compared to the 2001 quarter was due primarily to the decline in the yield received on interest-earning assets. For third quarter 2002, the yield on earning assets was 6.28%, reflecting a 116 basis point reduction from the 2001 like quarter. Competitive pricing on new and refinanced loans as well as the repricing of variable rate loans in a lower interest rate environment put downward pressure on loan yields. The average yield on loans for third quarter 2002 fell by 121 basis points to 6.64% as compared to the 2001 like quarter. Further contributing to the third quarter 2002 reduction in net interest income were accelerated pre-payments of mortgage-backed securities caused by falling mortgage interest rates. The yield on average securities for third quarter 2002 decreased by 98 basis points to 5.69% from the year-ago like period of 6.67%. Average earning assets for the third quarter of 2002 increased 3.6% to \$5,508,438 as compared to third quarter 2001, largely driven by increases in the securities portfolio.

As presented in the Net Interest Margin Trend by Quarter schedule on the bottom of Page 18, third quarter 2002 net interest margin of 4.26% was 17 basis points lower than second quarter 2002 net interest margin of 4.43%. This decline was due to the yield on interest-earning assets decreasing by 22 basis points to 6.28% while the rates paid on interest-bearing liabilities fell by 6 basis points to 2.37%. Reversing the trend of the last 5 quarters, the decline in yield on interest-earning assets was greater than the decline in rates paid on interest-bearing liabilities. This condition results from fixed rate loan and security cash flows repricing in the lower interest rate environment and increasing mortgage prepayments causing a shortening in the expected duration of and decreasing the yield on mortgage-backed securities. In addition, steps taken during 2002 to insulate net interest income against the potential of rising interest rates have resulted in rates paid on transactional liabilities remaining relatively stable and time deposits increasing in comparison to second quarter 2002.

The timing and magnitude of subsequent movements in interest rates is difficult to anticipate given the volatility in the debt and equity markets. First Midwest continues to expect that the longer-term trend for interest rate movement be upward, while shorter-term expectations are for continued low interest rates. These expectations combined with a flattening yield curve and acceleration in mortgage prepayment speeds will continue to maintain pressure on interest margins going forward and lead to a projected decrease in fourth quarter 2002 interest margin in the range of 10 to 15 basis points.

First Midwest, notwithstanding any bias in the anticipated movement of interest rates, continues to rigorously assess the direction and magnitude of changes in net interest income using multiple interest rate scenarios. A description and analysis of First Midwest's rate sensitivity and management policies is included in the "Notes to the Consolidated Financial Statements" contained in First Midwest's 2001 Annual Report on Form 10-K.

Securities Portfolio

The following table sets forth the period end carrying values of the securities portfolios and changes therein as of the following periods:

	As of Period End			September 30, 2002 % Change From	
	2002	2001			
	September 30	December 31	September 30	Dec. 31, 2001	Sept. 30, 2001
By type:					
U.S. Treasury	\$ 1,206	\$ 2,211	\$ 2,241	(45.5%)	(46.2%)
U.S. Agency	197,283	70,521	78,173	179.8%	152.4%
Mortgage-backed.....	1,347,558	1,161,739	1,203,031	16.0%	12.0%
State and municipal.....	574,823	542,626	552,018	5.9%	4.1%
Other.....	97,075	83,737	81,929	15.9%	18.5%
Total.....	\$ 2,217,945	\$ 1,860,834	\$ 1,917,392	19.2%	15.7%
By classification:					
Available for sale	\$ 2,123,412	\$ 1,771,607	\$ 1,830,378	19.9%	16.0%
Held to maturity.....	94,533	89,227	87,014	5.9%	8.6%
Total.....	\$ 2,217,945	\$ 1,860,834	\$ 1,917,392	19.2%	15.7%

As of September 30, 2002, the total carrying value of the securities portfolio totaled \$2,217,945, up 15.7% and 19.2% from September 30, 2001 and December 31, 2001, respectively. The increase in carrying value can be attributed to security purchases designed to take advantage of the historic steepness in the long end of the yield curve, reinvestment of security proceeds into shorter term investments, and unrealized appreciation in the market value of the securities portfolio.

In first quarter 2002, First Midwest purchased \$100 million in floating rate U.S. Agency securities and \$100 million in 5 year fixed rate mortgage-backed securities funded by 90 day repurchase agreements and 3 year Federal Home Loan Bank (“FHLB”) advances, respectively. This transaction was initiated to take advantage of the steepness in the yield curve and resulted in a positive spread of approximately 120 basis points. Similarly, in third quarter 2002, \$200 million in 5 year fixed rate mortgage-backed securities were purchased and funded with 3 year FHLB advances resulting in a positive spread of 175 basis points.

As of September 30, 2002, the net unrealized appreciation in the market value of the securities portfolio had increased to \$78.5 million, up \$66.9 million from December 31, 2001. The increase in portfolio market value is attributed to the overall decline in the level of interest rates over the course of 2002. In addition, the combination of accelerated mortgage prepayment speeds and reinvestment of security cash flows into shorter-term assets has lowered the effective duration of the portfolio. Duration (used in this context to represent the percentage change in the market value of the securities portfolio given a 100 basis point change up or down in the level of interest rates) was 1.08% as of September 30, 2002, down significantly from 3.59% as of December 31, 2001.

For further discussion of the securities portfolio and related impact of unrealized appreciation thereon, see Notes 2 and 7 on pages 8 and 11, respectively, of this Form 10-Q.

Loan Growth

The following tables summarize growth in loans based upon both average and period end balances:

	Average Balances		September 30, 2002 % Change From
	2002	2001	
	September 30	September 30	September 30, 2001
Commercial and industrial.....	\$ 910,239	\$ 856,982	6.2%
Agricultural	87,519	77,965	12.3%
Consumer.....	930,998	968,844	(3.9%)
Real estate – 1 - 4 family	161,272	221,509	(27.2%)
Real estate – commercial	985,126	975,631	1.0%
Real estate – construction.....	316,269	302,838	4.4%
Total net loans.....	\$ 3,391,423	\$ 3,403,769	(0.4%)
Total net loans excluding real estate – 1-4 family	\$ 3,230,151	\$ 3,182,260	1.5%

	As of Period End			September 30, 2002 % Change From	
	2002	2001		Dec. 31, 2001	Sept. 30, 2001
	September 30	December 31	September 30		
Commercial and industrial.....	\$ 914,531	\$ 827,281	\$ 853,478	10.5%	7.2%
Agricultural	87,590	87,188	85,010	0.5%	3.0%
Consumer.....	933,520	947,246	979,826	(1.4%)	(4.7%)
Real estate – 1 - 4 family	155,090	196,741	217,275	(21.2%)	(28.6%)
Real estate – commercial	990,526	998,857	998,802	(0.8%)	(0.8%)
Real estate – construction.....	317,136	314,993	313,857	0.7%	1.0%
Total net loans.....	\$ 3,398,393	\$ 3,372,306	\$ 3,448,248	0.8%	(1.4%)
Total net loans excluding real estate – 1-4 family	\$ 3,243,303	\$ 3,175,565	\$ 3,230,973	2.1%	0.4%

Total average loans for third quarter 2002 decreased 0.4% from third quarter 2001 averages with all loan categories except 1-4 family real estate and certain consumer loans experiencing growth. Excluding 1-4 family real estate, average loans for third quarter grew 1.5% from the 2001 quarter. On a period end basis, total loans were stable with increases in the commercial and agricultural portfolios offset by decreases in loans secured by real estate and consumer loans. In accordance with its asset liability management strategies for 2002, First Midwest has retained in its real estate 1 - 4 family loan portfolio only those mortgages that have been originated through established community reinvestment programs or have met certain other lending criteria. All other mortgage originations are sold. Responsive to the uncertain economy, focus remains on sound underwriting and profitable pricing at the expense of loan growth.

Core Funding Sources

The following table provides a comparison of average core funding sources for the quarters ended September 30, 2002 and 2001 based upon average balances. Average, rather than period-end balances, are more meaningful in analyzing funding sources because of the inherent fluctuations that occur on a monthly basis within most deposit categories.

	Average Balances		September 30, 2002 % Change From
	2002	2001	
	September 30	September 30	September 30, 2001
Demand deposits	\$ 752,159	\$ 698,963	7.6%
Savings deposits	460,019	414,357	11.0%
NOW accounts	757,671	504,699	50.1%
Money market deposits	548,053	605,053	(9.4%)
Time deposits.....	1,749,613	1,960,950	(10.8%)
Total deposits	4,267,515	4,184,022	2.0%
Securities sold under agreements to repurchase	522,991	629,709	(16.9%)
Federal funds purchased	138,899	208,385	(33.3%)
Federal Home Loan Bank advances	510,870	212,120	140.8%
Total borrowed funds.....	1,172,760	1,050,214	11.7%
Total funding sources	\$ 5,440,275	\$ 5,234,236	3.9%

Total average deposits for third quarter 2002 increased \$83,493, or 2.0%, from third quarter 2001. During the second half of 2001 and the first nine months of 2002, local competition has offered rates for retail time deposits at significant premiums above wholesale market rates of interest for like maturity terms. Given this competitive dynamic and the low interest rate environment in which retail time deposits were maturing, pricing and sales strategies targeted growth in transactional deposit accounts and customer reinvestment of maturing time deposit balances in longer-term maturities. Reflective of customer liquidity preferences in the low rate environment and targeted sales promotions, average balances maintained in demand, savings and NOW accounts grew 21.7% from third quarter 2001. Conversely, time and money market deposit balances declined by 10.8% and 9.4%, respectively, from the 2001 quarter as pricing strategies encouraged customers desiring shorter-term maturities to transfer balances to targeted transactional accounts.

Total average borrowed funds for third quarter 2002 increased by \$122,546, or 11.7%, over the same 2001 quarter with the need for funding as provided through the federal funds market and securities sold under agreements to repurchase being lessened by the growth in deposits. Federal Home Loan Bank advances in third quarter 2002 increased by \$299 million predominately due to funding the purchase of \$200 million of collateralized mortgage obligation securities previously discussed.

Volume/Rate Analysis

The table below summarizes the changes in average interest-earning assets and interest-bearing liabilities as well as the average rates earned and paid on these assets and liabilities, respectively, for the quarters ended September 30, 2002 and 2001. The table also details the increase and decrease in income and expense for each major category of assets and liabilities and analyzes the extent to which such variances are attributable to volume and rate changes. Interest income and yields are presented on a tax-equivalent basis.

Quarters Ended September 30, 2002 and 2001

	Average Balances			Average Interest Rates Earned/Paid			Interest Income/Expense			Increase/(Decrease) in Interest Income/Expense Due to:		
	2002	2001	Increase (Decrease)	2002	2001	Basis Points Inc/(Dec)	2002	2001	Increase (Decrease)	Volume	Rate	Total
Fed funds sold and other short-term investments	\$ 17,229	\$ 13,531	\$ 3,698	1.81%	3.16%	(1.35)%	\$ 78	\$ 107	\$ (29)	\$ 49	\$ (78)	\$ (29)
Mortgages held for sale	9,378	10,305	(927)	6.06%	6.60%	(0.54)%	142	170	(28)	(14)	(14)	(28)
Securities available for sale ..	1,985,219	1,797,787	187,432	5.69%	6.67%	(0.98)%	28,261	29,981	(1,720)	4,260	(5,980)	(1,720)
Securities held to maturity ...	105,189	93,545	11,644	6.44%	7.73%	(1.29)%	1,693	1,808	(115)	336	(451)	(115)
Loans net of unearned discount.....	3,391,423	3,403,769	(12,346)	6.64%	7.85%	(1.21)%	56,329	66,829	(10,500)	(241)	(10,259)	(10,500)
Total interest-earning assets..	\$ 5,508,438	\$ 5,318,937	\$ 189,501	6.28%	7.44%	(1.16)%	\$ 86,503	\$ 98,895	\$ (12,392)	\$ 4,390	\$ (16,782)	\$ (12,392)
Savings deposits	\$ 460,019	\$ 414,357	\$ 45,662	1.01%	1.52%	(0.51)%	\$ 1,157	\$ 1,572	\$ (415)	\$ 201	\$ (616)	\$ (415)
NOW accounts	757,671	504,699	252,972	1.37%	1.59%	(0.22)%	2,596	2,012	584	812	(228)	584
Money market deposits	548,053	605,053	(57,000)	2.04%	2.95%	(0.91)%	2,794	4,458	(1,664)	(390)	(1,274)	(1,664)
Time deposits	1,749,613	1,960,950	(211,337)	3.09%	4.84%	(1.75)%	13,527	23,720	(10,193)	(2,344)	(7,849)	(10,193)
Borrowed funds	1,172,760	1,050,214	122,546	2.64%	3.93%	(1.29)%	7,727	10,310	(2,583)	1,421	(4,004)	(2,583)
Total interest-bearing liabilities	\$ 4,688,116	\$ 4,535,273	\$ 152,843	2.37%	3.71%	(1.34)%	\$ 27,801	\$ 42,072	\$ (14,271)	\$ (300)	\$ (13,971)	\$ (14,271)
Net interest margin / income				4.26%	4.27%	(0.01)%	\$ 58,702	\$ 56,823	\$ 1,879	\$ 4,690	\$ (2,811)	\$ 1,879

Net Interest Margin Trend By Quarter	2002				2001		
	3 rd	2nd	1st	4th	3rd	2nd	1st
Yield on interest-earning assets	6.28%	6.50%	6.55%	6.91%	7.44%	7.69%	7.94%
Rates paid on interest-bearing liabilities....	2.37%	2.43%	2.62%	3.04%	3.71%	4.27%	4.86%
Net interest margin.....	4.26%	4.43%	4.32%	4.33%	4.27%	4.04%	3.77%

Volume/Rate Analysis

The table below summarizes the changes in average interest-earning assets and interest-bearing liabilities as well as the average rates earned and paid on these assets and liabilities, respectively, for the nine months ended September 30, 2002 and 2001. The table also details the increase and decrease in income and expense for each major category of assets and liabilities and analyzes the extent to which such variances are attributable to volume and rate changes. Interest income and yields are presented on a tax-equivalent basis.

Nine Months Ended September 30, 2002 and 2001

	Average Balances			Average Interest Rates Earned/Paid			Interest Income/Expense			Increase/(Decrease) in Interest Income/Expense Due to:		
	2002	2001	Increase (Decrease)	2002	2001	Basis Points Inc/(Dec)	2002	2001	Increase (Decrease)	Volume	Rate	Total
Fed funds sold and other short-term investments	\$ 10,163	\$ 9,811	\$ 352	1.97%	4.24%	(2.27%)	\$ 150	\$ 312	\$ (162)	\$ 11	\$ (173)	\$ (162)
Mortgages held for sale	8,084	8,727	(643)	6.61%	6.68%	(0.07%)	401	437	(36)	(32)	(4)	(36)
Securities available for sale ..	1,923,393	1,899,552	23,841	5.97%	6.85%	(0.88%)	86,098	97,520	(11,422)	1,241	(12,663)	(11,422)
Securities held to maturity ...	99,425	91,688	7,737	6.61%	7.95%	(1.34%)	4,931	5,469	(538)	538	(1,076)	(538)
Loans net of unearned discount.....	3,378,005	3,329,555	48,450	6.72%	8.18%	(1.46%)	170,177	204,167	(33,990)	3,018	(37,008)	(33,990)
Total interest-earning assets..	\$ 5,419,070	\$ 5,339,333	\$ 79,737	6.44%	7.69%	(1.25%)	\$ 261,757	\$ 307,905	\$ (46,148)	\$ 4,776	\$ (50,924)	\$ (46,148)
Savings deposits	\$ 450,571	\$ 441,472	\$ 9,099	1.00%	1.77%	(0.77%)	\$ 3,364	\$ 5,869	\$ (2,505)	\$ 124	\$ (2,629)	\$ (2,505)
NOW accounts	717,205	474,193	243,012	1.53%	1.72%	(0.19%)	8,208	6,104	2,104	2,685	(581)	2,104
Money market deposits	558,170	562,557	(4,387)	2.01%	3.42%	(1.41%)	8,404	14,426	(6,022)	(111)	(5,911)	(6,022)
Time deposits	1,755,329	2,006,767	(251,438)	3.34%	5.43%	(2.09%)	43,955	81,714	(37,759)	(9,270)	(28,489)	(37,759)
Borrowed funds	1,127,278	1,078,278	49,000	2.54%	4.76%	(2.22%)	21,511	38,509	(16,998)	1,838	(18,836)	(16,998)
Total interest-bearing liabilities	\$ 4,608,553	\$ 4,563,267	\$ 45,286	2.47%	4.28%	(1.81%)	\$ 85,442	\$ 146,622	\$ (61,180)	\$ (4,734)	\$ (56,446)	\$ (61,180)
Net interest margin / income				4.34%	4.03%	0.31%	\$ 176,315	\$ 161,283	\$ 15,032	\$ 9,510	\$ 5,522	\$ 15,032

Noninterest Income

Noninterest income for the three and nine months ended September 30, 2002 totaled \$16,889 and \$49,413, respectively, as compared to \$17,238 and \$51,433 for the like 2001 periods, respectively. Exclusive of net security gains, noninterest income for the three and nine months ended September 30, 2002 declined 1.8% and 2.6% to \$16,880 and \$49,380, respectively, as compared to \$17,183 and \$50,676 for the like year-ago periods, respectively. Improvement in service charges on deposit accounts was offset by declines in market sensitive income in the form of lower trust fees, income from corporate owned life insurance, and other service charge revenues. On a linked-quarter basis, noninterest income increased 3.1% as growth in service charges on deposit accounts continued and trust and other fee sources stabilized.

Service charges on deposit accounts increased 6.2% to \$6,439 in the third quarter of 2002 as compared to \$6,062 for the same 2001 period. The increase from third quarter 2001 was mainly due to greater business checking fees primarily related to a lower earnings credit rate, which resulted in the Company receiving more payment for services through fees than through the use of balances. Also contributing to the current quarter increase were higher fees assessed on returned checks incident to certain pricing initiatives implemented in first quarter 2002.

Trust and investment management fees for third quarter 2002 decreased \$46, or 1.8%, to \$2,543 as compared to \$2,589 for third quarter 2001. These fees, which are significantly influenced by the market value of assets under management, continue to be adversely affected by the decline in the current market environment.

Other service charges, commissions and fees decreased by \$423 to \$4,501 for the quarter ended September 30, 2002 from the 2001 third quarter of \$4,924 due to a decline in insurance premiums earned, official checks fees, and investment product fees derived from third-party mutual fund and annuities which was offset in part by greater debit card fee income over the prior year like quarter. The reduction in insurance premiums earned is attributable to a modification in the design of the product offered which altered the revenues received from the third party insurance carrier as compared to that in the prior year like period.

First Midwest's investment in corporate owned life insurance generated \$1,831 in income for third quarter 2002 decreasing approximately 5.4% from the 2001 like quarter. The decrease in the current 2002 quarter was due to a lower level of income being credited on the life insurance assets due to the influence of market conditions on the assets that underlie these insurance contracts.

Other income for third quarter 2002 declined by \$107, or 6.4%, to \$1,566 as compared to \$1,673 for third quarter 2001 due to a \$150 one-time recovery recorded in the 2001 third quarter affecting the comparability between periods. Lower ATM revenue, offset in part by higher retail credit card fees, also contributed to the current period decline.

Noninterest Expense

Noninterest expense totaled \$38,106 for the quarter ended September 30, 2002 as compared to the same period in 2001 of \$36,884 for an increase of \$1,222, or 3.3%. For the nine months ended September 30, 2002, noninterest expense increased \$3,660, or 3.4%, as compared to the same period in 2001. Factoring out 2001 goodwill amortization expense pursuant to the adoption of FASB No. 142, total noninterest expense for the quarter and nine months ended September 30, 2002 was 4.8% and 4.9% higher than the comparative 2001 periods, respectively. A comparison of the major categories of noninterest expense is discussed below.

Salaries and wages increased by \$926, or 6.0%, to \$16,334 for the quarter ended September 30, 2002 as compared to prior year levels of \$15,408 largely due to merit increases to hourly employees based upon annual evaluations conducted in July coupled with higher incentive payments. Retirement and other employee benefits increased by \$572, or 13.9%, to \$4,682 in the third quarter of 2002 compared to the same 2001 period of \$4,111 as a result of higher pension and profit sharing expense and greater medical costs associated with employee healthcare insurance. Staffing levels on a full-time equivalents basis were 1,513 at September 30, 2002 as compared to 1,530 for the year-ago like period.

For the quarter ended September 30, 2002, occupancy expenses increased \$223, or 6.4%, as compared to the 2001 like period of \$3,459. The increase in occupancy expense is attributable to higher repairs and maintenance, utilities, and depreciation of \$132, \$45, and \$36, respectively.

Equipment expense increased \$84, or 4.5%, for third quarter 2002 to \$1,956 as compared to the 2001 like period of \$1,872 due to higher equipment maintenance contracts and depreciation costs on new assets placed in service. Technology and related costs decreased \$146, or 5.6%, for the third quarter 2002 as compared to the same 2001 period primarily due to cost savings achieved resulting from a change in the provider of voice and data circuit services.

Professional services remained relatively constant, increasing by \$22, or 1.3%, to \$1,615 for the quarter ended September 30, 2002 as compared to the prior year like quarter of \$1,637.

Advertising and promotions increased \$529, or 84.2%, for the quarter ended September 30, 2002 as compared to the like 2001 period. In addition to a return to more normalized expense levels, the current quarter increase also included costs associated with participation in several community development projects.

Other expenses decreased by \$944, or 13.2%, to \$6,231 as compared to the 2001 period of \$7,175, with \$540 of the decrease attributable to the elimination of goodwill expense as described in Footnote 5 on Page 10 of this Form 10-Q, in addition to the timing of various expenses.

The efficiency ratio, which expresses noninterest expense as a percentage of tax-equivalent net interest income plus total fees and other income, was 49.1% for third quarter 2002 as compared to 48.9% for third quarter 2001 and 49.7% for full year 2001. The efficiency ratio for the first nine months of 2002 improved to 48.5% as compared to 50.2% for the same period in 2001 as a result of revenue growth outpacing expense increases in the 2002 period.

Income Tax Expense

First Midwest's accounting policies underlying the recognition of income taxes in the Consolidated Statements of Condition and Income are included in the "Notes to Consolidated Financial Statements" contained in its 2001 Annual Report on Form 10-K.

Income tax expense totaled \$8,542 for the quarter ended September 30, 2002, increasing from \$7,136 for third quarter 2001 and reflects effective income tax rates of 27.4% and 25.1%, respectively. The increase in effective tax rate is primarily attributable to a decrease in both federal and state tax-exempt interest income relative to pre-tax income.

Credit Quality and the Reserve for Loan Losses

The following table summarizes certain credit quality data for the last five calendar quarters:

	2002			2001	
	September 30	June 30	March 31	December 31	September 30
Nonaccrual loans.....	\$ 9,988	\$ 11,879	\$ 15,277	\$ 16,847	\$ 21,425
Foreclosed real estate.....	2,972	4,582	4,289	3,630	3,651
Total nonperforming assets	\$ 12,960	\$ 16,461	\$ 19,566	\$ 20,477	\$ 25,076
Loans 90 days past due and still accruing interest.....	\$ 9,820	\$ 3,564	\$ 4,739	\$ 5,783	\$ 6,117
Nonperforming loans to total loans.....	0.29%	0.35%	0.45%	0.50%	0.62%
Nonperforming assets to total loans plus foreclosed real estate.....	0.38%	0.48%	0.58%	0.61%	0.73%
Reserve for loan losses to loans	1.41%	1.41%	1.42%	1.42%	1.38%
Reserve for loan losses to nonperforming loans.....	480%	403%	313%	283%	223%
Provision for loan losses.....	\$ 3,020	\$ 3,100	\$ 5,055	\$ 6,313	\$ 5,248
Net loans charged-off.....	\$ 2,919	\$ 3,056	\$ 5,026	\$ 6,313	\$ 4,208
Net loans charged-off to average loans.....	0.34%	0.36%	0.61%	0.73%	0.49%

Nonaccrual loans, totaling \$9,988 at September 30, 2002 are comprised of commercial, industrial and agricultural loans (51%), real estate loans (34%) and consumer loans (15%). Foreclosed real estate, totaling \$2,972 at September 30, 2002 primarily represents commercial real estate loans and 1-4 family real estate loans. First Midwest's disclosure with respect to impaired loans is contained in Note 4 on page 9 of this Form 10-Q.

Reflective of the Company's underwriting standards and diversified portfolio, coupled with a lending culture focused on maintaining credit quality, nonperforming assets (nonperforming loans plus foreclosed real estate) declined for the fourth consecutive quarter. Nonperforming loans continued to improve in third quarter 2002, declining 15.9% on a linked-quarter basis and 53.4% as compared to the third quarter 2001. As a consequence, nonperforming loans at September 30, 2002 represented .29% of loans compared to .50% at year-end 2001 and .62% a year ago.

Loans past due 90 days and still accruing increased to \$9,820 at September 30, 2002 from \$3,564 at June 30, 2002, primarily due to two commercial real estate credits which are currently undergoing rigorous remediation efforts. Such efforts may result in a portion of these loans transitioning to nonperforming status in fourth quarter 2002.

Transactions in the reserve for loan losses during the quarters and nine months ended September 30, 2002 and 2001 are summarized in the following table:

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Balance at beginning of period	\$ 47,818	\$ 43,705	\$ 47,745	\$ 45,093
Loans charged-off.....	(3,732)	(5,032)	(13,603)	(12,308)
Recoveries of loans previously charged-off.....	813	824	2,602	2,189
Net loans charged-off	(2,919)	(4,208)	(11,001)	(10,119)
Provision for loan losses.....	3,020	5,248	11,175	12,771
Balance at end of period.....	<u>\$ 47,919</u>	<u>\$ 47,745</u>	<u>\$ 47,919</u>	<u>\$ 47,745</u>

Loan charge-offs, net of recoveries, for third quarter 2002 were .34% of average loans as compared to .49% for third quarter 2001 and improved from .36% on a linked-quarter basis. Provisions for loan losses fully covered net charge-offs for third quarter 2002, resulting in the ratio of the reserve for loan losses to total loans at quarter-end being maintained at 1.41% as compared to 1.38% as of September 30, 2001. The reserve for loan losses at September 30, 2002 represented 480% of nonperforming loans as compared to 223% at the end of 2001's third quarter and 283% at year-end 2001. Management believes that the reserve for loan losses of \$47,919 was adequate to absorb estimated credit losses associated with the loan portfolio at September 30, 2002.

Management believes that the reserve for loan losses accounting policy is critical to the portrayal and understanding of the Company's financial condition and results of operations. As such, selection and application of this "critical accounting policy" involves judgments, estimates, and uncertainties that are susceptible to change. In the event that different assumptions or conditions were to prevail, and depending upon the severity of such changes, the possibility of materially different financial condition and results of operations is a reasonable likelihood. The accounting policies underlying the establishment and maintenance of the reserve for loan losses through provisions charged to operating expense are included in Note 1 on page 6 of this Form 10-Q.

The provision for loan losses in any given period is dependent upon many factors, including loan growth, changes in the composition of the loan portfolio, net charge-offs, delinquencies, collateral values, Management's assessment of current and prospective economic conditions, and the level of the reserve for loan losses. First Midwest maintains a reserve for loan losses to absorb probable losses inherent in the loan portfolio. The appropriate level of the reserve for loan losses is determined by systematically performing a review of the loan portfolio quality as required by First Midwest's credit administration policy. The reserve for loan losses consists of three components; (i) specific reserves established for any impaired commercial, real estate commercial, and real estate construction loan for which the recorded investment in the loan exceeds the measured value of the loan; (ii) reserves based on historical loan loss experience; and, (iii) reserves based on general economic conditions as well as specific economic factors in the markets in which First Midwest operates.

