

WINTRUST FINANCIAL CORP

FORM 10-K (Annual Report)

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Address	727 N BANK LANE LAKE FOREST, Illinois 60045
Telephone	847-615-4096
CIK	0001015328
Industry	Regional Banks
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
Act of 1934

For the fiscal year ended December 31, 1998

WINTRUST FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

0-21923

Commission File Number

ILLINOIS

(State of incorporation of organization)

36-3873352

(I.R.S. Employer Identification No.)

**727 NORTH BANK LANE
LAKE FOREST, ILLINOIS 60045**
(Address of principal executive offices)

(847) 615-4096

Registrant's telephone number, including area code:

COMMON STOCK, NO PAR VALUE
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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$141,197,000 as of March 23, 1999. As of March 23, 1999, the registrant had outstanding 8,158,477 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the year ended December 31, 1998 are incorporated by reference into Parts I and II hereof and portions of the Proxy Statement for the Company's Annual Meeting of Shareholders to be held on May 27, 1999 are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

Wintrust Financial Corporation, an Illinois Corporation (the "Company"), is a financial services holding company headquartered in Lake Forest, Illinois, with total assets of approximately \$1.3 billion at December 31, 1998. The Company engages in four operating segments: community banking, specialty finance, indirect auto and trust activities through its operating subsidiaries: Lake Forest Bank and Trust Company ("Lake Forest Bank"); Hinsdale Bank and Trust Company ("Hinsdale Bank"); North Shore Community Bank and Trust Company ("North Shore Bank"); Libertyville Bank and Trust Company ("Libertyville Bank"); Barrington Bank and Trust Company, N.A. ("Barrington Bank"); Crystal Lake Bank & Trust Company, N.A. ("Crystal Lake Bank"); First Insurance Funding Corporation ("FIFC") (formerly known as First Premium Services, Inc.) and Wintrust Asset Management Company, N.A. ("WAMC"). FIFC is a wholly-owned subsidiary of Crabtree Capital Corporation ("Crabtree") which is a wholly-owned subsidiary of Lake Forest Bank.

Through its banking subsidiaries, Lake Forest Bank, Hinsdale Bank, North Shore Bank, Libertyville Bank, Barrington Bank and Crystal Lake Bank (collectively, the "Banks"), the Company provides community-oriented, personal and commercial banking services in affluent suburbs of Chicago, Illinois. Through Hinsdale Bank, the Company operates its indirect auto segment, which is in the business of providing new and used automobile loans through a large network of auto dealerships within the Chicago metropolitan area. All indirect auto loans are currently being retained within each of the Banks' loan portfolios. Through FIFC, on a national basis, the Company is in the business of financing the payment of commercial insurance premiums ("premium finance receivables"), which are currently purchased by the Banks and retained in their loan portfolios. On September 30, 1998, WAMC began operations and provides trust and investment services at each of the Banks. Previously, the Company provided trust services through the trust department of the Lake Forest Bank.

Effective September 1, 1996, pursuant to the terms of a reorganization agreement, the Company completed a merger transaction to combine the separate activities of the holding companies of each of the Company's operating subsidiaries (other than Barrington Bank and Crystal Lake Bank which were opened in December 1996 and December 1997, respectively). As a result of the transaction, the Company (formerly known as North Shore Community Bancorp, Inc., the name of which was changed to Wintrust Financial Corporation in connection with the reorganization) became the parent holding company of each of the separate businesses, and the shareholders and warrant holders of each of the separate holding companies exchanged their shares for Common Stock and their warrants for a combination of shares of Common Stock and Warrants of the Company (the "Reorganization"). The Reorganization was accounted for as a pooling-of-interests transaction and, accordingly, the Company's financial statements were restated on a combined and consolidated basis to give retroactive effect to the combined operations throughout the reported historical periods.

As a larger, combined financial services company, the Company expects to benefit from greater access to financial and managerial resources while maintaining its commitment to localized decision-making and to its community banking philosophy. Management also believes the Company is positioned to compete more effectively with other larger and more diversified

banks, bank holding companies and other financial services companies as it continues its growth strategy through additional branch openings and de novo bank formations, expansion of trust activities, pursuance of specialized earning asset niches and potential acquisitions of banks or specialty finance companies.

BANKING

The Company provides banking and financial services to individuals, small businesses, local governmental units and institutional clients residing primarily in the Banks' local service areas. These services include traditional demand, NOW, money market, savings and time deposit accounts, as well as a number of unique deposit products targeted to specific market segments. The Banks offer home equity, home mortgage, consumer, real estate and commercial loans, safe deposit facilities, ATMs, and other innovative and traditional services specially tailored to meet the needs of customers in their market areas. The Hinsdale Bank also operates the indirect auto segment which provides high quality new and used auto loans through a large network of auto dealerships within the Chicago metropolitan area. All indirect auto loans are currently being purchased by the Banks and retained within their loan portfolios.

Each of the Banks was founded as a de novo banking organization (i.e., started new) within the last eight years. The organizational efforts began in 1991, when a group of experienced bankers and local business people identified an unfilled niche in the Chicago metropolitan area retail banking market. As large banks acquired smaller ones and personal service was subjected to consolidation strategies, the opportunity increased in affluent suburbs for locally owned and operated, highly personal service-oriented banks. As a result, Lake Forest Bank was founded in December 1991 to service the Lake Forest and Lake Bluff communities. A Lake Bluff branch of this bank was opened in 1994. In 1993, Hinsdale Bank was opened to service the communities of Hinsdale and Burr Ridge. Hinsdale Bank established branch facilities in Clarendon Hills and Western Springs in 1996 and 1997, respectively. In 1994, North Shore Bank was started in order to service Wilmette and Kenilworth. North Shore Bank opened branch facilities in Glencoe during 1995 and 1998, and in Winnetka during 1996 to service Winnetka and Northfield. In 1995, Libertyville Bank was opened to service Libertyville, Vernon Hills and Mundelein. Libertyville Bank opened a branch facility in south Libertyville during 1998 to service south Libertyville and Vernon Hills. In December 1996, Barrington Bank was opened to service the greater Barrington/Inverness areas. In December 1997, Crystal Lake Bank was opened to serve the Crystal Lake/Cary communities. All Banks are insured by the Federal Deposit Insurance Company ("FDIC") and are subject to regulation, supervision and regular examination by the Illinois State Office of Banks and Real Estate, the Federal Reserve Bank and/or the Office of the Comptroller of Currency ("OCC").

PREMIUM FINANCE

FIFC commenced operations eight years ago and is headquartered in Deerfield, Illinois. Based on limited industry data available in certain state regulatory filings and FIFC management's experience in and knowledge of the premium finance industry, management estimates that, ranked by origination volumes, FIFC is one of the top five premium finance companies operating in the United States. Premium finance receivables are originated by

FIFC's own sales force, working with medium and large insurance agents and brokers throughout the United States. Insurance premiums are financed primarily for commercial customers' purchase of property and casualty insurance. Substantially all premium finance receivables are made to commercial accounts. FIFC is licensed or otherwise qualified to do business as an insurance premium finance company in all 50 states and the District of Columbia.

TRUST ACTIVITIES

With the formation of WAMC, the Company intends to expand the trust and investment management services previously provided through a trust department of the Lake Forest Bank. As a separately chartered non-depository bank subsidiary, the Company is able to offer trust and investment management services to all of the Banks' communities, which management believes are some of the best trust markets in Illinois. In addition to offering these services to existing bank customers at each of the Banks, WAMC intends to target small to mid-size businesses and newly affluent individuals whose needs command the personalized attention that will be offered by WAMC and its experienced trust professionals. Services offered typically include traditional trust products and services, as well as investment management, financial planning and 401(k) management services. WAMC is subject to regulation, supervision and regular examination by the OCC.

COMPETITION

The Company competes in the commercial banking industry through the Banks in the communities each serves. The commercial banking industry is highly competitive, and the Banks face strong direct competition for deposits, loans, and other financial-related services. The Banks compete directly in Cook, DuPage, Lake and McHenry counties with other commercial banks, thrifts, credit unions, stockbrokers, and the finance divisions of automobile companies. Some of these competitors are local, while others are statewide or nationwide. The Banks have developed a community banking and marketing strategy. In keeping with this strategy, the Banks provide highly personalized and responsive service, a characteristic of locally-owned and managed institutions. As such, the Banks compete for deposits principally by offering depositors a variety of deposit programs, convenient office locations, hours and other services, and for loan originations primarily through the interest rates and loan fees they charge, the efficiency and quality of services they provide to borrowers and the variety of their loan products. Some of the financial institutions and financial services organizations with which the Banks compete are not subject to the same degree of regulation as imposed on bank holding companies, Illinois banking corporations and national banking associations. In addition, the larger banking organizations have significantly greater resources than are available to the Banks. As a result, such competitors have advantages over the Banks in providing certain non-deposit services.

FIFC encounters intense competition from numerous other firms, including a number of national commercial premium finance companies, companies affiliated with insurance carriers, independent insurance brokers who offer premium finance services, banks and other lending institutions. Some of FIFC's competitors are larger and have greater financial and other resources and are better known than FIFC. FIFC competes with these entities by emphasizing a

high level of knowledge of the insurance industry, flexibility in structuring financing transactions, and the timely purchase of qualifying contracts. FIFC believes that its commitment to account service also distinguishes it from its competitors. It is FIFC's policy to notify the insurance agent when an insured is in default and to assist in collection, if requested by the agent. To the extent that affiliates of insurance carriers, banks, and other lending institutions add greater service and flexibility to their financing practices in the future, the Company's operations could be adversely affected. There can be no assurance that FIFC will be able to continue to compete successfully in its markets.

WAMC's primary competition is with more established trust companies of other larger bank holding companies. WAMC is also in competition with other trust companies, brokerage and other financial service companies, stockbrokers and financial advisors. As a new company, it may be more difficult to successfully attract new customers than the more established Chicago area trust companies. However, the Company believes it can successfully compete for trust business by offering personalized attention and customer service to small to mid-size businesses and newly affluent individuals. The recent hiring of several experienced trust professionals from the more established Chicago area trust companies is also expected to help in attracting new customer relationships. There can be no assurances, however, that WAMC will be successful in establishing this new business as a preferred alternative to the larger trust companies, and as a profitable venture.

EMPLOYEES

At December 31, 1998, the Company and its subsidiaries employed a total of 329 full-time-equivalent employees. The Company provides its employees with comprehensive medical and dental benefit plans, life insurance plans, 401(k) plans and an employee stock purchase plan. The Company considers its relationship with its employees to be good.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe harbor provisions. Such forward-looking statements may be deemed to include, among other things, statements relating to anticipated improvements in financial performance and management's long-term performance goals, as well as statements relating to the anticipated effects on financial results of condition from expected development or events, the Company's business and growth strategies, including anticipated internal growth, plans to form additional de novo banks and to open new branch offices, and to pursue additional potential development or acquisition of banks or specialty finance businesses. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors, including the following:

- o The level of reported net income, return on average assets and return on average equity for the Company will in the near term continue to be impacted by start-up costs associated with de novo bank formations, branch openings, and expanded trust operations. De novo banks may typically require 13 to 24 months of operations before becoming profitable, due to the impact of organizational and overhead expenses, the start-up phase of generating deposits and the time lag typically involved in redeploying deposits into attractively priced loans and other higher yielding earning assets. Similarly, the expansion of trust services through the Company's new trust subsidiary, WAMC, is expected to be in a start-up phase for approximately the next few years, before becoming profitable.
- o The Company's success to date has been and will continue to be strongly influenced by its ability to attract and retain senior management experienced in banking and financial services.
- o Although management believes the allowance for possible loan losses is adequate to absorb losses that may develop in the existing portfolio of loans and leases, there can be no assurance that the allowance will prove sufficient to cover actual future loan or lease losses.
- o If market interest rates should move contrary to the Company's gap position on interest earning assets and interest bearing liabilities, the "gap" will work against the Company and its net interest income may be negatively affected.
- o The financial services business is highly competitive which may affect the pricing of the Company's loan and deposit products as well as its services.
- o The Company's ability to adapt successfully to technological changes to compete effectively in the marketplace.
- o The extent of the Company's success, and that of its outside data processing providers, software vendors, and customers, in implementing and testing Year 2000 compliant hardware, software and systems, and the effectiveness of appropriate contingency plans being developed.
- o Changes in the economic environment may influence the growth rate of loans and deposits, the quality of the loan portfolio and loan and deposit pricing.

SUPERVISION AND REGULATION

Bank holding companies and banks are extensively regulated under federal and state law. References under this heading to applicable statutes or regulations are brief summaries or portions thereof which do not purport to be complete and which are qualified in their entirety by reference to those statutes and regulations. Any change in applicable laws or regulations may have a material adverse effect on the business of commercial banks and bank holding companies, including the Company, the Banks, FIFC and WAMC. However, management is not aware of any current recommendations by any regulatory authority which, if implemented, would have or would be reasonably likely to have a material effect on liquidity, capital resources, or operations of the Company, the Banks, FIFC or WAMC.

BANK HOLDING COMPANY REGULATION

The Company is registered as a "bank holding company" with the Federal Reserve and, accordingly, is subject to supervision by the Federal Reserve under the Bank Holding Company Act (the Bank Holding Company Act and the regulations issued thereunder, are collectively the "BHC Act"). The Company is required to file with the Federal Reserve periodic reports and such additional information as the Federal Reserve may require pursuant to the BHC Act. The Federal Reserve examines the Company and may examine the Banks, FIFC or WAMC.

The BHC Act requires prior Federal Reserve approval for, among other things, the acquisition by a bank holding company of direct or indirect ownership or control of more than five percent of the voting shares or substantially all the assets of any bank or bank holding company, or for a merger or consolidation of a bank holding company with another bank holding company. With certain exceptions, the BHC Act prohibits a bank holding company from acquiring direct or indirect ownership or control of voting shares of any company which is not a bank or bank holding company and from engaging directly or indirectly in any activity other than banking or managing or controlling banks or performing services for its authorized subsidiaries. A bank holding company may, however, engage in or acquire an interest in a company that engages in activities which the Federal Reserve has determined, by regulation or order, to be so closely related to banking or managing or controlling banks as to be a proper incident thereto, such as owning and operating the premium finance business conducted by FIFC. Under the BHC Act and Federal Reserve regulations, the Company and the Banks are prohibited from engaging in certain tie-in arrangements in connection with an extension of credit, lease, sale of property, or furnishing of services.

Any person, including associates and affiliates of and groups acting in concert with such person, who purchases or subscribes for five percent or more of the Company's Common Stock may be required to obtain prior approval of the Illinois Commissioner and the Federal Reserve. Under the Illinois Banking Act, any person who thereafter acquires stock of the Company such that its interest exceeds ten percent of the Company, may be required to obtain the prior approval of the Illinois Commissioner and under the Change in Bank Control Act, a person may be required to obtain the prior regulatory approval of the FDIC or OCC, in the case of Barrington Bank, Crystal Lake Bank, and WAMC, and the Federal Reserve before acquiring the power to directly or indirectly direct the management, operations or policies of the Company or the Banks or before acquiring control of 25 percent or more of any class of the Company's or Banks' outstanding voting stock. In addition, any Company, partnership, trust or organized group that acquires a controlling interest in the Company or the Banks may have to obtain approval of the Federal Reserve to become a bank holding company and thereafter be subject to regulation as such.

It is the policy of the Federal Reserve that the Company is expected to act as a source of financial strength to the Banks and WAMC and to commit resources to support the Banks and WAMC. The Federal Reserve takes the position that in implementing this policy, it may require the Company to provide such support when the Company otherwise would not consider itself able to do so.

The Federal Reserve has risk-based capital requirements for assessing bank holding company capital adequacy. These standards define regulatory capital and establish minimum capital standards in relation to assets and off-balance sheet exposures, as adjusted for credit risks. Under the Federal Reserve's risk-based guidelines, capital is classified into two categories. For bank holding companies, Tier 1 or "core" capital consists of common shareholders' equity, perpetual preferred stock (subject to certain limitations) and minority interests in the common equity accounts of consolidated subsidiaries, and is reduced by goodwill, certain other intangible assets and certain investments in other companies ("Tier 1 Capital"). Tier 2 capital consists of the allowance for loan and lease losses (subject to certain conditions and limitations), perpetual preferred stock, "hybrid capital instruments," perpetual debt and mandatory convertible debt securities, and term subordinated debt and intermediate-term preferred stock.

Under the Federal Reserve's capital guidelines, bank holding companies are required to maintain a minimum ratio of qualifying capital to risk-weighted assets of 8.0%, of which at least 4.0% must be in the form of Tier 1 Capital. The Federal Reserve also requires a minimum leverage ratio of Tier 1 Capital to total assets of 3.0%, except that bank holding companies not rated in the highest category under the regulatory rating system are required to maintain a leverage ratio of 1.0% to 2.0% above such minimum. The 3.0% Tier 1 Capital to total assets ratio constitutes the minimum leverage standard for bank holding companies, and will be used in conjunction with the risk-based ratio in determining the overall capital adequacy of banking organizations. In addition, the Federal Reserve continues to consider the Tier 1 leverage ratio in evaluating proposals for expansion or new activities.

In its capital adequacy guidelines, the Federal Reserve emphasizes that the foregoing standards are supervisory minimums and that banking organizations generally are expected to operate well above the minimum ratios. These guidelines also provide that banking organizations experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum levels.

BANK REGULATION

Under Illinois law, each of Lake Forest Bank, Hinsdale Bank, North Shore Bank and Libertyville Bank are subject to supervision and examination by the Illinois Commissioner. As an affiliate of these Banks, the Company is also subject to examination by the Illinois Commissioner. Barrington Bank, Crystal Lake Bank and WAMC are subject to supervision and examination by the OCC pursuant to the National Bank Act and regulations promulgated thereunder. Each of the Banks and WAMC are members of the Federal Reserve Bank and, as such, is also subject to examination by the Federal Reserve.

The deposits of the Banks are insured by the Bank Insurance Fund under the provisions of the Federal Deposit Insurance Act (the "FDIA"), and the Banks are, therefore, also subject to supervision and examination by the FDIC. The FDIC requires that the appropriate federal regulatory authority (the Federal Reserve Bank and/or the FDIC in the case of Lake Forest Bank, North Shore Bank, Hinsdale Bank and Libertyville Bank, or the OCC, in the case of Barrington Bank and Crystal Lake Bank) approve any merger and/or consolidation by or with an

insured bank, as well as the establishment or relocation of any bank or branch office. The FDIC also supervises compliance with the provisions of federal law and regulations which place restrictions on loans by FDIC-insured banks to their directors, executive officers and other controlling persons.