Loans within the portfolio that are selected for review to determine whether specific reserves are required include both loans over a specified dollar limit as well as loans where the internal credit rating is below a predetermined classification. Loans subject to this review process generally include commercial and agricultural loans, real estate commercial, and real estate construction loans. Specific reserves for these loans are determined in accordance with the accounting policies referred to above. Consumer and other retail loan reserve allocations are based upon the evaluation of pools or groups of such loans. The component of the reserve for loan losses based on historical loan loss experience is determined statistically using a loss migration analysis that examines loss experience and the related internal rating of loans charged off. The loss migration analysis is performed quarterly and loss factors are periodically updated regularly based on actual experience. The component of the reserve for loan losses based on general economic conditions and other factors is considered the unallocated component of the reserve. This component is determined based upon general economic conditions and involves a higher degree of subjectivity in its determination. This component of the reserve considers risk factors that may not have manifested themselves in First Midwest's historical loss experience, which is used to determine the allocated component of the reserve.

For the quarter and nine months ended September 30, 2002, First Midwest had not substantially changed any aspect of its overall approach in determination of the provision for loan losses. There have been no material changes in assumptions or estimation techniques as compared to prior periods that impacted the determination of the current period provision.

The distribution of the loan portfolio is presented in Note 3 located on page 8 of this Form 10-Q. The loan portfolio consists predominantly of loans originated by First Midwest from its primary markets and generally represents credit extension to multi-relationship customers. First Midwest continues to have virtually no credit exposure to the energy, cable, and telecommunication sectors, or to shared national credit or syndicated loans.

Capital

Stockholders' Equity

First Midwest is committed to managing capital for maximum shareholder benefit and maintaining strong protection for depositors and creditors. Stockholders' equity at September 30, 2002 was \$497.3 million, an increase of \$50.1 million, or 11.2%, from December 31, 2001. The stockholders' equity increase was largely the result of an increase in the net unrealized gains in the Company's available-for-sale investment portfolio and earnings for the first nine months of 2002 less dividends paid to shareholders. Equity as a percentage of assets was 8.2% at September 30, 2002, compared to 7.9% at December 31, 2001. Book value per common share increased to \$10.44 at the end of third quarter 2002, up from \$9.18 at the end of 2001.

Capital Measurements

First Midwest and its bank subsidiary, First Midwest Bank ("FMB") are subject to the minimum capital requirements defined by its primary regulator, the Federal Reserve Board ("FRB"). First Midwest has managed its capital ratios to consistently maintain such measurements in excess of the FRB minimum levels to be considered "well-capitalized," which is the highest capital category established. First Midwest expects to maintain these ratios above well-capitalized levels throughout 2002. The following table compares First Midwest's capital structure to the capital ratios required by the FRB.

	Actual		Capital Required	
	First Midwest	FMB	Minimum Required	Well- Capitalized
As of September 30, 2002:				
Tier I capital to risk-based assets	9.83%	9.33%	4.00%	6.00%
Total capital to risk-based assets	10.92%	10.42%	8.00%	10.00%
Leverage ratio	7.29%	6.93%	3.00%	5.00%
As of December 31, 2001:				
Tier I capital to risk-based assets	9.96%	9.68%	4.00%	6.00%
Total capital to risk-based assets	11.08%	10.81%	8.00%	10.00%
Leverage ratio	7.43%	7.25%	3.00%	5.00%

Dividends

As a result of improved performance from operations as well as First Midwest's perceived future prospects, the Board of Directors has increased the quarterly dividend ten times over the past nine years. The following table summarizes the dividend increases declared during the years 1994 through 2001:

<u>Date</u>	<u>Quarterly Rate Per Share</u>	<u>% Increase</u>
November 2001	\$ 0.170	6%
November 2000	0.160	11%
November 1999	0.144	13%
November 1998	0.128	7%
November 1997	0.120	13%
November 1996	0.106	18%
February 1996	0.090	13%
February 1995	0.080	15%
February 1994	0.070	13%
February 1993	0.064	15%

The dividend payout ratio, which represents the percentage of earnings per share declared to shareholders, is 36.6%, based upon the Company's 2002 annualized dividend of \$.68 and current Company earnings guidance of \$1.86 for the current year. Additionally, the 2002 dividend of \$.68 represents an annual dividend yield of 2.5% as of October 15, 2002.

Capital Management

First Midwest has continued to follow a policy of retaining sufficient capital to support growth in total assets and returning excess capital to shareholders in the form of dividends and through common stock repurchases, with the latter resulting in an increase in the percentage ownership of the Company by existing shareholders.

On August 21, 2002 First Midwest's Board of Directors authorized the repurchase of up to 3 million of its common shares, or 6.28% of shares outstanding, and incident thereto, the Board rescinded the former repurchase plan under which some 689 shares authority remained. The new plan is the ninth such program since the Company's formation in 1983 and authorizes repurchases in both open market and privately negotiated transactions and has no execution time limit.

The following table summarizes the shares repurchased by First Midwest for the prior three calendar years and for the current year-to-date period:

	<u>Nine Months Ended September 30, 2002</u>	<u>Years Ended December 31,</u>		
		<u>2001</u>	<u>2000</u>	<u>1999</u>
Shares purchased.....	1,449	2,604	607	3,336
Cost.....	\$ 40,659	\$ 64,582	\$ 12,195	\$ 70,043

As of September 30, 2002, First Midwest had 2,813 shares remaining to be repurchased under its current share repurchase authorization.

FORWARD LOOKING STATEMENTS

Statements made in the preceding "Management's Discussion and Analysis of Financial Condition and Results of Operations" section which are not purely historical are forward-looking statements with respect to the goals, plan objectives, intentions, expectations, financial condition, results of operations, future performance and business of First Midwest, including, without limitation, (i) loan and deposit growth, market interest rates on net interest income and net interest margin, wholesale funding sources, provision and reserve for loan losses, nonperforming loan levels and net charge-offs, collateral value and economic conditions, noninterest income and expenses, diluted earnings per share growth rates for 2002, and dividends to shareholders, and (ii) statements preceded by, followed by or that include the words "may," "would," "could," "should," "can," "will," "expects," "projects," "anticipates," "believes," "estimates," "plans," "intends," "targets," or similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond First Midwest's control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following, in addition to those contained in First Midwest's reports on file with the Securities and Exchange Commission: general economic or industry conditions, nationally and/or in the communities in which First Midwest conducts business, changes in the interest rate environment, conditions of the securities markets, prepayment speeds, deposit flows, cost of funds, demand for loan products, demand for financial services, competition, changes in quality or composition of First Midwest's loan and investment portfolios, legislation or regulatory requirements, assumptions used to evaluate the appropriate level of the reserve for loan losses, the impact of future earnings performance and capital levels on dividends declared by the Board of Directors, changes in accounting principles, policies or guidelines, financial or political instability, acts of war or terrorism, other economic, competitive, governmental, regulatory and technical factors affecting First Midwest's operations, products, services and prices.

Accordingly, results actually achieved may differ materially from expected results in these statements. Forward-looking statements speak only as of the date they are made. First Midwest does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statement.

ITEM 4. CONTROLS AND PROCEDURES

- (a) Evaluation of disclosure controls and procedures.

Within 90 days prior to the filing date of this report (the "Evaluation Date"), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 and 15d-14 of the Securities and Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the Evaluation Date, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

- (b) Changes in internal controls.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the evaluation date nor were there any significant deficiencies or material weaknesses in the Company's internal controls.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits - See Exhibit Index appearing on page 30.
- (b) Forms 8-K -

- On September 4, 2002, First Midwest filed a report on Form 8K announcing leadership succession and the planned retirement of the Company's Chief Executive Officer effective January 1, 2003.
- On August 21, 2002, First Midwest filed a report on Form 8K to announce the Company's intention to repurchase up to 3,000,000 shares of its common stock outstanding and the declaration of its 3rd quarter 2002 dividend.
- On August 14, 2002, First Midwest filed a report on Form 8K to announce the filing of certifications of the Company's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- On July 31, 2002, First Midwest filed a report on Form 8K to announce the appointment of a new Chief Financial Officer effective August 1, 2002.
- On July 17, 2002, First Midwest filed a report on Form 8-K announcing its earnings results for the quarter and six months ended June 30, 2002.

SIGNATURES

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

First Midwest Bancorp, Inc.

/s/ MICHAEL L. SCUDDER

Michael L. Scudder
Executive Vice President*

Date: November 13, 2002

* Duly authorized to sign on behalf of the Registrant.

CERTIFICATIONS

I, Robert P. O'Meara, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Midwest Bancorp, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's board of directors [or persons performing the equivalent function]:
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

[Signature]
Chairman of the Board
Chief Executive Officer

I, Michael L. Scudder, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Midwest Bancorp, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's board of directors [or persons performing the equivalent function]:
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

[Signature]
Executive Vice President
Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Documents</u>	<u>Sequential Page #</u>
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AMENDMENT TO THE FIRST MIDWEST BANCORP, INC.

NONQUALIFIED RETIREMENT PLAN

WHEREAS, an amendment to the First Midwest Bancorp, Inc. Nonqualified Retirement Plan, as amended and restated effective January 1, 2000, is necessary and advisable to provide for timely crediting of the Annual Pension Restoration Amount thereunder to Participants whose employment terminates during a Plan Year;

NOW, THEREFORE, the Section 3.11(d) of the Plan is hereby effective as of July 1, 2002 to read:

“(d) **Crediting or Debiting Method.** The performance of each elected Investment Fund (either positive or negative) will be determined by the Committee, in its reasonable discretion, based on the performance of the Investment Funds themselves. A Participant’s Account Balance shall be credited or debited on a daily basis based on the performance of each Investment Fund selected by the Participant, as determined by the Committee in its sole discretion, as though (i) a Participant’s Account Balance were invested in the Investment Fund(s) selected by the Participant, in the percentages applicable to such calendar quarter, as of the close of business on the first business day of such calendar quarter, at the closing price on such date; (ii) the portion of the Annual Deferral Amount that was actually deferred during any calendar quarter were invested in the Investment Fund(s) selected by the Participant, in the percentages applicable to such calendar quarter, no later than the close of business on the first business day after the day on which such amounts are actually deferred from the Participant’s Base Annual Salary through reductions in his or her payroll, at the closing price on such date; and (iii) any distribution made to a Participant that decreases such Participant’s Account Balance ceased being invested in the Investment Fund(s), in the percentages applicable to such calendar quarter, no earlier than one business day prior to the distribution, at the closing price on such date. In furtherance of the foregoing, for purposes of crediting dividends attributable to the Stock Investment Fund, dividends shall be credited as of the record date thereof. The Participant’s Annual Company Contribution Amount, Annual Company Matching Amount, Annual Profit Sharing Restoration Amount and Annual Pension Restoration Amount shall be credited to his or her Company Contribution Account, Company Matching Account, Profit Sharing Restoration Account and/or Pension Restoration Account, as the case may be, as of the last day of the Plan Year to which they relate; provided, however, that any Annual Pension Restoration Amount to be credited with respect to the Plan Year in which the Participant’s Termination of Employment or death occurs shall be credited no later than 30 days after the date such Termination of Employment or death occurs. Despite the foregoing, to the extent the Deferral and other amounts described in this Article 3 are paid into the Trust and the Trust assets are invested from time to time to reflect the elections made by Participants pursuant to Section 3.11(a) above, then each Participant’s Account Balance shall be debited or credited on the basis of the actual investment gains or losses of the Trust in lieu of crediting of the gains or losses in accordance with clauses (i), (ii) and (iii) above.”

IN WITNESS WHEREOF, the undersigned officer, duly authorized by resolutions of the Board of Directors of First Midwest Bancorp, Inc., has signed this Amendment on the 21st day of August, 2002, effective as of the date set forth herein.

FIRST MIDWEST BANCORP, INC.

By: /s/ROBERT P. O'MEARA
Robert P. O'Meara
Chairman of the Board and Chief Executive Officer

ACKNOWLEDGEMENT OF INDEPENDENT AUDITORS

The Board of Directors
First Midwest Bancorp, Inc.:

We are aware of the incorporation by reference in the following Registration Statements of our reports dated May 14, 2002, August 13, 2002, and October 22, 2002 relating to the unaudited consolidated interim financial statements of First Midwest Bancorp, Inc. that are included in its Form 10-Q for the quarters ended March 31, 2002, June 30, 2002, and September 30, 2002:

- Registration Statement (Form S-3 No. 33-20439) pertaining to the First Midwest Bancorp, Inc. Dividend Reinvestment and Stock Purchase Plan
- Registration Statement (Form S-8 No. 33-25136) pertaining to the First Midwest Bancorp, Inc Savings and Profit Sharing Plan
- Registration Statement (Form S-8 No. 33-42980) pertaining to the First Midwest Bancorp, Inc. 1989 Omnibus Stock and Incentive Plan
- Registration Statement (Form S-8 No. 333-42273) pertaining to the First Midwest Bancorp, Inc. 1989 Omnibus Stock and Incentive Plan
- Registration Statement (Form S-8 No. 333-61090) pertaining to the First Midwest Bancorp, Inc. 1989 Omnibus Stock and Incentive Plan
- Registration Statement (Form S-8 No. 333-50140) pertaining to the First Midwest Bancorp, Inc. Non-employee Director Stock Option Plan
- Registration Statement (Form S-8 No. 333-63095) pertaining to the First Midwest Bancorp, Inc. Non-employee Director Stock Option Plan
- Registration Statement (Form S-8 No. 333-63097) pertaining to the First Midwest Bancorp, Inc. Nonqualified Retirement Plan

/s/ Ernst & Young LLP

Chicago, Illinois

October 22, 2002

Independent Accountants' Review Report

The Board of Directors
First Midwest Bancorp, Inc.:

We have reviewed the accompanying Consolidated Statements of Condition of First Midwest Bancorp, Inc. and subsidiaries as of September 30, 2002, and the related Consolidated Statements of Income for the three-month and nine-month periods ended September 30, 2002 and 2001, and the Consolidated Statements of Cash Flows for the nine-month periods ended September 30, 2002 and 2001. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the Consolidated Statement of Condition of First Midwest Bancorp, Inc. as of December 31, 2001, and the related Consolidated Statements of Income, Shareholders' Equity, and Cash Flows for the year then ended (not presented herein) and in our report dated January 15, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying Consolidated Statement of Condition as of December 31, 2001, is fairly stated, in all material respects, in relation to the Consolidated Statement of Condition from which it has been derived.

/s/ Ernst & Young LLP

Chicago, Illinois

October 22, 2002

FIRST MIDWEST BANCORP, INC.

SAVINGS AND PROFIT SHARING PLAN

In accordance with the authorizations and directions of the Board of Directors of First Midwest Bancorp, Inc., the attached First Midwest Bancorp, Inc. Savings and Profit Sharing Plan, As Amended and Restated Effective January 1, 1998, Except as Expressly Provided Otherwise, is hereby adopted effective as of such date by the undersigned duly authorized officer.

FIRST MIDWEST BANCORP, INC.

By: /s/ROBERT P. O'MEARA

Robert P. O'Meara

Chairman and Chief Executive Officer

ATTEST:

/s/ BARBARA E. BRIICK

Barbara E. Briick

Corporate Secretary

FIRST MIDWEST BANCORP, INC.
SAVINGS AND PROFIT SHARING PLAN

As Amended and Restated Effective January 1, 1998,
Except as Expressly Provided Otherwise

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GENERAL

Purpose. It is the intention of the Company to continue to provide for the administration of the First Midwest Bancorp Savings and Profit Sharing Plan and a Trust Fund in conjunction therewith for the benefit of Eligible Employees of the Employers, in accordance with the provisions of Sections 401 and 501 of the Code and in accordance with other provisions of law relating to defined contribution plans. Except as provided in this Plan or the Trust, upon the transfer by the Employer of any funds to the Trust Fund in accordance with the provisions of this Plan, all interest of the Employer therein shall cease and terminate, and no part of the Trust Fund shall be used for, or diverted to, purposes other than the exclusive benefit of Participants and their beneficiaries.

Source of Funds. The Trust Fund shall be created, funded and maintained by contributions of the Employers, by contributions of Participants, and by such net earnings as are obtained from the investment of the funds of the Trust Fund.

Effective Date. The provisions of the Plan as herein restated shall be effective as of January 1, 1998, except as expressly provided otherwise. Except as may be required by ERISA or the Code, the rights of any person whose status as an employee of the Employer and all Affiliates has terminated shall be determined pursuant to the Plan as in effect on the date such employment terminated, unless a subsequently adopted provision of the Plan is made specifically applicable to such person.

Definitions. Certain terms are capitalized and have the respective meanings set forth in the Plan.

Account or Accounts. “Account” or “Accounts” shall mean the individual accounts established pursuant to Section 4.1 representing a Participant’s allocable share of the Trust Fund. Such Accounts may include:

An “Employer Contribution Account” maintained to record the amount of Employer Contributions, any net earnings or losses of the Trust Fund thereon and any distributions or forfeitures thereof allocated to a Participant in accordance with Article 4.

A “Vested Employer Account” maintained to record the amount of Employer Contributions, if any, made on behalf of a Participant prior to January 1, 1998 which were, under the terms of the Plan in effect at such time, immediately nonforfeitable when contributed, and adjustments for net earnings or losses of the Trust Fund thereon and

any distributions or forfeitures thereof allocated to a Participant in accordance with Article 4.

- A “Before-Tax Account” maintained to record the amount of Before-Tax Contributions, any net earnings or losses of the Trust Fund thereon and any distributions thereof allocated to a Participant in accordance with Article 4.
- A “Matching Account” maintained to record the amount of Matching Employer Contributions and forfeitures, any net earnings or losses of the Trust Fund thereon and any distributions thereof allocated to a Participant in accordance with Article 4.
- A “Prior Plan Account” maintained to record the balance of any account under a Prior Plan, other than the McHenry Plan Account and the Heritage Plan Account, attributable to amounts other than after-tax contributions which is transferred to the Trust Fund, adjustments for net earnings or losses of the Trust Fund thereon and any distributions thereof allocated to a Participant in accordance with Article 4.
- A “Heritage Plan Account” maintained to record the balance of any contributions made on behalf of a Participant under the Heritage Plan, adjustments for net earnings or losses of the Trust Fund thereon and any distributions thereof allocated to a Participant in accordance with Article 4.
- A “McHenry Plan Account” maintained to record the balance of any discretionary employer contributions made on behalf of a Participant under the McHenry Plan, adjustments for net earnings or losses of the Trust Fund thereon and any distributions thereof allocated to a Participant in accordance with Article 4.
- An “After-Tax Account” maintained to record the balance of any account under a Prior Plan attributable to after-tax contributions which is transferred to the Trust Fund, adjustments for net earnings or losses of the Trust Fund thereon and any distributions thereof allocated to a Participant in accordance with Article 4.
- A “Rollover Account” maintained to record the balance of any Rollover Contribution pursuant to Section 3.6, any net earnings or losses of the Trust Fund thereon and any distributions thereof allocated to a Participant in accordance with Article 4. To the extent applicable to any Rollover Account, an after-tax sub-account shall be maintained as part of the Participant’s Rollover Account to record the balance of any account under a Prior Plan or Rollover Contribution attributable to after-tax contributions, any net earnings or losses of the Trust Fund

thereon and any distributions thereof allocated to a Participant in accordance with Article 4.

Active Participant. “Active Participant” means a Participant who, on a given date, is employed by the Employer as an Eligible Employee.

Actual Deferral Percentage and Actual Deferral Percentage Test. “Actual Deferral Percentage” and “Actual Deferral Percentage Test” are described in Section 3.3.

Affiliate. “Affiliate” means any corporation or enterprise, other than the Company, which, as of a given date, is a member of the same controlled group of corporations, the same group of trades or businesses under common control or the same affiliated service group, determined in accordance with Sections 414(b), (c), (m) or (o) of the Code, as is the Company. For purposes of applying the limitations of Section 415 of the Code set forth in Article 4, “Affiliate” shall include any corporation or enterprise, other than the Company, which, as of a given date, is a member of the same controlled group of corporations or the same group of trades or businesses under common control, determined in accordance with Sections 414(b) or (c) of the Code as modified by Section 415(h) thereof, as is the Company.

Annual Addition. “Annual Addition” means for any Limitation Year, the sum of (a) all Before-Tax Contributions, Matching Employer Contributions, Employer Contributions, forfeitures and after-tax contributions allocated to the accounts of the Participant under this Plan; (b) any employer contributions, forfeitures and employee after-tax contributions allocated to such Participant under any other defined contribution plan maintained by an Employer or Affiliate; and (c) amounts allocated to an individual medical account as defined in Code Section 415(l)(2) and amounts attributable to post-retirement medical benefits allocated to an account described in Code Section 419A(d)(2) maintained by the Employer or an Affiliate.

Before-Tax Contributions, Basic Before-Tax Contributions, and Supplemental Before-Tax Contributions. “Basic Before-Tax Contributions” and “Supplemental Before-Tax Contributions” mean, with respect to a Participant, the contributions made on behalf of such Participant by the Employer as described in Section 3.2 and, with respect to the Employer, the sum of all such contributions made on behalf of all Participants. “Before-Tax Contributions” means, with respect to a Participant, the sum of the Basic Before-Tax Contributions and the Supplemental Before-Tax Contributions made on behalf of such Participant by the Employer as described in Section 3.2 and, with respect to the Employer, the sum of all such contributions made on behalf of all Participants.

Board of Directors. “Board of Directors” means the Board of Directors of the Company.

Code. “Code” means the Internal Revenue Code of 1986, as from time to time amended.

Committee. “Committee” means the plan administrator and named fiduciary appointed pursuant to Section 8.1.

Company. The “Company” means First Midwest Bancorp, Inc., a corporation organized and existing under the laws of the State of Delaware.

Considered Compensation. A Participant's "Considered Compensation" for any Plan Year is his Total Compensation, excluding any severance or transitional pay, received from an Employer during such Plan Year paid while he was a Participant; provided, however, Considered Compensation shall not include any amount in excess of \$160,000 (\$200,000 for any Plan Year beginning after December 31, 2001), as adjusted for increases in the cost of living in accordance with Code Section 401(a)(17)(B).

Defined Contribution Dollar Limitation. The "Defined Contribution Dollar Limitation" shall, for any Limitation Year, be equal to the greater of (a) \$30,000 beginning with the 1998 Limitation Year (\$40,000 beginning with the 2002 Limitation Year), as adjusted by the Secretary of the Treasury pursuant to Code Section 415(d), (prorated for any Limitation Year of less than 12 months) or (b) effective for Plan Years prior to the 2000 Plan Year, one-fourth of the dollar limitation set forth in Code Section 415(b)(1)(A) (as such dollar limitation may be adjusted in accordance with Code Section 415(b)) in effect for such Limitation Year.

Determination Date. Prior to July 1, 2002, a Participant's "Determination Date" is the Valuation Date coinciding with or next succeeding his termination of employment. Effective July 1, 2002, a Participant's Determination Date is the Valuation Date coinciding with his termination of employment.

Early Retirement Date. A Participant's "Early Retirement Date" is the date on which he has completed at least 15 Years of Service and attained age 55. Notwithstanding the foregoing, with respect to any Participant who formerly participated in the Heritage Plan and was an employee of Heritage Bank Country Club Hills (f/n/a 1st Heritage Bank) on January 13, 1992, the effective date of its acquisition by Heritage Financial Services, "Early Retirement Date" means the date on which such Participant attains his 55th birthday and has completed five Years of Service. For purposes of Section 4.6, "Early Retirement Date" also includes a retirement date designated by an Employer in connection with the Participant's election to participate in a voluntary retirement program offered by the Participant's Employer. Retirement shall be considered as commencing on the day immediately following a Participant's last day of employment (or Authorized Leave of Absence, if later).

Eligible Employee. An "Eligible Employee" is any employee of the Employer but excluding any employee who is: (1) a Member of a Collective Bargaining Unit, or (2) an individual providing services to the Employer in the capacity of, or who is or was designated by the Employer as, a Leased Employee or an independent contractor. Notwithstanding the foregoing, however, any employee of an Employer who was hired on or after January 1, 1996 and before January 1, 1998 and who was in a job classification for which compensation was based primarily on sales commissions, including, without limitation, Mortgage Loan Specialists and Commissioned Loan Originators, was not an "Eligible Employee" for any portion of the 1996 and 1997 Plan Years during which the employee was employed in such job classification.

Eligible Participant. An "Eligible Participant" is a Participant as defined in Section 4.6.

Eligibility Period. An "Eligibility Period" is a one-year period used for the purpose of determining when an employee is eligible to participate in the Plan. An employee's first Eligibility Period shall commence on the date on which he first completes an Hour of Service

and subsequent Eligibility Periods shall commence on each anniversary thereof; provided, however, that subsequent Eligibility Periods shall commence on the first day of each Plan Year which begins after the date on which the Participant first completes an Hour of Service. Notwithstanding the foregoing, the initial Eligibility Period of a former employee who is reemployed after incurring one or more One-Year Breaks in Service and who is not eligible for immediate participation pursuant to Section 2.1(c) shall commence on the date on which he first performs duties for the Employer or an Affiliate after such One-Year Break in Service, and subsequent Eligibility Periods shall commence on the anniversary thereof or on the first day of each Plan Year which begins after said date, as determined by applying the preceding sentence as if such date were the first date on which the Participant first completed an Hour of Service.

Employer. “Employer” means the Company or any such Affiliate thereof which adopts the Plan in accordance with Article 11.

Employer Contribution. “Employer Contribution” is the contribution referred to in Section 3.4.

Employment Commencement Date. An individual’s “Employment Commencement Date” is the first date on which he performs duties for the Employer or an Affiliate as an employee; provided that in the case of an employee who returns to service following his Severance Date, the employee’s “Employment Commencement Date” is the first date on which he performs duties for the Employer or an Affiliate as an employee following such Severance Date.

Entry Date. January 1 and July 1 of each Plan Year shall be an “Entry Date.”

ERISA. “ERISA” means the Employee Retirement Income Security Act of 1974, as from time to time amended.

Excess Tentative Contribution. “Excess Tentative Contribution” is the excess contribution described in Section 4.11(d).

Five-Percent Owner. “Five-Percent Owner” means a five-percent owner of the Employer or an Affiliate within the meaning of Section 414(i)(1) of the Code.

Heritage Fund. “Heritage Fund” means the Fund established and maintained under Section 9.5(a)(iv) of the Plan.

Heritage Plan. “Heritage Plan” means the Heritage Financial Services Profit Sharing Plan as in effect on September 30, 1998, which was merged into this Plan effective October 1, 1998.

Highly Compensated Employee. “Highly Compensated Employee” means, effective January 1, 1997, an employee of the Employer or an Affiliate who was a Participant eligible during the Plan Year to make Before-Tax Contributions and who:

- (a) was a Five-Percent Owner at any time during the Plan Year; or

received Section 415 Compensation in excess of \$80,000 (as adjusted for increases in the cost of living by the Secretary of the Treasury) during the preceding Plan Year and was among the top 20% of the employees (disregarding those employees excludable under Code Section 415(q)(5)) when ranked on the basis of Section 415 Compensation paid for that year.

To the extent required by Code Section 414(q)(6), a former employee who was a Highly Compensated Employee when he or she separated from service with the Employer and all Affiliates or at any time after attaining age 55 shall be treated as a Highly Compensated Employee.