Furthermore, banks are affected by the credit policies of other monetary authorities, including the Federal Reserve, which regulate the national supply of bank credit. Such regulation influences overall growth of bank loans, investments, and deposits and may also affect interest rates charged on loans and paid on deposits. The monetary policies of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

FINANCIAL INSTITUTION REGULATION GENERALLY

Transactions with Affiliates. Transactions between a bank and its holding company or other affiliates are subject to various restrictions imposed by state and federal regulatory agencies. Such transactions include loans and other extensions of credit, purchases of securities and other assets, and payments of fees or other distributions. In general, these restrictions limit the amount of transactions between an institution and an affiliate of such institution, as well as the aggregate amount of transactions between an institution and all of its affiliates, and require transactions with affiliates to be on terms comparable to those for transactions with unaffiliated entities.

Dividend Limitations. As a holding company, the Company is primarily dependent upon dividend distributions from its operating subsidiaries for its income. Federal and state statutes and regulations impose restrictions on the payment of dividends by the Company, the Banks and WAMC. See Part II, Item 5 for further discussion of dividend limitations.

Federal Reserve policy provides that a bank holding company should not pay dividends unless (i) the bank holding company's net income over the prior year is sufficient to fully fund the dividends and (ii) the prospective rate of earnings retention appears consistent with the capital needs, asset quality and overall financial condition of the bank holding company and its subsidiaries.

Illinois law also places certain limitations on the ability of the Company to pay dividends. For example, the Company may not pay dividends to its shareholders if, after giving effect to the dividend, the Company would not be able to pay its debts as they become due. Since a major potential source of the Company's revenue is dividends the Company expects to receive from the Banks, the Company's ability to pay dividends is likely to be dependent on the amount of dividends paid by the Banks. No assurance can be given that the Banks will, in any circumstances, pay dividends to the Company.

As Illinois state-chartered banks, none of Lake Forest Bank, North Shore Bank, Hinsdale Bank nor Libertyville Bank may pay dividends in an amount greater than its current net profits after deducting losses and bad debts out of undivided profits provided that its surplus equals or exceeds its capital. For the purpose of determining the amount of dividends that an Illinois bank

may pay, bad debts are defined as debts upon which interest is past due and unpaid for a period of six months or more unless such debts are well-secured and in the process of collection. Furthermore, federal regulations also prohibit any Federal Reserve member bank, including each of the Banks and WAMC, from declaring dividends in any calendar year in excess of its net profit for the year plus the retained net profits for the preceding two years. Similarly, as national associations, Barrington Bank, Crystal Lake Bank and WAMC may not declare dividends in any year in excess of its net profit for the year plus the retained net profits for the preceding two years. Furthermore, the OCC may, after notice and opportunity for hearing, prohibit the payment of a dividend by a national bank if it determines that such payment would constitute an unsafe or unsound practice.

In addition to the foregoing, the ability of the Company, the Banks and WAMC to pay dividends may be affected by the various minimum capital requirements and the capital and non-capital standards established under the Federal Deposit Insurance Company Improvements Act of 1991 ("FDICIA"), as described below. The right of the Company, its shareholders and its creditors to participate in any distribution of the assets or earnings of its subsidiaries is further subject to the prior claims of creditors of the respective subsidiaries.

Standards for Safety and Soundness. The FDIA, as amended by FDICIA and the Riegle Community Development and Regulatory Improvement Act of 1994 requires the Federal Reserve, together with the other federal bank regulatory agencies, to prescribe standards of safety and soundness, by regulations or guidelines, relating generally to operations and management, asset growth, asset quality, earnings, stock valuation, and compensation. The Federal Reserve, the OCC and the federal bank regulatory agencies have adopted, effective August 9, 1995, a set of guidelines prescribing safety and soundness standards pursuant to FDICIA, as amended. The guidelines establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, each of the Federal Reserve and the OCC adopted regulations that authorize, but do not require, the Federal Reserve or the OCC, as the case may be, to order an institution that has been given notice by the Federal Reserve or the OCC, as the case may be, that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted compliance plan, the Federal Reserve or the OCC, as the case may be, must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized association is subject under the "prompt corrective action" provisions of FDICIA. If an institution fails to comply with such an order, the Federal Reserve or the OCC, as the case may be, may seek to enforce such order in judicial proceedings and to impose civil money penalties. The Federal Reserve, the OCC and the other federal bank regulatory agencies also proposed guidelines for asset quality and earnings standards.

A range of other provisions in FDICIA include requirements applicable to closure of branches; additional disclosures to depositors with respect to terms and interest rates applicable to deposit accounts; uniform regulations for extensions of credit secured by real estate; restrictions on activities of and investments by state-chartered banks; modification of accounting standards to conform to generally accepted accounting principles including the reporting of off-balance sheet items and supplemental disclosure of estimated fair market value of assets and liabilities in financial statements filed with the banking regulators; increased penalties in making or failing to file assessment reports with the FDIC; greater restrictions on extensions of credit to directors, officers and principal shareholders; and increased reporting requirements on agricultural loans and loans to small businesses.

In August, 1995, the Federal Reserve, OCC, FDIC and other federal banking agencies published a final rule modifying their existing risk-based capital standards to provide for consideration of interest rate risk when assessing the capital adequacy of a bank. Under the final rule, the Federal Reserve, the OCC and the FDIC must explicitly include a bank's exposure to declines in the economic value of its capital due to changes in interest rates as a factor in evaluating a bank's capital adequacy. The Federal Reserve, the FDIC, the OCC and other federal banking agencies also have adopted a joint agency policy statement providing guidance to banks for managing interest rate risk. The policy statement emphasizes the importance of adequate oversight by management and a sound risk management process. The assessment of interest rate risk management made by the banks' examiners will be incorporated into the banks' overall risk management rating and used to determine the effectiveness of management.

Prompt Corrective Action. FDICIA requires the federal banking regulators, including the Federal Reserve, the OCC and the FDIC, to take prompt corrective action with respect to depository institutions that fall below certain capital standards and prohibits any depository institution from making any capital distribution that would cause it to be undercapitalized. Institutions that are not adequately capitalized may be subject to a variety of supervisory actions including, but not limited to, restrictions on growth, investment activities, capital distributions and affiliate transactions and will be required to submit a capital restoration plan which, to be accepted by the regulators, must be guaranteed in part by any company having control of the institution (such as the Company). In other respects, FDICIA provides for enhanced supervisory authority, including greater authority for the appointment of a conservator or receiver for under-capitalized institutions. The capital-based prompt corrective action provisions of FDICIA and their implementing regulations apply to FDIC-insured depository institutions. However, federal banking agencies have indicated that, in regulating bank holding companies, the agencies may take appropriate action at the holding company level based on their assessment of the effectiveness of supervisory actions imposed upon subsidiary insured depository institutions pursuant to the prompt corrective action provisions of FDICIA.

Insurance of Deposit Accounts. Under FDICIA, as an FDIC-insured institution, each of the Banks is required to pay deposit insurance premiums based on the risk it poses to the insurance fund. The FDIC has authority to raise or lower assessment rates on insured deposits in order to achieve certain designated reserve ratios in the insurance funds and to impose special additional assessments. Each depository institution is assigned to one of three capital groups: "well

capitalized," "adequately capitalized" or "less than adequately capitalized." Within each capital group, institutions are assigned to one of three supervisory subgroups: "healthy," "supervisory concern" or "substantial supervisory concern." Accordingly, there are nine combinations of capital groups and supervisory subgroups to which varying assessment rates would be applicable. An institution's assessment rate depends on the capital category and supervisory category to which it is assigned.

Deposit insurance may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. The management of each of the Banks does not know any practice, condition or violation that might lead to termination of deposit insurance.

The Economic Growth and Regulatory Paperwork Reduction Act of 1996 enacted on September 30, 1996 provides that beginning with semi-annual periods after December 31, 1996, deposits insured by the Bank Insurance Fund ("BIF") will also be assessed to pay interest on the bonds (the "FICO Bonds") issued in the late 1980s by the Financing Company to recapitalize the now defunct Federal Savings & Loan Insurance Company. For purposes of the assessments to pay interest on the FICO Bonds, BIF deposits will be assessed at a rate of 20.0% of the assessment rate applicable to SAIF deposits until December 31, 1999. After the earlier of December 31, 1999 or the date on which the last savings association ceases to exist, full pro rata sharing of FICO assessments will begin. The payment of the assessment to pay interest on the FICO Bonds should not materially affect the Banks.

Federal Reserve System. The Banks are subject to Federal Reserve regulations requiring depository institutions to maintain non-interest-earning reserves against their transaction accounts (primarily NOW and regular checking accounts). The Federal Reserve regulations generally require 3.0% reserves on the first \$46.5 million of transaction accounts plus 10.0% on the remainder. The first \$4.9 million of otherwise reservable balances (subject to adjustments by the Federal Reserve) are exempted from the reserve requirements. The Banks are in compliance with the foregoing requirements.

Community Reinvestment. Under the Community Reinvestment Act ("CRA"), a financial institution has a continuing and affirmative obligation, consistent with the safe and sound operation of such institution, to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with

the CRA. The CRA requires each federal banking agency, in connection with its examination of a financial institution, to assess and assign one of four ratings to the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by the institution, including applications for charters, branches and other deposit facilities, relocations, mergers, consolidations, acquisitions of assets or assumptions of liabilities, and savings and loan holding company acquisitions. The CRA also requires that all institutions make public disclosure of their CRA ratings. Each of the Banks received "satisfactory" ratings from either the Federal Reserve or OCC on their most recent CRA performance evaluations. As of the date of this report, Crystal Lake Bank has not undergone a regulatory CRA performance evaluation.

In April 1995, the Federal Reserve, the OCC and other federal banking agencies adopted amendments revising their CRA regulations. Among other things, the amended CRA regulations substitute for the prior process-based assessment factors a new evaluation system that rates an institution based on its actual performance in meeting community needs. In particular, the focus is on three tests: (i) a lending test, to evaluate the institution's record of making loans in its assessment areas; (ii) an investment test, to evaluate the institution's record of investing in community development projects, affordable housing, and programs benefiting low or moderate income individuals and businesses; and (iii) a service test, to evaluate the institution's delivery of services through its branches, ATMs and other offices. The amended CRA regulations also clarify how an institution's CRA performance would be considered in the application process.

Brokered Deposits. Well-capitalized institutions are not subject to limitations on brokered deposits, while an adequately capitalized institution is able to accept, renew or rollover brokered deposits only with a waiver from the FDIC and subject to certain restrictions on the yield paid on such deposits. Undercapitalized institutions are not permitted to accept brokered deposits. Each of the Banks is eligible to accept brokered deposits (as a result of its capital levels or having received a waiver) and may use this funding source from time to time when management deems it appropriate from an asset/liability management perspective.

Enforcement Actions. Federal and state statutes and regulations provide financial institution regulatory agencies with great flexibility to undertake enforcement action against an institution that fails to comply with regulatory requirements, particularly capital requirements. Possible enforcement actions range from the imposition of a capital plan and capital directive to receivership, conservatorship or the termination of deposit insurance.

Interstate Banking and Branching Legislation. On September 29, 1994, the Riegle-Neal Interstate Banking and Efficiency Act of 1994 (the "Interstate Banking Act") was enacted. Under the Interstate Banking Act, adequately capitalized and adequately managed bank holding companies will be allowed to acquire banks across state lines subject to certain limitations. In addition, under

the Interstate Banking Act, effective June 1, 1997, banks are permitted to merge with one another across state lines and thereby create a main bank with branches in separate states. After establishing branches in a state through an interstate merger transaction, a bank can establish and acquire additional branches at any location in the state where any bank involved in the interstate merger could have established or acquired branches under applicable federal and state law.

MONETARY POLICY AND ECONOMIC CONDITIONS

The earnings of banks and bank holding companies are affected by general economic conditions and also by the fiscal and monetary policies of federal regulatory agencies, including the Federal Reserve. Through open market transactions, variations in the discount rate and the establishment of reserve requirements, the Federal Reserve exerts considerable influence over the cost and availability of funds obtainable for lending or investing.

The above monetary and fiscal policies and resulting changes in interest rates have affected the operating results of all commercial banks in the past and are expected to do so in the future. The Banks and their respective holding companies cannot fully predict the nature or the extent of any effects which fiscal or monetary policies may have on their business and earnings.

SUPPLEMENTAL STATISTICAL DATA

Pages 1, 42 and 43 of the Annual Report to Shareholders and Item 7A of this Form 10-K contain supplemental statistical data as required by The Exchange Act Industry Guide 3 which is incorporated into Regulation S-K of the Securities and Exchange Acts. This data should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto, and Management's Discussion and Analysis which are contained in its 1998 Annual Report to Shareholders filed herewith as Exhibit 13.1 and incorporated herein by reference.

ITEM 2. PROPERTIES

The Company's executive offices are located in the main bank facility of Lake Forest Bank. Lake Forest Bank has five physical banking locations. Lake Forest Bank's main bank facility is located at 727 N. Bank Lane, Lake Forest, Illinois, and is a three story, 18,000 square foot brick building. In May 1999, construction is expected to be completed on a 15,200 square foot three story addition to the main bank facility. The Company's executive offices and staff of the holding company and Lake Forest Bank will be located on the second and third floors with first floor retail space to be leased to unrelated third parties. Lake Forest Bank constructed a drive-in, walk-up banking facility on land leased from the City of Lake Forest on the corner of Bank Lane and Wisconsin Avenue in Lake Forest, approximately one block north of the main banking facility. Lake Forest Bank also leases a 1,200 square foot, a full service banking facility at 103 East Scranton Avenue in Lake Bluff, Illinois; a 2,100 square foot, a full service banking facility on the west side of Lake Forest, Illinois at 810 South Waukegan Road, and a drive-in and walk-up banking facility at 911 S. Telegraph Road in the West Lake Forest Train Station. Lake

Forest Bank also maintains a small office facility at a retirement community known as Lake Forest Place at 1100 Pembridge Drive in Lake Forest. Lake Forest Bank maintains automated teller machines at each of its locations except the 810 South Waukegan Road facility. Lake Forest Bank has no offsite automated teller machines.

Hinsdale Bank currently has four physical banking locations, all of which are owned. The main bank facility is a two story brick building located at 25 East First Street in downtown Hinsdale, Illinois. The 1,000 square foot drive-in, walk-up banking facility at 130 West Chestnut is approximately two blocks west of the main banking facility. Hinsdale Bank also has full service branches in Clarendon Hills and Western Springs. The buildings in Clarendon Hills and Western Springs are partially used for bank purposes, with the remainder being leased to unrelated parties. Hinsdale Bank maintains 5 ATM machines, one at each location, with the exception of Clarendon Hills which has two. Hinsdale Bank has no offsite automated teller machines.

North Shore Bank currently has six physical banking locations. North Shore Bank owns the main bank facility, a one story brick building that is located at 1145 Wilmette Avenue in downtown Wilmette, Illinois. North Shore Bank also owns a 9,600 square foot drive-in, walk-up banking facility at 720 12th Street, approximately one block west of the main banking facility. North Shore Bank also leases a full service banking facility at 362 Park Avenue in Glencoe, Illinois and a branch banking facility in Winnetka, Illinois where it leases approximately 4,000 square feet. In 1998, North Shore Bank opened a drive-up and ATM for the Glencoe branch and a small facility at 4th Street and Linden in Wilmette. North Shore Bank maintains automated teller machines at each of its locations, except Winnetka, and has no offsite automated teller machines.

Libertyville Bank currently has three physical banking locations. Libertyville Bank owns the main bank facility, which is a 13,000 square foot two story brick building located at 507 North Milwaukee Avenue in downtown Libertyville, Illinois. Libertyville Bank also owns a 2,500 square foot drive-in, walk-up banking facility at 201 Hurlburt Court, approximately five blocks southeast of the main banking facility. A new leased branch facility located at 1167 South Milwaukee Avenue in south Libertyville was opened in October 1998. Libertyville Bank maintains automated teller machines at each of its banking locations and at one offsite location.

Barrington Bank currently has one physical banking location at 201 South Hough Street in Barrington, Illinois which is a 12,700 square foot, two story frame construction building that has an attached drive-through facility. Barrington Bank has two automated teller machines but no offsite automated teller machines.

In September 1998, Crystal Lake Bank moved into its permanent two story, 12,000 square foot main bank facility located at 70 Williams Street in downtown Crystal Lake, Illinois, and has one automated teller machine. In March 1999, Crystal Lake Bank also opened a drive-up facility that is located in the downtown area, near the main bank facility.

FIFC's offices are located at 520 Lake Cook Road, Suite 300, Deerfield, Illinois. FIFC leases approximately 12,000 square feet of office space under a contract that expires in the year 2000.

WAMC's executive and operations staff are based in office space leased from Lake Forest Bank. WAMC also leases office space for its trust professionals at Lake Forest Bank, Hinsdale Bank, North Shore Bank and Barrington Bank.

See Note 7 to the Consolidated Financial Statements contained in the 1998 Annual Report to Shareholders filed herewith as Exhibit 13.1 and incorporated herein by reference.

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries, from time to time, are subject to pending and threatened legal action and proceedings arising in the ordinary course of business. Any such litigation currently pending is incidental to the Company's business and, based on information currently available to management, management believes the outcome of such actions or proceedings will not have a material adverse effect on the operations or financial position of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 1998.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Other than certain restricted shares, the majority of the Common Stock is freely tradable by persons other than those who are currently affiliates of the Company. Prior to March 13, 1997 the principal market for the Company's Common Stock was the over-the-counter (OTC) market where bid and asked prices were quoted on the OTC Bulletin Board. However, on March 13, 1997 the common stock began trading on The Nasdaq Stock Market(R) under the symbol WTFC. Prior to the Company's listing on The Nasdaq Stock Market(R) there had not been active trading in the Common Stock. Prior to the Company's Reorganization in September, 1996, there was no established public market for the shares of the Company's predecessor companies.

The following table sets forth the high and low per share bid prices quoted for the Common Stock during 1998 and 1997. Prior to March 13, 1997, the over-the-counter market quotations reflected inter-dealer prices, without retail mark-up, mark-down or commission and may not have necessarily represented actual transactions.

	1998		1997	
	HIGH	LOW	HIGH	LOW
	----	---	----	---
Fourth quarter	\$ 20.13	16.50	20.50	16.50
Third quarter	23.00	17.13	21.13	16.00
Second quarter	20.38	17.38	17.25	14.00
First quarter	18.50	16.50	16.00	15

APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS

As of February 28, 1999 there were 1,656 shareholders of record of the Company's common stock.

DIVIDENDS ON COMMON STOCK

The Company has not previously paid dividends on its common stock but rather has retained earnings to facilitate growth of the Company. Because the Company's consolidated net income consists largely of net income of the Banks and FIFC, the Company's ability to pay dividends depends upon its receipt of dividends from the Banks and FIFC. The Banks' ability to pay dividends is regulated by banking statutes. See "Financial Institution Regulation Generally - Dividend Limitations" on page 9 of this Form 10-K. During 1998, Lake Forest Bank paid \$8.25 million of dividends to the Company. No other subsidiaries paid dividends to the Company during 1998. No cash dividends were paid to the Company by the Banks during the years ended December 31, 1997 and 1996.

In addition, both Barrington Bank and Crystal Lake Bank are subject to additional restrictions prohibiting the payment of dividends by a de novo bank in its first three years of operations. The de novo periods will end for Barrington Bank and Crystal Lake Bank in December 1999 and December 2000, respectively. In addition, the payment of dividends may be restricted under certain financial covenants in the Company's revolving line of credit.

The declaration of dividends is at the discretion of the Company's Board of Directors and depends upon earnings, capital requirements, regulatory limitations, tax considerations, the operating and financial condition of the Company and other factors. Additionally, the payment of dividends may be restricted under certain terms of the Company's Trust Preferred Securities offering. Reference is made to Note 14 to the Consolidated Financial Statements contained in the 1998 Annual Report to Shareholders, attached hereto as Exhibit 13.1, which is incorporated herein by reference for a description of the restrictions on the ability of certain subsidiaries to transfer funds to the Company in the form of dividends.

RECENT SALES OF UNREGISTERED SECURITIES

The Company had no sales of unregistered securities other than those securities previously disclosed in the Company's quarterly reports on Form 10-Q for the quarters ended March 31, 1997 and June 30, 1997.

ITEM 6. SELECTED FINANCIAL DATA

Certain information required in response to this item is contained in the 1998 Annual Report to Shareholders under the caption "Selected Financial Highlights" and is incorporated herein by reference. In addition, the Company had no cash dividends declared during any period during the last five years. Also, the Company had no Preferred Stock outstanding at December 31, 1998, 1997 and 1996; however, predecessors of the Company did have \$503,000 of Preferred Stock outstanding at December 31, 1995 and 1994.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required in response to this item is contained in the 1998 Annual Report to Shareholders under the caption "Management's Discussion and Analysis of Financial Condition"

and Results of Operations". This discussion and analysis of financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and notes thereto contained in the 1998 Annual Report to Shareholders.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Certain information required in response to this item is contained in the 1998 Annual Report to Shareholders under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset-Liability Management" and in Notes 15 and 16 to the Consolidated Financial Statements, which are incorporated herein by reference. This information should be read in conjunction with the complete Consolidated Financial Statements and notes thereto contained in the 1998 Annual Report to Shareholders.

SECURITIES PORTFOLIO

Tables presenting the carrying amounts and gross unrealized gains and losses for securities held-to-maturity and available-for-sale at December 31, 1998 and 1997 are included by reference to Note 2 to the Consolidated Financial Statements included in the 1998 Annual Report to Shareholders, which is incorporated herein by reference.

Maturities of securities as of December 31, 1998 by maturity distribution are as follows (in thousands):

	Within 1 Year	From 1 to 5 years	From 5 to 10 years	After 10 Years	Federal Agency Bank Stock	Total
U.S. Treasury obligations	\$10,664	-	-	-	N/A	10,664
Federal agency obligations	48,369	-	6,321	-	N/A	54,690
Municipal securities	309	195	-	-	N/A	504
Other	135,635	6,467	-	-	N/A	142,102
Federal Agency Bank stock *	N/A	N/A	N/A	N/A	6,159	6,159
Total	\$194,977	6,662	6,321	-	6,159	214,119

The weighted average yield for each range of maturities of securities, on a tax equivalent basis, is shown below as of December 31, 1998:

	Within 1 Year	From 1 to 5 years	From 5 to 10 years	After 10 Years	Federal Agency Bank Stock	Total
U.S. Treasury obligations	5.37%	-	-	-	-	5.37%
Federal agency obligations	5.36%	-	5.57%	-	-	5.39%
Municipal securities	5.85%	5.69%	-	-	-	5.79%
Other	5.11%	5.62%	-	-	-	5.13%
Federal Agency Bank stock *	-	-	-	-	6.34%	6.34%
Total securities	5.19%	5.62%	5.57%	-	6.34%	5.25%

* - Includes stock of the Federal Reserve Bank and of the Federal Home Loan Bank.

Securities of a Single Issuer

There were no securities of any single issuer which had book value in excess of ten percent of shareholders' equity at December 31, 1998.

LOAN PORTFOLIO

Classification of Loans

The following table shows the Company's loan portfolio by category for the five previous fiscal years (in thousands):

December 31 -----	1998 ----	1997 ----	1996 ----	1995 ----	1994 ----
Commercial/commercial real estate	\$366,229	235,483	182,403	101,271	45,587
Home equity	111,537	116,147	87,303	54,592	26,244
Residential real estate	91,525	61,611	51,673	37,074	26,188
Premium finance	183,165	131,952	59,240	15,703	93,349
Indirect auto	210,137	139,296	91,211	37,323	-
Installment and other	34,650	32,153	23,717	14,032	4,865
	-----	-----	-----	-----	-----
	997,243	716,642	495,547	259,995	196,233
Less: Unearned income	5,181	4,011	2,999	1,764	2,251
	-----	-----	-----	-----	-----
Total	\$992,062	712,631	492,548	258,231	193,982
	=====	=====	=====	=====	=====

Commercial and commercial real estate loans. The commercial loan component is comprised primarily of commercial real estate loans, lines of credit for working capital purposes, and term loans for the acquisition of equipment. Commercial real estate is predominantly owner occupied and secured by a first mortgage lien and assignment of rents on the property. Equipment loans are generally fully amortized over 24 to 60 months and secured by titles and/or U.C.C. filings. Working capital lines are generally renewable annually and supported by business assets, personal guarantees and oftentimes additional collateral. Commercial business lending is generally considered to involve a higher degree of risk than traditional consumer bank lending. The vast majority of commercial loans are made within the Banks' immediate market areas. The increase can be attributed to additional banking facilities, an emphasis on business development calling programs and superior servicing of existing commercial loan customers which has increased referrals.

In addition to the home mortgages originated by the Banks, the Company participates in mortgage warehouse lending by providing interim funding to unaffiliated mortgage brokers to finance residential mortgages originated by such brokers for sale into the secondary market. The Company's loans to the mortgage brokers are secured by the business assets of the mortgage companies as well as the underlying mortgages, the majority of which are

funded by the Company on a loan-by-loan basis after they have been pre-approved for purchase by third party end lenders who forward payment directly to the Company upon their acceptance of final loan documentation. In addition, the Company may also provide interim financing for packages of mortgage loans on a bulk basis in circumstances where the mortgage brokers desire to competitively bid a number of mortgages for sale as a package in the secondary market. Typically, the Company will serve as sole funding source for its mortgage warehouse lending customers under short-term revolving credit agreements. Amounts advanced with respect to any particular mortgages are usually required to be repaid within 15 days. The Company has developed strong relationships with a number of mortgage brokers and is seeking to expand its customer base for this specialty business.

The following table classifies the commercial loan portfolio category at December 31, 1998 by date at which the loans mature:

	ONE YEAR OR LESS -----	FROM ONE TO FIVE YEARS -----	AFTER FIVE YEARS -----	TOTAL -----
		(IN THOUSANDS)		
Commercial loans and commercial real estate loans	\$ 192,077	138,378	35,774	366,229
Premium finance receivables....	183,165	-	-	183,165

Of those loans maturing after one year, approximately \$147.9 million have fixed rates.

Home equity loans. The Company's home equity loan products are generally structured as lines of credit secured by first or second position mortgage liens on the underlying property with loan-to-value ratios not exceeding 80%, including prior liens, if any. The Banks' home equity loans feature competitive rate structures and fee arrangements. In addition, the Banks periodically offer promotional home equity loan products as part of their marketing strategy often featuring lower introductory rates.

Indirect auto loans. As part of its strategy to pursue specialized earning asset niches to augment loan generation within the Banks' target markets, the Company finances fixed rate automobile loans funded indirectly through unaffiliated automobile dealers. As of December 31, 1998, indirect auto loans comprised over 85% of the Company's consumer loan portfolio. Indirect automobile loans are secured by new and used automobiles and are generated by a network of automobile dealers located in the Chicago area with which the Company has established relationships. These credits generally have an average initial balance of approximately \$15,000 and have an original maturity of 36 to 60 months with the average actual maturity, as a result of prepayments, estimated to be approximately 35-40 months. The Company does not currently originate any significant level of sub-prime loans, which are made to individuals with impaired credit histories at generally higher interest rates, and accordingly, with higher levels of credit risk. The risk associated with this portfolio is diversified amongst many individual borrowers. Management continually monitors the dealer relationships and the Banks are not dependent on any one dealer as a source of such loans. Like other consumer loans, the indirect auto loans are subject to the Banks' stringent credit standards.

Residential real estate mortgages. The residential real estate category includes one-to-four family adjustable rate mortgages that have repricing terms generally from one to three years, construction loans to individuals, bridge financing loans for qualifying customers and mortgage loans held for sale into the secondary market. The adjustable rate mortgages are often non-agency conforming, may have terms based on differing indexes, and relate to properties located principally in the Chicago metropolitan area or vacation homes owned by local residents. Adjustable-rate mortgage loans decrease, but do not eliminate, the risks associated with changes in interest rates. Because periodic and lifetime caps limit the interest rate adjustments, the value of adjustable-rate mortgage loans fluctuates inversely with changes in interest rates. In addition, as interest rates increase, the required payments by the borrower increases, thus increasing the potential for default. The Company does not generally originate loans for its own portfolio with long-term fixed rates due to interest rate risk considerations. However, the Banks do accommodate customer requests for fixed rate loans by originating and selling these loans into the secondary market, in connection with which the Company receives fee income. A portion of the loans sold by the Banks into the secondary market are to the Federal National Mortgage Association ("FNMA") whereby the servicing of those loans is retained. The amount of loans serviced for FNMA as of December 31, 1998 and 1997 was \$82.1 million and \$53.2 million, respectively. All other mortgage loans held for sale are sold into the secondary market without the retention of servicing rights.

Premium finance receivables. The Company originates premium finance receivables through FIFC, which, in turn, are sold to the Banks and retained within their loan portfolios. Prior to October 1996, premium finance receivables were sold and serviced pursuant to a securitization facility. As of December 31, 1998 and 1997, the Company had no premium finance receivables serviced for others by FIFC. All premium finance receivables are subject to the Company's stringent credit standards, and substantially all such loans are made to commercial customers. The Company rarely finances consumer insurance premiums.

FIFC offers financing of approximately 80% of an insurance premium primarily to commercial purchasers of property and casualty and liability insurance who desire to pay insurance premiums on an installment basis. The premium finance loan allows the insured to spread the cost of the insurance policy over time. FIFC markets its financial services primarily by establishing and maintaining relationships with medium and large insurance agents and brokers and by offering a high degree of service and innovative products. Senior management is significantly involved in FIFC's marketing efforts, currently focused almost exclusively on commercial accounts. Loans are originated by FIFC's own sales force by working with insurance agents and brokers throughout the United States. As of December 31, 1998, FIFC had the necessary licensing and other regulatory approvals to do business in all 50 states and the District of Columbia.

In financing insurance premiums, the Company does not assume the risk of loss normally borne by insurance carriers. Typically, the insured buys an insurance policy from an independent insurance agent or broker who offers financing through FIFC. The insured typically makes a down payment of approximately 15% to 25% of the total premium and signs a premium finance agreement for the balance due, which amount FIFC disburses directly to the insurance carrier or its agents to satisfy the unpaid premium amount. The average initial balance of premium

finance loans is approximately \$14,000 and the average term of the agreements is approximately 10 months. As the insurer earns the premium ratably over the life of the policy, the unearned portion of the premium secures payment of the balance due to FIFC by the insured. Under the terms of the Company's standard form of financing contract, the Company has the power to cancel the insurance policy if there is a default in the payment on the finance contract and to collect the unearned portion of the premium from the insurance carrier. In the event of cancellation of a policy, the cash returned in payment of the unearned premium by the insurer should be sufficient to cover the loan balance and generally the interest and other charges due as well. The major risks inherent in this type of lending are (1) the risk of fraud on the part of an insurance agent whereby the agent fraudulently fails to forward funds to the insurance carrier or to FIFC, as the case may be; (2) the risk that the insurance carrier becomes insolvent and is unable to return unearned premiums related to loans in default; (3) for policies that are subject to an audit by the insurance carrier (i.e. workers compensation policies where the insurance carrier can audit the insured actual payroll records), the risk that the initial underwriting of the policy was such that the premium paid by the insured are not sufficient to cover the a entire return premium in the event of default; and (4) that the borrower is unable to ultimately satisfy the debt in the event the returned unearned premium is insufficient to retire the loan. FIFC has established underwriting procedures to reduce the potential of loss associated with the aforementioned risks and has systems in place to continually monitor conditions that would indicate an increase in risk factors and to act on situations where the Company's collateral position is in jeopardy.

Installment and Other. Included in the installment and other loan category is a wide variety of personal and consumer loans to individuals. The Banks have been originating consumer loans in recent years in order to provide a wider range of financial services to their customers. Consumer loans generally have shorter terms and higher interest rates than mortgage loans but generally involve more credit risk than mortgage loans due to the type and nature of the collateral.

The Company had no loans to businesses or governments of foreign countries at any time during the reporting periods.

RISK ELEMENTS IN THE LOAN PORTFOLIO

For analysis and review of the allowance for possible loan losses; non-accrual, past due and restructured loans; other real estate owned; potential problem loans; and loan concentrations, reference is made to the "Credit Risk and Asset Quality" section of the Management's Discussion and Analysis of Financial Condition and Results of Operations of the 1998 Annual Report to Shareholders filed herewith as Exhibit 13.1, and incorporated herein by reference.

An allocation of the allowance for possible loan losses by major loan type is presented below (dollars in thousands):

Allocation of the Allowance for Possible Loan Losses

	December 31, 1998		December 31, 1997		December 31, 1996	
	Amount	% of loans In each Category to Total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans
Residential real estate. . .	\$ 81	9%	\$ 43	9%	\$ 34	10%
Commercial and Commercial real estate . . .	2,480	37	1,490	33	996	37
Home equity	1,046	11	580	16	402	18
Premium finance.	919	18	702	18	288	12
Indirect auto.	1,205	21	679	19	432	18
Other loans.	494	4	218	5	128	5
Unallocated.	809	-	1,404	-	1,356	-
Total.	\$ 7,034	100%	\$5,116	100%	\$ 3,636	100%

The above allocation is made for analytical purposes. It is not anticipated that charge-offs during the year ending December 31, 1998 will exceed the amount allocated to any individual category of loan. For further review of the loan loss provision and the allowance for possible loan losses reference is made to the "Credit Risk and Asset Quality" section of the Management's Discussion and Analysis of Financial Condition and Results of Operations of the 1998 Annual Report to Shareholders filed herewith as Exhibit 13.1, and incorporated herein by reference.

Losses incurred during 1997 in the premium finance portfolio exceeded the amount allocated to that category as of December 31, 1996. When the Company allowed the securitization facility to unwind in 1997, the losses inherent in the facility exceeded management's estimates. During 1997, management implemented additional risk measurement systems to assist in better identifying, addressing and quantifying potential losses in the premium finance portfolio and believes that the allocation as of December 31, 1998 is reasonable.

DEPOSITS

The following table sets forth the scheduled maturities of time deposits in denominations of \$100,000 or more at December 31, 1998 (in thousands):

Maturing within 3 months	\$ 186,027
After 3 but within 6 months	78,640
After 6 but within 12 months	51,014
After 12 months	30,365

Total	\$ 346,046
	=====

RETURN ON EQUITY AND ASSETS

The following table presents certain ratios relating to the Company's equity and assets:

Year Ended December 31	1998	1997	1996
	----	----	----
Return on average total assets	0.53%	0.56%	(0.17)%
Return on average common shareholders' equity	8.68%	7.88%	(2.33)%
Dividend payout ratio	0.00%	0.00%	0.00%
Average equity to average total assets	6.1%	7.2%	7.4%
Ending total risk based capital ratio	9.7%	9.4%	8.0%
Leverage ratio	7.5%	6.6%	6.4%

SHORT-TERM BORROWINGS

The information required in connection with Short-Term Borrowings is contained in the "Analysis of Financial Condition - Short-Term Borrowings and Notes Payable" section of the Management's Discussion and Analysis of Financial Condition and Results of Operations in the 1998 Annual Report to Shareholders filed herewith as Exhibit 13.1, and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required in response to this item is contained in the 1998 Annual Report to Shareholders under the caption "Consolidated Financial Statements," and is incorporated herein by reference. Also, refer to Item 14 of this Report for the Index to Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required in response to this item will be contained in the Company's definitive Proxy Statement (the "Proxy Statement") for its Annual Meeting of Shareholders to be held May 27, 1999 under the caption "Management" and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this item will be contained in the Company's Proxy Statement under the caption "Executive Compensation" and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to security ownership of certain beneficial owners and management is incorporated by reference to the section "Principal Shareholders" in the Proxy Statement for the Annual Meeting of Shareholders to be held on May 27, 1999.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required in response to this item will be contained in the Proxy Statement under the caption "Certain Transactions," and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Report:

1., 2. Financial Statements and Schedules

The following financial statements of Wintrust Financial Corporation are filed as part of this document under Item 8. Financial Statements and Supplementary Data:

Consolidated Statements of Condition as of December 31, 1998 and 1997

Consolidated Statements of Operations for the Years Ended December 31, 1998, 1997 and 1996

Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 1998, 1997 and 1996 Consolidated Statements of Cash Flows for the Years Ended December 31, 1998, 1997 and 1996

Notes to Consolidated Financial Statements Independent Auditors' Report

No schedules are required to be filed with this report.

3. Exhibits (Exhibits marked with a "*" denote management contracts or compensatory plans or arrangements)

3.1 Amended and Restated Articles of Incorporation of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.1 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).

3.2 Statement of Resolution Establishing Series of Junior Serial Preferred Stock A of Wintrust Financial Corporation.

3.3 Amended By-laws of Wintrust Financial Corporation (incorporated by reference to Exhibit 3(i) of the Company's Form 10-Q for the quarter ended June 30, 1998).

4.1 Rights Agreement between Wintrust Financial Corporation and Illinois Stock Transfer Company, as Rights Agent, dated July 28, 1998 (incorporated by reference to Exhibit 4.1 of the Company's Form 8-A Registration Statement (No. 000-21923) filed with the Securities and Exchange Commission on August 28, 1998).