Hour of Service. An “Hour of Service” is:

(b) each hour for which an employee is paid or entitled to payment for the performance of duties for the Employer or an Affiliate;

each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer or an Affiliate; and

each hour for which an employee is paid or entitled to payment for a period during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity, layoff, jury duty, military duty, or leave of absence. In crediting Hours of Service pursuant to this subparagraph (c), all payments made or due shall be taken into account, whether such payments are made directly by the Employer or an Affiliate or indirectly (e.g., through a trust fund or insurer to which the Employer or an Affiliate makes payments, or otherwise), except that:

no more than 501 such Hours of Service shall be credited for any continuous period during which the employee performs no duties;

no such Hours of Service shall be credited if payments are made or due under a plan maintained solely for the purpose of complying with any workers’ compensation, unemployment compensation or disability insurance laws; and

no such Hours of Service shall be credited for payments which are made solely to reimburse the employee for medical or medically related expenses.

The Hours of Service, if any, for which an employee is credited for a period in which he performs no duties shall be computed and credited to computation periods in accordance with 29 C.F.R. 2530.200b-2 and other applicable regulations promulgated by the Secretary of Labor. For purposes of computing the Hours of Service to be credited to an employee for whom a record of hours worked is not maintained, an employee shall be credited with 45 Hours of

Service for each week in which he completes at least one Hour of Service. In addition, an employee shall be credited with Hours of Service for each week the employee is on a leave of absence in accordance with Section 2.2.

Individual Beneficiary. “Individual Beneficiary” means a natural person designated by the Participant in accordance with Section 6.5 to receive all or any portion of the amounts remaining in the Participant’s Accounts at the time of the Participant’s death. “Individual Beneficiary” also means a natural person who is a beneficiary of a trust designated by the Participant in accordance with Section 6.5 to receive all or a portion of such amount, provided the trust requires that such amounts be paid to the beneficiary in the time and manner that this Plan would require that direct payments be made to an Individual Beneficiary.

Investment Options “Investment Options” mean the investment options to be maintained as set forth in Article 9.

Leased Employee. “Leased Employee” means, effective January 1, 1997, any individual who is not an employee of the Employer or an Affiliate and who provides services for the Employer or an Affiliate if:

(c) such services are provided pursuant to an agreement between the Employer or an Affiliate and any other person;

such individual has performed such services for the Employer or an Affiliate (or a related person within the meaning of Section 144(a)(3) of the Code) on a substantially full-time basis for a period of at least one year; and

such services have been performed under the primary direction or control of the Employer or an Affiliate.

Contributions or benefits provided a Leased Employee by the leasing organization which are attributable to services performed for the Employer shall be treated as provided by the Employer. To the extent and for purposes required by Sections 414(n) and (o), a Leased Employee shall be deemed to be an Employee of the Employer, unless: (i) he or she is covered by a money purchase pension plan providing (1) a nonintegrated employer contribution rate of at least 10 percent of compensation, as defined in Code Section 415(c)(3), but including amounts contributed pursuant to a salary reduction agreement which are excludable from the Employee’s gross income under Code Sections 125, 132(f)(4), 401(e)(3), 402(h) or 403(b), (2) immediate participation, and (3) full and immediate vesting; and (ii) Leased Employees do not constitute more than 20 percent of the Employer’s nonhighly compensated workforce.

Limitation Year. “Limitation Year” means a 12-month period beginning January 1 and ending December 31.

Matching Employer Contributions. “Matching Employer Contributions” means the contributions described in Section 3.5.

McHenry Plan. “McHenry Plan” means the McHenry State Bank Profit Sharing and Savings Plan & Trust, as in effect prior to its merger with this Plan effective December 31, 1997.

Member of a Collective Bargaining Unit. “Member of a Collective Bargaining Unit” means any employee who is included in a collective bargaining unit and whose terms and conditions of employment are covered by a collective bargaining agreement if there is evidence that retirement benefits were the subject of good-faith bargaining between representatives of such employee and the Employer, unless such collective bargaining agreement makes this Plan applicable to such employee.

Non-Highly Compensated Employee. “Non-Highly Compensated Employee” means, for any Plan Year, any employee of the Employer or Affiliate who (a) at any time during the Plan Year was a Participant and (b) was not a Highly Compensated Employee for such Plan Year.

Normal Retirement Date. A Participant’s “Normal Retirement Date” shall be his 65th birthday.

One-Year Break in Service. A “One-Year Break in Service” is a one-year period, commencing on an employee’s Severance Date, during which such employee does not perform duties for an Employer or an Affiliate. Solely for purposes of determining whether a One-Year Break in Service has occurred, absences shall be disregarded if the employee otherwise would normally have been credited with Hours of Service but for the employee’s absence because of a maternity or paternity absence. No more than one year of absence on a single maternity or paternity absence shall be so disregarded. A maternity or paternity absence is an absence from work:

- (d) by reason of the pregnancy of the employee;
- by reason of the birth of a child of the employee;
- by reason of the placement of a child with the employee in connection with the adoption of such child by the employee; or
- for purposes of caring for such child for a period beginning immediately following such birth or placement.

Any employee requesting such credit shall promptly furnish the Committee such information as the Committee requires to show that the absence from work is a maternity or paternity absence and the number of days for which there was such an absence. No more than 501 hours shall be credited for a maternity or paternity absence. All such hours shall be credited in the Plan Year in which the absence begins if necessary to prevent a One-Year Break in Service in such Plan Year. If such hours are not necessary to prevent a One-Year Break in Service in such Plan Year, the hours shall be credited in the succeeding Plan Year if necessary to prevent a One-Year Break in Service in such Plan Year. In the event the Committee is unable to determine the hours which otherwise would normally have been credited for such absence, the employee shall be credited with 8 hours per day.

Participant. A “Participant” is (a) a current employee of the Employer or an Affiliate who has become eligible to participate in the Plan pursuant to Section 2.1 or (b) a former employee for whose benefit an Account in the Trust Fund is maintained. Notwithstanding the foregoing, an Eligible Employee who is not otherwise a Participant and who makes a Rollover Contribution to the Plan pursuant to Section 3.6 shall also be treated as a Participant solely to the extent of such Rollover Contribution until such time as the Eligible Employee has become eligible to participate in the Plan pursuant to Section 2.1

Plan. “Plan” means the First Midwest Bancorp, Inc. Savings and Profit Sharing Plan as set forth herein and as from time to time amended.

Plan Year. A “Plan Year” is a 12-month period beginning on January 1 and ending on December 31. References to specific Plan Years are made herein by reference to the calendar year in which the Plan Year began. For example, the “1998 Plan Year” is the Plan Year beginning January 1, 1998.

Prior Plan. “Prior Plan” means a defined contribution plan maintained or previously maintained by an Employer from which accounts held for the benefit of individuals who have become Participants hereunder have been transferred to this Plan for the benefit of such Participants.

Provisional Annual Addition. “Provisional Annual Addition” is the amount described in Section 4.10.

Qualified Military Service. “Qualified Military Service” means the performance of duty on a voluntary or involuntary basis in the Uniformed Services of the United States by an Eligible Employee provided he/she is reemployed by the Employer or an Affiliate within the applicable time period specified in Chapter 43 of Title 38 of the United States Code (Employment and Reemployment Rights of Members of the Uniformed Services) and the total length of all such absences does not exceed the maximum specified by law for the retention of reemployment rights. The term “Uniformed Services of the United States” means the Armed Forces, the Army National Guard and the Air National Guard when engaged in active duty for training, inactive duty training, or full-time National Guard duty, or full-time duty in the commissioned corps of the Public Health Service.

Required Beginning Date. “Required Beginning Date” means, effective January 1, 1997, as follows:

(e) For a Participant whose 70th birthday occurs prior to July 1, 1998, and who is not a Five-Percent Owner as defined in Code Section 416(i)(1), the April 1 following the calendar year in which the Participant attains age 70½;

For a Participant whose 70th birthday occurs on or after July 1, 1998, and who is not a Five Percent Owner as defined in Code Section 416(i)(1), the April 1 following the later of the calendar year in which the Participant attains age 70½ or the calendar year in which the Participant terminates employment; or

For a Participant who is a Five-Percent Owner with respect to the Plan Year in which he attains age 70½, the April 1 following the calendar year in which he attained age 70½.

Rollover Contribution. A “Rollover Contribution” is (a) all or a portion of a distribution received by an Eligible Employee from another qualified plan which is eligible for tax-free rollover to a qualified plan and which is transferred by the Eligible Employee to this Plan within 60 days following his or her receipt thereof; (b) amounts transferred to this Plan from a conduit individual retirement account which has no assets other than assets (and the earnings thereon) which were (i) previously distributed to the Eligible Employee by another qualified plan as a rollover distribution, (ii) eligible for tax-free rollover to a qualified plan and (iii) deposited in such conduit individual retirement account within 60 days of receipt thereof; (c) amounts distributed to the Eligible Employee from a conduit individual retirement account meeting the requirements of the preceding clause (ii), and transferred by the Eligible Employee to this Plan within 60 days of receipt thereof; and (d) a direct rollover within the meaning of Code Section 401(a)(31) or all or a portion of an Eligible Rollover Distribution to this Plan by the trustee of another qualified plan.

Section 415 Compensation. “Section 415 Compensation” means, for a period, the Participant’s compensation (as described in Treasury Regulation Section 1.415-2(d)(2)) paid during the period for personal services actually rendered in the course of employment with the Employer and all Affiliates, excluding deferred compensation and other amounts which receive special tax treatment (as described in Treasury Regulation Section 1.415-2(d)(3)), plus amounts excluded from the Participant’s income for the period under Code Section 125, 132(f)(4), 402(g)(3) or 457.

Severance Date. An employee’s “Severance Date” is the earlier of:

- (f) the date on which he quits, retires, dies or is discharged; or
- the first day following any one-year period during which he performed no duties for the Employer or an Affiliate, other than a period which is a period of a leave of absence described in Section 2.2.

Taxable Compensation. A Participant’s “Taxable Compensation” for any Plan Year is his Total Compensation for such Plan Year less his Before-Tax Contribution and any contributions made at his election to a cafeteria plan as defined in Section 125 of the Code or for qualified transportation fringe benefits as defined in Section 132(f)(4) of the Code for such Plan Year.

Tentative Employer Contribution. “Tentative Employer Contribution” is the contribution described in Section 3.1.

Total Compensation. A Participant’s “Total Compensation” for a period is the Participant’s wages, salaries, fees, vacation pay, amounts excluded from the Participant’s income for the period under Code Section 125, 132(f)(4), 402(g)(3) or 457, and other amounts paid to him for personal services actually rendered in the course of employment with the Company and all Affiliates, including, but not limited to, commissions, compensation for services on the basis

of a percentage of profits, tips and bonuses, but (in accordance with regulations prescribed by the Secretary of the Treasury) excluding:

(g) Contributions (other than the Before-Tax Contribution) made by the Employer to a plan of deferred compensation to the extent that such are not included in the gross income of the Participant in the year made; Employer contributions to simplified employee pension plans which are excluded from compensation by the Participant; and any distribution from any such plan other than an unfunded non-qualified plan;

Amounts realized from the exercise of a non-qualified stock option or when restricted stock either becomes freely transferable or free from a substantial risk of forfeiture;

Amounts realized from the disposition of stock acquired under a qualified stock option; and

Other amounts which receive special tax benefits.

Trust. “Trust” or “Trust Fund” means the First Midwest Bancorp Savings and Profit Sharing Trust established in accordance with Article 9.

Trustee. “Trustee” means the Trustee or Trustees under the Trust referred to in Article 9.

Valuation Date. Prior to July 1, 2002, the last day of each quarter of each Plan Year shall be a “Valuation Date.” Effective July 1, 2002, “Valuation Date” means any calendar day. The determination of the fair market value as of a Valuation Day of any assets of an Investment Option which are traded on an established market shall, if such Valuation Date is not a business day on which such assets are traded, be based on the fair market value of such assets on the next business day on which such assets are traded.

Year of Service. A “Year of Service” is a unit of service credited to an employee pursuant to Sections 2.3 and 2.4, for purposes of determining the percentage of the balance in a Participant’s Employer Contribution Account which is nonforfeitable. An employee who is reemployed shall retain service credited to him in his previous employment with the Employer or an Affiliate, except as otherwise provided in the Plan.

EGTRRA Compliance. This Plan reflects certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (“EGTRRA”). The provisions of the Plan relating to EGTRRA are intended to demonstrate good faith compliance with the requirements of EGTRRA and are to be construed in accordance with EGTRRA and guidance issued thereunder, including but not limited to IRS Notice 2001-57. Except as otherwise provided, the provisions of the Plan relating to EGTRRA shall be effective as of the first day of the 2002 Plan Year, and shall supercede other provisions of the Plan to the extent such provisions are inconsistent therewith. Notwithstanding any other provisions of the Plan to the contrary, the Committee shall have the full authority to administer the Plan on or after January 1, 2002 in any manner required or permitted by law, including EGTRRA, without the necessity of

specific Plan provisions reflecting such administration, unless otherwise required by applicable law.

ELIGIBILITY AND PARTICIPATION

Eligibility Requirements.

Every Participant on the effective date of the Plan as herein restated shall continue as such subject to the provisions of the Plan.

Every Eligible Employee who accepted employment with the Employer in connection with the Company's acquisition of First of America Bank, Crystal Lake Office, which was effective September 4, 1998, shall commence participation in this Plan effective as of such date.

Every Eligible Employee who is a participant in the Heritage Plan on September 30, 1998 shall continue participation in this Plan effective October 1, 1998.

Every other Eligible Employee shall be eligible to participate, if he is then employed by the Employer, on the Entry Date coinciding with or next following the later of (i) the end of the first Eligibility Period in which he completes 1,000 Hours of Service or (ii) his 21st birthday. Notwithstanding any other provision of this Plan, hours of service with Heritage Financial Services, Inc. and First of America Bank, Crystal Lake Office, shall be deemed to be Hours of Service with the Employer under this Plan for purposes of this Section 2.1.

Any former employee of the Employer or an Affiliate who was a Participant or could have become a Participant under subsection (b) above had he been employed on a prior Entry Date, and is reemployed by the Employer as an Eligible Employee shall be eligible to participate immediately upon reemployment if, on the date of such reemployment, that employee:

has not incurred a One-Year Break in Service; or

had a nonforfeitable right to any part of the balance in his Employer Contribution Account or Before-Tax Account on the date his most recent employment with the Employer and all Affiliates terminated (or would have had such right if he had been a Participant); or

has attained age 21 and has incurred a One-Year Break in Service, but has not lost credit for service prior to such One-Year Break in Service pursuant to Section 2.4(b); or

terminated his employment because of a maternity or paternity absence defined in Section 1.4, has attained age 21, and has

incurred a One-Year Break in Service, but has not lost credit for services prior to such One-Year Break in Service pursuant to Section 2.4(c).

Notwithstanding any provisions of this Plan to the contrary, any individual who was providing services to the Employer in the capacity of, or who was designated by the Employer as, an independent contractor or a Leased Employee, and who is subsequently re-classified as an Eligible Employee for the purposes of this Plan (regardless of whether such re-classification is retrospective or prospective), shall be eligible to participate in the Plan on a prospective basis only from the date of the re-classification and shall not have any retroactive claim for benefits.

Leaves of Absence. During the period that any Participant is granted a leave of absence, he shall share in Employer Contributions, forfeitures, and net earnings or losses of the Trust Fund in the same manner and subject to the same conditions as if he were not on leave of absence. Any leave of absence under this Section 2.2 must be granted in writing and pursuant to the Employer's established leave policy, which shall be administered in a uniform and nondiscriminatory manner to similarly situated employees.

Years of Service to be Credited.

An employee shall be credited with One Year of Service for each full year in the period commencing on his Employment Commencement Date and ending on his Severance Date. An employee shall also be credited with 1/12 of a Year of Service for each full calendar month in such period for which he did not receive credit pursuant to the preceding sentence, including, if applicable, 1/12 of a Year of Service for the partial calendar month in which the employee's Employment Commencement Date and in which the employee's Severance Date occurred. Notwithstanding any other provision of this Plan, the following service shall be deemed to be service with the Employer for purposes of this Section 2.3: (i) with respect to any employee who commenced employment on or prior to September 4, 1998, service with First of America Bank, Crystal Lake Office; and (ii) with respect to any employee who commenced employment with the Employer prior to October 1, 1998, service with Heritage Financial Services, Inc.

Notwithstanding Section 2.3(a) above, any Participant who, on September 30, 1998, had completed three (3) years of service under the Heritage Plan, shall be credited with Years of Service under this Section 2.3 equal to the greater of: (i) the Participant's Years of Service determined under Section 2.3(a) above; or (ii) the Participant's years of service calculated by crediting him with one Year of Service for each Plan Year during which he has completed at least 1,000 Hours of Service.

An employee reemployed after his Severance Date but prior to a One-Year Break in Service shall be credited with 1/12 of a Year of Service for each calendar month or partial calendar month during the period from his Severance Date to the date of reemployment not otherwise credited pursuant to paragraph (a) above.

Years of Service to be Disregarded. A Participant shall be credited with all Years of Service, except that the following shall be disregarded:

Years of Service for an Employer or Affiliate prior to the Employer's adoption of the Plan, except to the extent otherwise provided by the Employer when adopting the Plan;

Years of Service prior to a One-Year Break in Service if the Employee fails to complete one Year of Service after such One-Year Break in Service;

In the case of an employee whose nonforfeitable percentage of the balance of his Employer Contribution Account is 0%, the number of years and portions thereof in the period after the employee's Severance Date but before he next performs duties for the Employer or an Affiliate equals or exceeds the greater of 5 or the aggregate number of Years of Service and portions thereof before such One-Year Break in Service (excluding any years of Service previously disregarded); or

In the case of an employee whose nonforfeitable percentage of the balance of his Employer Contribution Account is 0%, and who terminated his employment with the Employer and all Affiliates because of a maternity or paternity absence defined in Section 1.4, the number of years and portions thereof in the period after the employee's Severance Date but before he next performs duties for the Employer or an Affiliate equals or exceeds the greater of six or one plus the aggregate number of Years of Service and portions thereof before such One-Year Break in Service (excluding any Years of Service previously disregarded).

Leased Employees. To the extent required by Section 414(n) of the Code and the regulations thereunder, a Leased Employee shall be treated as an employee of the Employer or an Affiliate but shall not be eligible for any benefit under the Plan.

Qualified Military Service. Notwithstanding any provision of this Plan to the contrary, effective December 12, 1994, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u).

CONTRIBUTIONS BY EMPLOYER AND ROLLOVER CONTRIBUTIONS

Contributions to the Plan. Subject to the right reserved to the Company to alter, amend or discontinue this Plan and Trust, the Employer shall for each Plan Year contribute to the Plan for its Eligible Participants an amount equal to the sum of:

- the Employer Contribution;
- the Before-Tax Contribution; and
- the Matching Employer Contribution.

Such sum, which is known as the “Tentative Employer Contribution,” shall be reduced by an amount equal to the Excess Tentative Contribution (as provided in Section 4.11); provided that in no event shall the Tentative Employer Contribution, as reduced by the Excess Tentative Contribution, exceed the amount deductible by the Employer for said year for federal income tax purposes.

Before-Tax Contribution

Subject to the provisions of Sections 3.1 and 3.3, each Participant may for each Plan Year elect to have the Employer make a Basic Before-Tax Contribution on his or her behalf in an amount equal to one percent (1%) (rounded to the nearest dollar) of his or her Considered Compensation, excluding bonuses and any other payment of a similar nature. Each Participant may in addition to his or her Basic Before-Tax Contribution elect to have the Employer make a Supplemental Before-Tax Contribution on his or her behalf in an amount not in excess of 9% (14%, effective January 1, 2002) (rounded to the nearest dollar) of his or her Considered Compensation, excluding bonuses and any other payment of a similar nature. Such elections shall be subject to change in accordance with procedures established by the Committee from time to time.

The amount of the Before-Tax Contributions to be made pursuant to a Participant’s election shall reduce the compensation otherwise payable to him by the Employer.

Limitations on Before-Tax Contributions and Matching Employer Contributions.

In no event shall a Participant’s Before-Tax Contributions during any calendar year exceed the dollar limitation in effect under Code Section 402(g) at the beginning of such calendar year. If a Participant’s Before-Tax Contributions, together with any additional employer contributions to a qualified cash or deferred arrangement,

any elective deferrals under a tax-sheltered annuity program or a simplified employee pension plan, exceed such dollar limitation for any calendar year, the Participant shall notify the Committee of the amount of such excess allocable to this Plan by March 1 of the following year, and such excess, and any earnings allocable thereto, may be distributed to the Participant by April 15 of such following year; provided, that, if such excess contributions were made to a plan or arrangement not maintained by the Employer or an Affiliate, the Participant must first notify the Committee of the amount of such excess allocable to this Plan by March 1 of the following year.

Notwithstanding any other provision of this Plan to the contrary, effective January 1, 1997, the Before-Tax Contributions and Matching Employer Contributions for the Highly Compensated Employees for the Plan Year shall be reduced in accordance with the following provisions:

The Before-Tax Contributions and Matching Employer Contributions of the Highly Compensated Employees shall be reduced if neither of the Actual Deferral Percentage tests set forth in (A) or (B) below is satisfied after taking into account the provisions of subsection (f):

The 1.25 Test. The Actual Deferral Percentage of the Highly Compensated Employees is not more than the Actual Deferral Percentage of all other Eligible Participants multiplied by 1.25.

The 2.0 Test. The Actual Deferral Percentage of the Highly Compensated Employees is not more than 2 percentage points greater than the Actual Deferral Percentage of all other Eligible Participants, and the Actual Deferral Percentage of the Highly Compensated Employees is not more than the Actual Deferral Percentage of all other Eligible Participants multiplied by 2.0.

(A) Effective January 1, 1997, as used in this subsection, "Actual Deferral Percentage" means:

With respect to Non-Highly Compensated Employees, the average of the ratios of each Non-Highly Compensated Employee's Before-Tax Contributions and share of the Matching Employer Contribution with respect to the prior Plan Year (except for Plan Years 1997, 1998 and 1999 for which such Employee's Before-

Tax Contributions and share of the Matching Employer Contribution for the current Plan Year shall be used) to each such Participant's Considered Compensation for such Plan Year (prior or current, as appropriate); and

With respect to Highly Compensated Employees, the average of the ratios of each Highly Compensated Employee's Before-Tax Contributions and share of the Matching Employer Contribution with respect to the current Plan Year, to each such Participant's Considered Compensation for such Plan Year.

All Before-Tax Contributions and Matching Employer Contributions made under this Plan and all before-tax and matching contributions made under any other plan that is aggregated with this Plan for purposes of Code Sections 401(a)(4) and 410(b) shall be treated as made under a single plan. If any plan is permissively aggregated with this Plan for purposes of Code Section 401(k), the aggregated plans must also satisfy Code Sections 401(a)(4) and 410(b) as though they were a single plan. The Actual Deferral Percentage ratios of any Highly Compensated Employee will be determined by treating all plans subject to Code Section 401(k) under which the Highly Compensated Employee is eligible as a single plan.

Effective January 1, 1997, the sequence for determining the amount of such reductions shall begin with Highly Compensated Employees who elected to defer the greatest percentage of Considered Compensation, assuming that Supplemental Before-Tax Contributions represent the last contribution made to the Participant's Account, then the second greatest percentage amount, continuing until either Actual Deferral Percentage Test is satisfied. This process shall continue through the remaining Supplemental Before-Tax Contributions and continuing with the Basic Before-Tax Contributions and Matching Employer Contribution until either Actual Deferral Percentage Test is satisfied.

Effective January 1, 1997 once the total amount of reductions has been determined under 3.3(b)(iv) above, the Committee shall direct the Trustee to distribute as a refund to the appropriate Highly Compensated Employees an allocable portion of such reduction attributable to excess Before-Tax Contributions and to treat as forfeitures the appropriate amount of Matching Employer Contributions, together with the net earnings or

losses allocable thereto. The sequence for determining and refunding a Highly Compensated Employee's allocable portion of excess Before-Tax Contributions shall begin with the Highly Compensated Employee who elected to defer the greatest dollar amount of Before-Tax Contributions. The Before-Tax Contributions of such Participant shall be reduced by the amount required to cause that Participant's Before-Tax Contributions to equal the dollar amount of the Before-Tax Contributions of the Highly Compensated Employee with the next highest dollar amount of Before-Tax Contributions. If the total amount distributed is less than the total excess contributions, this process shall continue until all excess Before-Tax Contributions are distributed and excess Matching Employer Contributions are forfeited. However, notwithstanding anything in the foregoing to the contrary, if a lesser reduction, when added to the total dollar amount previously reduced, would equal the total excess contributions, such lesser reduction shall be utilized. The Committee shall designate such distribution and forfeiture as a distribution of excess Before-Tax Contributions and forfeiture of excess Matching Employer Contributions, determine the amount of the allocable net earnings or losses to be distributed and forfeited in accordance with subsections 3.3(c) and 3.3(d) below, and cause such distributions and forfeitures to occur prior to the end of the Plan Year following the Plan Year in which the excess Before-Tax Contributions and excess Matching Employer Contributions were made.

- (i) The net earnings or losses to be refunded with the excess Before-Tax Contributions shall be equal to the net earnings or losses on such contributions for the Plan Year in which the contributions were made.

The net earnings or losses allocable to the excess Before-Tax Contributions for the Plan Year shall be determined in the manner set forth in Article 4.

Net earnings or losses to be treated as forfeitures together with the Matching Employer Contributions shall be equal to the net earnings or losses on such contributions for the Plan Year in which the contributions were made. Net earnings or losses on Matching Employer Contributions shall be determined in the same manner as in subsection (c) above.

Any Matching Employer Contribution treated as a forfeiture pursuant to subsection (b) above shall be used to reduce the Matching Employer Contribution in Section 3.5.

For the purpose of avoiding the necessity of adjustments pursuant to this Section or Section 4.11, or to comply with any applicable law or regulation:

The Committee may adopt such rules as it deems necessary or desirable to:

impose limitations during a Plan Year on the percentage of Before-Tax Contributions elected by Participants pursuant to Section 3.2; or

increase during a Plan Year the percentage of Considered Compensation with respect to which a Participant may elect a Before-Tax Contribution for the purpose of providing Participants with the opportunity to increase their Before-Tax Contributions within the limitations of this Section 3.3;

The Employer may at its sole discretion make fully vested contributions to the Plan which will be allocated to the Before-Tax Accounts of one or more Participants who are Non-Highly Compensated Employees in such amounts as the Employer directs for the purpose of complying with the applicable limits on Before-Tax Contributions in the Code. Such contributions will not be taken into account in the allocation of Matching Employer Contributions.

The amount of each Eligible Participant's Before-Tax Contribution as determined under this Section 3.3 is subject to the provisions of Sections 4.11 and 4.12.

Employer Contribution. Subject to the provisions of Section 3.1, each Employer shall pay to the Trustee for each Plan Year with respect to its Participants who are Eligible Participants for purposes of the allocation of the Employer Contribution pursuant to Section 4.9, such amount as may be determined by its board of directors, based on guidelines established by the Board of Directors. The amount so determined shall be no greater than 15% of such Eligible Participants' Considered Compensation. Such amount paid to the Trustee pursuant to this Section 3.4 is known as the "Employer Contribution."