4.2 Preferred Securities Guarantee Agreement by and between Wintrust Financial Corporation and Wilmington Trust Company dated September 29, 1998, relating to the 9.00% Cumulative Trust Preferred Securities of Wintrust Capital Trust I.

4.3 Indenture by and between Wintrust Financial Corporation and Wilmington Trust Company dated September 29, 1998, relating to the 9.00% Subordinated Debentures issued to Wintrust Capital Trust I.

4.4 Amended and Restated Trust Agreement by and among Wintrust Financial Corporation, Wilmington Trust Company and the Administrative Trustees named therein dated September 29, 1998, relating to the 9.00% Cumulative Trust Preferred Securities of Wintrust Capital Trust I.

4.5 Form of Preferred Security Certificate of Wintrust Capital Trust I (included as an exhibit to Exhibit 4.4).

4.6 Form of Subordinated Debenture (included as an exhibit to Exhibit 4.3).

10.1 \$25 Million Revolving Loan Agreement between LaSalle National Bank and Wintrust Financial Corporation, dated September 1, 1996 (incorporated by reference to Exhibit 10.1 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).

10.2 First Amendment to Loan Agreement between Wintrust Financial Corporation and LaSalle National Bank, dated March 1, 1997 (incorporated by reference to Exhibit 10.29 to Registrant's Form 10-K for the year ended December 31, 1996, filed with the Securities and Exchange Commission on March 28, 1997).

10.3 Second Amendment to Loan Agreement between Wintrust Financial Corporation and LaSalle National Bank, dated March 1, 1997 (incorporated by reference to Exhibit 10.3 of the Company's Form 10-K for the year ended December 31, 1997, filed with the Securities and Exchange Commission on March 31, 1998).

10.4 Third Amendment to Loan Agreement between Wintrust Financial Corporation and LaSalle National Bank, dated September 1, 1998 (incorporated by reference to Exhibit 10 of the Company's Form 10-Q for the quarter ended September 30, 1998, filed with the Securities and Exchange Commission on November 13, 1998).

10.5 Form of Wintrust Financial Corporation Warrant Agreement (incorporated by reference to Exhibit 10.29 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645), filed with the Securities and Exchange Commission on July 22, 1996).*

10.6 Lake Forest Bank & Trust Company Lease for drive-up facility located at the corner of Bank Lane & Wisconsin Avenue, Lake Forest, Illinois, dated December 11, 1992 (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).

10.7 Lake Forest Bank & Trust Company Lease for banking facility located at 810 South Waukegan Road, Lake Forest, Illinois (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).

- 10.8 Lake Forest Bank & Trust Company Lease for banking facility located at 666 North Western Avenue, Lake Forest, Illinois, dated July 19, 1991 and Amendment (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).
- 10.9 Lake Forest Bank & Trust Company Lease for banking facility located at 103 East Scranton Avenue, Lake Bluff, Illinois, dated November 1, 1994 (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).
- 10.10 North Shore Bank & Trust Company Lease for banking facility located at 362 Park Avenue, Glencoe, Illinois, dated July 27, 1995 (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).
- 10.11 North Shore Bank & Trust Company Lease for banking facility located at 794 Oak Street, Winnetka, Illinois, dated June 16, 1995 (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).
- 10.12 Barrington Bank and Trust Company Lease for property located at 202A South Cook Street, Barrington, Illinois, dated December 29, 1995 (incorporated by reference to Exhibit 10.24 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).
- 10.13 Real Estate Contract by and between Wolfhoya Investments, Inc. and Amoco Oil Company, dated March 25, 1996, and amended as of _____, 1996, relating to the purchase of property located at 201 South Hough, Barrington, Illinois (incorporated by reference to Exhibit 10.25 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).
- 10.14 Form of Employment Agreement entered into between the Company and Howard D. Adams, former Chairman and Chief Executive Officer (incorporated by reference to Exhibit 10.26 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996). *

- 10.15 Form of Employment Agreement (entered into between the Company and Edward J. Wehmer, President and Chief Executive Officer). The Company entered into Employment Agreements with David A. Dykstra, Executive Vice President and Chief Financial Officer, Robert F. Key, Executive Vice President-Marketing, Lloyd M. Bowden, Executive Vice President-Technology and Randolph M. Hibben, Executive Vice President-Investments during 1998 in substantially identical form to this exhibit. *
- 10.16 First Premium Services, Inc. Lease, as amended, for corporate offices located at Lake Cook Road, Deerfield, Illinois (incorporated by reference to Exhibit 10.27 to Amendment No. 1 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on January 24, 1997).
- 10.17 Lake Forest Bank & Trust Company Lease for drive-up and walk-up facility located at 911 South Telegraph Road, Lake Forest, Illinois, dated November 7, 1996 (incorporated by reference to Exhibit 10.28 to Amendment No. 1 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on January 24, 1997).
- 10.18 Wintrust Financial Corporation 1997 Stock Incentive Plan (incorporated by reference to Appendix A of the Proxy Statement relating to the May 22, 1997 Annual Meeting of Shareholders of the Company). *
- 10.19 Wintrust Financial Corporation Employee Stock Purchase Plan (incorporated by reference to Appendix B of the Proxy Statement relating to the May 22, 1997 Annual Meeting of Shareholders of the Company). *
- 13.1 1998 Annual Report to Shareholders.
- 21.1 Subsidiaries of the Registrant.
- 23. Consent of Independent Auditors.
- 27.1 Financial Data Schedule.

(b) Reports on Form 8-K None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

WINTRUST FINANCIAL CORPORATION

EDWARD J. WEHMER	EDWARD J. WEHMER ----- President and Chief Executive Officer	March 26, 1999
DAVID A. DYKSTRA	DAVID A. DYKSTRA ----- Executive Vice President & Chief Financial Officer (Principal Financial Officer)	March 26, 1999
TODD A. GUSTAFSON	TODD A. GUSTAFSON ----- Vice President - Finance (Principal Accounting Officer)	March 26, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

JOHN S. LILLARD	JOHN S. LILLARD ----- Chairman of the Board of Directors	March 26, 1999
EDWARD J. WEHMER	EDWARD J. WEHMER ----- President and CEO and Director	March 26, 1999
JOSEPH ALAIMO	JOSEPH ALAIMO ----- Director	March 26, 1999
PETER CRIST	PETER CRIST ----- Director	March 26, 1999
BRUCE K. CROWTHER	BRUCE K. CROWTHER ----- Director	March 26, 1999
MAURICE F. DUNNE, Jr.	MAURICE F. DUNNE, JR. ----- Director	March 26, 1999
WILLIAM C. GRAFT	WILLIAM GRAFT ----- Director	March 26, 1999
KATHLEEN R. HORNE	KATHLEEN R. HORNE ----- Director	March 26, 1999
JAMES E. MAHONEY	JAMES E. MAHONEY ----- Director	March 26, 1999

JAMES B. MCCARTHY	JAMES B. MCCARTHY ----- Director	March 26, 1999
MARQUERITE SAVARD MCKENNA	MARQUERITE SAVARD MCKENNA ----- Director	March 26, 1999
ALBIN F. MOSCHNER	ALBIN F. MOSCHNER ----- Director	March 26, 1999
THOMAS J. NEIS	THOMAS J. NEIS ----- Director	March 26, 1999
HOLLIS W. RADEMACHER	HOLLIS W. RADEMACHER ----- Director	March 26, 1999
J. CHRISTOPHER REYES	J. CHRISTOPHER REYES ----- Director	March 26, 1999
PETER RUSIN	PETER RUSIN ----- Director	March 26, 1999
JOHN N. SCHAPER	JOHN N. SCHAPER ----- Director	March 26, 1999
JOHN J. SCHORNACK	JOHN J. SCHORNACK ----- Director	March 26, 1999
INGRID S. STAFFORD	INGRID S. STAFFORD ----- Director	March 26, 1999
JANE R. STEIN	JANE R. STEIN ----- Director	March 26, 1999
KATHARINE V. SYLVESTER	KATHARINE V. SYLVESTER ----- Director	March 26, 1999
LEMUEL H. TATE, JR.	LEMUEL H. TATE, JR. ----- Director	March 26, 1999
LARRY WRIGHT	LARRY WRIGHT ----- Director	March 26, 1999

Exhibit 3.2

**STATEMENT OF RESOLUTION ESTABLISHING SERIES OF
JUNIOR SERIAL PREFERRED STOCK A**

of

WINTRUST FINANCIAL CORPORATION

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Company in accordance with the provisions of its Articles of Incorporation, as amended and restated, a series of Serial Preferred Stock A, without par value, of the Company (such preferred stock being herein referred to as "Preferred Stock," which term shall include any additional shares of preferred stock of the same class heretofore or hereafter authorized to be issued by the Company), consisting of 100,000 shares is hereby created, and the voting powers, preferences and relative rights, and the qualifications, limitations or restrictions thereof, are as follows:

Section (1) Designation and Amount. There shall be a series of Preferred Stock of the Company which shall be designated as "Junior Serial Preferred Stock A," without par value (hereinafter called "Junior Serial Preferred Stock A"), and the number of shares constituting such series shall be 100,000. Such number of shares may be increased or decreased by resolution of the Board of Directors and by the filing of a certificate pursuant to the provisions of the Illinois Business Corporation Act stating that such increase or reduction has been so authorized; provided, however, that no decrease shall reduce the number of shares of Junior Serial Preferred Stock A to a number less than that of the shares then outstanding plus the number of shares of Junior Serial Preferred Stock A issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Company.

Section (2) Dividends and Distributions.

(a) The holders of shares of Junior Serial Preferred Stock A shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash to holders of record on the first business day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Junior Serial Preferred Stock A, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$42.50 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock (hereinafter defined) or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, without par value, of the

Company (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Junior Serial Preferred Stock A. In the event the Company shall at any time following July 28, 1998, (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Junior Serial Preferred Stock A were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying each such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Company shall declare a dividend or distribution on the Junior Serial Preferred Stock A as provided in paragraph (A) above at the time it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(c) No dividend or distribution (other than a dividend payable in shares of Common Stock) shall be paid or payable to the holders of shares of Common Stock unless, at the same time as such payment is made with respect to the Common Stock or prior thereto, all accrued but unpaid dividends to the date of such dividend or distribution shall have been paid to the holders of shares of Junior Serial Preferred Stock A.

(d) Dividends shall begin to accrue and be cumulative on outstanding shares of Junior Serial Preferred Stock A from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Junior Serial Preferred Stock A, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Junior Serial Preferred Stock A entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Junior Serial Preferred Stock A in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Junior Serial Preferred Stock A entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section (3) Voting Rights. Each share of Junior Serial Preferred Stock A shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Company. Except as otherwise provided herein or by law, the holders of shares of Junior Serial Preferred Stock A and the holders of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Company.

Section (4) Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Junior Serial Preferred Stock A as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Junior Serial Preferred Stock A outstanding shall have been paid in full, the Company shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Serial Preferred Stock A;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Junior Serial Preferred Stock A, except dividends paid ratably on the Junior Serial Preferred Stock A and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Junior Serial Preferred Stock A, provided that the Company may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Company ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Junior Serial Preferred Stock A; or

(iv) purchase or otherwise acquire for consideration any shares of Junior Serial Preferred Stock A, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under paragraph (A) of this Section, purchase or otherwise acquire such shares at such time and in such manner.

Section (5) Liquidation, Dissolution or Winding Up.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Serial Preferred Stock A unless, prior thereto, the holders of whole shares of Junior Serial Preferred Stock A shall

have received \$8,500 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Junior Serial A Liquidation Preference").

(b) In the event, however, that there are not sufficient assets available to permit payment in full of the Junior Serial A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Junior Serial Preferred Stock A, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

Section (6) Consolidation, Merger, etc. In case the Company shall enter into any consolidation, merger, share exchange, combination or other transaction in which the shares of Common Stock are exchanged for or converted into other stock or securities, cash and/or any other property, then in any such case the shares of Junior Serial Preferred Stock A shall at the same time be similarly exchanged or converted in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is converted or exchanged. In the event the Company shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or conversion of shares of Junior Serial Preferred Stock A shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section (7) Redemption. The shares of a Junior Serial Preferred Stock A shall not be redeemable by the Company. The preceding sentence shall not limit the ability of the Company to purchase or otherwise deal in such shares of stock to the extent permitted by law.

Section (8) Fractional Shares. Junior Serial Preferred Stock A may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Junior Serial Preferred Stock A.

Exhibit 4.2

PREFERRED SECURITIES GUARANTEE AGREEMENT

by and between

WINTRUST FINANCIAL CORPORATION

and

WILMINGTON TRUST COMPANY

Dated as of September 29, 1998

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CROSS REFERENCE TABLE

Section of Trust Indenture Act of 1939, as amended -----	Section of Guarantee Agreement -----
310(a)	4.1(a)
310(b)	4.1(c), 2.8
310(c)	Not Applicable
311(a)	2.2(b)
311(b)	2.2(b)
311(c)	Not Applicable
312(a)	2.2(a)
312(b)	2.2(b)
313	2.3
314(a)	2.4
314(b)	Not Applicable
314(c)	2.5
314(d)	Not Applicable
314(e)	1.1, 2.5, 3.2
314(f)	2.1, 3.2
315(a)	3.1(d)
315(b)	2.7
315(c)	3.1
315(d)	3.1(d)
316(a)	1.1, 2.6, 5.4
316(b)	5.3
317(a)	3.1
317(b)	Not Applicable
318(a)	2.1(a)
318(b)	2.1
318(c)	2.1(b)

Note: This Cross-Reference Table does not constitute part of this Agreement and shall not affect the interpretation of any of its terms or provisions.

PREFERRED SECURITIES GUARANTEE AGREEMENT

THIS PREFERRED SECURITIES GUARANTEE AGREEMENT (this "Preferred Securities Guarantee"), dated as of September 29, 1998, is executed and delivered by WINTRUST FINANCIAL CORPORATION, an Illinois corporation (the "Guarantor"), and WILMINGTON TRUST COMPANY, a Delaware banking corporation organized under the laws of the State of Delaware, as trustee (the "Preferred Guarantee Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Preferred Securities (as defined herein) of Wintrust Capital Trust I, a Delaware statutory business trust (the "Trust").

RECITALS

WHEREAS, pursuant to an Amended and Restated Trust Agreement (the "Trust Agreement"), dated as of September 29, 1998, among the trustees of the Trust named therein, the Guarantor, as sponsor, and the holders from time to time of undivided beneficial interests in the assets of the Trust, the Trust is issuing on the date hereof up to 1,242,000 preferred securities, having an aggregate liquidation amount of \$31,050,000, designated the 9.00% Cumulative Trust Preferred Securities (the "Preferred Securities");

WHEREAS, as incentive for the Holders to purchase the Preferred Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth in this Preferred Securities Guarantee, to pay to the Holders of the Preferred Securities the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the purchase by each Holder of Preferred Securities, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Preferred Securities Guarantee for the benefit of the Holders.

ARTICLE I DEFINITIONS AND INTERPRETATION

SECTION 1.1. DEFINITIONS AND INTERPRETATION.

In this Preferred Securities Guarantee, unless the context otherwise requires:

- (a) capitalized terms used in this Preferred Securities Guarantee but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;
- (b) terms defined in the Trust Agreement as at the date of execution of this Preferred Securities Guarantee have the same meaning when used in this Preferred Securities Guarantee, unless otherwise defined in this Preferred Securities Guarantee;
- (c) a term defined anywhere in this Preferred Securities Guarantee has the same meaning throughout;

- (d) all references to "the Preferred Securities Guarantee" or "this Preferred Securities Guarantee" are to this Preferred Securities Guarantee as modified, supplemented or amended from time to time;
- (e) all references in this Preferred Securities Guarantee to Articles and Sections are to Articles and Sections of this Preferred Securities Guarantee, unless otherwise specified;
- (f) a term defined in the Trust Indenture Act has the same meaning when used in this Preferred Securities Guarantee, unless otherwise defined in this Preferred Securities Guarantee or unless the context otherwise requires; and
- (g) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act of 1933, as amended, or any successor rule thereunder.

"Business Day" means any day other than a Saturday, Sunday, a day on which federal or state banking institutions in New York, New York are authorized or required by law, executive order or regulation to close or a day on which the Corporate Trust Office of the Preferred Guarantee Trustee is closed for business.

"Corporate Trust Office" means the office of the Preferred Guarantee Trustee at which the corporate trust business of the Preferred Guarantee Trustee shall, at any particular time, be principally administered, which office at the date of execution of this Agreement is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration.

"Covered Person" means any Holder or beneficial owner of Preferred Securities.

"Debentures" means the 9.00% Subordinated Debentures due September 30, 2028, of the Debenture Issuer held by the Property Trustee of the Trust.

"Debenture Issuer" means Wintrust Financial Corporation, issuer of the Debentures under the Indenture.

"Event of Default" means a default by the Guarantor on any of its payment or other obligations under this Preferred Securities Guarantee.

"Guarantor" means Wintrust Financial Corporation, an Illinois corporation.

"Guarantee Payments" means the following payments or distributions, without duplication, with respect to the Preferred Securities, to the extent not paid or made by the Trust: (i) any accrued and unpaid Distributions (as defined in the Trust Agreement) that are required to be paid on such Preferred Securities, to the extent the Trust shall have funds available therefor, (ii) the redemption price, including all accrued and unpaid Distributions to the date of redemption (the "Redemption

Price"), to the extent the Trust has funds available therefor, with respect to any Preferred Securities called for redemption by the Trust, and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Trust (other than in connection with the distribution of Debentures to the Holders in exchange for Preferred Securities as provided in the Trust Agreement), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid Distributions on the Preferred Securities to the date of payment, to the extent the Trust shall have funds available therefor (the "Liquidation Distribution"), and (b) the amount of assets of the Trust remaining available for distribution to Holders in liquidation of the Trust.

"Holder" shall mean any holder, as registered on the books and records of the Trust, of any Preferred Securities; provided, however, that, in determining whether the holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor, the Preferred Guarantee Trustee or any of their respective Affiliates.

"Indemnified Person" means the Preferred Guarantee Trustee, any Affiliate of the Preferred Guarantee Trustee, or any officers, directors, shareholders, members, partners, employees, representatives, nominees, custodians or agents of the Preferred Guarantee Trustee.

"Indenture" means the Indenture dated as of September 29, 1998, among the Debenture Issuer and Wilmington Trust Company, as trustee, and any indenture supplemental thereto pursuant to which certain subordinated debt securities of the Debenture Issuer are to be issued to the Property Trustee of the Trust.

"Liquidation Amount" means the stated value of \$25 per Preferred Security.

"Liquidation Distribution" has the meaning provided therefor in the definition of Guarantee Payments.

"Majority in liquidation amount of the Preferred Securities" means the holders of more than 50% of the Liquidation Amount of all of the Preferred Securities.

"Officers' Certificate" means, with respect to any Person, a certificate signed by two authorized officers of such Person, at least one of whom shall be the principal executive officer, principal financial officer, principal accounting officer, treasurer or any vice president of such Person. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Preferred Securities Guarantee shall include:

- (a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definition relating thereto;
- (b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;

(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preferred Guarantee Trustee" means Wilmington Trust Company, until a Successor Preferred Guarantee Trustee has been appointed and has accepted such appointment pursuant to the terms of this Preferred Securities Guarantee and thereafter means each such Successor Preferred Guarantee Trustee.

"Redemption Price" has the meaning provided therefor in the definition of Guarantee Payments.

"Responsible Officer" means, with respect to the Preferred Guarantee Trustee, any officer within the Corporate Trust Office of the Preferred Guarantee Trustee with direct responsibility for the administration of this Preferred Securities Guarantee, including any vice-president, any assistant vice-president, any assistant secretary or other officer or assistant officer of the Preferred Guarantee Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Successor Preferred Guarantee Trustee" means a successor Preferred Guarantee Trustee possessing the qualifications to act as Preferred Guarantee Trustee under Section 4.1.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

ARTICLE II TRUST INDENTURE ACT

SECTION 2.1. TRUST INDENTURE ACT; APPLICATION.

(a) This Preferred Securities Guarantee is subject to the provisions of the Trust Indenture Act that are required to be part of this Preferred Securities Guarantee and shall, to the extent applicable, be governed by such provisions.

(b) If and to the extent that any provision of this Preferred Securities Guarantee limits, qualifies or conflicts with the duties imposed by Section 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

SECTION 2.2. LISTS OF HOLDERS OF SECURITIES.

(a) In the event the Preferred Guarantee Trustee is not also acting in the capacity of the Property Trustee under the Trust Agreement, the Guarantor shall cause to be provided to the Preferred Guarantee Trustee with a list, in such form as the Preferred Guarantee Trustee may reasonably require, of the names and addresses of the Holders of the Preferred Securities ("List of Holders") as of the date (i) within 1 Business Day after March 15, June 15, September 15 and December 15, and (ii) at any other time within 30 days of receipt by the Guarantor of a written request for a List of Holders as of a date no more than 15 days before such List of Holders is given to the Preferred Guarantee Trustee; provided, that the Guarantor shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders caused to have been given to the Preferred Guarantee Trustee by the Guarantor. The Preferred Guarantee Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Preferred Guarantee Trustee shall comply with its obligations under Sections 311(a), 311(b) and Section 312(b) of the Trust Indenture Act.

SECTION 2.3. REPORTS BY THE PREFERRED GUARANTEE TRUSTEE.

On or before July 15 of each year, the Preferred Guarantee Trustee shall provide to the Holders of the Preferred Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Preferred Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4. PERIODIC REPORTS TO PREFERRED GUARANTEE TRUSTEE.

The Guarantor shall provide to the Preferred Guarantee Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 2.5. EVIDENCE OF COMPLIANCE WITH CONDITIONS PRECEDENT.

The Guarantor shall provide to the Preferred Guarantee Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Preferred Securities Guarantee that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

SECTION 2.6. EVENTS OF DEFAULT; WAIVER.

The Holders of a Majority in liquidation amount of Preferred Securities may, by vote, on behalf of the Holders of all of the Preferred Securities, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Preferred Securities Guarantee, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 2.7. EVENT OF DEFAULT; NOTICE.

(a) The Preferred Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Preferred Securities, notices of all Events of Default actually known to a Responsible Officer of the Preferred Guarantee Trustee, unless such defaults have been cured before the giving of such notice; provided, that, except in the case of a default by Guarantor on any of its payment obligations, the Preferred Guarantee Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Preferred Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Preferred Securities.

(b) The Preferred Guarantee Trustee shall not be deemed to have knowledge of any Event of Default unless the Preferred Guarantee Trustee shall have received written notice, or of which a Responsible Officer of the Preferred Guarantee Trustee charged with the administration of the Trust Agreement shall have obtained actual knowledge.

SECTION 2.8. CONFLICTING INTERESTS.

The Trust Agreement shall be deemed to be specifically described in this Preferred Securities Guarantee for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

**ARTICLE III
POWERS, DUTIES AND RIGHTS OF PREFERRED GUARANTEE TRUSTEE**

SECTION 3.1. POWERS AND DUTIES OF THE PREFERRED GUARANTEE TRUSTEE.

(a) This Preferred Securities Guarantee shall be held by the Preferred Guarantee Trustee for the benefit of the Holders of the Preferred Securities, and the Preferred Guarantee Trustee shall not transfer this Preferred Securities Guarantee to any Person except a Holder of Preferred Securities exercising his or her rights pursuant to Section 5.4(b) or to a Successor Preferred Guarantee Trustee on acceptance by such Successor Preferred Guarantee Trustee of its appointment to act as Successor Preferred Guarantee Trustee. The right, title and interest of the Preferred Guarantee Trustee shall automatically vest in any Successor Preferred Guarantee Trustee, and such vesting and cessation of

title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Preferred Guarantee Trustee.

(b) If an Event of Default actually known to a Responsible Officer of the Preferred Guarantee Trustee has occurred and is continuing, the Preferred Guarantee Trustee shall enforce this Preferred Securities Guarantee for the benefit of the Holders of the Preferred Securities.

(c) The Preferred Guarantee Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Preferred Securities Guarantee, and no implied covenants shall be read into this Preferred Securities Guarantee against the Preferred Guarantee Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6) and is actually known to a Responsible Officer of the Preferred Guarantee Trustee, the Preferred Guarantee Trustee shall exercise such of the rights and powers vested in it by this Preferred Securities Guarantee, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) No provision of this Preferred Securities Guarantee shall be construed to relieve the Preferred Guarantee Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Preferred Guarantee Trustee shall be determined solely by the express provisions of this Preferred Securities Guarantee, and the Preferred Guarantee Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Preferred Securities Guarantee, and no implied covenants or obligations shall be read into this Preferred Securities Guarantee against the Preferred Guarantee Trustee; and

(B) in the absence of bad faith on the part of the Preferred Guarantee Trustee, the Preferred Guarantee Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Preferred Guarantee Trustee and conforming to the requirements of this Preferred Securities Guarantee; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Preferred Guarantee Trustee, the Preferred Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Preferred Securities Guarantee;

(ii) the Preferred Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Preferred Guarantee Trustee, unless it shall be proved that the Preferred Guarantee Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

(iii) the Preferred Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Preferred Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Preferred Guarantee Trustee, or exercising any trust or power conferred upon the Preferred Guarantee Trustee under this Preferred Securities Guarantee; and

(iv) no provision of this Preferred Securities Guarantee shall require the Preferred Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Preferred Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Preferred Securities Guarantee or indemnity, reasonably satisfactory to the Preferred Guarantee Trustee, against such risk or liability is not reasonably assured to it.

SECTION 3.2. CERTAIN RIGHTS OF PREFERRED GUARANTEE TRUSTEE.

(a) Subject to the provisions of Section 3.1:

(i) the Preferred Guarantee Trustee may conclusively rely, and shall be fully protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;

(ii) Any direction or act of the Guarantor contemplated by this Preferred Securities Guarantee shall be sufficiently evidenced by an Officers' Certificate;

(iii) whenever, in the administration of this Preferred Securities Guarantee, the Preferred Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Preferred Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Guarantor;

(iv) the Preferred Guarantee Trustee shall have no duty to see to any recording, filing or registration of any instrument (or any rerecording, refiling or registration thereof);

(v) the Preferred Guarantee Trustee may consult with counsel, and the written advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion. Such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of its employees. The Preferred Guarantee Trustee shall have the right at any time to seek instructions concerning the administration of this Preferred Securities Guarantee from any court of competent jurisdiction;

(vi) the Preferred Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Preferred Securities Guarantee at the request or direction of any Holder, unless such Holder shall have provided to the Preferred Guarantee Trustee such security and indemnity, reasonably satisfactory to the Preferred Guarantee Trustee, against the costs, expenses (including attorneys' fees and expenses and the expenses of the Preferred Guarantee Trustee's agents, nominees or custodians) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Preferred Guarantee Trustee; provided that, nothing contained in this Section 3.2(a)(vi) shall be taken to relieve the Preferred Guarantee Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Preferred Securities Guarantee;

(vii) the Preferred Guarantee Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Preferred Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(viii) the Preferred Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, nominees, custodians or attorneys, and the Preferred Guarantee Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(ix) any action taken by the Preferred Guarantee Trustee or its agents hereunder shall bind the Holders of the Preferred Securities, and the signature of the Preferred Guarantee Trustee or its agents alone shall be sufficient and effective to perform any such action. No third party shall be required to inquire as to the authority of the Preferred Guarantee Trustee to so act or as to its compliance with any of the terms and provisions of this Preferred Securities Guarantee, both of which shall be conclusively evidenced by the Preferred Guarantee Trustee's or its agent's taking such action;

(x) whenever in the administration of this Preferred Securities Guarantee the Preferred Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Preferred Guarantee Trustee (i) may request instructions from the Holders of a Majority in liquidation amount of the Preferred Securities, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in conclusively relying on or acting in accordance with such instructions.

(b) No provision of this Preferred Securities Guarantee shall be deemed to impose any duty or obligation on the Preferred Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Preferred Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power,

duty or obligation. No permissive power or authority available to the Preferred Guarantee Trustee shall be construed to be a duty.

SECTION 3.3. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF GUARANTEE.

The Recitals contained in this Guarantee shall be taken as the statements of the Guarantor, and the Preferred Guarantee Trustee does not assume any responsibility for their correctness. The Preferred Guarantee Trustee makes no representation as to the validity or sufficiency of this Preferred Securities Guarantee.

ARTICLE IV PREFERRED GUARANTEE TRUSTEE

Section 4.1. Preferred Guarantee Trustee; Eligibility.

(a) There shall at all times be a Preferred Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Securities and Exchange Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 4.1(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Preferred Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Preferred Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

(c) If the Preferred Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Preferred Guarantee Trustee and Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 4.2. APPOINTMENT, REMOVAL AND RESIGNATION OF PREFERRED GUARANTEE TRUSTEES.

- (a) Subject to Section 4.2(b), the Preferred Guarantee Trustee may be appointed or removed without cause at any time by the Guarantor.
- (b) The Preferred Guarantee Trustee shall not be removed in accordance with Section 4.2(a) until a Successor Preferred Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Preferred Guarantee Trustee and delivered to the Guarantor.
- (c) The Preferred Guarantee Trustee appointed to office shall hold office until a Successor Preferred Guarantee Trustee shall have been appointed or until its removal or resignation. The Preferred Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Preferred Guarantee Trustee and delivered to the Guarantor, which resignation shall not take effect until a Successor Preferred Guarantee Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Preferred Guarantee Trustee and delivered to the Guarantor and the resigning Preferred Guarantee Trustee.
- (d) If no Successor Preferred Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery to the Guarantor of an instrument of resignation, the resigning Preferred Guarantee Trustee may petition any court of competent jurisdiction for appointment of a Successor Preferred Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Preferred Guarantee Trustee.
- (e) No Preferred Guarantee Trustee shall be liable for the acts or omissions to act of any Successor Preferred Guarantee Trustee.
- (f) Upon termination of this Preferred Securities Guarantee or removal or resignation of the Preferred Guarantee Trustee pursuant to this Section 4.2, the Guarantor shall pay to the Preferred Guarantee Trustee all amounts accrued to the date of such termination, removal or resignation.

**ARTICLE V
GUARANTEE**

SECTION 5.1. GUARANTEE.

The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by the Trust), as and when due, regardless of any defense, right of set-off or counterclaim that the Trust may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Trust to pay such amounts to the Holders.

SECTION 5.2. WAIVER OF NOTICE AND DEMAND.

The Guarantor hereby waives notice of acceptance of this Preferred Securities Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Trust or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 5.3. OBLIGATIONS NOT AFFECTED.

The obligations, covenants, agreements and duties of the Guarantor under this Preferred Securities Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

- (a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Trust of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by the Trust;
- (b) the extension of time for the payment by the Trust of all or any portion of the Distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities (other than an extension of time for payment of Distributions, Redemption Price, Liquidation Distribution or other sum payable that results from the extension of any interest payment period on the Debentures or any extension of the maturity date of the Debentures permitted by the Indenture);
- (c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Trust granting indulgence or extension of any kind;
- (d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Trust or any of the assets of the Trust;
- (e) any invalidity of, or defect or deficiency in, the Preferred Securities;
- (f) any failure or omission to receive any regulatory approval or consent required in connection with the Preferred Securities (or the common equity securities issued by the Trust), including the failure to receive any approval of the Board of Governors of the Federal Reserve System required for the redemption of the Preferred Securities;

(g) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(h) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 5.4. RIGHTS OF HOLDERS.

(a) Subject to Section 5.4(b), the Holders of a Majority in liquidation amount of the Preferred Securities have the right to direct the time, method and place of conducting of any proceeding for any remedy available to the Preferred Guarantee Trustee in respect of this Preferred Securities Guarantee or exercising any trust or power conferred upon the Preferred Guarantee Trustee under this Preferred Securities Guarantee.

(b) Any Holder of Preferred Securities may institute and prosecute a legal proceeding directly against the Guarantor to enforce its rights under this Preferred Securities Guarantee, without first instituting a legal proceeding against the Trust, the Preferred Guarantee Trustee or any other Person.

SECTION 5.5. GUARANTEE OF PAYMENT.

This Preferred Securities Guarantee creates a guarantee of payment and not of collection.

SECTION 5.6. SUBROGATION.

The Guarantor shall be subrogated to all (if any) rights of the Holders of Preferred Securities against the Trust in respect of any amounts paid to such Holders by the Guarantor under this Preferred Securities Guarantee; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any right that it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Preferred Securities Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Preferred Securities Guarantee. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 5.7. INDEPENDENT OBLIGATIONS.

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Trust with respect to the Preferred Securities, and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Preferred Securities Guarantee notwithstanding the occurrence of any event referred to in subsections (a) through (h), inclusive, of Section 5.3 hereof.

ARTICLE VI LIMITATION OF TRANSACTIONS; SUBORDINATION

SECTION 6.1. LIMITATION OF TRANSACTIONS.

So long as any Preferred Securities remain outstanding, if there shall have occurred an Event of Default under this Preferred Securities Guarantee, an event of default under the Trust Agreement or during an Extended Interest Payment Period (as defined in the Indenture), then (a) the Guarantor shall not declare or pay any dividend on, make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock (other than as a result of a reclassification of its capital stock for another class of its capital stock) and (b) the Guarantor shall not make any payment of interest or principal on or repay, repurchase or redeem any debt securities issued by the Guarantor which rank pari passu with or junior to the Debentures.

SECTION 6.2 RANKING.

This Preferred Securities Guarantee will constitute an unsecured obligation of the Guarantor and will rank subordinate and junior in right of payment to all Senior Debt, Subordinated Debt and Additional Senior Obligations, as defined in the Indenture, of the Guarantor, to the extent and in the manner set forth in the Indenture, and the applicable provisions of the Indenture will apply, in all relevant respects, to the obligations of the Guarantor hereunder.

ARTICLE VII TERMINATION

SECTION 7.1. TERMINATION.

This Preferred Securities Guarantee shall terminate upon (i) full payment of the Redemption Price of all Preferred Securities, (ii) upon full payment of the amounts payable in accordance with the Trust Agreement upon liquidation of the Trust, or (iii) upon distribution of the Debentures to the Holders of the Preferred Securities. Notwithstanding the foregoing, this Preferred Securities Guarantee shall continue to be effective or shall be reinstated, as the case may be, if at any time any Holder of Preferred Securities must restore payment of any sums paid under the Preferred Securities or under this Preferred Securities Guarantee.

**ARTICLE VIII
INDEMNIFICATION**

SECTION 8.1. EXCULPATION.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Preferred Securities Guarantee and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Preferred Securities Guarantee or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Guarantor and upon such information, opinions, reports or statements presented to the Guarantor by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Guarantor, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Preferred Securities might properly be paid.

SECTION 8.2. INDEMNIFICATION.

The Guarantor agrees to indemnify each Indemnified Person for, and to hold each Indemnified Person harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against, or investigating, any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 8.2 shall survive the termination of this Preferred Securities Guarantee.

**ARTICLE IX
MISCELLANEOUS**

SECTION 9.1. SUCCESSORS AND ASSIGNS.

All guarantees and agreements contained in this Preferred Securities Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Preferred Securities then outstanding.

SECTION 9.2. AMENDMENTS.

Except with respect to any changes that do not materially adversely affect the rights of Holders (in which case no consent of Holders will be required), this Preferred Securities Guarantee may only be amended with the prior approval of the Holders of at least a Majority in Liquidation Amount of the Preferred Securities. The provisions of Article VI of the Trust Agreement with respect to meetings of Holders of the Preferred Securities apply to the giving of such approval.

SECTION 9.3. NOTICES.

All notices provided for in this Preferred Securities Guarantee shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by registered or certified mail, as follows:

(a) If given to the Preferred Guarantee Trustee, at the Preferred Guarantee Trustee's mailing address set forth below (or such other address as the Preferred Guarantee Trustee may give notice of to the Holders of the Preferred Securities):

Wilmington Trust Company Rodney Square North 1100 North Market Street Wilmington, Delaware 19890-0001 Attention: Corporate Trust Administrator

(b) If given to the Guarantor, at the Guarantor's mailing address set forth below (or such other address as the Guarantor may give notice of to the Holders of the Preferred Securities):

Wintrust Financial Corporation 727 North Bank Lane Lake Forest, Illinois 60045 Attention: David A. Dykstra, Chief Financial Officer

(c) If given to any Holder of Preferred Securities, at the address set forth on the books and records of the Trust.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 9.4. BENEFIT.

This Preferred Securities Guarantee is solely for the benefit of the Holders of the Preferred Securities and, subject to Section 3.1(a), is not separately transferable from the Preferred Securities.

SECTION 9.5. GOVERNING LAW.

THIS PREFERRED SECURITIES GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ILLINOIS.

This Preferred Securities Guarantee is executed as of the day and year first above written.