Matching Employer Contribution. Subject to the provisions of Section 3.1, each Employer shall pay to the Trustee as of each Valuation Date (or, effective July 1, 2002, as of the last day of the applicable calendar quarter) an amount which, when added to the forfeitures of Employer Contributions for the Plan Year, shall be equal to \$2 for each \$1 of Basic Before-Tax Contributions made during the calendar quarter ending on the Valuation Date (or, effective July 1, 2002, ending on March 31, June 30, September 30 or December 31, as

appropriate) on behalf of: (a) each Participant employed by such Employer on the Valuation Date (or, effective July 1, 2002, the last day of the appropriate calendar quarter) as of which the contribution is made; and (b) each Participant who, prior to such Valuation Date (or, effective July 1, 2002, the appropriate last day of the calendar quarter), (i) retires on or after his Normal Retirement Date or Early Retirement Date, (ii) dies, (iii) is initially deemed totally and permanently disabled, or (iv) as expressly provided in the terms of an agreement approved, or a resolution adopted, by the board of directors of an Employer in connection with the termination of the Employer's participation in the Plan during the calendar quarter, provided such agreement or resolution was authorized by the Board of Directors. Notwithstanding the foregoing, however, for the period commencing October 1, 1998 and ending on December 31, 1998 (the "Incentive Period"), each Employer shall pay to the Trustee, as of December 31, 1998, an amount equal to \$8 for each \$1 of Basic Before-Tax Contributions made on behalf of each Participant who is employed by such Employer on December 31, 1998 and who first became a Participant on or before January 1, 1998, and each such Participant who retired on or after his Normal Retirement Date or Early Retirement Date, died, or was initially deemed totally and permanently disabled during the Incentive Period; provided, however, the total amount contributed by the Employer under this Section with respect to any such Participant for the Plan Year ending on December 31, 1998 shall not exceed two percent (2%) of the lesser of (i) the product of the Participant's Total Compensation for the Incentive Period multiplied by four (4), or (ii) \$160,000. With respect to any Participant who is employed by an Employer on December 31, 1998, and who first became a Participant on July 1, 1998, and each such Participant who retired on or after his Normal Retirement Date or Early Retirement Date, died, or was initially deemed totally and permanently disabled during the Incentive Period, the Employer shall pay to the Trustee, as of December 31, 1998, an amount equal to \$4 for each \$1 of Basic Before-Tax Contributions made on behalf of each such Participant; provided, however, the total amount contributed by the Employer under this Section with respect to any such Participant for the Plan Year ending on December 31, 1998 shall not exceed two percent (2%) of the lesser of (i) the Participant's Total Compensation for the Incentive Period multiplied by two (2), or (ii) \$80,000. With respect to any Participant who made Basic Before-Tax Contributions during the Plan Year ending on December 31, 1998, and who was unable to continue to make Basic Before-Tax Contributions during the Incentive Period because the limitations of Plan Section 3.3(a) were imposed earlier in such Plan Year, then, subject to the limitations of Sections 3.1 and 3.3(b), for purposes of determining the entitlement of such Participant to an allocation of contributions under this Section 3.5, such Participant shall be deemed to have made the maximum Basic Before-Tax Contribution permissible under Plan Section 3.2 during the Incentive Period. The Employer contributions made pursuant to this Section 3.5 shall be known as the "Matching Employer Contributions."

Rollover Contributions. A Participant or Eligible Employee may with the written consent of the Committee make a Rollover Contribution to the Trust Fund. The Committee may adopt such rules and limitations as it deems necessary or appropriate with respect to the approval of Rollover Contributions, including but not limited to the time period or periods during which such requests may be made and the frequency of such requests.

ACCOUNTING PROVISIONS AND ALLOCATIONS

Participant's Accounts.

For each Participant there shall be maintained as appropriate a separate Employer Contribution Account, Vested Employer Account, Before-Tax Account, Matching Account, Prior Plan Account, Heritage Plan Account, McHenry Plan Account, After-Tax Account, Rollover Account and Trustee Transfer Account. Each account shall be credited with the amount of contributions, interest and earnings of the Trust Fund allocated to such Account and shall be charged with all distributions, withdrawals and losses of the Trust Fund allocated to such Account.

Common Fund.

The Trust Fund shall be a common fund divided into separate investment funds ("Funds") as provided in Section 9.5. Each Fund as may from time to time be established shall be a common fund in which each Participant and Beneficiary shall have an undivided interest in the respective assets of the Fund, provided that all Accounts segregated and all loans made pursuant to Section 6.8 shall together with the net earnings or losses of such Accounts or loans be accounted for separately and will not be included in any of the adjustments resulting from the application of this Section 4.2. Except as otherwise provided, the value of each Participant's Accounts in each Fund shall be measured by the proportion that the net credits to his Accounts bear to the total net credits to all Accounts as of the date such share is being determined. For purposes of allocation of the net earnings and losses and for the valuation of the Trust Fund, each Fund shall be considered separately. No Fund shall share in the net earnings or losses of any other, and no Fund shall be valued by taking into account any assets or distributions for any other.

Each loan made pursuant to Section 6.8 shall be valued as of each Valuation Date. Any changes in value resulting from such valuation, together with any income or expenses attributable thereto, shall be credited or charged as of such Valuation Date to the Accounts of the Participant from which such loan was made.

Except as provided in Subsection (e) below, the interest of each Participant and Beneficiary in the net earnings and losses and of the valuation of one or more of the Funds may be measured by the value of the shares or units of such Fund credited to the Participant's or Beneficiary's Accounts as of the date that such valuation is being

determined. The value of a unit in each such Fund on any Valuation Date shall be the quotient obtained by dividing the sum of (i) the cash and (ii) the fair market value of all securities or property allocated to such Fund, less any charges and expenses accrued and properly chargeable to such Fund as of said Valuation Date, by the aggregate number of units credited to all Accounts with respect to such Fund. The Trustee will furnish to the Committee a report with respect to the fair market value of all securities and property held in any Fund as of each Valuation Date. To the extent that any assets of a Fund have been invested in one or more separate investment trusts, mutual funds, investment contracts or similar investment media, the net earnings and losses and valuation attributable to such investments shall be determined in accordance with the procedures of such investment media.

Notwithstanding any other provision of the Plan, effective with respect to the September 30, 1999 Valuation Date, dividends declared by the Company with respect to Company common stock held in the Investment Funds described in Sections 9.5(a)(ii) and 9.5(a)(iv) shall, for purposes of determining and allocating net earnings or losses under Sections 4.4 and 4.5, be deemed to have been paid to the Plan and held in the Trust as of the record date for such dividends as declared by the Company, regardless of the date such dividends are actually paid to the Plan and held in the Trust.

Effective with respect to the September 30, 1999 Valuation Date, notwithstanding any other Plan provision, the assets of the Investment Funds described in Sections 9.5(a)(ii) and 9.5(a)(iv) shall be allocated to Participants' Accounts in shares and fractional shares of Company common stock and dividends receivable and cash, to the extent of such receivables or cash then in the Fund.

Allocation Procedure. As of each Valuation Date, the Committee shall, with respect to each Account:

First, charge each Account for any withdrawals, loans or distributions made therefrom since the preceding Valuation Date.

Second, credit each Before-Tax Account with one-half of the Before-Tax Contributions made by the Participant since the immediately preceding Valuation Date.

Third, credit each Rollover Contribution Account with the daily weighted average of the amount of any Rollover Contribution made by the Participant since the preceding Valuation Date.

Fourth, credit any Accounts segregated pursuant to Article 6 with one-half of the amount of any loan repayments made since the last Valuation Date.

Fifth, credit or charge the respective Accounts with the net earnings or losses of each Fund allocable thereto in accordance with Section 4.5, or, in the case of Accounts segregated in accordance with Article 6, the net earnings or losses allocable thereto in accordance with Article 6.

Sixth, credit each Before-Tax Account, Matching Account and the Rollover Account, respectively, with the amount of Before-Tax Contributions, Matching Employer Contributions, and Rollover Contributions, respectively, made since the preceding Valuation Date and not already allocated in accordance with paragraphs (b), (c) and (d) above.

Seventh, credit any Accounts segregated pursuant to Article 6 with the amount of any loan repayments made since the last Valuation Date and not already allocated in accordance with paragraph (e) above.

Eighth, if the Valuation Date is the last day of the Plan Year, credit each Employer Contribution Account with the Employer Contribution allocable thereto in accordance with Section 4.9.

Determination of Value of Trust Fund and of Net Earnings or Losses. As of each Valuation Date the Trustee shall determine for the period then ended the sum of the net earnings or losses of the Trust Fund (excluding any gains and losses attributable to the Accounts and loans to Participants segregated pursuant to Article 6), which shall reflect accrued but unpaid interest, gains or losses realized from the sale, exchange or collection of assets, other income received, appreciation or depreciation in the fair market value of assets, administration expenses, taxes and other expenses paid and, subject to Section 4.2(d), dividends. Prior to July 1, 2002, gains or losses realized and adjustments for appreciation or depreciation in fair market value shall be computed with respect to the difference between such value as of the preceding Valuation Date or date of purchase, whichever is later, and the value as of the date of disposition or the current Valuation Date, whichever is earlier. Effective July 1, 2002, gains or losses realized and adjustments for appreciation or depreciation in fair market value shall be computed with respect to the difference between such value as of the date of purchase and the date of disposition.

Allocation of Net Earnings or Losses. As of each Valuation Date, the net earnings or losses of the Trust Fund or of each Fund established under Section 4.2 shall be allocated to the Accounts (excluding Accounts and loans to Participants segregated pursuant to Section 6.8) of all Participants (or beneficiaries of deceased Participants or an alternate payee under a qualified

domestic relations order) having credits in the Trust Fund or Fund on both the current Valuation Date and at the beginning of that quarter (or, effective July 1, 2002, having credits in the Trust Fund or Fund on the Valuation Date). Such allocation shall be in the ratio that (i) the net credits to each Account of each Participant on the first day of the quarter (or, effective July 1, 2002, the preceding Valuation Date), plus in the case of the Before-Tax Account, one-half of any Before-Tax Contributions made to that Account during the quarter (or, effective July 1, 2002, since the preceding Valuation Date), or in the case of the Rollover Account, the weighted average daily balance of any Rollover Contribution made to that Account during the quarter (or, effective July 1, 2002, since the preceding Valuation Date), less in each case the total amount of any distributions and loans from such Account to such Participant during that quarter (or, effective July 1, 2002, since the preceding Valuation Date) bears to (ii) the total net credits to all such Accounts of all Participants on said first day of the quarter (or, effective July 1, 2002, the preceding Valuation Date), plus, in the case of the Before-Tax Accounts, one-half of the Before-Tax Contributions made to such Accounts of all Participants, and in the case of the Rollover Accounts, the weighted average daily balances of any Rollover Contributions made to that Account during the quarter (or, effective July 1, 2002, since the preceding Valuation Date), less the total amount of distributions and loans from all such Accounts during the quarter (or, effective July 1, 2002, since the preceding Valuation Date).

Eligibility to Share in the Employer's Contributions.

An Active Participant shall be eligible to share in Employer Contributions for the Plan Year as of the last day of which such Employer Contributions are being allocated if he or she is then employed by the Employer as an Eligible Employee and has completed 1,000 Hours of Service in such Plan Year. A Participant who, during a Plan Year, (i) retires on or after his Normal Retirement Date or Early Retirement Date, (ii) dies, (iii) is initially deemed totally and permanently disabled, or (iv) as expressly provided in the terms of an agreement approved or a resolution adopted by the board of directors of an Employer in connection with the termination of the Employer's participation in the Plan during the Plan Year, provided such agreement or resolution was authorized by the Board of Directors, shall also be eligible to share in the Employer Contributions for said Plan Year. A Participant who is eligible to share in the Employer Contributions shall be known as an "Eligible Participant."

Notwithstanding anything in the Plan to the contrary, if the Plan would otherwise fail to meet the requirements of Code Section 410(b) and the regulations thereunder because Employer Contributions have not been allocated to a sufficient number or percentage of Participants for a Plan Year, then the following rules will apply:

The group of Participants eligible to share in the Employer Contribution for the Plan Year will be expanded to include the minimum number of Participants who would not otherwise be eligible as are necessary to satisfy the applicable test specified above. The specific Participants who will become eligible under the terms of this paragraph will be those who are actively employed on the last day of the Plan Year and, when compared to similarly situated Participants, have completed the greatest number of Hours of Service in the Plan Year.

If after application of the previous paragraph, the applicable test is still not satisfied, then the group of Participants eligible to share in the Employer Contribution for the Plan Year will be further expanded to include the minimum number of former Participants who are (A) not employed on the last day of the Plan Year, (B) Non-Highly Compensated Employees and (C) are vested or partially vested in their Accounts, as are necessary to satisfy the applicable test. The specific former Participants who will become eligible under the terms of this paragraph will be those former Participants, when compared to similarly situated former Participants, who have completed the greatest number of Hours of Service in the Plan Year before terminating employment.

Nothing in this Section will permit the reduction of a Participant's benefit. Therefore any amounts that have previously been allocated to Participants may not be reallocated to satisfy these requirements. In the event allocations to additional Participants or former Participants are required, the Employer will make an additional contribution equal to the amount such persons would have received had they been included in the allocations, even if it exceeds the amount which would be deductible under Code Section 404. Any adjustment to the allocations pursuant to this Section will be made by the 15th day of the tenth month after the end of the Plan Year and will be considered a retroactive amendment adopted by the last day of the Plan Year.

Allocation of Before-Tax Contributions. As of each Valuation Date, the Before-Tax Contributions made on behalf of each Participant since the prior Valuation Date shall be allocated to such Participant's Before-Tax Account.

Allocation of Matching Employer Contributions. As of each Valuation Date (or, effective July 1, 2002, the last day of each calendar quarter), the sum of the Matching Employer Contributions made on behalf of each Participant in accordance with Section 3.5 of the Plan shall be allocated to the Matching Account of each such Participant.

Allocation of Employer Contribution. As of the last day of each Plan Year, the Employer Contribution shall be allocated among the Employer Contribution Accounts of all Eligible Participants in the ratio that each such Participant's Considered Compensation for the Plan Year from that Employer bears to the total Considered Compensation of all such Eligible Participants from that Employer for the Plan Year.

Provisional Annual Addition. The sum of the amounts allocated to the Accounts of the Participants pursuant to Section 4.7, 4.8 and 4.9 for a Plan Year shall be known as the "Provisional Annual Addition" and shall be subject to the limitation on Annual Additions in Section 4.11.

Limitation on Annual Additions.

For the purpose of complying with the restrictions on Annual Additions to defined contribution plans imposed by Code Section 415, for each Eligible Participant and each other Participant who has made Before-Tax Contributions during the Plan Year, there shall be computed a Maximum Annual Addition, which shall be the excess of the amount at (i) below over the amount at (ii) below.

(A) For Plan Years effective prior to January 1, 2002, the amount shall be the lesser of:

25% of his Section 415 Compensation for the Plan Year; or

the Defined Contribution Dollar Limitation for the Plan Year;

For Plan Years effective on or after January 1, 2002, except as permitted under Section 3.5(a)(ii) and Section 414(v) of the Code, if applicable, the amount shall be the lesser of:

100% of the Participant's Total Compensation for the Plan Year; or

the Defined Contribution Dollar Limitation for the Plan Year.

The amount of employer contributions, forfeitures and employee contributions allocated as of any day in the Limitation Year to such Participant's accounts under any other defined contribution plan maintained by the Employer or an Affiliate.

If a short Limitation Year is created because of an amendment changing the Limitation Year to a different 12 consecutive month period, the

Maximum Annual Addition will not exceed the Defined Contribution Dollar Limitation multiplied by the following fraction:

$$\frac{\text{Number of months in the short Limitation Year}}{12}$$

The limitation under (a) above shall not apply to any contribution for medical benefits within the meaning of Code Section 419A(f)(2) after separation from service which is otherwise treated as an Annual Addition, or any amount otherwise treated as an annual addition under Code Section 415(1)(2).

If the Maximum Annual Addition for a Participant equals or exceeds the Provisional Annual Addition for that Participant, an amount equal to the Provisional Annual Addition shall be allocated to the Participant's respective Accounts.

If the Provisional Annual Addition exceeds the Maximum Annual Addition for that Participant, the Provisional Annual Addition shall be reduced as set forth below until the Provisional Annual Addition as so reduced equals the Maximum Annual Addition for such Participant:

first, the Tentative Employer Contribution allocable to such Participant's Employer Contribution Account shall be reduced;

second, the amount of forfeiture allocable to the Participant's Matching Employer Account shall be reduced;

third, the Supplemental Before-Tax Contributions shall be reduced;
and

finally, the Basic Before-Tax Contributions and Matching Employer Contributions, proportionately, shall be reduced.

The Provisional Annual Addition remaining after such reductions shall be allocated to the Participant's respective Accounts.

The "Excess Tentative Employer Contribution" is an amount equal to the sum of the reductions in the Tentative Employer Contribution allocable to the Accounts of Participants pursuant to subsections (c)(i), (iii) and (iv) above.

Notwithstanding anything to the contrary in this Plan, any Before-Tax Contributions reduced in accordance with subsection (c) above shall be distributed to the Participant with allocable earnings in accordance with Treasury Regulation Section 1.415-6(b)(6)(iv).

Contributions made under Section 3.3 shall be treated as Annual Additions for the Plan to which they relate instead of the Plan Year when they are actually made.

Special Limitation on Maximum Contribution. (Effective through the 1999 Plan Year)

In the case of any Participant who is also a participant in a defined benefit plan maintained by the Employer or an Affiliate, the sum of the Defined Contribution Fraction and Defined Benefit Fraction as of the end of any Plan Year shall not exceed 1.0. In the event that the sum of such Fractions would otherwise exceed 1.0, then the amount determined under Section 4.11(a)(i) or (ii), whichever is applicable, in determining the Maximum Annual Addition under Section 4.11(a) shall be equal to such applicable amount multiplied by the difference between 1.0 and the Defined Benefit Fraction.

The “Defined Benefit Fraction” applicable to a Participant for any Limitation Year is a fraction, the numerator of which is the sum of the Projected Annual Benefit of the Participant under all of the defined benefit plans maintained or previously maintained by an Employer or Affiliate in which he participates (determined as of the close of the Limitation Year) and the denominator of which is the lesser of (i) the product of 1.25 multiplied by the maximum dollar limitation on a Participant’s Projected Annual Benefit if the plan provided the maximum benefit allowable under Section 415(b) of the Internal Revenue Code for such Limitation Year, or (ii) the product of 1.4 multiplied by 100% of the Participant’s Highest Average Compensation (as determined below).

The “Defined Contribution Fraction” applicable to a Participant for any Limitation Year is a fraction, the numerator of which is the sum of the Participant’s Annual Additions as of the close of such Limitation Year for that Limitation Year and for all prior Limitation Years under this Plan and all other defined contribution plans maintained by an Employer or Affiliate, and the denominator of which is the sum of the lesser of the following amounts (determined for such Limitation Year and for each prior Limitation Year of service with the Employer or any Affiliate regardless of whether a plan was in existence during those years): (i) the product of 1.25 multiplied by the Defined Contribution Dollar Limitation for the Limitation Year (determined without regard to the special dollar limitation for employee stock ownership plans), or (ii) the product of 1.4 multiplied by 25% of the Participant’s Taxable Compensation for the Limitation Year.

In accordance with regulations issued by the Secretary of the Treasury or his delegate pursuant to Section 1106(i)(4) of The Tax Reform Act of

1986, an amount shall be subtracted from the numerator of the Defined Contribution Fraction (not exceeding such numerator) so that the sum of the Defined Benefit Fraction and the Defined Contribution Fraction does not exceed 1.0 as of December 31, 1986. To the extent provided under applicable law and regulations, adjustments shall be made to the Defined Benefit Fraction or the Defined Contribution Fraction with respect to previous transition rules.

- (i) “Highest Average Compensation” means the average of a Participant’s Taxable Compensation from the Employer and all Affiliates for the high three consecutive Limitation Years (determined as of the close of the Limitation Year) of employment with the Employer or any Affiliate (or the actual number of years of employment for those Participants who are employed for less than three consecutive years for which the Participant’s Taxable Compensation is the highest).

“Projected Annual Benefit” means the annual benefit a Participant would receive from employer contributions under a defined benefit plan, adjusted, in the case of any benefit payable in a form other than a single life annuity or a qualified joint and survivor annuity, to the actuarial equivalent of a single life annuity, assuming (A) the Participant continued employment until reaching the plan’s normal retirement age (or his current age, if later), (B) his compensation remained unchanged and (C) all other relevant factors used to determine benefits under the plan remained constant in the future.

AMOUNT OF PAYMENTS TO PARTICIPANTS

General Rule. Upon the retirement, disability, resignation or dismissal of a Participant, he, or in the event of his death, his beneficiary, shall be entitled to receive from his respective Accounts in the Trust Fund as of his Determination Date:

An amount equal to the Participant's Before-Tax Account and Matching Account, plus any of the Participant's contributions made to the Trust Fund but not allocated to the Participant's Before-Tax Account as of his Determination Date; and

An amount equal to his Prior Plan Account and After-Tax Account;

An amount equal to his Rollover Account;

An amount equal to his Vested Employer Account; and

The nonforfeitable portion of the Participant's Employer Contribution Account, Heritage Plan Account and McHenry Plan Account determined as hereafter set forth.

All rights of Participants or of any other person or persons shall be subject to the provisions of Article 6 concerning the time and manner of making distributions.

Notwithstanding anything in this Plan to the contrary, the nonforfeitable portion of the Employer Contribution Account of any Participant whose employment terminates pursuant to the Participant's participation in a voluntary retirement program applicable to such Participant shall be equal to the greater of such percentage determined on the basis of the Participant's age and Years of Service as of the date of termination, or such percentage determined on the basis of the Participant's age as of the date of termination and Years of Service as of the date of termination increased by the number of additional years of Credited Service (as defined in the First Midwest Bancorp Consolidated Pension Plan), if any, with which such Participant is credited under the Pension Plan as a result of his participation in the voluntary retirement program.

Normal Retirement. Any Participant may retire on or after his Normal Retirement Date, at which date the forfeitable portion, if any, of his Employer Contribution Account, Heritage Plan Account, and McHenry Plan Account, shall become nonforfeitable. If the retirement of a Participant is deferred beyond his Normal Retirement Date, he shall continue in full participation in the Plan and Trust Fund.

Death. As of the date any Participant shall die while in the employ of the Employer or an Affiliate, the forfeitable portion, if any, of his Employer Contribution Account, Heritage Plan Account, and McHenry Plan Account

shall become nonforfeitable, including forfeitures eligible to be restored pursuant to Section 5.7(c).

Disability.

As of the date any Participant shall be determined by the Committee to have become totally and permanently disabled because of physical or mental infirmity while in the employ of the Employer or an Affiliate and his employment shall have terminated, the forfeitable portion, if any, of his Employer Contribution Account, Heritage Plan Account and McHenry Plan Account shall become nonforfeitable, including forfeitures eligible to be restored pursuant to Section 5.7(c).

A Participant shall be deemed totally and permanently disabled when, on the basis of qualified medical evidence, the Committee finds such Participant to be unable to satisfactorily perform his normal duties required of him by an Employer or Affiliate as a result of physical or mental infirmity, injury, or disease, either occupational or nonoccupational in cause; provided, however, that disability hereunder shall not include any disability incurred or resulting from the Participant's having engaged in a criminal enterprise, or any disability consisting of or resulting from the Participant's chronic alcoholism, addiction to narcotics or an intentionally self-inflicted injury.

Vesting. A Participant's interest in his Before-Tax Account, Matching Account, Vested Employer Account, Prior Plan Account and After-Tax Account shall be nonforfeitable at all times. Except as otherwise provided in this Article 5, a Participant's nonforfeitable interest in his Employer Contribution Account, Heritage Plan Account and McHenry Plan Account at any point in time shall be determined under Section 5.6.

Resignation or Dismissal

If any Participant shall incur his Severance Date, other than by reason of death or disability or on or after his Normal Retirement Date or Early Retirement Date, there shall become nonforfeitable none, a portion, or all of his Employer Contribution Account and Heritage Plan Account computed as of his Determination Date in accordance with the following schedule, subject to Sections 2.3 and 2.4:

<u>If His Years of Service Shall Have Been</u>	<u>The Nonforfeitable Percentage of His Employer Contribution Account Shall Be</u>
Less than 2	0%
2 but less than 3	20%
3 but less than 4	30%
4 but less than 5	40%

5 but less than 6	60%
6 but less than 7	80%
7 or more	100%

Any part of the Employer Contribution Account and Heritage Plan Account of such Participant which does not become nonforfeitable shall be treated as a forfeiture pursuant to Section 5.7.

If any Participant shall incur his Severance Date, other than by reason of death or disability or on or after his Normal Retirement Date or Early Retirement Date, there shall become nonforfeitable none, a portion, or all of his McHenry Plan Account computed as of his Determination Date in accordance with the following schedule, subject to Sections 2.3 and 2.4:

<u>If His Years of Service Shall Have Been</u>	<u>The Nonforfeitable Percentage of His Employer Contribution Account Shall Be</u>
Less than 2	0%
2 but less than 3	20%
3 but less than 4	30%
4 but less than 5	40%
5 or more	100%

Any part of the McHenry Plan Account of such Participant which does not become nonforfeitable shall be treated as a forfeiture pursuant to Section 5.7.

Treatment of Forfeitures.

Upon termination of a Participant's employment with the Employer and all Affiliates, the nonvested portion of his Employer Contribution Account, Heritage Plan Account and McHenry Plan Account shall become a forfeiture pursuant to Section 5.6 as of the end of the Plan Year in which the termination of employment occurred if the Participant is not then reemployed by the Employer or an Affiliate. Forfeitures shall be used to reduce the Matching Employer Contributions that would otherwise be paid by the Employer to the Plan pursuant to Section 3.5.

If a Participant is reemployed by the Employer or an Affiliate without incurring 5 consecutive One-Year Breaks in Service, and before distribution of the nonforfeitable portion of his Employer Contribution Account, Heritage Plan Account and McHenry Plan Account, the amount of the forfeiture shall be restored to his Employer Contribution Account, Heritage Plan Account and McHenry Plan Account, as appropriate, as of the last day of the Plan Year in which he is reemployed.

If the Participant is reemployed by the Employer or an Affiliate without incurring 5 consecutive One-Year Breaks in Service but after distribution of the nonforfeitable portion of his Employer Contribution Account, Heritage Plan Account and McHenry Plan Account, and if the Participant repays, the amount of the Employer Contribution Account, Heritage Plan Account and McHenry Plan Account distributed to him before the earlier of (i) the date which is 5 years after the first date on which the Participant is reemployed by the Employer or an Affiliate, or (ii) the date on which he incurs 5 consecutive One-Year Breaks in Service, then the amount of the forfeiture shall be restored to his Employer Contribution Account, Heritage Plan Account and McHenry Plan Account, as appropriate, as of the last day of the Plan Year in which such repayment is made.

Notwithstanding the foregoing, if a Participant terminated his employment with the Employer and all Affiliates because of a maternity or paternity absence as defined in Section 1.4, then this Section 5.7 shall be read by substituting the word "six" for the number "five" as it appears in Subsections (b) and (c) above.

Amounts restored to a Participant's Employer Contribution Account, Heritage Plan Account and McHenry Plan Account pursuant to paragraph (b) or (c) above shall be deducted from the forfeitures which otherwise would be allocable for the Plan Year in which such reemployment or repayment occurs or, to the extent such forfeitures are insufficient, shall require a supplemental contribution from the Employer.

DISTRIBUTIONS

Commencement of Distributions.