**WINTRUST FINANCIAL CORPORATION,
as Guarantor**

By: _____
Its: _____

**WILMINGTON TRUST COMPANY
as Preferred Guarantee Trustee**

By: _____
Its: _____

Exhibit 4.3

WINTRUST FINANCIAL CORPORATION

AND

**WILMINGTON TRUST COMPANY,
AS INDENTURE TRUSTEE**

INDENTURE

9.00% SUBORDINATED DEBENTURES DUE 2028

Dated as of September 29, 1998

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SECTION OF TRUST INDENTURE ACT OF 1939, AS AMENDED -----	SECTION OF INDENTURE -----
310(a).....	9.10
310(b).....	9.9
.....	9.11
310(c).....	Not Applicable
311(a).....	9.14
311(b).....	9.14
311(c).....	Not Applicable
312(a).....	6.1
.....	6.2(a)
312(b).....	6.2(c)
312(c).....	6.2(c)
313(a).....	6.4(a)
313(b).....	6.4(b)
313(c).....	6.4(a)
.....	6.4(b)
313(d).....	6.4(c)
314(a).....	6.3(a)
314(b).....	Not Applicable
314(c).....	15.7
314(d).....	Not Applicable
314(e).....	15.7
314(f).....	Not Applicable
315(a).....	9.1(a)
.....	9.3
315(b).....	9.2
315(c).....	9.1(a)
315(d).....	9.1(b)
315(e).....	7.7
316(a).....	1.1
.....	7.6
316(b).....	7.4(b)
316(c).....	10.1(b)
317(a).....	7.2
317(b).....	5.3
318(a).....	15.9

Note: This reconciliation and tie sheet shall not, for any purpose, be deemed to be a part of the Indenture

INDENTURE

INDENTURE, dated as of September 29, 1998, between WINTRUST FINANCIAL CORPORATION, an Illinois corporation (the "Company") and Wilmington Trust Company, a Delaware banking corporation duly organized and existing under the laws of the State of Delaware as trustee (the "Trustee");

RECITALS

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of securities to be known as its 9.00% Subordinated Debentures due 2028 (hereinafter referred to as the "Debentures"), the form and substance of such Debentures and the terms, provisions and conditions thereof to be set forth as provided in this Indenture;

WHEREAS, Wintrust Capital Trust I, a Delaware statutory business trust (the "Trust"), has offered to the public up to \$31,050,000 aggregate liquidation amount of its Preferred Securities (as defined herein) and proposes to invest the proceeds from such offering, together with the proceeds of the issuance and sale by the Trust to the Company of up to \$960,310 aggregate liquidation amount of its Common Securities (as defined herein), in up to \$32,010,310 aggregate principal amount of the Debentures;

WHEREAS, the Company has requested that the Trustee execute and deliver this Indenture;

WHEREAS, all requirements necessary to make this Indenture a valid instrument in accordance with its terms, and to make the Debentures, when executed by the Company and authenticated and delivered by the Trustee, the valid obligations of the Company, have been performed, and the execution and delivery of this Indenture have been duly authorized in all respects;

WHEREAS, to provide the terms and conditions upon which the Debentures are to be authenticated, issued and delivered, the Company has duly authorized the execution of this Indenture; and

WHEREAS, all things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, in consideration of the premises and the purchase of the Debentures by the holders thereof, it is mutually covenanted and agreed as follows for the equal and ratable benefit of the holders of the Debentures:

ARTICLE I

DEFINITIONS

SECTION 1.1 DEFINITIONS OF TERMS.

The terms defined in this Section 1.1 (except as in this Indenture otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.1 and shall include the plural as well as the singular. All other terms used in this Indenture that are defined in the Trust Indenture Act, or that are by reference in the Trust Indenture Act defined in the Securities Act (except as herein otherwise expressly provided or unless the context otherwise requires), shall have the meanings assigned to such terms in the Trust Indenture Act and in the Securities Act as in force at the date of the execution of this instrument. All accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with Generally Accepted Accounting Principles.

"Accelerated Maturity Date" means if the Company elects to accelerate the Maturity Date in accordance with Section 2.2(c), the date selected by the Company which is prior to the Scheduled Maturity Date, but is after September 30, 2003.

"Additional Interest" shall have the meaning set forth in Section 2.5.

"Additional Senior Obligations" means all indebtedness of the Company whether incurred on or prior to the date of this Indenture or thereafter incurred, for claims in respect of derivative products such as interest and foreign exchange rate contracts, commodity contracts and similar arrangements; provided, however, that Additional Senior Obligations does not include claims in respect of Senior Debt or Subordinated Debt or obligations which, by their terms, are expressly stated to be not superior in right of payment to the Debentures or to rank pari passu in right of payment with the Debentures. For purposes of this definition, "claim" shall have the meaning assigned thereto in Section 101(4) of the United States Bankruptcy Code of 1978, as amended.

"Administrative Trustees" shall have the meaning set forth in the Trust Agreement.

"Affiliate" means, with respect to a specified Person, (a) any Person directly or indirectly owning, controlling or holding with power to vote 10% or more of the outstanding voting securities or other ownership interests of the specified Person; (b) any Person 10% or more of whose outstanding voting securities or other ownership interests are directly or indirectly owned, controlled or held with power to vote by the specified Person; (c) any Person directly or indirectly controlling, controlled by, or under common control with the specified Person; (d) a partnership in which the specified Person is a general partner; (e) any officer or director of the specified Person; and (f) if the specified Person is an individual, any entity of which the specified Person is an officer, director or general partner.

"Authenticating Agent" means an authenticating agent with respect to the Debentures appointed by the Trustee pursuant to Section 2.12.

"Bankruptcy Law" means Title 11, U.S. Code, or any similar federal or state law for the relief of debtors.

"Board of Directors" means the Board of Directors of the Company or any duly authorized committee of such Board or any other duly designated officers of the Company.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification.

"Business Day" means, with respect to the Debentures, any day other than a Saturday or a Sunday or a day on which federal or state banking institutions in the Borough of Manhattan, The City of New York, are authorized or required by law, executive order or regulation to close, or a day on which the Corporate Trust Office of the Trustee or the Property Trustee is closed for business.

"Capital Treatment Event" means the receipt by the Company and the Trust of an Opinion of Counsel, rendered by a law firm having a recognized national bank regulatory practice, to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or which pronouncement or decision is announced on or after the date of issuance of the Preferred Securities under the Trust Agreement, there is more than an insubstantial risk of impairment of the Company's ability to treat the Preferred Securities (or any substantial portion thereof) as Tier 1 capital (or the then equivalent thereof), for purposes of the capital adequacy guidelines of the Federal Reserve, as then in effect and applicable to the Company; provided, however, that the Trust or the Company shall have requested and received such an Opinion of Counsel with regard to such matters within a reasonable period of time after the Trust or the Company shall have become aware of the possible occurrence of any such event.

"Certificate" means a certificate signed by the principal executive officer, the principal financial officer, the principal accounting officer, the treasurer or any vice president of the Company. The Certificate need not comply with the provisions of Section 15.7.

"Change in 1940 Act Law" shall have the meaning set forth in the definition of "Investment Company Event."

"Commission" means the Securities and Exchange Commission.

"Common Securities" means undivided beneficial interests in the assets of the Trust which rank pari passu with the Preferred Securities; provided, however, that upon the occurrence of an Event of Default, the rights of holders of Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of holders of Preferred Securities.

"Company" means Wintrust Financial Corporation, a corporation duly organized and existing under the laws of the State of Illinois, and, subject to the provisions of Article XII, shall also include its successors and assigns.

"Compounded Interest" shall have the meaning set forth in Section 4.1.

"Corporate Trust Office" means the office of the Trustee at which, at any particular time, its corporate trust business shall be principally administered, which office at the date hereof is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention:
Corporate Trust Administration.

"Coupon Rate" shall have the meaning set forth in Section 2.5.

"Custodian" means any receiver, trustee, assignee, liquidator, or similar official under any Bankruptcy Law.

"Debentures" shall have the meaning set forth in the Recitals hereto.

"Debentureholder," "holder of Debentures," "registered holder," or other similar term, means the Person or Persons in whose name or names a particular Debenture shall be registered on the books of the Company or the Trustee kept for that purpose in accordance with the terms of this Indenture.

"Debenture Register" shall have the meaning set forth in Section 2.7(b).

"Debt" means with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent, (i) every obligation of such Person for money borrowed; (ii) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses; (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person; (iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business); (v) every capital lease obligation of such Person; and (vi) and every obligation of the type referred to in clauses (i) through (v) of another Person and all dividends of another Person the payment of which, in either case, such Person has guaranteed or is responsible or liable, directly or indirectly, as obligor or otherwise.

"Default" means any event, act or condition that with notice or lapse of time, or both, would constitute an Event of Default.

"Deferred Interest" shall have the meaning set forth in Section 4.1.

"Dissolution Event" means that as a result of the occurrence and continuation of a Special Event, the Trust is to be dissolved in accordance with the Trust Agreement and the Debentures held by the Property Trustee are to be distributed to the holders of the Trust Securities issued by the Trust pro rata in accordance with the Trust Agreement.

"Event of Default" means, with respect to the Debentures, any event specified in Section 7.1, which has continued for the period of time, if any, and after the giving of the notice, if any, therein designated.

"Exchange Act," means the Securities Exchange Act of 1934, as amended, as in effect at the date of execution of this instrument.

"Extended Interest Payment Period" shall have the meaning set forth in Section 4.1.

"Extended Maturity Date" means if the Company elects to extend the Maturity Date in accordance with Section 2.2(b), the date selected by the Company which is after the Scheduled Maturity Date but before September 30, 2047.

"Federal Reserve" means the Board of Governors of the Federal Reserve System.

"Generally Accepted Accounting Principles" means such accounting principles as are generally accepted at the time of any computation required hereunder.

"Governmental Obligations" means securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged; or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America that, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such Governmental Obligation or a specific payment of principal of or interest on any such Governmental Obligation held by such custodian for the account of the holder of such depositary receipt; provided, however, that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Governmental Obligation or the specific payment of principal of or interest on the Governmental Obligation evidenced by such depositary receipt.

"Herein," "hereof," and "hereunder," and other words of similar import, refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into in accordance with the terms hereof.

"Interest Payment Date," when used with respect to any installment of interest on the Debentures, means the date specified in the Debenture or in an indenture supplemental hereto with respect to the Debentures as the fixed date on which an installment of interest with respect to the Debentures is due and payable.

"Investment Company Act," means the Investment Company Act of 1940, as amended, as in effect at the date of execution of this instrument.

"Investment Company Event" means the receipt by the Trust and the Company of an Opinion of Counsel, rendered by a law firm having a recognized national tax and securities law practice, to the effect that, as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), the Trust is or shall be considered an "investment company" that is required to be registered under the Investment Company Act, which Change in 1940 Act Law becomes effective on or after the date of original issuance of the Preferred Securities under the Trust Agreement; provided, however, that the Trust or the Company shall have requested and received such an Opinion of Counsel with regard to such matters within a reasonable period of time after the Trust or the Company shall have become aware of the possible occurrence of any such event.

"Maturity Date" means the date on which the Debentures mature and on which the principal shall be due and payable together with all accrued and unpaid interest thereon including Compounded Interest and Additional Interest, if any.

"Ministerial Action" shall have the meaning set forth in Section 3.2.

"Officers' Certificate" means a certificate signed by the President or an Executive Vice President and by the Treasurer or an Assistant Treasurer or the Vice President--Finance or the Secretary or an Assistant Secretary of the Company that is delivered to the Trustee in accordance with the terms hereof. Each such certificate shall include the statements provided for in Section 15.7, if and to the extent required by the provisions thereof.

"Opinion of Counsel" means an opinion in writing of independent, outside legal counsel for the Company that is delivered to the Trustee in accordance with the terms hereof. Each such opinion shall include the statements provided for in Section 15.7, if and to the extent required by the provisions thereof.

"Outstanding," when used with reference to the Debentures, means, subject to the provisions of Section 10.4, as of any particular time, all Debentures theretofore authenticated and delivered by the Trustee under this Indenture, except (a) Debentures theretofore canceled by the Trustee or any paying agent, or delivered to the Trustee or any paying agent for cancellation or that have previously been canceled; (b) Debentures or portions thereof for the payment or redemption of which moneys or Governmental Obligations in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own paying agent); provided,

however, that if such Debentures or portions of such Debentures are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article III provided, or provision satisfactory to the Trustee shall have been made for giving such notice; and (c) Debentures in lieu of or in substitution for which other Debentures shall have been authenticated and delivered pursuant to the terms of Section 2.7; provided, however, that in determining whether the holders of the requisite percentage of Debentures have given any request, notice, consent or waiver hereunder, Debentures held by the Company or any Affiliate of the Company shall not be included; provided, further, that the Trustee shall be protected in acting upon any request, notice, consent or waiver unless a Responsible Officer of the Trustee shall have actual knowledge that the holder of such Debenture is the Company or an Affiliate thereof.

"Person" means any individual, corporation, partnership, joint-venture, joint-stock company, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Debenture" means every previous Debenture evidencing all or a portion of the same debt as that evidenced by such particular Debenture; and, for the purposes of this definition, any Debenture authenticated and delivered under Section 2.9 in lieu of a lost, destroyed or stolen Debenture shall be deemed to evidence the same debt as the lost, destroyed or stolen Debenture.

"Preferred Securities" means undivided beneficial interests in the assets of the Trust which rank *pari passu* with Common Securities issued by the Trust; provided, however, that upon the occurrence of an Event of Default, the rights of holders of Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of holders of Preferred Securities.

"Preferred Securities Guarantee" means any guarantee that the Company may enter into with the Trustee or other Persons that operate directly or indirectly for the benefit of holders of Preferred Securities.

"Property Trustee" has the meaning set forth in the Trust Agreement.

"Redemption Price" shall have the meaning set forth in Section 3.2.

"Responsible Officer" when used with respect to the Trustee means any officer within the Corporate Trust Office of the Trustee with direct responsibility for the administration of this Indenture, including any vice president, any assistant vice president, any assistant secretary or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with the particular subject.

"Scheduled Maturity Date" means September 30, 2028.

"Securities Act," means the Securities Act of 1933, as amended, as in effect at the date of execution of this instrument.

"Senior Debt" means the principal of (and premium, if any) and interest, if any (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company whether or not such claim for post-petition interest is allowed in such proceeding), on Debt, whether incurred on or prior to the date of this Indenture or thereafter incurred, unless, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are not superior in right of payment to the Debentures or to other Debt which is pari passu with, or subordinated to, the Debentures; provided, however, that Senior Debt shall not be deemed to include (i) any Debt of the Company which when incurred and without respect to any election under section 1111(b) of the United States Bankruptcy Code of 1978, as amended, was without recourse to the Company; (ii) any Debt of the Company to any of its subsidiaries; (iii) Debt to any employee of the Company; (iv) Debt which by its terms is subordinated to trade accounts payable or accrued liabilities arising in the ordinary course of business to the extent that payments made to the holders of such Debt by the holders of the Debentures as a result of the subordination provisions of this Indenture would be greater than they otherwise would have been as a result of any obligation of such holders to pay amounts over to the obligees on such trade accounts payable or accrued liabilities arising in the ordinary course of business as a result of subordination provisions to which such Debt is subject; and (v) Debt which constitutes Subordinated Debt.

"Senior Indebtedness" shall have the meaning set forth in Section 16.2.

"Special Event" means a Tax Event, an Investment Company Event or a Capital Treatment Event.

"Subordinated Debt" means the principal of (and premium, if any) and interest, if any (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company whether or not such claim for post-petition interest is allowed in such proceeding), on Debt, whether incurred on or prior to the date of this Indenture or thereafter incurred, which is by its terms expressly provided to be junior and subordinate to Senior Debt of the Company (other than the Debentures); provided, however, that Subordinated Debt will not be deemed to include (i) any Debt of the Company which when incurred and without respect to any election under section 1111(b) of the United States Bankruptcy Code of 1978, as amended, was without recourse to the Company, (ii) any Debt of the Company to any of its subsidiaries, (iii) any Debt to any employee of the Company, (iv) any Debt which by its terms is subordinated to trade accounts payable or accrued liabilities arising in the ordinary course of business to the extent that payments made to the holders of such Debt by the holders of the Subordinated Debentures as a result of the subordination provisions of the Indenture would be greater than they otherwise would have been as a result of any obligation of such holders to pay amounts over to the obligees on such trade accounts payable or accrued liabilities arising in the ordinary course of business as a result of subordination provisions to which such Debt is subject, (v) Debt which constitutes Senior Debt and (vi) any Debt of the Company under debt securities (and guarantees in respect of these debt securities) initially issued to any trust, or a trustee of a trust, partnership or other entity affiliated with the Company that is, directly or indirectly, a financing vehicle of the Company in connection with the issuance by that entity of preferred securities or other securities which are intended to qualify for Tier 1 capital treatment.

"Subsidiary" means, with respect to any Person, (i) any corporation at least a majority of whose outstanding Voting Stock shall at the time be owned, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries; (ii) any general partnership, joint venture or similar entity, at least a majority of whose outstanding partnership or similar interests shall at the time be owned by such Person, or by one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; and (iii) any limited partnership of which such Person or any of its Subsidiaries is a general partner.

"Tax Event" means the receipt by the Company and the Trust of an Opinion of Counsel, rendered by a law firm having a recognized national tax and securities practice, to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or which pronouncement or decision is announced on or after the date of issuance of the Preferred Securities under the Trust Agreement, there is more than an insubstantial risk that (i) the Trust is, or shall be within 90 days after the date of such Opinion of Counsel, subject to United States federal income tax with respect to income received or accrued on the Debentures; (ii) interest payable by the Company on the Debentures is not, or within 90 days after the date of such Opinion of Counsel, shall not be, deductible by the Company, in whole or in part, for United States federal income tax purposes; or (iii) the Trust is, or shall be within 90 days after the date of such Opinion of Counsel, subject to more than a de minimis amount of other taxes, duties, assessments or other governmental charges; provided, however, that the Trust or the Company shall have requested and received such an Opinion of Counsel with regard to such matters within a reasonable period of time after the Trust or the Company shall have become aware of the possible occurrence of any of the events described in clauses (i) through (iii) above.

"Trust" means Wintrust Capital Trust I, a Delaware statutory business trust.

"Trust Agreement" means the Amended and Restated Trust Agreement, dated September 29, 1998, of the Trust.

"Trustee" means Wilmington Trust Company and, subject to the provisions of Article IX, shall also include its successors and assigns, and, if at any time there is more than one Person acting in such capacity hereunder, "Trustee" shall mean each such Person.

"Trust Indenture Act," means the Trust Indenture Act of 1939, as amended, subject to the provisions of Sections 11.1, 11.2, and 12.1, as in effect at the date of execution of this instrument.

"Trust Securities" means the Common Securities and Preferred Securities, collectively.

"Voting Stock," as applied to stock of any Person, means shares, interests, participations or other equivalents in the equity interest (however designated) in such Person having ordinary voting power for the election of a majority of the directors (or the equivalent) of such Person, other than

shares, interests, participations or other equivalents having such power only by reason of the occurrence of a contingency.

ARTICLE II

ISSUE, DESCRIPTION, TERMS, CONDITIONS REGISTRATION AND EXCHANGE OF THE DEBENTURES

SECTION 1.2 DESIGNATION AND PRINCIPAL AMOUNT.

There is hereby authorized Debentures designated the "9.00% Subordinated Debentures due 2028," limited in aggregate principal amount to \$32,010,310, which amount shall be as set forth in any written order of the Company for the authentication and delivery of Debentures pursuant to Section 2.6.

SECTION 1.3 MATURITY.

(a) The Maturity Date shall be either:

(i) the Scheduled Maturity Date; or

(ii) if the Company elects to extend the Maturity Date beyond the Scheduled Maturity Date in accordance with Section 2.2(b), the Extended Maturity Date; or

(iii) if the Company elects to accelerate the Maturity Date to be a date prior to the Scheduled Maturity Date in accordance with Section 2.2(c), the Accelerated Maturity Date.

(b) the Company may at any time before the day which is 90 days before the Scheduled Maturity Date, elect to extend the Maturity Date only once to the Extended Maturity Date, provided that the Company has received the prior approval of the Federal Reserve if then required under applicable capital guidelines, policies or regulations of the Federal Reserve and further provided that the following conditions in this Section 2.2(b) are satisfied both at the date the Company gives notice in accordance with Section 2.2(d) of its election to extend the Maturity Date and at the Scheduled Maturity Date:

(i) the Company is not in bankruptcy, otherwise insolvent or in liquidation;

(ii) the Company is not in default in the payment of interest or principal on the Debentures; and

(iii) the Trust is not in arrears on payments of Distributions on the Trust Preferred Securities issued by it and no deferred Distributions are accumulated.

(c) the Company may at any time before the day which is 90 days before the Scheduled Maturity Date and after September 30, 2003, elect to shorten the Maturity Date only once to the Accelerated Maturity Date provided that the Company has received the prior approval of the Federal Reserve if then required under applicable capital guidelines, policies or regulations of the Federal Reserve.

(d) if the Company elects to extend the Maturity Date in accordance with Section 2.2(b), the Company shall give notice to the Trustee and the Trust (unless the Trust is not the holder of the Debentures, in which case the Trustee will give notice to the holders of the Debentures) of the extension of the Maturity Date and the Extended Maturity Date at least 90 days and no more than 180 days before the Scheduled Maturity Date.

(e) if the Company elects to accelerate the Maturity Date in accordance with Section 2.2(c), the Company shall give notice to the Trustee and the Trust (unless the Trust is not the holder of the Debentures, in which case the Trustee will give notice to the holders of the Debentures) of the extension of the Maturity Date and the Accelerated Maturity Date at least 90 days and no more than 180 days before the Accelerated Maturity Date.

SECTION 2.3 FORM AND PAYMENT.

The Debentures shall be issued in fully registered certificated form without interest coupons. Principal and interest on the Debentures issued in certificated form shall be payable, the transfer of such Debentures shall be registrable and such Debentures shall be exchangeable for Debentures bearing identical terms and provisions at the office or agency of the Trustee; provided, however, that payment of interest may be made at the option of the Company by check mailed to the holder at such address as shall appear in the Debenture Register or by wire transfer to an account maintained by the holder as specified in the Debenture Register, provided that the holder provides proper transfer instructions by the regular record date. Notwithstanding the foregoing, so long as the holder of any Debentures is the Property Trustee, the payment of principal of and interest (including Compounded Interest and Additional Interest, if any) on such Debentures held by the Property Trustee shall be made at such place and to such account as may be designated by the Property Trustee.

SECTION 2.4 [INTENTIONALLY LEFT BLANK].

SECTION 2.5 INTEREST.

(a) Each Debenture shall bear interest at the rate of 9.00% per annum (the "Coupon Rate") from the original date of issuance until the principal thereof becomes due and payable, and on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the Coupon Rate, compounded quarterly, payable (subject to the provisions of Article IV) quarterly in arrears on March 31, June 30, September 30 and December 31 of each year (each, an "Interest Payment Date"), commencing on December 31, 1998 to the Person in whose name such Debenture or any Predecessor Debenture is registered, at the close of business on the regular record date for such interest installment, which shall be the fifteenth day of the last month of the calendar quarter.

(b) The amount of interest payable for any period shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of interest payable for any period shorter than a full quarterly period for which interest is computed, shall be computed on the basis of the number of days elapsed in a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Debentures is not a Business Day, then payment of interest payable on such date shall be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day (and without any reduction of interest or any other payment in respect of any such acceleration), in each case with the same force and effect as if made on the date such payment was originally payable.

(c) If, at any time while the Property Trustee is the holder of any Debentures, the Trust or the Property Trustee is required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States, or any other taxing authority, then, in any case, the Company shall pay as additional interest ("Additional Interest") on the Debentures held by the Property Trustee, such additional amounts as shall be required so that the net amounts received and retained by the Trust and the Property Trustee after paying such taxes, duties, assessments or other governmental charges shall be equal to the amounts the Trust and the Property Trustee would have received had no such taxes, duties, assessments or other government charges been imposed.

SECTION 2.6 EXECUTION AND AUTHENTICATIONS.

(a) The Debentures shall be signed on behalf of the Company by its President or one of its Vice Presidents, under its corporate seal attested by its Secretary or one of its Assistant Secretaries. Signatures may be in the form of a manual or facsimile signature. The Company may use the facsimile signature of any Person who shall have been a President or Vice President thereof, or of any Person who shall have been a Secretary or Assistant Secretary thereof, notwithstanding the fact that at the time the Debentures shall be authenticated and delivered or disposed of such Person shall have ceased to be the President or a Vice President, or the Secretary or an Assistant Secretary, of the Company (and any such signature shall be binding on the Company). The seal of the Company may be in the form of a facsimile of such seal and may be impressed, affixed, imprinted or otherwise reproduced on the Debentures. The Debentures may contain such notations, legends or endorsements required by law, stock exchange rule or usage. Each Debenture shall be dated the date of its authentication by the Trustee.

(b) A Debenture shall not be valid until authenticated manually by an authorized signatory of the Trustee, or by an Authenticating Agent. Such signature shall be conclusive evidence that the Debenture so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Indenture.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Debentures executed by the Company to the Trustee for authentication, together with a written order of the Company for the authentication and delivery of such Debentures

signed by its Chairman, President or any Vice President and its Treasurer or any Assistant Treasurer, and the Trustee in accordance with such written order shall authenticate and deliver such Debentures.

(d) In authenticating such Debentures and accepting the additional responsibilities under this Indenture in relation to such Debentures, the Trustee shall be entitled to receive, and (subject to Section 9.1) shall be fully protected in relying upon, an Opinion of Counsel stating that the form and terms thereof have been established in conformity with the provisions of this Indenture.

(e) The Trustee shall not be required to authenticate such Debentures if the issue of such Debentures pursuant to this Indenture shall affect the Trustee's own rights, duties or immunities under the Debentures and this Indenture or otherwise in a manner that is not reasonably acceptable to the Trustee.

SECTION 2.7 REGISTRATION OF TRANSFER AND EXCHANGE.

(a) Debentures may be exchanged upon presentation thereof at the office or agency of the Company designated for such purpose in the Borough of Manhattan, The City of New York, or at the office of the Debenture Registrar, for other Debentures and for a like aggregate principal amount in denominations of integral multiples of \$25, upon payment of a sum sufficient to cover any tax or other governmental charge in relation thereto, all as provided in this

Section 2.7. In respect of any Debentures so surrendered for exchange, the Company shall execute, the Trustee shall authenticate and such office or agency shall deliver in exchange therefor the Debenture or Debentures that the Debentureholder making the exchange shall be entitled to receive, bearing numbers not contemporaneously outstanding.

(b) The Company shall keep, or cause to be kept, at its office or agency designated for such purpose in the Borough of Manhattan, The City of New York, or at the office of the Debenture Registrar or such other location designated by the Company a register or registers (herein referred to as the "Debenture Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall register the Debentures and the transfers of Debentures as in this Article II provided and which at all reasonable times shall be open for inspection by the Trustee. The registrar for the purpose of registering Debentures and transfer of Debentures as herein provided shall initially be the Trustee and thereafter as may be appointed by the Company as authorized by Board Resolution (the "Debenture Registrar"). Upon surrender for transfer of any Debenture at the office or agency of the Company designated for such purpose, the Company shall execute, the Trustee shall authenticate and such office or agency shall deliver in the name of the transferee or transferees a new Debenture or Debentures for a like aggregate principal amount. All Debentures presented or surrendered for exchange or registration of transfer, as provided in this Section 2.7, shall be accompanied (if so required by the Company or the Debenture Registrar) by a written instrument or instruments of transfer, in form satisfactory to the Company or the Debenture Registrar, duly executed by the registered holder or by such holder's duly authorized attorney in writing.

(c) No service charge shall be made for any exchange or registration of transfer of Debentures, or issue of new Debentures in case of partial redemption, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge in relation thereto, other

than exchanges pursuant to Section 2.8, the second paragraph of Section 3.5 and Section 11.4 not involving any transfer.

(d) The Company shall not be required (i) to issue, exchange or register the transfer of any Debentures during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of less than all the Outstanding Debentures and ending at the close of business on the day of such mailing; nor (ii) to register the transfer of or exchange any Debentures or portions thereof called for redemption.

(e) Debentures may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Indenture. Any transfer or purported transfer of any Debenture not made in accordance with this Indenture shall be null and void.

SECTION 2.8 TEMPORARY DEBENTURES.

Pending the preparation of definitive Debentures, the Company may execute, and the Trustee shall authenticate and deliver, temporary Debentures (printed, lithographed, or typewritten). Such temporary Debentures shall be substantially in the form of the definitive Debentures in lieu of which they are issued, but with such omissions, insertions and variations as may be appropriate for temporary Debentures, all as may be determined by the Company. Every temporary Debenture shall be executed by the Company and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Debentures. Without unnecessary delay the Company shall execute and shall furnish definitive Debentures and thereupon any or all temporary Debentures may be surrendered in exchange therefor (without charge to the holders), at the office or agency of the Company designated for the purpose in the Borough of Manhattan, The City of New York, and the Trustee shall authenticate and such office or agency shall deliver in exchange for such temporary Debentures an equal aggregate principal amount of definitive Debentures, unless the Company advises the Trustee to the effect that definitive Debentures need not be executed and furnished until further notice from the Company. Until so exchanged, the temporary Debentures shall be entitled to the same benefits under this Indenture as definitive Debentures authenticated and delivered hereunder.

SECTION 2.9 MUTILATED, DESTROYED, LOST OR STOLEN DEBENTURES.

(a) In case any temporary or definitive Debenture shall become mutilated or be destroyed, lost or stolen, the Company (subject to the next succeeding sentence) shall execute, and upon the Company's request the Trustee (subject as aforesaid) shall authenticate and deliver, a new Debenture bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Debenture, or in lieu of and in substitution for the Debenture so destroyed, lost, stolen or mutilated. In every case the applicant for a substituted Debenture shall furnish to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and the Trustee evidence to their satisfaction of the destruction, loss or theft of the applicant's Debenture and of the ownership thereof. The Trustee may authenticate any such substituted Debenture and deliver the same upon the written request or authorization of the

Chairman, President or any Vice President and the Treasurer or any Assistant Treasurer of the Company. Upon the issuance of any substituted Debenture, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith. In case any Debenture that has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substitute Debenture, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Debenture) if the applicant for such payment shall furnish to the Company and the Trustee such security or indemnity as they may require to save them harmless, and, in case of destruction, loss or theft, evidence to the satisfaction of the Company and the Trustee of the destruction, loss or theft of such Debenture and of the ownership thereof.

(b) Every replacement Debenture issued pursuant to the provisions of this Section 2.9 shall constitute an additional contractual obligation of the Company whether or not the mutilated, destroyed, lost or stolen Debenture shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Debentures duly issued hereunder. All Debentures shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debentures, and shall preclude (to the extent lawful) any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.10 CANCELLATION.

All Debentures surrendered for the purpose of payment, redemption, exchange or registration of transfer shall, if surrendered to the Company or any paying agent, be delivered to the Trustee for cancellation, or, if surrendered to the Trustee, shall be canceled by it, and no Debentures shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Indenture. On request of the Company at the time of such surrender, the Trustee shall deliver to the Company canceled Debentures held by the Trustee. In the absence of such request the Trustee may dispose of canceled Debentures in accordance with its standard procedures and deliver a certificate of disposition to the Company. If the Company shall otherwise acquire any of the Debentures, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Debentures unless and until the same are delivered to the Trustee for cancellation.

SECTION 2.11 BENEFIT OF INDENTURE.

Nothing in this Indenture or in the Debentures, express or implied, shall give or be construed to give to any Person, other than the parties hereto and the holders of the Debentures (and, with respect to the provisions of Article XVI, the holders of Senior Indebtedness) any legal or equitable right, remedy or claim under or in respect of this Indenture, or under any covenant, condition or provision herein contained; all such covenants, conditions and provisions being for the sole benefit

of the parties hereto and of the holders of the Debentures (and, with respect to the provisions of Article XVI, the holders of Senior Indebtedness).

SECTION 2.12 AUTHENTICATION AGENT.

(a) So long as any of the Debentures remain Outstanding there may be an Authenticating Agent for any or all such Debentures, which the Trustee shall have the right to appoint. Said Authenticating Agent shall be authorized to act on behalf of the Trustee to authenticate Debentures issued upon exchange, transfer or partial redemption thereof, and Debentures so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. All references in this Indenture to the authentication of Debentures by the Trustee shall be deemed to include authentication by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall be a corporation that has a combined capital and surplus, as most recently reported or determined by it, sufficient under the laws of any jurisdiction under which it is organized or in which it is doing business to conduct a trust business, and that is otherwise authorized under such laws to conduct such business and is subject to supervision or examination by federal or state authorities. If at any time any Authenticating Agent shall cease to be eligible in accordance with these provisions, it shall resign immediately.

(b) Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time (and upon request by the Company shall) terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company. Upon resignation, termination or cessation of eligibility of any Authenticating Agent, the Trustee may appoint an eligible successor Authenticating Agent acceptable to the Company. Any successor Authenticating Agent, upon acceptance of its appointment hereunder, shall become vested with all the rights, powers and duties of its predecessor hereunder as if originally named as an Authenticating Agent pursuant hereto.

ARTICLE III

REDEMPTION OF DEBENTURES

SECTION 3.1 REDEMPTION.

Subject to the Company having received prior approval of the Federal Reserve, if then required under the applicable capital guidelines, policies or regulations of the Federal Reserve, the Company may redeem the Debentures issued hereunder on and after the dates set forth in and in accordance with the terms of this Article III.

SECTION 3.2 SPECIAL EVENT REDEMPTION.

Subject to the Company having received the prior approval of the Federal Reserve, if then required under the applicable capital guidelines, policies or regulations of the Federal Reserve, if a Special Event has occurred and is continuing, then, notwithstanding Section 3.3(a) but subject to Section 3.3(b), the Company shall have the right upon not less than 30 days nor more than 60 days notice to the holders of the Debentures to redeem the Debentures, in whole but not in part, for cash within 180 days following the occurrence of such Special Event (the "180-Day Period") at a redemption price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest thereon to the date of such redemption (the "Redemption Price"), provided that if at the time there is available to the Company the opportunity to eliminate, within the 180-Day Period, a Tax Event by taking some ministerial action (a "Ministerial Action"), such as filing a form or making an election, or pursuing some other similar reasonable measure which has no adverse effect on the Company, the Trust or the holders of the Trust Securities issued by the Trust, the Company shall pursue such Ministerial Action in lieu of redemption. The Redemption Price shall be paid prior to 12:00 noon, New York time, on the date of such redemption or such earlier time as the Company determines, provided that the Company shall deposit with the Trustee an amount sufficient to pay the Redemption Price by 10:00 a.m., New York time, on the date such Redemption Price is to be paid.

SECTION 3.3 OPTIONAL REDEMPTION BY COMPANY.

(a) Subject to the provisions of Section 3.3(b), except as otherwise may be specified in this Indenture, the Company shall have the right to redeem the Debentures, in whole or in part, from time to time, on or after September 30, 2003, at a Redemption Price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest thereon to the date of such redemption. Any redemption pursuant to this Section 3.3(a) shall be made upon not less than 30 days nor more than 60 days notice to the holder of the Debentures, at the Redemption Price. If the Debentures are only partially redeemed pursuant to this Section 3.3, the Debentures shall be redeemed pro rata or by lot or in such other manner as the Trustee shall deem appropriate and fair in its discretion. The Redemption Price shall be paid prior to 12:00 noon, New York time, on the date of such redemption or at such earlier time as the Company determines provided that the Company shall deposit with the Trustee an amount sufficient to pay the Redemption Price by 10:00 a.m., New York time, on the date such Redemption Price is to be paid.

(b) If a partial redemption of the Debentures would result in the delisting of the Preferred Securities issued by the Trust from The Nasdaq National Market_ or any national securities exchange or other organization on which the Preferred Securities are then listed, the Company shall not be permitted to effect such partial redemption and may only redeem the Debentures in whole.

SECTION 3.4 NOTICE OF REDEMPTION.

(a) In case the Company shall desire to exercise such right to redeem all or, as the case may be, a portion of the Debentures in accordance with the right reserved so to do, the Company shall, or shall cause the Trustee to upon receipt of 45 days' written notice from the Company (which notice shall, in the event of a partial redemption, include a representation to the effect that such partial redemption will not result in the delisting of the Preferred Securities as described in Section 3.3(b) above), give notice of such redemption to holders of the Debentures to be redeemed by mailing, first class postage prepaid, a notice of such redemption not less than 30 days and not more than 60 days before the date fixed for redemption to such holders at their last addresses as they shall appear upon the Debenture Register unless a shorter period is specified in the Debentures to be redeemed. Any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the registered holder receives the notice. In any case, failure duly to give such notice to the holder of any Debenture designated for redemption in whole or in part, or any defect in the notice, shall not affect the validity of the proceedings for the redemption of any other Debentures. In the case of any redemption of Debentures prior to the expiration of any restriction on such redemption provided in the terms of such Debentures or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with any such restriction. Each such notice of redemption shall specify the date fixed for redemption and the Redemption Price and shall state that payment of the Redemption Price shall be made at the office or agency of the Company in the Borough of Manhattan, The City of New York or at the Corporate Trust Office, upon presentation and surrender of such Debentures, that interest accrued to the date fixed for redemption shall be paid as specified in said notice and that from and after said date interest shall cease to accrue. If less than all the Debentures are to be redeemed, the notice to the holders of the Debentures shall specify the particular Debentures to be redeemed. If the Debentures are to be redeemed in part only, the notice shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the redemption date, upon surrender of such Debenture, a new Debenture or Debentures in principal amount equal to the unredeemed portion thereof shall be issued.