- (i) Distribution of a Participant's Accounts in the Trust Fund shall commence or be made on or as soon as practicable after his 65th birthday or, if later, the Participant's termination of employment with the Employer and all Affiliates and, unless a Participant and his spouse (if applicable) otherwise request in writing, distributions shall commence no later than the 60th day after the close of the Plan Year in which the later of such events occurs.

In all events, distribution shall commence no later than the Required Beginning Date, and subsequent distributions required to be made each year for compliance with Code Section 401(a)(9) and the regulations promulgated thereunder shall be made no later than December 31 of such year.

Distribution of a Participant's Accounts shall occur at such time after the Participant's Determination Date and after the Valuation Date immediately following the Participant's written request for such distribution, provided: (A) the Committee has notified the Participant of the availability of the distribution in a manner that would satisfy the notice requirements of Section 1.411(a)-11(c) of the income tax regulations, and such notification is given no less than 30 days nor more than 90 days prior to such Valuation Date; and (B) such distribution may commence as of a Valuation Date which is less than 30 days after the date such notice is given by the Committee if the Committee has notified the Participant that the Participant has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution and the Participant after receiving the notice affirmatively elects a distribution.

Notwithstanding anything in this Section 6.1 to the contrary, if any further amount becomes due from a Participant's Accounts after a distribution has occurred, a payment retroactive to such distribution date shall be made no later than 60 days after the earliest date on which such amount can be ascertained.

Notwithstanding anything in this Article 6 to the contrary, the Committee shall direct the Trustee to distribute to the Participant the distributable balance of his Accounts in a lump sum payment at any time after his

Determination Date without his written consent to such distribution if, at the time of the distribution, the value of the nonforfeitable portion of the Participant's Accounts does not exceed \$5,000. Effective for distributions made on or after March 22, 1999, the \$5,000 cashout amount shall apply at the time a distribution is made, regardless of whether the Participant's vested Account balances exceeded \$5,000 at the time of any prior distribution. Effective for distributions made after December 31, 2001, the present value of a Participant's nonforfeitable accrued benefit may be determined without regard to the portion of the benefit that is attributable to Rollover Contributions (and any earnings allocable to the rollover contributions). Rollover Contributions are defined as any rollover contribution under Code Sections 402(c), 403(a)(4), 403(b)(8), 438(d)(3)(A)(ii) and 457(e)(16).

Any distribution made in accordance with this Article 6 shall, to the extent required by law, be eligible to be distributed in a direct rollover as an Eligible Rollover Distribution in accordance with Section 6.12.

Form of Distributions.

Subject to Sections 6.2(b), 6.2(c) and 6.3 below, the Accounts in the Trust Fund distributable to any Participant shall be distributed in one lump sum payment.

This Section 6.2(b) shall not be applicable and shall no longer apply with respect to any distributions made on or after October 1, 2001, other than distributions commenced pursuant to this Section 6.2(b) prior to October 1, 2001. Notwithstanding Section 6.2(a), a Participant or a Participant's beneficiary, whichever is applicable, may elect to receive his vested interest in any portion of his Account under this Plan that is attributable to benefits accrued under the McHenry Plan and, effective January 1, 1999, under the Heritage Plan, in any one or a combination of the following methods:

by payment in a lump sum, which in the case of a Participant's Heritage Plan Account may be made in the following:

cash;

Employer securities, which, with respect to any distribution prior to January 1, 2000, shall be limited to the number of shares in the Heritage Fund allocable to the Participant, and to which the Participant had a vested right, as of December 31, 1998, reduced by any transfers or distributions from the Heritage Fund made on behalf of the Participant prior to the distribution; or

a combination of (A) and (B) above.

by payment in monthly installments over a period not to exceed the Participant's statistical life expectancy or the Participant's and his beneficiary's statistical life expectancy.

by payment through the purchase of an annuity contract from a registered insurance company selected by the Trustee.

Such an election must be filed in writing with the Committee on forms to be furnished by the Committee. In the event a Participant elects the installment form of payment, the amount of the monthly payment shall be determined annually, as of the date the first payment is due and as of each subsequent anniversary of such date, by dividing the value of the Participant's accrued benefit payable in such form as of such date by the Participant's or the Participant's and his beneficiary's statistical life expectancy, as published in the Code.

Effective for lump sum distributions made with respect to any Determination Date which occurs on or after December 31, 1999, notwithstanding any other Plan provision, shares of Company common stock held in the Investment Funds described in Sections 9.5(a)(ii) and 9.5 (a)(iv), which are allocated to a Participant's Account hereunder may be distributed in-kind to the extent the Participant or, if applicable, the Participant's designated beneficiary elects a lump sum in-kind form of distribution; provided, however, any fractional shares shall be distributed in the form of cash.

Purchase of an Annuity Contract (Applicable to the Heritage and McHenry Plan Accounts Only). *This Section 6.3 shall not be applicable and shall no longer apply with respect to any distributions made on or after October 1, 2001, other than distributions commenced pursuant to this Section 6.3 prior to such date.*

If a distribution of benefits attributable to the McHenry Plan or the Heritage Plan is to be made in the form of an annuity under Section 6.2(b), the form of payment will be a joint and survivor life annuity ending with the payment made in the month in which the joint annuitant's death occurs. This option provides for payment of a monthly pension to the Participant for his lifetime and for the continuance of the Participant's annuity to the surviving joint annuitant named by the Participant, to be paid for the remainder of the joint annuitant's lifetime. Payments under this option will be the actuarial equivalent, as defined by the insurance company from whom the annuity is purchased, of the Participant's Account balance attributable to benefits accrued under the McHenry Plan or the Heritage Plan, as applicable. The survivor annuity will be 50% of the Participant's annuity unless otherwise selected by the Participant.

Unless an optional form of benefit is selected pursuant to a qualified election within the ninety (90) day period ending on the annuity

starting date, a married participant's vested Account balance attributable to benefits accrued under the McHenry Plan or Heritage Plan will be paid in the form of a qualified joint and survivor annuity and an unmarried Participant's vested Account balance attributable to benefits accrued under the McHenry Plan or Heritage Plan will be paid in the form of a life annuity. The Participant may elect to have such annuity distributed upon attainment of the earliest retirement age under the Plan.

An election not to receive benefits in the form of this qualified joint and survivor annuity may be made in writing on a form furnished by the Committee at any time within the ninety (90) day period ending on the annuity starting date. The Committee shall furnish to the Participant, at least ninety (90) days prior to a Participant's annuity starting date (as defined in Code Section 417(f)(2)):

the terms and conditions of the qualified joint and survivor annuity;

the Participant's right to make, and the effect of, an election to waive the qualified joint and survivor annuity,

the rights of the Participant's spouse in the event of a waiver, and

the right to make, and the effect of, a revocation of an election.

If a Participant dies prior to the date he receives a distribution from the plan, his spouse will receive a preretirement survivor annuity which will be actuarially equivalent to 100% of the Participant's vested Account balance attributable to benefits accrued under the McHenry Plan or Heritage Plan, as applicable. The spouse may elect to have such annuity distributed within a reasonable period after the Participant's death.

As regards a Participant's McHenry Plan Account, the preretirement survivor annuity and the qualified joint and survivor annuity will be payable to the Participant's spouse only if the Participant and spouse have been married to each other throughout the one year period ending on the date of the Participant's death.

In the case of a preretirement survivor annuity as described in Subsections (d) and (e) above, the Committee shall provide each Participant within the applicable period for such Participant a written explanation of the preretirement survivor annuity in such terms and in such manner as would be comparable to the explanation provided for meeting the requirements of a qualified joint and survivor annuity as described above. The applicable period for a Participant is whichever of the following periods ends last:

the period beginning with the first day of the Plan Year in which the Participant attains age thirty-two (32) and ending with the close of the Plan Year preceding the Plan Year in which the Participant attains age thirty-five (35),

a reasonable period ending after the individual becomes a Participant,

a reasonable period following the time the annuity benefit may cease to be fully subsidized, or

a reasonable period ending after the qualified joint and survivor annuity or preretirement survivor annuity rules apply to the Participant.

Notwithstanding the foregoing, notice must be provided within a reasonable period ending after separation from service in the case of a Participant who separates from service before attaining age thirty-five (35).

For purposes of applying the preceding paragraph, a reasonable period ending after the enumerated events described in (ii), (iii) and (iv) is the end of the two-year period beginning one year prior to the date the applicable event occurs, and ending one year after that date. In the case of a Participant who separates from service before the Plan Year in which age thirty-five (35) is attained, notice shall be provided within the two-year period beginning one year prior to separation and ending one year after separation. If such a Participant thereafter returns to employment with the Employer, the applicable period for such Participant shall be redetermined.

Any election not to receive benefits in the form of the qualified joint and survivor annuity or preretirement survivor annuity may be revoked by the Participant in writing on a form furnished by the Committee at any time prior to the date such Participant's benefit payments are to commence. Once revoked, a Participant may again elect not to receive benefits in the form of this qualified joint and survivor annuity or preretirement survivor annuity in writing on a form furnished by the Committee at any time prior to the date such Participant's benefit payments are to commence.

In no event shall any Participant elect to waive his right to receive benefits in the form of this qualified joint and survivor annuity or preretirement survivor annuity without the written consent of the Participant's spouse and the spouse's acknowledgment of the effect of such election, as witnessed by either a representative of the Committee or a notary public. A waiver may be made no earlier than the first day of the Plan Year in which the Participant attains age thirty-five (35) and no later than the Participant's date of death. However, the waiver may be effective as of the date of a Participant's separation from service

from the Employer. Any waiver of a qualified joint and survivor annuity or preretirement survivor annuity shall not be effective unless:

the election designates a specific Individual Beneficiary, including any class of Individual Beneficiaries or any contingent Individual Beneficiaries, which may not be changed without spousal consent (or the spouse expressly permits designations by the Participant without any further spousal consent),

the election designates a form of benefit payments which may not be changed without spousal consent (or the spouse expressly permits designations by the Participant without any further spousal consent), and

the spouse's consent acknowledges the effect of the election.

The written consent shall not be required if the Committee is satisfied that there is no spouse or the spouse cannot be located or for any reason established by regulations pursuant to Code Section 417(a)(2)(B).

Any annuity contract distributed herefrom must be nontransferable. The terms of any annuity contract purchased and distributed by the Plan to a Participant or spouse shall comply with the requirements of this Plan.

Distributions to Beneficiaries.

Subject to Sections 6.2(b) and 6.3, the balance of a deceased Participant's Accounts which is distributable to a beneficiary shall be distributed in one lump sum as soon as practicable (but in no event later than the December 31 of the calendar year in which the fifth anniversary of the Participant's death occurs) after the Valuation Date immediately following the Participant's death, based on the value of the Participant's accounts as of such Valuation Date.

- (i) As regards distributions made under Sections 6.2(b) and 6.3, notwithstanding anything in this Article 6 to the contrary, in the event a Participant dies on or prior to the date benefit payments commence hereunder, benefit payments if any, to a Participant's Individual Beneficiary shall commence within ninety (90) days after the Participant's death occurs and such benefits shall be fully distributed within five (5) years from the Participant's date of death, unless the Participant's entire interest will be distributed to the Participant's Individual Beneficiary over the life of such Individual Beneficiary or the life expectancy of such Individual Beneficiary.

As regards distributions made under Sections 6.2(b) and 6.3, notwithstanding anything in this Article 6 to the contrary, in

the event a Participant dies after benefit payments have commenced hereunder, and the Participant has not received his entire vested Account balance attributable to benefits accrued under the McHenry Plan or Heritage Plan, if any, the undistributed portion shall be paid to the Participant's Individual Beneficiary in the form in which payments were being paid to the Participant, with any installments paid over the period remaining under the Participant's election.

Beneficiaries.

Except as otherwise provided in Section 6.3 and this Section 6.5, the distributable balance of a deceased Participant's Accounts shall be paid to his surviving spouse.

The balance of a deceased Participant's Accounts shall be distributed to the persons effectively designated by the Participant as his beneficiaries. To be effective, the designation shall be filed with the Committee in such written form as the Committee requires and may include contingent or successive beneficiaries; provided that any designation by a Participant who is married at the time of his death which fails to name his surviving spouse as the sole primary beneficiary shall not be effective unless such surviving spouse has consented to the designation in writing, witnessed by a Plan representative or notary public, acknowledging the effect of the designation and the specific non-spouse beneficiary, including any class of beneficiaries or any contingent beneficiary. Such consent shall not be required if, at the time of filing such designation, the Participant established to the satisfaction of the Committee that the consent of the Participant's spouse could not be obtained because there is no spouse, the spouse could not be located or by reason of such other circumstances as may be prescribed by regulations. Any consent (or establishment that the consent could not be obtained) shall be effective only with respect to such spouse. Any Participant may change his beneficiary designation at any time by filing with the Committee a new beneficiary designation (with such spousal consent as may be required).

If a Participant dies, and to the knowledge of the Committee after reasonable inquiry leaves no surviving spouse, has not filed an effective beneficiary designation or has revoked all such designations, or has filed an effective designation but the beneficiary or beneficiaries predeceased him or the beneficiary dies before complete distribution of the Participant's benefits, the distributable portion of the Participant's Accounts shall be paid in accordance with the following order of priority:

to the Participant's surviving spouse, or if there be none surviving,
to the Participant's children, in equal parts, or if there be none surviving,
to the Participant's father and mother, in equal parts, or if there be none surviving,
to the executor or administrator of the Participant's estate.

Form of Elections and Applications for Benefits. Any election, revocation of an election or application for benefits pursuant to the Plan shall not be effective unless it is (a) made on such form, if any, as the Committee may prescribe for such purpose; (b) signed by the Participant and, if required under Section 6.3 or 6.5, by the Participant's spouse; and (c) filed with the Committee.

Unclaimed Distributions. In the event any distribution cannot be made because the person entitled thereto cannot be located and the distribution remains unclaimed for 2 years after the distribution date established by the Committee, then such amount shall be treated as a forfeiture and allocated in accordance with Section 4.8. In the event such person subsequently files a valid claim for such amount, such amount shall be restored to the Participant's Accounts in a manner similar to the restoration of forfeitures under Section 5.7.

Loans.

Upon the request of a Participant, the Committee shall authorize a loan to such Participant in accordance with this Section 6.8, provided that the Participant has no outstanding loans from the Plan.

The amount of any loan shall not be less than \$1,000, and shall not exceed 50% of the amount which he would be entitled to receive from his Accounts if he had resigned from the service of the Employer and all Affiliates and if his Determination Date was the Valuation Date next preceding the date of such loan request; provided, however, that the amount of such loan shall not exceed \$50,000 reduced by the highest outstanding balance of loans from the Trust Fund during the one-year period ending on the day before the date on which such loan is made or modified. Such loans shall be made available to all Participants on a reasonably equivalent basis.

Loans shall be made on such terms as the Committee may prescribe, provided that any such loan shall be evidenced by a note, shall bear a reasonable rate of interest on the unpaid principal thereof, and shall be secured by the Participant's Accounts and such other security as the Committee in its discretion deems appropriate.

Loans shall be repaid by the Participant by payroll deductions or any other methods approved by the Committee which require level amortization of principal and repayments not less frequently than quarterly. Such loans shall be repaid over a period not to exceed 5 years in accordance with procedures established by the Committee from time to time.

Loans shall be deemed made from the Participant's Accounts. Amounts necessary to fund such loan shall be transferred from amounts credited to the respective Accounts invested in the respective Funds in accordance with the following order:

from the Accounts indicated in the Money Market Fund:

first, the After-Tax Account;

second, the Prior Plan Account;

third, either the McHenry Plan Account or Heritage Plan Account, as applicable;

fourth, the Vested Employer Account;

fifth, the Before-Tax Account;

sixth, the Matching Account; and

seventh, the Employer Contribution Account.

from the Accounts invested in the Fixed Income Fund, in the order set forth in (i) above;

from the Accounts invested in the Balanced Fund, in the order set forth in (i) above;

from the Accounts invested in the Equity Fund, in the order set forth in (i) above; and

from the Accounts investment in the First Midwest Stock Fund, in the order set forth in (i) above.

The portion of each Account used to secure the loan shall be held for the benefit of the Participant and treated in the manner described in Section 4.2(b). Loan repayments shall be credited to the Accounts in the manner described in Section 4.4 and invested in the separate Funds in accordance with the Participant's investment directions applicable to contributions in effect under Section 9.5 at the time of the repayment. Upon the occurrence of a Participant's Determination Date, the unpaid balance of any loan shall be charged against the Accounts from which made to the extent not repaid before distribution to the Participant.

Withdrawals Prior to Termination of Employment.

Subject to paragraph (b) below, a Participant who has not incurred his Severance Date may, upon the determination by the Committee that he has incurred a financial hardship, make a withdrawal from his After-Tax Account and, to the extent necessary, his Before-Tax Account. In any case where the Participant claims financial hardship, he shall submit a written request for such distribution in accordance with procedures prescribed by the Committee. The Committee shall determine whether the Participant has a “financial hardship” on the basis of such written request in accordance with this Section 6.9, and such determination shall be made in a uniform and nondiscriminatory manner. The Committee shall only make a determination of “financial hardship” if the distribution to be made is made on account of (A) an immediate and heavy financial need of the Participant and (B) the amounts to be distributed from the Participant’s After-Tax Account and Before-Tax Account are necessary to satisfy the Participant’s need.

The determination of whether a Participant has an immediate and heavy financial need is to be made by the Committee on the basis of all relevant facts and circumstances. A distribution will be deemed to be on account of an immediate and heavy financial need only if made on account of:

Medical expenses described in Section 213(d) of the Code incurred by the Participant, the Participant’s spouse or any dependents of the Participant (as defined in Section 152 of the Code) or necessary for these persons to obtain such medical care;

The purchase (excluding mortgage payments) of a principal residence for the Participant;

Payment of tuition, related educational fees, and room and board expenses, for the next 12 months of post-secondary education for the Participant, the Participant’s spouse, for children or dependents;

The need to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of the Participant’s principal residence; or

Any other event or expense deemed an immediate and heavy financial need by the Committee or by Department of the Treasury regulations.

The determination of whether a distribution is necessary to satisfy the immediate and heavy financial need of the Participant shall be made

by the Committee on the basis of all relevant facts and circumstances, provided, however, that this requirement shall be met only if the Participant reasonably demonstrates that all of the following requirements are satisfied:

the distribution is not in excess of the amount of the immediate and heavy financial need of the Participant; and

the Participant has obtained all distributions (other than hardship distributions) and all nontaxable loans currently available under the Plan;

the Participant will not make any Before-Tax Contributions for twelve months (or, effective January 1, 2002, six months) after receiving the hardship distribution; and

the Participant's Before-Tax Contributions in the Plan Year following the Plan Year of the hardship distribution do not exceed the limitations in Section 3.2(a) applicable to such following Plan Year, minus the amount of his Before-Tax Contributions for the Plan Year of the hardship distribution.

Any withdrawals under this Section shall not reduce the non-forfeitable portion of the Participant's Account below the amount of the balance of any outstanding loan made pursuant to Section 6.8. Withdrawals on account of hardship shall be further limited by paragraph (e) below.

Distributions from the Participant's Before-Tax Account on account of hardship pursuant to this Section 6.9 shall not exceed the lesser of:

the amount needed to relieve the immediate and heavy financial need;

the balance of the Participant's Before-Tax Account at the time of the distribution; or

(A) the sum of the balance of the Before-Tax Account as of December 31, 1988 plus the Participant's Before-Tax Contributions made on or after January 1, 1989, reduced by
(B) the aggregate amount distributed from the Participant's Before-Tax Account on or after January 1, 1989.

Notwithstanding the foregoing, if a Participant is married at the time he requests a withdrawal, no such withdrawal shall be permitted without the written consent of the Participant's spouse, which shall be witnessed by a notary public or a Plan representative.

Facility of Payment. When, in the Committee's opinion, a Participant or beneficiary is under a legal disability or is incapacitated in any way so as to be unable to manage his affairs, the Committee may direct the Trustee to make payments:

- directly to the Participant or beneficiary;
- to a duly appointed guardian or conservator of the Participant or beneficiary;
- to a custodian for the Participant or beneficiary under the Uniform Gifts to Minors Act;
- to an adult relative of the Participant or beneficiary; or
- directly for the benefit of the Participant or beneficiary.

Any such payment shall constitute a complete discharge therefore with respect to the Trustee and the Committee.

Claims Procedure.

Any person who believes that he is then entitled to receive a benefit under the Plan, including one greater than that initially determined by the Committee, may file a claim in writing with the Committee.

The Committee shall within 90 days of the receipt of a claim either allow or deny the claim in writing. Effective January 1, 2002, if the claim requires a determination of disability the Committee shall within 45 days of receipt of a claim either allow or deny the claim in writing. A denial of a claim shall be written in a manner calculated to be understood by the claimant and shall include:

- the specific reason or reasons for the denial;
- specific references to pertinent Plan provisions on which the denial is based;
- a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- an explanation of the Plan's claim review procedure.

A claimant whose claim is denied (or his duly authorized representative) may, within 60 days (effective January 1, 2002, 180 days for disability claims) after receipt of denial of his claim:

submit a written request for review to the Committee;
review pertinent documents; and
submit issues and comments in writing.

The Committee shall notify the claimant of its decision on review within 60 days (effective January 1, 2002, 45 days for disability claims) of receipt of a request for review. The decision on review shall be written in a manner calculated to be understood by the claimant and shall include specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based.

The 90-day and 60-day periods described in subsections (b) and (d), respectively, may be extended at the discretion of the Committee for a second 90- or 60-day period. The 45 day period described in subsection (b) may be extended at the discretion of the Committee for two separate 30 day periods. The 45 day period described in subsection (d) may be extended for a period of 45 days at the Committee's discretion. If the Committee decides it needs an extension it will provide written notice of the extension to the claimant prior to the termination of the initial period, indicating the special circumstances requiring such extension of time and the date by which a final decision is expected.

Participants and beneficiaries shall not be entitled to challenge the Committee's determinations in judicial or administrative proceedings without first complying with the procedures in this Article. The Committee's decisions made pursuant to this Section are intended to be final and binding on Participants, beneficiaries and others.

Any judicial or administrative challenge to the Committee's final determination must be filed with the court or administrative agency within the two-year period immediately following the date benefits were denied by the Committee on review of its initial determination.

Eligible Rollover Distributions.

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article 6, a distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

Eligible rollover distribution: An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not

include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code Section 401(a)(9); and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); beginning with the 2000 Plan Year, any distribution that is a hardship distribution described in Code Section 401(k)(2)(B)(i)(IV); and beginning with the 2002 Plan Year, any distribution which is made upon hardship of the employee.

Eligible retirement plan: An eligible retirement plan is an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a), or a qualified trust described in Code Section 401(a), that accepts the distributee's eligible rollover distribution. For distributions made on or after January 1, 2002, an eligible retirement plan shall also mean an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. However, in the case of an eligible rollover distribution made on or before December 31, 2001 to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Section 414(p) of the Code, an eligible retirement plan is an individual retirement account or individual retirement annuity only.

For distributions made on or after January 1, 2002, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of After-Tax Contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

Distributee: A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and

the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p), are distributees with regard to the interest of the spouse or former spouse.

Direct rollover: A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

TOP-HEAVY PLAN REQUIREMENTS

Definition of Top-Heavy Plan. The Plan shall be Top-Heavy with respect to a Plan Year if it is a member of a Required Aggregation Group and the present value of the accrued benefits for Key Employees under all plans in the Aggregation Group exceeds 60% of the present value of the accrued benefits for all employees under all plans in the Aggregation Group. This ratio shall be computed as provided in Section 416(g) of the Code. Such present values shall be determined as of the last day of the preceding Plan Year of each plan. If all plans in the Aggregation Group do not have the same Plan Year, then such present values shall be determined as of the last day of each Plan Year ending in the same calendar year as the last day of the preceding Plan Year of this Plan. Under a defined contribution plan, such present values shall be determined by aggregating the value of all accounts of all Key Employees and all employees respectively. As used in this Section, the term “accounts” includes certain prior distributions, Employer contributions payable to the Plan, employee contributions, and rollover accounts, if any, all in accordance with Section 416(g) of the Code or regulations thereunder.

Top-Heavy Plan Requirements. Notwithstanding any provision of the Plan to the contrary but subject to the Company’s right to terminate the Plan, the following provisions shall apply with respect to any Plan Year in which the Plan is Top-Heavy.

Minimum Vesting. Effective as of the first day of such Plan Year, the following vesting schedule shall be substituted for the schedules set forth in Section 5.6, except to the extent, with respect to any Participant, a schedule in Section 5.6 applicable to such Participant produces a larger Plan benefit:

<u>If His Years of Service Shall Have Been</u>	<u>The Nonforfeitable Percentage of His Employer Contribution Account Shall Be</u>
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

Minimum Contribution. All Participants who are Non-Key Employees participating in the Plan are also participants in a defined benefit plan maintained by the Employer. Consequently, any minimum benefits required due to the top-heavy status of this Plan will be provided in such defined benefit plan. If the defined benefit plan is terminated and

if the Required Aggregation Group is top-heavy, the Employer shall make a supplemental contribution to the Vested Employer Accounts and Employer Contribution Account of any such Participant, in an amount sufficient for the total amount of Employer contributions allocated to accounts of such Participant to equal 5% of such Participant's Total Compensation for such Plan Year. For purposes of this subsection, the term "Participant" means a Participant who was employed by the Employer on the last day of a Plan Year in which the Plan is Top-Heavy.

Definitions. For purposes of this Article:

For Plan Years prior to January 1, 2002, a "Key Employee" is any current or former employee described in Section 416(i)(1) of the Code or his beneficiary. The compensation used in determining whether any such employee is a Key Employee shall be based on such employee's Total Compensation from the Employer (including all Affiliates) for the applicable Plan Year, including amounts contributed by an Employer pursuant to a salary reduction agreement which are excludable from the Employee's gross income under Code Section 125, 132(f)(4), 402(e)(3), 402(h) or 403(b).

For Plan Years beginning on or after January 1, 2002, a "Key Employee" is any employee or former employee (including any deceased employee) who at any time during the Plan Year that includes the determination date was an officer of the Employer having annual compensation greater than \$130,000 (as adjusted under section 416(i)(1) of the Code for plan years beginning after December 31, 2002), a 5-percent owner of the Employer, or a 1-percent owner of the Employer having annual compensation of more than \$150,000. For this purpose, annual compensation means compensation within the meaning of section 415(c)(3) of the Code.

The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the regulations thereunder.

A "Non-Key Employee" is an employee of the Employer other than a Key Employee.

"Employer" means the Employer and all Affiliates.

"Aggregation Group" means a group of qualified plans consisting of this Plan and certain other defined contribution plans and defined benefit plans maintained by the Employer which are aggregated for purposes of determining whether the group as whole is Top-Heavy. The Aggregation Group includes plans which must be aggregated for this purpose (the "Required Aggregation Group") and other plans which are aggregated for this purpose (the "Permissive Aggregation Group").

The “Required Aggregation Group” shall include:

each employee benefit plan of the Employer qualified under Section 401(a) of the Code in which a Key Employee is a participant; and

each other qualified plan which enables any plan described in (i) to meet the anti-discrimination or coverage requirements of the Code.

The “Permissive Aggregation Group” includes such other qualified plan or plans of the Employer as the Committee may in its discretion elect, provided the inclusion of any such plan in the Aggregation Group does not cause it to fail to meet the anti-discrimination or coverage requirements of the Code.

Cessation of Top-Heavy Requirements.

Once the Plan has been Top-Heavy but is no longer Top-Heavy, this Article shall be inapplicable except as provided in this Section.

The vesting schedule set forth in Section 7.2(a) shall continue to apply to a Participant who had 5 or more Years of Service as of the last day on which the Plan was Top-Heavy.

The Employer Contribution Account of any other Participant constituted as of the last day on which the Plan was Top-Heavy shall be separately accounted for as a subaccount until the nonforfeitable percentage of his Employer Contribution Account pursuant to Section 5.6 equals or exceeds the nonforfeitable percentage of his Employer Account on the last day on which the Plan was Top-Heavy. In the event such Participant shall resign or be dismissed from the employ of the Employer while a subaccount is being maintained, his nonforfeitable interest in such subaccount shall be computed pursuant to Section 5.6 but using the same nonforfeitable percentage as was applicable to him on the last day on which the Plan was Top-Heavy.

EGTRRA Top-Heavy Provisions.

For Plan Years beginning on or after January 1, 2002, this Section 7.5 shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of employees as of the determination date.

Distributions during year ending on the determination date. The present values of accrued benefits and the amounts of account balances of an employee as of the determination date shall be increased by the distributions made with respect to the

employee under the Plan and any plan aggregated with the Plan under Section 416(g)(2) of the Code during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting “5-year period” for “1-year period.”

Employees not performing services during year ending on the determination date. The accrued benefits and accounts of any individual who has not performed services for the employer during the 1-year period ending on the determination date shall not be taken into account.

Minimum Benefits. For Plan Years beginning on or after January 1, 2002, Employer matching contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Section 416(c)(2) of the Code and the Plan. The preceding sentence shall apply with respect to matching contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Employer matching contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Section 401(m) of the Code.

POWERS AND DUTIES OF PLAN COMMITTEE

Appointment of Plan Committee.

The Board of Directors of the Company (the “Board of Directors”) shall name a Plan Committee (the “Committee”) to consist of not less than 3 persons to serve as administrator and named fiduciary of the Plan. Any person, including directors, shareholders, officers and employees of the Company, shall be eligible to serve on the Committee. Every person appointed a member of the Committee shall signify his acceptance in writing to the Board of Directors.

Members of the Committee shall serve at the pleasure of the Board of Directors and may be removed by the Board of Directors at any time with or without cause. Any member of the Committee may resign by delivering his written resignation to the Board of Directors, and such resignation shall become effective at delivery or at any later date specified therein. Vacancies in the Committee shall be filled by the Board of Directors.

Usual and reasonable expenses of the Committee may be paid in whole or in part by the Employers and any such expenses not paid by the Employers shall be paid by the Trustee out of the principal or income of the Trust Fund. The members of the Committee who are employees of the Employer or any Affiliate shall not receive any compensation for their services as such.

Powers and Duties of Committee. The Company shall have final and binding authority to control and manage the operation and administration of the Plan, including all rights and powers necessary or convenient to the carrying out of its functions hereunder, whether or not such rights and powers are specifically enumerated herein. The Committee shall have the specific delegated powers and duties described in this Article 8, and such further powers and duties as may be delegated to it by the Company. In exercising its responsibilities hereunder, the Committee may manage and administer the Plan through the use of agents who may include employees of the Employer.

Without limiting the generality of the foregoing, and in addition to the other powers set forth in this Article 8, the Committee shall have the following express authorities:

To construe and interpret the Plan, decide all questions of eligibility and determine the amount, manner and time of payment of any benefits hereunder.

To prescribe procedures to be followed by Participants or beneficiaries filing applications for benefits.

To prepare and distribute, in such manner as the Committee determines to be appropriate, information explaining the Plan.

To receive from the Employers, Participants and others such information as shall be necessary for the proper administration of the Plan.

To furnish the Company upon request such annual and other reports with respect to the administration of the Plan as are reasonable and appropriate.

To receive, review and maintain on file reports of the financial condition and of the receipts and disbursements of the Trust Fund from the Trustee.

Committee Procedures.

The Committee may adopt such bylaws and regulations as it deems desirable for the conduct of its affairs.

A majority of the members of the Committee at the time in office shall constitute a quorum for the transaction of business. All resolutions or other actions taken by the Committee at any meeting shall be by the vote of the majority of the members of the Committee present at the meeting. The Committee may act without a meeting by written consent of a majority of its members.

The Committee may elect one of its members as chairman and may appoint a secretary, who may or may not be a Committee member, and shall advise the Trustee and the Employer of such actions in writing. The secretary shall keep a record of all actions of the Committee and shall forward all necessary communications to the Employer or the Trustee.

Filing or delivery of any document with or to the secretary of the Committee in person or by registered or certified mail, addressed in care of the Employer, shall be deemed a filing with or delivery to the Committee.

Consultation with Advisors. The Committee (or any fiduciary designated by the Committee pursuant to Section 8.8) may employ or consult with counsel, actuaries, accountants, physicians or other advisors (who may be counsel, actuaries, accountants, physicians or other advisors for the Employer).

Committee Members as Participants. Any Committee member may also be a Participant, but no Committee member shall have power to take part in any discretionary decision or action affecting his own interest as a Participant under this Plan unless such decision or action is upon a matter which affects

all other Participants similarly situated and confers no special right, benefit or privilege not simultaneously conferred upon all other such Participants.

Records and Reports. The Committee shall take all such action as it deems necessary or appropriate to comply with governmental laws and regulations relating to the maintenance of records, notifications to Participants, registrations with the Internal Revenue Service, reports to the U.S. Department of Labor and all other requirements applicable to the Plan.

Investment Policy.

The Committee from time to time shall determine the short-term and long-term financial needs of the separate Investment Funds comprising the Trust Fund and such needs shall be communicated from time to time to the Trustee, Investment Managers or others having responsibility and control of the Trust Fund.

Subject to subsection(c) below, the Trustee shall have the exclusive authority and discretion to manage and control the assets of the respective Investment Funds pursuant to the investment policy determined by the Committee.

The Committee may in its discretion:

appoint one or more Investment Managers to manage (including the power to direct the Trustee to acquire or dispose of) any assets of the Plan pursuant to the investment policy determined by the Committee, in which case the Trustee shall not be liable for the acts or omissions of any such Investment Manager or be under an obligation to invest or otherwise manage any asset of the Plan which is subject to the management of any such Investment Manager; and

direct the Trustee with respect to the investment of the assets of the Plan in any mutual fund, insurance company separate account or collective investment fund maintained by a bank or trust company (including but not limited to such funds maintained by the Trustee or any affiliate thereof), or similar pooled investment vehicle, pursuant to the investment policy of any Investment Fund determined by the Committee.

For purposes of this Section 8.7, an Investment Manager shall mean (i) a registered investment adviser under the Investment Advisers Act of 1940, (ii) a bank as defined in such Act, or (iii) an insurance company qualified under the laws of more than one state to manage, acquire and dispose of plan assets. Any Investment Manager appointed by the Committee shall acknowledge in writing that it is a fiduciary with respect to the Plan.

Designation of Other Fiduciaries. The Committee may designate in writing other persons to carry out a specified part or parts of its responsibilities hereunder (including the power to designate other persons to carry out a part of such designated responsibility), but not including the power to appoint Investment Managers. Any such designation shall be accepted by the designated person, who shall acknowledge in writing that he is a fiduciary with respect to the Plan.

Obligations of Committee.

The Committee or its properly authorized delegate shall make such determinations as are necessary to accomplish the purposes of the Plan with respect to individual Participants or classes of such Participants. The Employer shall notify the Committee of facts relevant to such determinations, including, without limitation, length of service, compensation for services, dates of death, permanent disability, granting or terminating of leaves of absence, ages, retirement and termination of service for any reason (but indicating such reason), and termination of participation. The Employer shall also be responsible for notifying the Committee of any other facts which may be necessary for the Committee to discharge its responsibilities hereunder.

The Committee is hereby authorized to act solely upon the basis of such notifications from the Company and to rely upon any document or signature believed by the Committee to be genuine and shall be fully protected in so doing. For the purpose of this Section, a letter or other written instrument signed in the name of the Company by any officer thereof shall constitute a notification therefrom; except that any action by the Company or its Board of Directors with respect to the appointment or removal of a member of the Committee or the amendment of the Plan and Trust or the designation of a group of employees to which the Plan is applicable shall be evidenced by an instrument in writing, signed by a duly authorized officer or officers, certifying that said action has been authorized and directed by a resolution of the Board of Directors of the Company.

The Committee shall notify the Trustee of its actions and determinations affecting the responsibilities of the Trustee and shall give the Trustee directions as to payments or other distributions from the Trust Fund to the extent they may be necessary for the Trustee to fulfill the terms of the Trust Agreement.

The Committee shall be under no obligation to enforce payment of contributions hereunder or to determine whether contributions delivered to the Trustee comply with the provisions hereof relating to contributions, and is obligated only to administer this Plan pursuant to the terms hereof.

Indemnification of Committee. The Employers shall indemnify members of the Committee and its authorized delegates who are employees of the Employer for any liability or expenses, including attorneys' fees, incurred in the defense of any threatened or pending action, suit or proceeding by reason of their status as members of the Committee or its authorized delegates, to the full extent permitted by the law of the Employer's state of incorporation.

TRUSTEE AND TRUST FUND

Trust Fund. A Trust Fund to be known as the First Midwest Bancorp Savings and Profit Sharing Trust (herein referred to as the “Trust” or the “Trust Fund”) has been established by the execution of a trust agreement with one or more Trustees and is maintained for the purposes of this Plan. The assets of the Trust will be held, invested and disposed of by the Trustee, in accordance with the terms of the Trust, for the benefit of the Participants and their beneficiaries.

Payments to Trust Fund and Expenses. All contributions hereunder will be paid into and credited to the Trust Fund and all benefits hereunder and expenses chargeable thereto will be paid from the Trust Fund and charged thereto.

Trustee’s Responsibilities. The powers, duties and responsibilities of the Trustee shall be as set forth in the Trust Agreement and nothing contained in this Plan, either expressly or by implication, shall impose any additional powers, duties or responsibilities upon the Trustee.

Reversion to the Employer. The Employer has no beneficial interest in the Trust Fund and no part of the Trust Fund shall ever revert or be repaid to the Employer, directly or indirectly, except that the Employer shall upon written request have a right to recover:

within one year of the date of payment of a contribution by the Employer, any amount (less any losses attributable thereto) contributed through a mistake of fact;

within one year of the date on which any deduction for a contribution by the Employer under Section 404 of the Code is disallowed, an amount equal to the amount disallowed (less any losses attributable thereto); and

at the termination of the Plan, any amounts remaining in the Excess Forfeiture Suspense Account.

Investment Options. Each Participant shall direct the Trustee with respect to the Investment Fund or Funds in which the Participant’s contributions and Accounts are to be invested.

Subject to the discretion of the Committee to establish additional Funds or to consolidate Funds, Funds shall be maintained as follows:

At least one Fund shall be established, maintained and invested with the objective of protection of principal and substantial liquidity, with a rate of return consistent with such objective.

A second Fund shall be established, maintained and invested in common stock of the Company purchased (i) in the open market, (ii) by participation in a dividend reinvestment or similar plan available to stockholders of the Company, or (iii) privately from the Company or any other person; provided that amounts allocated to this Fund may be invested in short-term interest bearing accounts to facilitate investments in common stock of the Company, transfers among Funds or distributions to Participants.

At least two additional Funds shall be established, maintained and invested with objectives which, when combined with the other Funds, provide Participants with the opportunity to designate the investment of their Accounts among Funds providing a range of risk and return consistent with the requirements of the regulations of the Department of Labor under Section 404(c) of ERISA.

With respect to any Participant that participated in the Heritage Plan on September 30, 1998, a Fund holding Employer securities transferred to this Plan from the Heritage Plan as part of the merger of the Heritage Plan into this Plan effective October 1, 1998.

A Participant shall designate the Fund or Funds into which any contributions made to the Plan on behalf of the Participant shall be invested at the time of initial Participation in the Plan. Thereafter, a Participant may change the mix of the investment of future contributions and may transfer existing Account balances among the Funds in accordance with procedures established by the Committee from time to time. Notwithstanding any other provision of the Plan, a Participant may not direct that any contributions to the Plan be invested in, and no existing Account balances may be transferred to, the Heritage Fund. However, existing Account balances invested in the Heritage Fund may be transferred from the Heritage Fund to any other Fund maintained under the Plan under such rules as may be established and uniformly applied by the Committee from time to time.

Designations under this Section 9.5 shall be made by filing with the Committee the appropriate written form required thereby at such times and in accordance with such procedures and limitations as the Committee may from time to time establish. The Trustee shall invest the assets of the Plan attributable to the Participant's Accounts in accordance with such properly filed designations.

Rollover from Prior Plan. Notwithstanding any other provision contained in this Plan, the Trustee, at the written direction of the Committee, may accept and hold for the account of a Participant, funds transferred from an Employer's trust described in Section 401(a) of the Code, and which is exempt from tax under Section 501(a) of the Code, and which: (1) relates to the merger of the Heritage Plan into the Plan effective October 1, 1998; (2) relates to the merger of the McHenry Plan into the Plan effective December 31, 1997; or (3) is or was maintained by either the Continental Illinois Bank of Deerfield, N.A., or the Continental Bank of Buffalo Grove, N.A., so long as such transferred amount constitutes an eligible rollover distribution, within the meaning of Code Section 402(c)(4) or any corresponding predecessor Code Section, from the transferor plan. In the event of such a transfer, the Trustee shall establish and maintain a Prior Plan Account, consisting of any employer and rollover contributions to the Prior Plan and adjustments relating thereto, and an After-Tax Account, consisting of any after-tax contributions to the Prior Plan and adjustments relating thereto, in the name of the Participant, which Accounts shall not be forfeitable for any reason. As regards the Heritage Plan and the McHenry Plan, however, a Heritage Plan Account and McHenry Plan Account, respectively, shall be established with respect to the employer contributions accrued under the Heritage Plan and McHenry Plan, which Accounts shall vest in accordance with Section 5.6. Furthermore, all benefits accrued under the Heritage Plan and McHenry Plan, shall be separately accounted for and subject to the optional forms of benefit set forth in Sections 6.2(b) and 6.3. All funds or assets which are transferred to the Prior Plan Account and the After-Tax Account shall be invested and accounted for separately; provided that to the extent that any such balances have been generated by after-tax contributions of the Participant, such Participant and his spouse may withdraw such amounts to the extent of their after-tax contributions on request to the Committee in writing. Assets in the Prior Plan Account and After-Tax Account shall be accounted for in such manner as shall be determined by the Trustee.

AMENDMENT OR TERMINATION

Amendment. The Company reserves the right to amend this Plan at any time to take effect retroactively or otherwise, in any manner which it deems desirable including, but not by way of limitation, the right to increase or diminish contributions to be made by the Employer hereunder, to change or modify the method of allocation of its contributions, to change any provision relating to the distribution or payment, or both, of any assets of the Trust.

Termination. The Company further reserves the right to terminate this Plan at any time.

Form of Amendment, Discontinuance of Employer Contributions, and Termination. Any such amendment, discontinuance of Employer Contributions or termination shall be made only by resolution of the Board of Directors of the Company.

Limitations on Amendments. The provisions of this Article are subject to the following restrictions:

Except as provided in Section 9.4, no amendment shall operate either directly or indirectly to give the Employer any interest whatsoever in any funds or property held by the Trustee under the terms hereof, or to permit corpus or income of the Trust to be used for or diverted to purposes other than the exclusive benefit of the Participants and their beneficiaries.

Except to the extent necessary to conform to the laws and regulations or to the extent permitted by any applicable law or regulation, no amendment shall operate either directly or indirectly to deprive any Participant of his nonforfeitable beneficial interest in his Accounts as they are constituted at the time of the amendment.

No amendment shall change any vesting schedule unless each Participant who has completed 3 or more Years of Service is permitted to elect to have the nonforfeitable percentage of his Employer Account computed under the Plan without regard to such amendment. The period for making such amendment shall expire no later than the latest of the following dates: (i) the date which is 60 days after the date the Plan amendment is adopted, (ii) the date which is 60 days after the date the Plan amendment becomes effective, or (iii) the date which is 60 days after the Participant is issued written notice of the Plan amendment by the Committee. Notwithstanding the foregoing, no election need be offered to a Participant whose nonforfeitable percentage of his

Employer Contribution Account cannot at any time be lower than such percentage determined without regard to such amendment.

Except as permitted by applicable law, no amendment shall eliminate or reduce an early retirement benefit or a retirement-type subsidy or eliminate an optional form of benefit.

Level of Benefits upon Merger. This Plan shall not merge or consolidate with, or transfer assets or liabilities to, any other plan, unless each Participant shall be entitled to receive a benefit immediately after said merger, consolidation or transfer (if such other plan were then terminated) which shall be not less than the benefit he would have been entitled to receive immediately before said merger, consolidation or transfer (if this Plan were then terminated).

Vesting upon Termination or Discontinuance of Employer Contributions; Liquidation of Trust.

This Plan shall be deemed terminated if and only if the Plan terminates by operation of law or pursuant to Section 10.2. In the event of any termination or partial termination within the meaning of the Code, or in the event the Employer permanently discontinues the making of contributions to the Plan, the Employer Contribution Account of each affected Participant who is employed by the Employer on the date of the occurrence of such event shall be nonforfeitable; provided, however, that in no event shall any Participant or beneficiary have recourse to other than the Trust Fund for the satisfaction of benefits hereunder.

In the event an Employer permanently discontinues the making of contributions to the Plan, the Trustee shall make or commence distribution to each Participant or his beneficiaries of the value of such Participant's Accounts as provided herein within the time prescribed in Article 6. However, if, after such discontinuance the Company shall determine it to be impracticable to continue the Trust any longer, the Company may, in its discretion, declare a date to be the Determination Date for all Participants whose Determination Date has not yet occurred, and the Trustee shall thereupon, as promptly as shall then be reasonable under the circumstances, liquidate the Trust assets and distribute to each such Participant his Accounts in the Trust Fund. Such date shall also constitute the final distribution date for each Participant or beneficiary whose Accounts are being distributed in installments. Upon completion of such liquidation and distribution, the Trust shall finally and completely terminate.

The liquidation of the Trust, if any, in connection with any Plan termination shall be accomplished by the Committee acting on behalf of the Company. After directing that sufficient funds be set aside to

provide for the payment of all expenses incurred in the administration of the Plan and the Trust, to the extent not paid or provided for by the Employer, the Committee shall, as promptly as shall then be reasonable under the circumstances, liquidate the Trust assets and distribute to each Participant his Accounts in the Trust Fund. Upon completion of such liquidation and distribution, the Trust shall finally and completely terminate. In the event the Committee is no longer in existence, the actions to be taken by the Committee pursuant to this Section shall be taken by the Trustee.

ADOPTION BY AFFILIATES

Adoption of Plan. Any Affiliate may adopt this Plan for the benefit of its eligible employees if authorized to do so by a resolution or the terms of an agreement approved by the Board of Directors of the Company. Such adoption shall be by resolution of such Affiliate's board of directors, a certified copy of which shall be filed with the Company, the Committees and the Trustee. Upon such adoption, such Affiliate shall become an "Employer."

The Company as Agent for Employer. Each Employer which has adopted this Plan pursuant to Section 11.1 hereby irrevocably gives and grants to the Company full and exclusive power conferred upon it by the terms of the Plan and Trust to take or refrain from taking any and all action which such Employer might otherwise take or refrain from taking with respect to the Plan, including sole and exclusive power to exercise, enforce or waive any rights whatsoever which such Employer might otherwise have with respect to the Trust, and each such Employer, by adopting this Plan, irrevocably appoints the Company its agent for such purposes. Neither the Trustee nor the Committee nor any other person shall have any obligation to account to any such Employer or to follow the instructions of or otherwise deal with any such Employer, the intention being that all persons shall deal solely with the Company as if it were the sole company which had adopted this Plan. Each such Employer shall contribute such amounts as determined under Article 3.

Adoption of Amendments. Any Employer which adopts this Plan pursuant to Section 11.1 may amend this Plan with respect to its own employees by resolution of its board of directors, if authorized to do so by the Board of Directors of the Company.

Termination. Any Employer which adopts this Plan pursuant to Section 11.1 may terminate this Plan with respect to its own employees by resolution of its board of directors, if authorized to do so by the Board of Directors.

Data to be Furnished by Employers. Each Employer which adopts this Plan pursuant to Section 11.1 shall furnish information and maintain such records with respect to its employee Participants as called for hereunder, and its determinations and notifications with respect thereto shall have the same force and effect as comparable determinations by the Company with respect to its employee Participants.

Joint Employees. If a Participant receives Considered Compensation simultaneously from more than one Employer, the total amount of such Considered Compensation shall be considered for the purposes of the Plan, and the respective Employers shall share in contributions to the Plan on

account of said Participant based on the Considered Compensation paid to such Participant by the Employer.

Expenses. To the extent that the Employers shall pay any of the necessary expenses incurred in the administration of the Plan or Trust pursuant to the Trust, then each Employer shall pay such portion thereof as the Company shall determine.

Withdrawal. An Employer may withdraw from the Plan by giving 60 days' written notice of its intention to the Company and the Trustee, unless a shorter notice shall be agreed to by the Company.

Prior Plans. If an Employer adopting the Plan already maintains a defined contribution plan covering employees who will be covered by this Plan, it may, with the consent of the Company, provide in its resolution adopting this Plan for the termination of its own Plan or for the merger, restatement and continuation, of its own plan by this Plan. In either case, such Employer may, subject to the approval of the Company, provide in its resolution of adoption of this Plan for the transfer of the assets of such plan to the Trust for this Plan for the payment of benefits accrued under such other plan. Any such plan is referred to herein as a "Prior Plan".

Merger of the Heritage Plan into the Plan. Effective October 1, 1998, the Heritage Plan shall be merged into this Plan. Notwithstanding any other provision of this Plan, for all purposes other than eligibility to participate, as provided in Section 2.1 of this Plan, the terms, conditions and benefits of this Plan with respect to participants in the Heritage Plan on September 30, 1998 shall, for the period commencing on October 1, 1998 and ending on December 31, 1998, subject to amendment in accordance with the terms of this Plan, be governed by the provisions of the Heritage Plan as in effect on September 30, 1998, which provisions are incorporated into this Plan by this reference as if fully set forth herein verbatim; provided, however, that: (i) service with the Company and any of its Affiliates shall be deemed to be service with the "Employer," as defined in Section 1.13 of the provisions of the Heritage Plan, for purposes of determining a Heritage Employee's "Year of Service" under Section 1.51 of the provisions of the Heritage Plan; and (ii) the Trustee of this Plan shall constitute the "Trustee" under Section 1.48 of the provisions of the Heritage Plan. On and after January 1, 1999, the provisions of this Plan as amended from time to time, and without respect to the provisions of the Heritage Plan, shall govern the terms, conditions and benefits of employees who previously participated in the Heritage Plan.

MISCELLANEOUS

No Guarantee of Employment, etc. Neither the creation of the Plan nor anything contained in the Plan or Trust Agreement shall be construed as giving any Participant hereunder or other employee of the Employer any right to remain in the employ of the Employer, any equity or other interest in the assets, business or affairs of the Employer, or any right to complain about any action taken or any policy adopted or pursued by the Employer.

Rights of Participants and Others.

Except as provided in the Plan with respect to loans to a Participant, no Participant shall have any right to sell, assign, pledge, hypothecate, anticipate or in any way create a lien upon any part of the Trust Fund. Except to the extent required by law or provided in the Plan, no interest in the Trust Fund, or any part thereof, shall be assignable in or by operation of law, or be subject to liability in any way for the debts or defaults of Participants, their beneficiaries, spouses or heirs-at-law, whether to the Employer or to others.

Prior to the time that distributions are to be made hereunder, the Participants, their spouses, beneficiaries, heirs-at-law or legal representatives shall have no right to receive cash or other things of value from the Employer or the Trustee from or as a result of the Plan and Trust.

Qualified Domestic Relations Order. Notwithstanding anything in this Plan to the contrary, the Committee shall distribute a Participant's Accounts, or any portion thereof, in accordance with the terms of any domestic relations order entered on or after January 1, 1985, which the Committee determines to be a qualified domestic relations order described in Section 414(p) of the Code. Further notwithstanding any other provision of this Plan to the contrary, effective as of September 1, 1997, such distribution of a Participant's Accounts or any portion thereof, to an alternate payee under a qualified domestic relations order shall, unless such order otherwise provides, be made in one lump sum as soon as administratively practicable after the Committee has determined that a domestic relations order is a qualified domestic relations order described in Code Section 414(p).

Controlling Law. To the extent not preempted by the laws of the United States of America, the laws of the State of Illinois shall be controlling state law in all matters relating to the Plan.

Severability. If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts of this

Plan, but this Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

Notification of Addresses. Each Participant and each beneficiary of a deceased Participant shall file with the Committee from time to time in writing his post-office address and each change of post-office address. Any communication, statement or notice addressed to the last post-office address filed with the Committee, or if no such address was filed with the Committee, then to the last post-office address of the Participant or beneficiary as shown on the Employer's records, will be binding on the Participant and his beneficiary for all purposes of this Plan and neither the Committee nor the Employer shall be obliged to search for or ascertain the whereabouts of any Participant or beneficiary.

Gender and Number. Whenever the context requires or permits, the gender and number of words shall be interchangeable.

ESOP PROVISIONS

General. This Article 13 shall be effective as of November 14, 2001. The provisions of this Article, together with other provisions of this Plan relating to the ESOP Fund, are intended to constitute an employee stock ownership plan (“ESOP”) within the meaning of Code Section 4975(e)(7). The provisions of this Article shall supersede contrary provisions of the Plan.

Establishment of the ESOP Fund. The portion of the Plan represented by the portion of the Accounts invested in the Investment Fund described in Section 9.5(a)(ii) and 9.5(a)(iv) of the Plan shall constitute the ESOP Fund to the extent and as of the dates set forth below:

effective as December 27, 2001, that portion of Participant Accounts, other than Before-Tax Accounts and Matching Accounts, invested in the Investment Fund established and maintained to invest in common stock of the Company (the “FMBI Stock Fund”), shall be credited to the ESOP Fund; and

effective as of January 1, 2002, that portion of all Accounts, including Before-Tax Accounts and Matching Accounts, then invested in the FMBI Stock Fund (such portion to be determined after giving effect to any transfers among Investment Funds effected as of December 31, 2001 pursuant directed by Participants pursuant to Section 9.5(b) of the Plan) shall be credited to the ESOP Fund.

Effective January 1, 2002, the FMBI Stock Fund shall be redesignated as the “FMBI Stock Savings Fund.”

Treatment of the ESOP Fund. The ESOP Fund shall constitute an ESOP. Amounts allocated to the ESOP shall be invested in shares of the common stock of the Company, provided that amounts allocated to the ESOP Fund may be invested in short-term interest bearing accounts to facilitate investments in common stock of the Company, transfers from the ESOP Fund to other Investment Funds or distributions to Participants. The ESOP Fund shall be treated as an Investment Fund for purposes of Sections 4.2 and Section 9.5(b), provided, that Participants shall not be permitted to direct any contributions into the ESOP Fund and no existing Account balances may be transferred to the ESOP Fund. Account balances invested in the ESOP Fund may be transferred from the ESOP Fund to any other Investment Fund maintained under the Plan in accordance with Section 9.5(b).

Allocation of Employer Contribution. Effective for each Plan Year beginning January 1, 2002, such portion, if any, of the Employer Contribution credited to the Employer Contribution Accounts of Participants who are Eligible

Participants for purposes of the allocation of the Employer Contribution pursuant to Section 4.9 shall be invested in the ESOP Fund. No Before-Tax or Matching Employer Contributions shall be credited to the ESOP Fund.

Allocation of Net Earnings and Losses and Dividends. Net earnings and losses, and the valuation of the amounts credited to the ESOP Fund shall be determined in the manner described in Section 4.2, as applicable to an Investment Fund invested primarily in common stock of the Company. To the extent provided below, cash dividends paid on common stock of the Company allocated to Accounts invested in the ESOP Fund shall, at the election of the Participant:

be paid in cash to the Participant as soon as practicable after the last day of the quarter during which such dividends are paid to the Plan, provided that in no event shall such cash dividends be paid later than 90 days after the close of the Plan Year during which such dividends were paid to the Plan, or

reinvested in shares of common stock of the Company and held in the ESOP Fund.

The election under this Section 13.5 shall not apply with respect cash dividends paid prior to January 1, 2002 or to any cash dividends attributable to the portion, if any, of a Participant's Employer Contribution Account, Heritage Plan Account and McHenry Account which was not vested under Section 5.5 as of the last day of the Plan Year immediately preceding the Plan Year in which the dividend is paid to the Plan. Cash dividends not subject to this election shall be reinvested in common stock of the Company. The cash payment of dividends by the Plan under this Section 13.5 shall not be subject to the limitations or provisions of Article 6. Elections pursuant to this Section 13.5 shall be made by filing with the Committee the appropriate written form (which may be filed electronically via the Internet or Company intranet, or via a voice response system) at such times and in accordance with such procedures and limitations which the Committee may from time to time establish. Notwithstanding the foregoing, the procedures established by the Committee shall provide a reasonable opportunity before a dividend is paid or distributed for Participants to make the election and to have a reasonable opportunity to change the election at least annually, shall establish a default election if a Participant fails to make an affirmative election within the time established for making elections, may provide that the election is applicable for a Plan Year and cannot be revoked with respect to such Plan Year, and shall otherwise be implemented in a manner such that the dividends paid or reinvested will constitute "applicable dividends" which may be deducted by the Company under Code Section 404(k) as amended by Section 662 of the Economic Growth and Tax Relief Reconciliation Act of 2001.

ESOP Provisions. The following provisions shall apply to the ESOP Fund:

The ESOP Fund is intended to be invested primarily in shares of common stock of the Company which constitute "employer securities" as defined in Code Section 409(1). In the event of any merger,

consolidation, reorganization, recapitalization or similar transaction in which the common stock of the Company is converted into or exchanged for other stock or securities, the stock or securities received upon such conversion or exchange shall be deemed to be common stock of the Company for purposes of this Article 13.

Each Participant shall be entitled to direct the Trustee with respect to the voting or tendering of shares of common stock of the Company held in the ESOP Fund and allocated to such Participant's accounts. Such directions shall be provided in the manner set forth in the Trust Agreement.

Each Participant shall be entitled to transfer amounts allocated to the ESOP Fund to the other Investment Funds maintained under the Plan in the manner described in Section 9.5(b), regardless of whether or not such Participant has attained the age of 55.

A Participant or a Participant's beneficiary may elect to receive that portion of his Accounts held in the ESOP Fund which has become distributable pursuant to Section 6.1 in cash or in shares of common stock of the Company in the manner described in Section 6.2(c).

FIRST MIDWEST BANCORP

SAVINGS AND PROFIT SHARING PLAN

SUMMARY PLAN DESCRIPTION

RELATING TO THE PLAN

AS IN EFFECT

JULY 1, 2002

This booklet, dated July 1, 2002, makes up part of a Prospectus covering Securities that have been registered under the Securities Act of 1933.

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SUMMARY PLAN DESCRIPTION

GENERAL INFORMATION ABOUT THE PLAN

First Midwest Bancorp, Inc. (“First Midwest”) maintains the First Midwest Bancorp Savings and Profit Sharing Plan (“Plan”) to help you meet your long-term financial goals. Under the Plan, you may save regularly through payroll deductions, receive matching and profit sharing contributions, and reduce your current income taxes.

The Plan may be adopted by any affiliated company of First Midwest for the benefit of its eligible employees. For purposes of this booklet, the term “Employer” refers to both First Midwest and any affiliated companies that have adopted the Plan. If an affiliated company adopts this Plan, it will be listed in Appendix B to this booklet.

The Plan is designed primarily as a deferred compensation program which permits you to elect to contribute to the Plan on a before-tax basis. Because such contributions reduce the amount of federal, and in most cases state, income tax which you currently pay, they are known as “before-tax contributions.” The earnings on your before-tax contributions are also not taxable to you until withdrawn. The Employer matches your before-tax contributions by contributing to the Plan \$2.00 for each \$1.00 of the first 1% of your compensation you elect to have contributed to the Plan on your behalf as before-tax contributions.

The Employer may also make profit sharing contributions, known as “Employer Contributions,” to the Plan. Each year, after reviewing the performance of each subsidiary, and of First Midwest on a consolidated basis, the Board of Directors of First Midwest may determine an amount of Employer Contribution to be contributed to the Plan on your behalf. Your Employer Contribution is expressed as a percent of your compensation for the year while a Participant, and is added to your Plan account. The Employer Contribution made on your behalf is not included as part of your compensation for federal or state income tax purposes so long as it remains in the Plan.

The Plan permits participants to borrow a portion of the vested amounts in their accounts subject to certain limitations. In addition, withdrawals of before-tax contributions are allowed in the event of a demonstrated financial hardship.

All contributions are deposited in a trust fund and invested for you and other participants. Your individual accounts will grow from Employer Contributions, your own before-tax contributions, if you elect to contribute, the matching contributions on your own contributions, and the tax-deferred income from the Trust Fund’s investments. You have the ability, within limits, to direct the investment of your Plan account.

The Plan is maintained on a calendar plan year, beginning January 1 and ending December 31 (“Plan Year”).

DESCRIPTION OF THE FIRST MIDWEST SAVINGS AND PROFIT SHARING PLAN

The following questions and answers provide a summary of the legal documents governing the Plan:

WHAT ARE THE PURPOSES OF THE PLAN?

The purposes of the Plan are to encourage and assist employees in the accumulations of capital for retirement by means of regular, before-tax participant contributions and matching and profit sharing contributions by the Employer. Additionally, the Plan provides a means for effectuating

the desire of many employees to have an ownership interest in First Midwest through the Corporation's Common Stock, stimulating the efforts of employees and strengthening their desire to remain employees of First Midwest.

WHAT ARE THE PURPOSES OF THIS BOOKLET?

This booklet is a summary of the legal documents governing the Plan effective on and after July 1, 2002, and only applies to persons employed by the Employer on or after that date and to persons who have account balances in the Plan on or after that date. You and your spouse (if you are married) should read this booklet carefully. Raise any questions you may have with the Plan Committee. The Plan Committee will be pleased to help you understand how the Plan is designed to provide you with an additional measure of financial security for your future.

WHEN AM I ELIGIBLE TO JOIN THE PLAN?

Eligibility

If you are not now a participant, you will automatically become a participant in the Plan on the first January 1 or July 1 on which you have completed a 1-year eligibility period, have attained age 21 and are employed in an eligible group of employees.

In general, all employees (other than leased employees) of the Employer are eligible. However, employees covered by a collective bargaining agreement under which retirement benefits were the subject of good faith bargaining are not eligible to participate unless the collective bargaining agreement provides for their participation.

Eligibility Period

To satisfy the 1-year eligibility requirement, you must complete at least 1,000 hours of service in a 1-year period of employment with the Employer or an affiliated company. The 1-year period begins on the date you first perform duties for the Employer or an affiliated company. However, because you may enter the Plan only on January 1 or July 1, it is possible to wait almost 18 months to become a participant, even if you are age 21. If you do not complete 1,000 hours of service in your first eligibility period, you can meet the requirement in later eligibility periods which correspond to the Plan Year.

Hours of Service

You get an "hour of service" for each hour for which you are paid by the Employer or an affiliated company for the job you perform. You may also be credited with "hours of service" for certain paid absences, such as for vacation, holidays, illness or disability, authorized leaves of absence, or if you receive a back pay award. However, the maximum hours you can earn in any 12-month period for any non-working time is 501 hours.

Eligibility for Purposes of Rollover Contributions

If you are an eligible employee, you may become a participant in the Plan immediately upon your employment, but only for the limited purpose of having a rollover contribution, or rollover transfer, made to the Plan from another qualified plan, directing the investment of your rollover account, and naming a beneficiary to receive the balance in your rollover account. You may also borrow from your rollover account in accordance with the terms of the Plan (see the section of this booklet entitled "May I Borrow Amounts from My Plan Accounts?"). You will not be a participant entitled to make before-tax contributions or to share in matching contributions or

Employer Contributions until you have completed the required period of service and have entered the Plan on the appropriate entry date. See the applicable sections of this booklet for more information. Additional information and rules governing rollover and rollover transfer contributions are also available from the Plan Committee.

HOW MUCH CAN I ELECT TO CONTRIBUTE TO THE PLAN?

Basic Before-Tax Contributions

You may elect to have the Employer make before-tax contributions to the Plan on your behalf of up to 1% of your regular compensation during each Plan Year while you are a participant. These before-tax contributions are referred to as your “basic before-tax contributions.” Your basic before-tax contributions are matched by the Employer, as explained below.

Supplemental Before-Tax Contributions

You may also elect to have the Employer make additional before-tax contributions to the Plan on your behalf in full percentage increments of at least 1% and up to 14% of your regular compensation during each plan year while you are a participant. These before-tax contributions are referred to as your “supplemental before-tax contributions,” and are not matched by the Employer.

Dollar Limitation on Before-Tax Contributions

Your total before-tax contributions may not exceed a certain dollar limitation established by the IRS, and may be further limited in certain circumstances. The dollar limitation for the 2002 calendar year is \$11,000, but this amount will be adjusted by the IRS in future years to reflect increases in the cost-of-living.

Limitations Affecting Higher Paid Employees

In addition to the percentage of compensation and dollar limitations on contributions as explained above, the Plan must meet certain other legal requirements which limit the before-tax contributions elected by higher-paid employees. You will be notified if your before-tax contributions must be reduced or refunded. Similar restrictions apply to matching contributions made on behalf of higher-paid employees. The Plan Committee reserves the right to restrict the amount of contributions made by or on behalf of higher-paid employees to comply with these requirements.

Your Reportable Compensation

The amount of your before-tax contributions (up to the applicable legal limits) will reduce the amount of your compensation which is subject to federal and certain state income taxes. However, your before-tax contributions will not reduce the amount of your compensation subject to Social Security tax, nor your Social Security benefits. Other benefits which you receive through First Midwest, such as life insurance, social security benefits, disability benefits and pension benefits will be based upon your salary before reduction for your before-tax Plan contributions.

How Your Contributions Are Made to the Plan

All of your contributions will be deducted from your paycheck and transferred by the Employer to the Trust Fund.

Changing Your Contribution

You may change the amount of your before-tax contributions, or suspend your before-tax contributions, on notice to the Plan Committee. These changes will be effective within the first two payroll periods of the quarter (quarters begin on January 1, April 1, July 1 and October 1) following the proper submission of your request through the Plan's website or Interactive Voice Response System ("IVR"), so long as your request is submitted no later than 9:00 am of the last day of the preceding quarter. For example, if you properly submit a request to increase your before-tax contributions from 10% to 12% by 8:00 am on March 31, the increase to 12% would become effective some time during the first two payroll periods occurring after March 31. You will receive additional information about the website and the IVR in a separate pamphlet.

HOW MUCH WILL FIRST MIDWEST CONTRIBUTE TO THE PLAN ON MY BEHALF?

Matching Contributions

As of the last day of each calendar quarter, the Employer will contribute on your behalf, if you are employed by the Employer on that date, \$2.00 for each \$1.00 of basic before-tax contributions you made during that calendar quarter. Matching contributions will also be made on your behalf for a calendar quarter if, prior to the last day of the calendar quarter, you retire on or after age 65 (or age 55 with 15 years of service), die or are initially deemed to be totally and permanently disabled.

Discretionary Employer Contributions

Each year, after reviewing the performance of each subsidiary, and of First Midwest as a whole, First Midwest's Board of Directors may determine an additional amount to be contributed to the Plan on behalf of eligible participants. The contribution will be expressed as a percentage of compensation received during the year (or half year for participants who entered the Plan on July 1 of the year). Generally, this discretionary Employer Contribution will be in the range of 0% to 6% of compensation.

The discretionary Employer Contribution will only be added to your Plan account if:

- on December 31 of the year of the Employer Contribution, you were employed by an Employer and you completed 1,000 hours of employment during the year; or,
- your employment ended during the year due to retirement on or after age 65 (or age 55 with 15 years of service), disability or death.

If your employment with the Employer terminates during the year for any other reason, or you are employed on December 31, but did not complete 1,000 hours of employment during the year, you will not be eligible to receive an Employer Contribution for that year.

A portion of the discretionary Employer Contribution for each year will automatically be invested in the ESOP Fund (see the section in this booklet entitled "How Are Plan Contributions and Earnings Invested?") and may be transferred out of the ESOP Fund upon your request. For example, if you receive a discretionary Employer Contribution equal to 5% of your compensation, the Company may cause a portion of the discretionary Employer Contribution

equal to 2% of your compensation to automatically be invested in the ESOP Fund. The remaining portion, equal to 3% of your compensation, will be invested in the other investment options as you have directed.

General Limitations on Contributions

Under applicable IRS rules, the aggregate amount for any Plan Year of (1) your before-tax contributions, (2) your share of the matching contributions and discretionary Employer Contributions cannot exceed the lesser of 100% of your compensation for the Plan Year or \$40,000. You will be notified if this limitation restricts any contributions made to the Plan on your behalf.

The total amount of before-tax contributions, matching contributions and discretionary Employer Contributions is also limited to the amount of such contributions deductible by the Employer for federal income tax purposes.

Discretionary Employer Contributions will increase the amount available to you and your family when you retire or otherwise terminate employment. However, they are subject to the vesting schedule of the Plan (see the section of this booklet entitled “How Do I Become Vested in Contributions to My Plan Accounts?”).

WHAT COMPENSATION IS TAKEN INTO ACCOUNT FOR PURPOSES OF PLAN CONTRIBUTIONS?

Compensation For Purposes of Before-Tax and Matching Contributions

Your compensation for purposes of determining the amount of your before-tax and matching contributions is your base salary from the Employer, excluding certain forms of irregular compensation, such as severance pay, bonuses and other incentive compensation. However, any contributions you make under First Midwest’s Flexcomp Program for medical plan coverage, health care and child care benefit expense accounts, and/or life insurance are included as part of your compensation for purposes of determining your before-tax and matching contributions.

Compensation For Purposes of Employer Contributions

Your compensation for purposes of determining your allocable share of discretionary Employer Contributions (i.e., your discretionary profit sharing contributions) is your total compensation from the Employer. It includes base salary, overtime, and any employee bonuses and other incentive compensation but excludes stock option income, nonqualified plan benefits, severance and transitional pay. Additionally, any contributions you make under First Midwest’s Flexcomp Program for medical plan coverage, health care and child care benefit expense accounts, and/or life insurance are also included as part of your compensation for purposes of the discretionary Employer Contributions.

Limitations on Compensation

Only compensation earned while you are a participant in the Plan is taken into account. For example, if you join the Plan on July 1, your compensation for that year while you are a participant will be the total compensation you receive during the 6-month period from July 1 through December 31. Also, due to IRS limitations, annual compensation in excess of certain dollar amounts (as adjusted from time to time by the IRS for changes in the cost of living) is not taken into account for purposes of the Plan. For 2002, the dollar amount is \$200,000.

ARE ROLLOVER CONTRIBUTIONS AND ROLLOVER TRANSFERS PERMITTED UNDER THE PLAN?

You may, with the permission of the Plan Committee, make “rollover contributions” to the Plan. A “rollover contribution” is an amount held for your benefit under another qualified plan or in an IRA that is deposited with, or transferred to, this Plan.

The rollover contribution must be deposited with this Plan within 60 days after distribution to you and must be made in cash. A rollover contribution accepted by the Plan Committee will be credited to your separate rollover account.

You may also, with the permission of the Plan Committee, have a direct rollover transfer of assets from any other qualified plan made to this Plan. Any amount transferred will also be credited to your rollover account.

If you are interested in making a rollover contribution, or a rollover transfer, you should request information from the Plan Committee.

WHAT IF I PREVIOUSLY PARTICIPATED IN A PLAN THAT WAS MERGED INTO THIS PLAN?

If you were a participant in a Prior Plan, special rules may apply to your Prior Plan Account. A “Prior Plan” is any tax-qualified plan that was merged into this Plan. A “Prior Plan Account” is an account under this Plan attributable to funds accumulated under the Prior Plan that were transferred into this Plan. If you worked for an employer that was acquired by First Midwest and you participated in a profit sharing or 401(k) plan sponsored by the acquired company, you may have a Prior Plan Account. Any special provisions applicable to your Prior Plan Account, such as a separate vesting schedule, are explained in an appendix to this booklet. A separate appendix is created for each Prior Plan if special rules apply to the Prior Plan Accounts attributable to that Prior Plan. Check to see if an appendix to this booklet applies to you. If you have any questions, contact the Plan Committee.

HOW DO I BECOME VESTED IN CONTRIBUTIONS TO MY PLAN ACCOUNTS?

Vesting Schedule

Vesting refers to your right to receive your Plan accounts. For purposes of vesting, all of your service from the date of hire counts towards vesting service.

At all times you are fully vested in the amounts you have contributed to the Plan (i.e., your before-tax contributions, any rollover contributions or transfers, and after-tax employee contributions made under a prior plan) and the investment earnings thereon. In addition, at all times you are fully vested in all matching contributions made to the Plan on your behalf, and the investment earnings thereon.

You become vested in the discretionary Employer Contributions (i.e., discretionary profit sharing contributions), and investment earnings thereon, in accordance with the following schedule:

<u>Years of Service</u>	<u>Percent Vested</u>
7 or more	100%
6 but less than 7	80%
5 but less than 6	60%
4 but less than 5	40%
3 but less than 4	30%
2 but less than 3	20%
Less than 2	0%

Notwithstanding the above schedule, you will be 100% vested in all discretionary Employer Contributions, and investment earnings thereon, if you retire after attaining age 65 (or age 55 with 15 years of service), become permanently disabled or die.

Amounts representing non-vested company contributions and earnings thereon of participants who terminate employment are treated as “forfeitures” and used to reduce the Employer’s future contributions.

HOW ARE PLAN CONTRIBUTIONS AND EARNINGS INVESTED?

Investment of Contributions

All Plan Contributions are paid to First Midwest Trust Company, N.A. (the “Trustee”), a subsidiary of First Midwest, and are invested in accordance with the provisions of the Plan and related Trust Agreement. The Trustee is authorized to pay certain fees and expenses from the Plan. For a discussion of the payment of transaction fees and other expenses, see the section of this booklet entitled “Who Pays Transaction Fees, Management Fees and Plan Expenses?”

Once you become a participant, you have the opportunity to choose the manner in which your before-tax and matching contributions, as well as any rollover contributions or transfers, are invested. You may invest all your before-tax, matching, rollover and transfer contributions in one investment option or allocate these contributions among the various investment options (excluding the ESOP Fund) in multiples of 5%.

Your share of the discretionary Employer Contribution is invested in two ways. Each year, a portion of your discretionary Employer Contribution will be automatically invested in the ESOP Fund, subject to transfers out of such fund upon your request. The portion of your discretionary Employer Contribution for the year which is not automatically invested in the ESOP Fund will be invested among the Plan’s investment options (excluding the ESOP Fund) as you have directed.

The investment options available under the Plan are listed in Appendix A of this booklet. Plan investment options may be added, eliminated or modified from time to time. You will be notified of any such changes.

Investment of Earnings

All dividends, interest, gains and losses received or incurred with respect to each investment fund (other than the ESOP Fund) are allocated as of each business day to each participant’s Plan account in the ratio that such account balance invested in such fund bears to all account balances invested in such fund. Adjustments are made for changes in any common stock held by an investment fund resulting from stock dividends, stock splits or similar changes.

For cash dividends attributable to the portion of your ESOP Fund which was vested as of the prior calendar year (see the section of this booklet entitled “How do I Become Vested in Contributions to my Plan Accounts”), you may elect on an annual basis to either (i) receive the dividends in cash, or (ii) reinvest the dividends in the ESOP Fund. If you elect to receive the dividends in cash they will be paid to you following the last day of the quarter in which the dividends were paid.

You may make an election regarding the payment or reinvestment of the dividends on your vested ESOP Fund as of each January 1 for the calendar year beginning that January 1. You will receive notice of the need to make an election for a year in the last quarter of the preceding year. Your election must be made by filing a properly completed election form with the Committee or via the First Midwest Intranet. Your election will remain in effect until you make a new election as of a subsequent January 1. If you have no election on file, your dividends will be reinvested.

Participant Responsible for Investment Decisions

The Plan is intended to comply with section 404(c) of the Employee Retirement Income Security Act of 1974 (ERISA) and applicable Federal regulations. Therefore, neither First Midwest, the Plan Committee, the Trustee nor any other Plan fiduciary will be responsible for any losses you may incur as a result of your investment elections.

HOW CAN I CHANGE MY INVESTMENT OPTIONS?

You may change your investment allocation with respect to future before-tax contributions, matching contributions and the portion of your discretionary Employer Contribution which is not automatically invested in the ESOP Fund by properly submitting your request via the Interactive Voice Response System (the “IVR”) or the Plan’s website. In addition, you may transfer existing account balances between Plan investment funds (excluding the ESOP Fund, to which no transfers may be made), provided your request is properly submitted through the IVR or the Plan’s website. You will receive additional information about how to use the website and the IVR in a separate pamphlet. All changes to your investment allocations and the investment of your account balances received by 9:00 am on a business day will be commenced that business day. A more detailed description of the Plan’s processing of changes in account allocation among the investment options follows.

Mutual Fund Trades

Day 1: All fund transfer activity properly submitted through the website or the IVR is downloaded at 9:00 am. If your change is properly submitted before 9:00 am, your request will be initiated that morning. If your change is submitted after 9:00 am, your request will be part of the next business day’s activity. Once your fund transfer request is downloaded, a sale order is processed on your account and sent to the marketplace.

Day 2: The revenue generated from the sale is calculated and the amount to be purchased in the new investment option(s) is determined. A purchase is then initiated in the marketplace.

Day 3: The results of the purchase(s) are processed. You will be able to hear or see the changes after the purchase(s) have settled and been posted to your account later the same day.

FMBI Common Stock Trades

All FMBI Common stock activity properly submitted through the website or the IVR is downloaded at 9:00 am. If your change is properly submitted before 9:00 am, your request will be initiated that morning. If your change is submitted after 9:00 am, your request will be part of

the next business day's activity. When buying or selling FMBI Common Stock, the Plan must wait until the trade is settled prior to posting the transaction to your account. Since FMBI Common stock is an individual security and it may be necessary to buy/sell stock on the open market, the transaction may take up to four days to complete. Letters confirming trades in FMBI Common Stock are mailed to the appropriate participants on a weekly basis.

Stock Trade Quarantine Periods

As stated in the First Midwest Bancorp, Inc. Corporate Policy Regarding Trading in Securities of First Midwest Bancorp, Inc. (the "Insider Trading Policy"), you should not trade FMBI stock, whether inside or outside of the Plan, during certain quarantine periods. There are four automatic quarantine periods a year, each of which begins with the last five business days of a quarter and continues through the second business day following the quarter's earnings release. In addition to the automatic quarantine periods, you should not trade FMBI stock if you are aware of material information regarding First Midwest which is not available to the public. Information is material information if there is a substantial likelihood that a reasonable investor would consider such information important in making an investment decision. If you are uncertain as to whether you are in possession of material information and you would like to trade in FMBI stock, you should refer to the Insider Trading Policy and contact the Corporate Secretary's office at (630) 875-7459 prior to beginning the trade.

WILL I RECEIVE A REGULAR STATEMENT OF THE VALUE OF MY PLAN ACCOUNT?

The assets of the Plan are valued as of each business day and a printed statement will be generated as of the last day of each calendar quarter. As soon as practical thereafter, the statement, which will indicate the dollar amount of your before-tax contributions, matching contributions, Employer Contributions, and other Plan accounts, the investment earnings thereon, and any transfers between Plan investment funds made during that quarter, will be provided to you.

In addition to quarterly statements, an annual report for the Plan is prepared by First Midwest. This annual report will include, among other information, the performance of each Plan investment fund, any significant changes with respect to the Trustee, the Plan, or the investment options available under the Plan, and the allocation of Plan assets among the various investment funds. The annual report also includes financial statements for the Plan for the current and prior year. These financial statements include the annual activity of the Plan, including contributions, investment income, expenses and distributions to participants under the Plan, and other changes in net assets available to Plan participants.

The annual report of the Plan, in addition to all official Plan documents, are available for review by Plan participants. In addition, each Plan participant will receive, as soon as practicable after the last day of each calendar year, a summary of the Plan's annual report for that year, at no cost to the participant. In addition, each participant may obtain information about the specific assets held in the various Plan investment funds, expenses and charges, and certain other information upon request to the Plan Committee.

MAY I BORROW AMOUNTS FROM MY PLAN ACCOUNTS?

You may borrow from the Plan against the value of your accounts.

You may have two loans outstanding at one time. Loans may not be less than \$1,000 nor more than the lesser of (i) 50% of the aggregate vested balance of your accounts determined as of the last day of the calendar quarter preceding the date of your loan request, or (ii) \$50,000 reduced

by your highest outstanding loan balance(s) at any time during the 1-year period preceding the date the new loan is made. You may request a loan by submitting the required forms to the Plan Committee. Each participant interested in obtaining a loan from the Plan should request from the Plan Committee forms and information relating to the interest rate and other repayment terms, as well as the effect of the failure to make timely loan payments and the effect of termination of employment upon the loan.

The amount necessary to fund the loan will be taken from your Plan accounts invested in the various investment funds as follows: (i) first, amounts will first be taken from any money held in the money market; (ii) next, amounts will be taken from the investment funds as follows: (A) the Fixed Income Fund, (B) the Balanced Fund, (C) the Equity Fund, (D) the FMBI Stock Savings Fund, (E) the Vanguard Total Stock Market Index Fund, (F) the Vanguard Small Cap Index Fund, and (G) the Fidelity Diversified International Fund. The loan will be treated as a separate investment of those accounts which will be credited with your payments of principal and interest. The amount of your repayments will be reinvested in the Plan investment funds in accordance with your investment elections in effect at the time of repayment.

CAN I WITHDRAW PLAN CONTRIBUTIONS WHILE I AM STILL EMPLOYED?

As noted in the responses to the previous questions, the Plan is designed primarily to meet your long-range financial needs. **ACCORDINGLY, THE WITHDRAWAL OF BEFORE-TAX CONTRIBUTIONS IS SUBJECT TO SUBSTANTIAL RESTRICTIONS** (However, see the section of this booklet above regarding the ability to borrow from your Plan account).

Withdrawals of before-tax contributions (and certain employee after-tax contributions under prior plans) are possible in the event of a demonstrated financial hardship, subject to the approval of the Plan Committee. Such approvals are necessary in order to meet Internal Revenue Service rules. The financial need to be met for withdrawal of before-tax or after-tax contributions must be an amount not reasonably available from your other resources. If you are married, the written consent of your spouse, witnessed by a notary public or Plan representative, is required for such a withdrawal. **WITHDRAWALS OF MATCHING AND EMPLOYER CONTRIBUTIONS ARE NOT PERMITTED UNDER ANY CIRCUMSTANCES.**

In the event you incur a "financial hardship" that cannot be fully satisfied with a loan from the Plan, you may request to withdraw from your prior plan after-tax contributions account and, if necessary, your before-tax contributions and earnings credited thereon prior to 1989, the amount necessary to satisfy the hardship. A financial hardship is defined to mean an immediate and heavy financial need which includes extraordinary expenses due to accident, sickness, disability or other financial emergency affecting you or any of your dependents, tuition for college or postgraduate education for you, your spouse, children or dependents, amounts needed for the purchase of your principal residence or to prevent eviction or foreclosure on your principal residence.

Internal Revenue Service regulations require participants who request hardship withdrawals to demonstrate that the amount needed from the Plan is not reasonably available from the resources of the participant and his or her spouse. Additionally, as a condition to receiving the hardship withdrawal, a participant must fully suspend all before-tax contributions for the 6 months immediately following the distribution and limit contributions made during the calendar year following the distribution.

WHEN WILL I BE ENTITLED TO RECEIVE MY ACCOUNTS?

You will be entitled to the entire balance in your Plan accounts when you retire, terminate employment with the Employer, become totally disabled or die, subject to the vesting provisions outlined in the section of this booklet entitled “How Do I Become Vested in Contributions to My Plan Accounts?”

Distributions of Plan account balances will be made in a single lump sum payment of cash only. However, you may elect to receive an “in-kind” distribution of shares of Corporation Common Stock representing the portion of your account balances invested in the FMBI Stock Savings Fund and the ESOP Fund (see section of this booklet entitled, “What Special Rules Apply to the FMBI Stock Savings Fund and the ESOP Fund?”).

Generally, lump sum benefits are payable within the 30 days following the later of your separation from service with the Employer and receipt by the Itasca Human Resources department of your form requesting distribution. If you become age 65 in the year you leave, and your benefit is at least \$5,000, you can defer your lump sum until after the end of the year. The amount of the benefit will then be based on the value of your account on December 31. Payment in that case will be within 60 days after year end.

You may elect to leave your account balance in the Plan after you terminate participation. This election applies only to the entire account balance. If you subsequently elect a distribution of such balance, the distribution will be payable within the 30 days following receipt by the Itasca Human Resources department of your form requesting distribution.

If you die before receiving your account distribution, the distribution will be made to the beneficiary or beneficiaries you and/or your spouse have designated. If no beneficiary is designated, or if no designated beneficiary is living at the time the benefit is payable, the account distribution will be made to your spouse, or, if there is no surviving spouse, to your surviving children in equal shares. If there is no surviving child, your account distribution will be paid to your mother and father in equal parts or, if none survive, to your estate.

HOW AND WHEN ARE MY PLAN BENEFITS TAXED?

For federal and state income tax purposes, before-tax contributions, matching contributions, Employer Contributions, rollover contributions and transfers to the Plan are not included in the income of Plan participants in the year in which such contributions or transfers are made. In accordance with rules summarized below, federal and state income taxation of account balances of participants is deferred until those account balances are distributed to recipients. Also, while employee after-tax contributions made under a prior plan are not subject to income tax when distributed, investment earnings on such funds are only tax-deferred until the date of distribution. Under IRS regulations, certain employees must begin receiving distributions under the Plan beginning no later than April 1 of the calendar year following the calendar year in which they attain age 70-½. You will be notified if these rules apply to you. Any such distributions (exclusive of the amount of any after-tax contributions in a prior plan account) will generally be taxed as ordinary income at the regular rates in effect in the year of distribution.

Distributions made from the Plan to a participant before the participant attains age 59-½ may be subject to a special 10% additional income tax on the amount of the distribution. This additional tax will not be applicable if the distribution is made because the participant has become disabled, died, or if it is made to the participant after separation from service after attainment of age 55. Further, the additional tax will not be applicable to a distribution to the extent the distribution does not exceed the amount allowable as a deduction on the participant’s individual income tax

return for amounts paid during the taxable year for medical care. There are other limited exceptions to the 10% additional income tax. You should consult with a qualified tax advisor if you think the 10% additional income tax may apply to you.

Distributions from the Plan will generally be subject to mandatory 20% withholding for federal income tax unless the distribution is transferred directly to an IRA or another company's tax-qualified retirement plan. If a direct transfer is not elected at the time of distribution, you may still rollover your distribution to an IRA or another tax-qualified plan within 60 days after receipt of the distribution along with an amount from your other assets equal to the withholding.

Special tax rules apply if you elect to receive an "in-kind" distribution of Common Stock for the portion of your account balance invested in the FMBI Stock Savings Fund or FMBI Stock Fund (see section of this booklet entitled, "What Special Rules Apply to the FMBI Stock Savings Fund and the ESOP Fund?").

Each Participant will receive distribution election forms and other material in connection with any distributions from the Plan which provides additional information regarding the foregoing tax rules. However, because of the complexity of the federal tax laws, and the application of state and local tax laws, participants are advised to consult their personal tax advisors regarding these matters.

HOW IS THE PLAN ADMINISTERED?

The Plan is administered by a Plan Administration Committee (the "Plan Committee") which is appointed by the management of First Midwest. The assets of the Plan are held and administered by the Trustee for the Plan in accordance with the terms and conditions of the First Midwest Bancorp Savings and Profit Sharing Trust.

The Plan Committee has the responsibility for controlling and managing the operation and administration of the Plan, which includes construing and interpreting the Plan's provisions, deciding all eligibility questions, verifying the need for and approving qualifying withdrawal requests, approving Plan loans, determining the amount, manner and time of payment of any benefit under the Plan and determining whether death or total and permanent disability has occurred. In exercising its responsibilities, the Plan Committee is obligated to act in a non-discriminatory manner.

In connection with its administrative responsibilities, the Plan Committee may employ such agents to perform clerical and other services, and such legal counsel, accountants and actuaries as it may deem necessary or desirable for the operation and administration of the Plan. In connection with any action or determination, the Plan Committee is entitled to rely upon information furnished by the Trustee and upon tables, valuations, certificates, opinions and reports furnished by any trustee, accountant or legal counsel.

Plan Committee members receive no special compensation for their services in administering the Plan, have no specified term of office and may be removed at any time by the management of First Midwest. The address and telephone number of the Plan Committee is listed in the section of this booklet entitled "What Else Should I Know About the Plan?"

WHAT SPECIAL RULES APPLY TO THE FMBI STOCK FUND AND THE ESOP FUND?

The Plan has two funds invested in the Corporation's Common Stock (the "FMBI Stock Savings Fund" and the "ESOP Fund"), each as more fully described in Appendix A of this booklet. The FMBI Stock Savings Fund is an investment option in which participants may direct their before-tax contributions, matching contributions, and any rollover or transfer amounts, and to which

participants may transfer any amounts from other investment options. The ESOP Fund is an investment fund to which part of the discretionary Employer Contributions are automatically invested. A participant may transfer amounts out the ESOP Fund but no transfers may be made into the ESOP Fund. Participants with Plan accounts invested in the FMBI Stock Savings Fund or the ESOP Fund will be permitted to direct the Trustee with respect to voting and other shareholder rights relating to the First Midwest Common Stock held in such funds to the same extent as other stockholders of the corporation. Participants in the FMBI Stock Savings Fund or ESOP Fund receive the same materials First Midwest provides other stockholders regarding voting and other shareholder action. Participants are also provided instructions and forms with which to direct the Trustee as regards the shares of First Midwest Common Stock held in their FMBI Stock Savings Fund and ESOP Fund accounts. Such participant directions to the Trustee regarding voting and other shareholder action are kept confidential from First Midwest and its affiliated companies. Participants are notified of the Plan Committee's procedures to ensure such confidentiality.

You may elect as part of your lump sum payment to receive an "in-kind" distribution of shares of Common Stock representing the portion of your account balance invested in the FMBI Savings Stock Fund and ESOP Fund. There is a special tax rule that applies to an "in-kind" distribution. Under the special rule, you may elect not to pay tax on the "net unrealized appreciation" of the shares of Common Stock until you sell the shares. "Net unrealized appreciation" is generally the increase in the value of the shares while they were held in the Plan. If you receive an "in-kind" distribution and elect to have the special rule apply, you will be required to pay tax on the value of the shares when received, minus the net unrealized appreciation (which will not be taxed until you sell the shares). You may elect not to have the special rule apply and either pay tax on the full value of the shares when received or rollover the shares to an IRA or another employer plan. If you roll over the shares, you will not be able to take advantage of the special "net unrealized appreciation" rule in the future with respect to such shares. You will receive distribution election forms and other material describing the election and special tax rule in connection with any distributions (see section entitled, "How are my Plan Benefits Taxed?").

WHO PAYS TRANSACTION FEES, MANAGEMENT FEES AND PLAN EXPENSES?

The Plan provides that any fees or expenses incurred in conjunction with the administration of the Plan will be paid by the Plan to the extent not paid by First Midwest. Since the inception of the Plan on January 1, 1985, First Midwest has paid all fees and expenses assessed by the Trustee for administration of the Plan and its investment funds. Should First Midwest elect not to pay the fees and expenses incurred in the administration of the Plan, such expenses will be paid out of the Plan investment funds, by the Trustee.

All transaction costs (i.e., brokerage fees) of each Plan investment fund will be paid by the Trustee from the assets of such Plan investment fund. When First Midwest Common Stock is purchased for the FMBI Stock Savings Fund or the ESOP Fund from First Midwest, no fees, commissions or other charges are paid by the Plan, Trust or your account. However, any fees, commissions or other charges associated with the purchase of First Midwest Common Stock in the open market are paid by the FMBI Stock Savings Fund or the ESOP Fund, as appropriate, and are shared on a pro rata basis by the participants invested in the fund making the purchase. Likewise, all fees, commissions or other charges associated with the purchase of common equity stocks and fixed income securities for each other investment fund option under the Plan are paid from that fund, and allocated among the participants whose accounts are invested in that fund.

The Trustee charges an annual fee for its services based upon current competitive market rates. Information regarding expenses and charges paid by the Plan may be obtained upon request from the Plan Committee.

CAN THE PLAN BE CHANGED OR DISCONTINUED?

The Board of Directors of First Midwest may modify or amend the Plan at any time in any respect, or terminate the Plan at any time, except that no amendment or termination may deprive any participant of any rights or benefits irrevocably vested prior to such amendment. The Plan, if and as amended, must continue to be maintained exclusively for the benefit of Plan participants and beneficiaries. Amendments required by a change in tax laws are not, however, subject to the restrictions set forth in the preceding sentences. The First Midwest Bancorp Savings and Profit Sharing Trust can be amended at any time by First Midwest, except that no such amendment shall divest any benefits held in the Trust for any Plan participant or beneficiary under the Plan.

Upon termination, all Plan contributions and earnings thereon become nonforfeitable and will be distributed to participants in proportion to their individual interests and no part thereof shall revert to the Employer. See the section of this booklet entitled “How and When are My Plan Benefits Taxed?” for a discussion of the tax consequences of such a termination.

WHAT ELSE SHOULD I KNOW ABOUT THE PLAN?

Naming a Beneficiary

Since your Plan accounts are fully payable in the event of your death, you will be asked to name one or more beneficiaries. If you are not married, you may name anyone, and you may change your designation at any time, using the appropriate form available for this purpose.

However, if you are married and do not name your spouse as sole beneficiary, the informed consent of your spouse to an alternate beneficiary is required. Your spouse’s consent must be in writing and notarized. Be sure to keep your designation up to date as your family and personal circumstances change. The Plan Committee can only direct payment of your benefits to the beneficiary or beneficiaries you properly designate.

If you die with no surviving beneficiary, the Plan Committee will direct the payment of your Plan account to your spouse or, if there is no surviving spouse, to your surviving children in equal shares. If there is no surviving spouse or child, your account will be distributed to your mother and father in equal parts or, if none survive, to your estate.

Reemployment

If you terminated employment and are reemployed within one year, your period of absence counts as service and you can participate or re-participate if you otherwise meet the Plan’s eligibility requirements.

If you are reemployed after one year, your period of prior employment, but not your period of absence, counts as service if:

- You had two or more years of service when your employment terminated, or
- Your absence is less than 5 years (6 years in the event of maternity or paternity leave).

If you are reemployed within five years (six in the event of maternity/paternity leave), any amount you forfeited can be returned to your account if you repay the amount of the Employer Contribution Account you received when you left.

Non-Alienation of Benefits

Except for tax withholding, a Plan loan to you, or a qualified domestic relations order (described below), your benefits under the Plan cannot be assigned or alienated in any way. You may not sell, transfer, pledge, or otherwise use your benefits to obtain credit in any form. The Plan is not liable for or subject to, and will not pay, any debts or obligations of a participant who is eligible for benefits.

Domestic Relations Orders

If a qualified domestic relations order is entered against you, the Plan may be required to pay all or part of your benefits to someone else. A domestic relations order is a court-ordered judgement or decree under state law that requires payment of child support, alimony, or marital property rights to a spouse, former spouse, child, or other dependent. To be qualified, the order must clearly specify who is to be paid, the amount to be paid, the number of payments, and the plan or plans to which the order applies. The form of benefit provided by the Plan cannot be changed. You will be notified if such an order is received with respect to your Plan account. In such event, you will be advised of the Plan Committee's procedures for determining whether the order is qualified.

Benefits Not Insured

The Plan is classified as a defined contribution plan. Therefore, it is not insured by the Pension Benefit Guaranty Corporation, which only applies to pension plans classified as defined benefit plans under the Employee Retirement Income Security Act of 1974. The Plan is audited each year by an independent accounting firm.

Employment Rights Not Implied

Participation in the Plan does not give you the right to be retained in employment with the Employer. Notwithstanding Plan participation, an Employer may discharge or terminate any employee at any time.

Official Plan Documents

This Summary Plan Description contains the highlights of the First Midwest Bancorp Savings and Profit Sharing Plan. All of your rights and benefits are described in the official plan and trust document, which is controlling. The Plan identification number for government filings is EIN 36-3161078, PN 002.

Telephone Numbers and Addresses You Should Know

You can reach the Plan Committee at First Midwest Bancorp, Inc., 300 Park Boulevard, Suite 400, Itasca, Illinois 60143. The Plan Committee can be reached by telephone at (630) 875-7212.

The Trustee of the Plan is First Midwest Trust Company, N.A. The Trustee's address is 2801 West Jefferson Street, Joliet, Illinois, 60435.

Service of legal process may be made upon the Trustee as well as the Plan Committee.

Claims Procedure

When a distribution or other determination of benefits under the Plan is made or denied, you will receive a notice explaining how the distribution was calculated or why benefits have been denied. Such action will generally be taken within 90 days (45 days if the claim involves a determination of disability) of the request for the distribution or determination of benefits, unless the Plan Committee notifies you in writing that an extension (not to exceed an additional 90 days) is needed in order to make the determination. If the determination involves a determination of disability, the time period may be extended by up to 75 days, and then extended again by up to 105 days, if such extensions are needed due to matters beyond the control of the Plan. The Plan Committee will notify you in writing of any extensions.

If you believe that a distribution calculation or denial is incorrect, you may request a full review within 60 days (180 days for determinations of disability) after you receive the notice. You have the right to review pertinent documents and submit issues and comments in writing. If you want to appeal the decision on a denied application, send details in writing to the Plan Committee.

All disputed claims will be reviewed by the Plan Committee or its delegate (or, for determinations of disability, a body separate from and not under the control of, the Plan Committee). They will notify you of their findings and decision in writing within 60 days (unless special circumstances require an extension, not to exceed an additional 60 days (45 days for determination of disability)) after they receive the appeal. Your notification will include reasons for the Plan Committee's decision and references to the Plan provisions on which the decision is based.

You may not challenge the Plan's determination in a judicial or administrative proceeding without first complying with this claims procedure. The decisions made pursuant to this claim procedure are intended to be final and binding. Further, no legal actions may be brought with respect to a claim for benefits later than 2 years after the original filing of a claim for benefits.

Your Rights Under the Law

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA is a Federal law that established rules for the operation of pension and profit sharing plans. In general, ERISA sets standards for (1) employees' eligibility, participation, vesting and benefit accrual; (2) reports to the Federal Government and to Plan participants of information concerning the Plan and Plan participants' rights under the Plan; and (3) the conduct and responsibilities of the persons who administer and control the Plan. The Plan is subject to the provisions of Titles I and II of ERISA, including the provisions with respect to reporting, disclosure, participation, vesting and fiduciary responsibilities. The Plan, however, is not subject to the minimum funding standards of ERISA Title I and, therefore, benefits under the Plan are not guaranteed by the Pension Benefit Guaranty Corporation under Title IV of ERISA. The following is a summary of your rights under ERISA:

- You may read all Plan documents, including the official Plan document, the trust agreement, and the Plan description and annual financial reports that are filed with the U.S. Department of Labor.
- You will automatically receive a summary of the Plan's annual financial report at no cost. You may examine the complete report or any of the other documents referred to above without charge. If you would like a copy of any of them for yourself, you may obtain one at a reasonable cost by writing the Plan Committee.

- Upon written request to the Plan Committee once a year you can obtain, without cost, a statement telling you whether you have enough service to qualify for the full balance of your Employer Contribution Account if you should leave, and if not, how many more years of service you need to become eligible.
- If your claim for a Plan benefit is denied in whole or in part, you have the right to a written explanation, and upon request, a review and reconsideration of the claim denial.
- The people who operate the Plan are called fiduciaries. They must act prudently and in the interests of you and other Plan participants and beneficiaries.
- Under ERISA you can take action to enforce your rights. Furthermore, you cannot be fired, nor can your employer or any other person discriminate against you in any way to prevent you from obtaining a plan benefit or exercising your rights under ERISA.
- If you request documents you are entitled to receive, and the Plan Committee does not comply within 30 days, you may file suit in federal court. The court may require the Plan Committee to provide the requested materials and pay up to \$110 for each day of delay, unless the delay was beyond the Plan Committee's control.
- If you file a claim for benefits and it is denied in whole or in part, or ignored, you may file suit in a state or federal court. If you believe a Plan fiduciary has misused the plan's money, or if you are discriminated against for asserting your ERISA rights, you may file suit in a federal court or seek help from the U.S. Department of Labor. In the event you have sued and win, the court may order the person you have sued to pay court costs and fees. On the other hand, if you lose, you may have to pay court costs and fees yourself if, for example, the court decides your claim is frivolous.

If you have questions about the Plan, write directly to the First Midwest Human Resources Department at the Corporate Office. If you have questions about this statement of rights under ERISA, or about your rights under ERISA, you should contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitutional Avenue, N.W., Washington, D.C. 20210.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have heretofore been filed by First Midwest with the Securities and Exchange Commission (the “Commission”) pursuant to the Securities Exchange Act of 1934 and are incorporated by reference into this Summary Plan Description:

1. The Corporation’s latest Annual Report on Form 10-K.
2. The Corporation’s Quarterly Reports on Form 10-Q and other reports filed with the Commission since the end of the Corporation’s fiscal year covered by its latest Annual Report on form 10-K.
3. The description of the Common Stock of the Corporation, no par value, and the description of the Preferred Share Purchase Rights of the Corporation, as contained in applicable Registration Statements on Form 8-A and other reports filed by the Corporation with the Commission amending such descriptions.
4. The Plan’s latest Annual Report on Form 11-K.

Upon oral or written request, the Corporation will furnish without charge to each person to whom this prospectus is delivered, a copy of any and all of the documents referred to in this section, other than exhibits thereto not incorporated by reference into such documents. Such requests should be addressed to the Plan Committee or to the Corporate Secretary, First Midwest Bancorp, Inc., 300 Park Boulevard, Suite 400, Itasca, Illinois 60143; telephone (630) 875-7212.

APPENDIX A

INVESTMENT OPTIONS UNDER THE FIRST MIDWEST BANCORP SAVINGS AND PROFIT SHARING PLAN

Your contributions will be invested by the Trustee in the following investment options, in accordance with your investment direction:

- A. Money Market Fund - The Money Market Fund is managed by First Midwest Trust Company to provide current money market yield through high quality short term investments. The principal objectives of the Money Market Fund are protection of principal, high liquidity and competitive money market yields for the given risk level.
- B. Fixed Income Fund - The Fixed Income Fund provides attractive, risk adjusted total return through the use of intermediate-term (1-15 years) interest bearing securities. A ladder of maturity approach is used in which a portion of the portfolio matures in each year over the next 5-15 years. The average maturity of the portfolio will generally range from 3-7 years. The portfolio is diversified by maturity and by issue (with the exception of U.S. Government securities). Most bonds purchased have a quality rating of AA or better (this is the second highest rating possible).
- C. Balanced Fund - The Balanced Fund is managed by First Midwest Trust Company to be a diversified fund comprised of common stocks, not including First Midwest Common Stock, and fixed income investments. Common stock investments of the Balanced Fund represent high quality, well capitalized companies with the potential for long-term capital appreciation and dividend growth, which are selected with the objective of providing above average growth of income and capital with below-market volatility. The investment guideline for the common stock investments of the Balanced Fund is 40-60% of the current fair market value of the fund although the level of common stock investments may be above or below this range as the investment manager in its discretion may permit.

The Balanced Fund also maintains fixed income investments with various maturities not in excess of 10 years. This strategy allows the Balanced fund to increase the average return from fixed income investments without sacrificing liquidity or assuming substantial interest rate risk. The majority of the fixed income investments purchased by the Balanced Fund will generally consist of U.S. Government and U.S. Government Agency Securities.

- D. Equity Fund - The Equity Fund is managed by First Midwest Trust Company to provide above average growth of income and capital with below market volatility. This fund invests in value oriented common stocks with a relatively low price/earnings ratio. Additionally, this fund is diversified by industry. Although the actual mix of stocks varies from time to time at the manager's discretion, in general the amount invested in one industry is limited to 20 percent of the

common stocks and the amount invested in one company is limited to 15 percent of the common stocks. This diversification reduces the risk exposure.

This fund is long term oriented and invests in undervalued (out of favor) high quality companies that have an annual increase in earnings. Due to this conservative approach, you can normally expect to under-perform the market in a strong up-market and out-perform the market in a strong down-market. This disciplined approach has provided attractive long-term returns relative to those of the Fixed Income Fund or the Balanced Fund.

- E. First Midwest Bancorp, Inc. Common Stock Fund (the “FMBI Stock Savings Fund”) - Amounts allocated to this fund will be invested in shares of Common Stock purchased by the First Midwest Trust Company either in open market transactions (through the NASDAQ National Market System) or in private transactions from First Midwest or other persons. When Common Stock is purchased directly from First Midwest, the price per share will be the average of the high and low sale prices reported by the NASDAQ National Market System on the trading day preceding the purchase, and no fees, commissions or other charges will be paid in connection with such purchase. Any fees, commissions or other charges associated with the purchase of Common Stock in open market transactions will be paid by the FMBI Stock Fund. All cash dividends paid on the Common Stock held by the FMBI Stock Fund and any distributions of Common Stock received by the Trustee by reason of a stock dividend or stock split, or other similar transaction, will be credited to the FMBI Stock Fund during the quarter in which the record date for the dividend or other distribution occurs.
- F. Vanguard Total Stock Market Index Fund - The Vanguard Total Stock Market Index Fund seeks investment results that replicate the price and yield performance of the Wilshire 4500 Index. The fund purchases approximately 1,000 of the largest securities in the Wilshire 4500 Index and a representative sample of the rest. The fund will hold approximately 20% in small cap issues. Business sector allocations will resemble those of the Wilshire 4500 Index (i.e., broad diversification among the different sectors).
- G. Vanguard Small Cap Index Fund - The Vanguard Small Cap Index Fund seeks to provide investment results paralleling those of the Russell 2000 Stock Index. The fund invests in a selected statistical sample of all the stocks included in the Russell 2000 Stock Index. Stocks are selected based on industry weightings, market sensitivity and fundamental characteristics. Business sector allocations will resemble those of the Russell 2000 Index (i.e., broad diversification among the different sectors).
- H. Fidelity Diversified International Fund - The Fidelity Diversified International Fund seeks total return. The fund invests 80% of its assets in foreign securities. It may also invest in convertible and debt obligations.

- I. ESOP Fund- Only certain discretionary Employer Contributions will be allocated to this fund. Such amounts will be invested in shares of Common Stock purchased by the First Midwest Trust Company either in open market transactions (through the NASDAQ National Market System) or in private transactions from First Midwest or other persons. When Common Stock is purchased directly from First Midwest, the price per share will be the average of the high and low sale prices reported by the NASDAQ National Market System on the trading day preceding the purchase, and no fees, commissions or other charges will be paid in connection with such purchase. Any fees, commissions or other charges associated with the purchase of Common Stock in open market transactions will be paid by the ESOP Fund. All cash dividends paid on the Common Stock held by the ESOP Fund (and not distributed to a participant) and any distributions of Common Stock received by the Trustee by reason of a stock dividend or stock split, or other similar transaction, will be credited to the ESOP Fund during the quarter in which the record date for the dividend or other distribution occurs. Dividends on the vested portion of a participant's ESOP Fund may be distributed in cash to the participant, if the participant has properly elected such cash distribution.

From time to time a portion of the above investment funds will be held as a cash reserve for purposes of distributions upon termination of employment, hardship withdrawals, Plan loans or transfer to other Plan investment funds. All cash maintained by the FMBI Stock Savings Fund and the ESOP Fund will be invested in an interest-bearing cash management account.

APPENDIX B

**PARTICIPATING EMPLOYERS IN THE
FIRST MIDWEST BANCORP SAVINGS AND
PROFIT SHARING PLAN**

First Midwest Bank

First Midwest Bancorp, Inc.

APPENDIX C

**SPECIAL PROVISIONS APPLICABLE TO PRIOR PARTICIPANTS IN THE
MCHENRY STATE BANK PROFIT SHARING AND SAVINGS PLAN & TRUST**

If you were a participant in the McHenry State Bank Profit Sharing and Savings Plan & Trust (“McHenry Plan”) on December 31, 1997, the date the McHenry Plan was merged into this Plan, your McHenry Plan Account is subject to a separate vesting schedule. Your “McHenry Plan Account” consists of discretionary employer contributions made on your behalf under the McHenry Plan, and transferred to this Plan, subject to adjustments for investment earnings or losses and any distributions made from the Account. The special rules applicable to your McHenry Plan Account are more fully described below:

Vesting Rules Applicable To McHenry Plan Accounts

Notwithstanding any other provisions of this booklet, your McHenry Plan Account vests according to the following schedule:

<u>Years of Service</u>	<u>Percent Vested</u>
Less than 2	0%
2 but less than 3	20%
3 but less than 4	30%
4 but less than 5	40%
5 or more	100%

APPENDIX D

SPECIAL PROVISIONS APPLICABLE TO PRIOR PARTICIPANTS IN THE HERITAGE FINANCIAL SERVICES PROFIT SHARING PLAN

If you were a participant in the Heritage Financial Services Profit Sharing Plan (“Heritage Plan”) on October 1, 1998, the date the Heritage Plan was merged into this Plan, your Heritage Plan Account is subject to the same vesting schedule applicable to Employer Contributions under the Plan (see the section entitled “How Do I Become Vested in Contributions to My Plan Accounts”). Your “Heritage Plan Account” consists of your account balance under the Heritage Plan as transferred to this Plan, subject to adjustments for investment earnings or losses and any distributions made from the Account after October 1, 1998.