(b) If less than all the Debentures are to be redeemed, the Company shall give the Trustee at least 45 days' notice in advance of the date fixed for redemption as to the aggregate principal amount of Debentures to be redeemed, and thereupon the Trustee shall select, pro rata or by lot or in such other manner as it shall deem appropriate and fair in its discretion, the portion or portions (equal to \$25 or any integral multiple thereof) of the Debentures to be redeemed and shall thereafter promptly notify the Company in writing of the numbers of the Debentures to be redeemed, in whole or in part. The Company may, if and whenever it shall so elect pursuant to the terms hereof, by delivery of instructions signed on its behalf by its Chairman, its President or any Vice President, instruct the Trustee or any paying agent to call all or any part of the Debentures for redemption and to give notice of redemption in the manner set forth in this Section 3.4, such notice to be in the name of the Company or its own name as the Trustee or such paying agent may deem advisable. In any case in which notice of redemption is to be given by the Trustee or any such paying agent, the Company shall deliver or cause to be delivered to, or permit to remain with, the Trustee or such paying agent, as the case may be, such Debenture Register, transfer books or other records, or

suitable copies or extracts therefrom, sufficient to enable the Trustee or such paying agent to give any notice by mail that may be required under the provisions of this Section 3.4.

SECTION 3.5 PAYMENT UPON REDEMPTION.

(a) If the giving of notice of redemption shall have been completed as above provided, the Debentures or portions of Debentures to be redeemed specified in such notice shall become due and payable on the date and at the place stated in such notice at the applicable Redemption Price, and interest on such Debentures or portions of Debentures shall cease to accrue on and after the date fixed for redemption, unless the Company shall default in the payment of such Redemption Price with respect to any such Debenture or portion thereof. On presentation and surrender of such Debentures on or after the date fixed for redemption at the place of payment specified in the notice, said Debentures shall be paid and redeemed at the Redemption Price (but if the date fixed for redemption is an interest payment date, the interest installment payable on such date shall be payable to the registered holder at the close of business on the applicable record date pursuant to Section 3.3).

(b) Upon presentation of any Debenture that is to be redeemed in part only, the Company shall execute and the Trustee shall authenticate and the office or agency where the Debenture is presented shall deliver to the holder thereof, at the expense of the Company, a new Debenture of authorized denomination in principal amount equal to the unredeemed portion of the Debenture so presented.

SECTION 3.6 NO SINKING FUND.

The Debentures are not entitled to the benefit of any sinking fund.

ARTICLE IV

EXTENSION OF INTEREST PAYMENT PERIOD

SECTION 4.1 EXTENSION OF INTEREST PAYMENT PERIOD.

The Company shall have the right, at any time and from time to time during the term of the Debentures so long as no Event of Default has occurred and is continuing, to defer payments of interest by extending the interest payment period of such Debentures for a period not exceeding 20 consecutive quarters (the "Extended Interest Payment Period"), during which Extended Interest Payment Period no interest shall be due and payable; provided that no Extended Interest Payment Period may extend beyond the Maturity Date or end on a date other than an Interest Payment Date. To the extent permitted by applicable law, interest, the payment of which has been deferred because of the extension of the interest payment period pursuant to this Section 4.1, shall bear interest thereon at the Coupon Rate compounded quarterly for each quarter of the Extended Interest Payment Period ("Compounded Interest"). At the end of the Extended Interest Payment Period, the Company shall calculate (and deliver such calculation to the Trustee) and pay all interest accrued and unpaid on the Debentures, including any Additional Interest and Compounded Interest (together, "Deferred

Interest") that shall be payable to the holders of the Debentures in whose names the Debentures are registered in the Debenture Register on the first record date after the end of the Extended Interest Payment Period. Before the termination of any Extended Interest Payment Period, the Company may further extend such period so long as no Event of Default has occurred and is continuing, provided that such period together with all such further extensions thereof shall not exceed 20 consecutive quarters, or extend beyond the Maturity Date of the Debentures or end on a date other than an Interest Payment Date. Upon the termination of any Extended Interest Payment Period and upon the payment of all Deferred Interest then due, the Company may commence a new Extended Interest Payment Period, subject to the foregoing requirements. No interest shall be due and payable during an Extended Interest Payment Period, except at the end thereof, but the Company may prepay at any time all or any portion of the interest accrued during an Extended Interest Payment Period.

SECTION 4.2 NOTICE OF EXTENSION.

(a) If the Property Trustee is the only registered holder of the Debentures at the time the Company selects an Extended Interest Payment Period, the Company shall give written notice to the Administrative Trustees, the Property Trustee and the Trustee of its selection of such Extended Interest Payment Period two Business Days before the earlier of (i) the next succeeding date on which Distributions on the Trust Securities issued by the Trust are payable; or (ii) the date the Trust is required to give notice of the record date, or the date such Distributions are payable, to The Nasdaq National Market_ or other applicable self-regulatory organization or to holders of the Preferred Securities issued by the Trust, but in any event at least one Business Day before such record date.

(b) If the Property Trustee is not the only holder of the Debentures at the time the Company selects an Extended Interest Payment Period, the Company shall give the holders of the Debentures and the Trustee written notice of its selection of such Extended Interest Payment Period at least two Business Days before the earlier of (i) the next succeeding Interest Payment Date; or (ii) the date the Company is required to give notice of the record or payment date of such interest payment to The Nasdaq National Market_ or other applicable self-regulatory organization or to holders of the Debentures.

(c) The quarter in which any notice is given pursuant to paragraphs (a) or (b) of this Section 4.2 shall be counted as one of the 20 quarters permitted in the maximum Extended Interest Payment Period permitted under Section 4.1.

SECTION 4.3 LIMITATION ON TRANSACTIONS.

If (i) the Company shall exercise its right to defer payment of interest as provided in Section 4.1; or (ii) there shall have occurred and be continuing any Event of Default, then (a) the Company shall not declare or pay any dividend on, make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock (other than as a result of a reclassification of its capital stock for another class of its capital stock); (b) the Company shall not make any payment of interest, principal or premium, if any, or repay, repurchase or redeem any debt securities issued by the Company which rank pari passu with or

junior to the Debentures or make any guarantee payment with respect to any guarantee by the Company of the debt securities of any subsidiary of the Company if such guarantee ranks pari passu with or junior to the Debentures; provided, however, that notwithstanding the foregoing the Company may make payments pursuant to its obligations under the Preferred Securities Guarantee; and (c) the Company shall not redeem, purchase or acquire less than all of the outstanding Debentures or any of the Preferred Securities.

ARTICLE V

PARTICULAR COVENANTS OF THE COMPANY

SECTION 5.1 PAYMENT OF PRINCIPAL AND INTEREST.

The Company shall duly and punctually pay or cause to be paid the principal of and interest on the Debentures at the time and place and in the manner provided herein.

SECTION 5.2 MAINTENANCE OF AGENCY.

So long as any of the Debentures remain Outstanding, the Company shall maintain, or shall cause to be maintained, an office or agency in the Borough of Manhattan, The City of New York, and at such other location or locations as may be designated as provided in this Section 5.2, where (i) Debentures may be presented for payment; (ii) Debentures may be presented as hereinabove authorized for registration of transfer and exchange; and (iii) notices and demands to or upon the Company in respect of the Debentures and this Indenture may be given or served, such designation to continue with respect to such office or agency until the Company shall, by written notice signed by its President or an Executive Vice President and delivered to the Trustee, designate some other office or agency for such purposes or any of them. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, notices and demands. In addition to any such office or agency, the Company may from time to time designate one or more offices or agencies outside of the Borough of Manhattan, The City of New York, where the Debentures may be presented for registration or transfer and for exchange in the manner provided herein, and the Company may from time to time rescind such designation as the Company may deem desirable or expedient; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain any such office or agency in the Borough of Manhattan, The City of New York, for the purposes above mentioned. The Company shall give the Trustee prompt written notice of any such designation or rescission thereof.

SECTION 5.3 PAYING AGENTS.

(a) The Company shall be the initial paying agent. If the Company shall appoint one or more paying agents for the Debentures, other than the Trustee, the Company shall cause each such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 5.3:

(i) that it shall hold all sums held by it as such agent for the payment of the principal of or interest on the Debentures (whether such sums have been paid to it by the Company or by any other obligor of such Debentures) in trust for the benefit of the Persons entitled thereto;

(ii) that it shall give the Trustee notice of any failure by the Company (or by any other obligor of such Debentures) to make any payment of the principal of or interest on the Debentures when the same shall be due and payable;

(iii) that it shall, at any time during the continuance of any failure referred to in the preceding paragraph (a)(ii) above, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such paying agent; and

(iv) that it shall perform all other duties of paying agent as set forth in this Indenture.

(b) If the Company shall act as its own paying agent with respect to the Debentures, it shall on or before each due date of the principal of or interest on such Debentures, set aside, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay such principal or interest so becoming due on Debentures until such sums shall be paid to such Persons or otherwise disposed of as herein provided and shall promptly notify the Trustee of such action, or any failure (by it or any other obligor on such Debentures) to take such action. Whenever the Company shall have one or more paying agents for the Debentures, it shall, prior to each due date of the principal of or interest on any Debentures, deposit with the paying agent a sum sufficient to pay the principal or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal or interest, and (unless such paying agent is the Trustee) the Company shall promptly notify the Trustee of this action or failure so to act.

(c) Notwithstanding anything in this Section 5.3 to the contrary, (i) the agreement to hold sums in trust as provided in this Section 5.3 is subject to the provisions of Section 13.3 and 13.4; and (ii) the Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or direct any paying agent to pay, to the Trustee all sums held in trust by the Company or such paying agent, such sums to be held by the Trustee upon the same terms and conditions as those upon which such sums were held by the Company or such paying agent; and, upon such payment by any paying agent to the Trustee, such paying agent shall be released from all further liability with respect to such money.

SECTION 5.4 APPOINTMENT TO FILL VACANCY IN OFFICE OF TRUSTEE.

The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, shall appoint, in the manner provided in Section 9.10, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 5.5 COMPLIANCE WITH CONSOLIDATION PROVISIONS.

The Company shall not, while any of the Debentures remain outstanding, consolidate with, or merge into, or merge into itself, or sell or convey all or substantially all of its property to any other company unless the provisions of Article XII hereof are complied with.

SECTION 5.6 LIMITATION ON TRANSACTIONS.

If Debentures are issued to the Trust or a Trustee of the Trust in connection with the issuance of Trust Securities by the Trust and (i) there shall have occurred any event that would constitute an Event of Default; (ii) the Company shall be in default with respect to any of its obligations under the Preferred Securities Guarantee relating to the Trust; or (iii) the Company shall have given notice of its election to defer payments of interest on such Debentures by extending the interest payment period as provided in this Indenture and such period, or any extension thereof, shall be continuing, then

(a) the Company shall not declare or pay any dividend on, make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock (other than as a result of a reclassification of its capital stock); and (b) the Company shall not make any payment of interest, principal or premium, if any, or repay, repurchase or redeem any debt securities issued by the Company which rank pari passu with or junior to the Debentures or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any subsidiary of the Company if such guarantee ranks pari passu with or junior in interest to the Debentures; provided, however, that the Company may make payments pursuant to its obligations under the Preferred Securities Guarantee; and (c) the Company shall not redeem, purchase or acquire less than all of the outstanding Debentures or any of the Preferred Securities.

SECTION 5.7 COVENANTS AS TO THE TRUST.

For so long as such Trust Securities of the Trust remain outstanding, the Company shall (i) maintain 100% direct or indirect ownership of the Common Securities of the Trust; provided, however, that any permitted successor of the Company under this Indenture may succeed to the Company's ownership of the Common Securities; (ii) not voluntarily terminate, wind up or liquidate the Trust, except upon prior approval of the Federal Reserve if then so required under applicable capital guidelines, policies or regulations of the Federal Reserve and use its reasonable efforts to cause the Trust (a) to remain a business trust (and to avoid involuntary termination, winding up or liquidation), except in connection with a distribution of Debentures, the redemption of all of the Trust Securities of the Trust or certain mergers, consolidations or amalgamations, each as permitted by the Trust Agreement; and

(b) to otherwise continue not to be treated as an association taxable as a corporation or partnership for United States federal income tax purposes; and

(iii) use its reasonable efforts to cause each holder of Trust Securities to be treated as owning an individual

beneficial interest in the Debentures. In connection with the distribution of the Debentures to the holders of the Preferred Securities issued by the Trust upon a Dissolution Event, the Company shall use its best efforts to list such Debentures on The Nasdaq National Market_ or on such other exchange as the Preferred Securities are then listed.

SECTION 5.8 COVENANTS AS TO PURCHASES.

Prior to September 30, 2003, the Company shall not purchase any Debentures, in whole or in part, from the Trust.

SECTION 5.9 WAIVER OF USURY, STAY OR EXTENSION LAWS.

The Company shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performances of this Indenture, and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VI

DEBENTUREHOLDERS' LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE

SECTION 6.1 COMPANY TO FURNISH TRUSTEE NAMES AND ADDRESSES OF DEBENTUREHOLDERS.

The Company shall furnish or cause to be furnished to the Trustee (a) on a monthly basis on each regular record date (as described in Section 2.5) a list, in such form as the Trustee may reasonably require, of the names and addresses of the holders of the Debentures as of such regular record date, provided that the Company shall not be obligated to furnish or cause to furnish such list at any time that the list shall not differ in any respect from the most recent list furnished to the Trustee by the Company (in the event the Company fails to provide such list on a monthly basis, the Trustee shall be entitled to rely on the most recent list provided by the Company); and (b) at such other times as the Trustee may request in writing within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished; provided, however, that, in either case, no such list need be furnished if the Trustee shall be the Debenture Registrar.

SECTION 6.2 PRESERVATION OF INFORMATION COMMUNICATIONS WITH DEBENTUREHOLDERS.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the holders of Debentures contained in the most recent list furnished to it as provided in Section 6.1 and as to the names and addresses of holders of Debentures received by the Trustee in its capacity as registrar for the Debentures (if acting in such capacity).

(b) The Trustee may destroy any list furnished to it as provided in Section 6.1 upon receipt of a new list so furnished.

(c) Debentureholders may communicate as provided in Section 312(b) of the Trust Indenture Act with other Debentureholders with respect to their rights under this Indenture or under the Debentures.

SECTION 6.3 REPORTS BY THE COMPANY.

(a) The Company covenants and agrees to file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) that the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports that may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations.

(b) The Company covenants and agrees to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations.

(c) The Company covenants and agrees to transmit by mail, first class postage prepaid, or reputable over-night delivery service that provides for evidence of receipt, to the Debentureholders, as their names and addresses appear upon the Debenture Register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsections (a) and (b) of this Section 6.3 as may be required by rules and regulations prescribed from time to time by the Commission.

SECTION 6.4 REPORTS BY THE TRUSTEE.

- (a) On or before July 15 in each year in which any of the Debentures are Outstanding, the Trustee shall transmit by mail, first class postage prepaid, to the Debentureholders, as their names and addresses appear upon the Debenture Register, a brief report dated as of the preceding May 15, if and to the extent required under Section 313(a) of the Trust Indenture Act.
- (b) The Trustee shall comply with Section 313(b) and 313(c) of the Trust Indenture Act.
- (c) A copy of each such report shall, at the time of such transmission to Debentureholders, be filed by the Trustee with the Company, with each stock exchange upon which any Debentures are listed (if so listed) and also with the Commission. The Company agrees to notify the Trustee when any Debentures become listed on any stock exchange.

ARTICLE VII

**REMEDIES OF THE TRUSTEE AND DEBENTUREHOLDERS
ON EVENT OF DEFAULT**

SECTION 7.1 EVENTS OF DEFAULT.

- (a) Whenever used herein with respect to the Debentures, "Event of Default" means any one or more of the following events that has occurred and is continuing:
- (i) the Company defaults in the payment of any installment of interest upon any of the Debentures, as and when the same shall become due and payable, and continuance of such default for a period of 30 days; provided, however, that a valid extension of an interest payment period by the Company in accordance with the terms of this Indenture shall not constitute a default in the payment of interest for this purpose;
- (ii) the Company defaults in the payment of the principal on the Debentures as and when the same shall become due and payable whether at maturity, upon redemption, by declaration or otherwise; provided, however, that a valid extension of the maturity of such Debentures in accordance with the terms of this Indenture shall not constitute a default in the payment of principal;
- (iii) the Company fails to observe or perform any other of its covenants or agreements with respect to the Debentures for a period of 90 days after the date on which written notice of such failure, requiring the same to be remedied and stating that such notice is a "Notice of Default" hereunder, shall have been given to the Company by the Trustee, by registered or certified mail, or to the Company and the Trustee by the holders of at least 25% in principal amount of the Debentures at the time Outstanding;

(iv) the Company pursuant to or within the meaning of any Bankruptcy Law (i) commences a voluntary case; (ii) consents to the entry of an order for relief against it in an involuntary case; (iii) consents to the appointment of a Custodian of it or for all or substantially all of its property; or (iv) makes a general assignment for the benefit of its creditors;

(v) a court of competent jurisdiction enters an order under any Bankruptcy Law that (i) is for relief against the Company in an involuntary case; (ii) appoints a Custodian of the Company for all or substantially all of its property; or (iii) orders the liquidation of the Company, and the order or decree remains unstayed and in effect for 90 days; or

(vi) the Trust shall have voluntarily or involuntarily dissolved, wound-up its business or otherwise terminated its existence except in connection with (i) the distribution of Debentures to holders of Trust Securities in liquidation of their interests in the Trust;

(ii) the redemption of all of the outstanding Trust Securities of the Trust; or (iii) certain mergers, consolidations or amalgamations, each as permitted by the Trust Agreement.

(b) In each and every such case, unless the principal of all the Debentures shall have already become due and payable, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Debentures then Outstanding hereunder, by notice in writing to the Company (and to the Trustee if given by such Debentureholders) may declare the principal of all the Debentures to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, notwithstanding anything contained in this Indenture or in the Debentures.

(c) At any time after the principal of the Debentures shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the holders of a majority in aggregate principal amount of the Debentures then Outstanding hereunder, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if: (i) the Company has paid or deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all the Debentures and the principal of any and all Debentures that shall have become due otherwise than by acceleration (with interest upon such principal, and, to the extent that such payment is enforceable under applicable law, upon overdue installments of interest, at the rate per annum expressed in the Debentures to the date of such payment or deposit) and the amount payable to the Trustee under Section 9.6; and (ii) any and all Events of Default under this Indenture, other than the nonpayment of principal on Debentures that shall not have become due by their terms, shall have been remedied or waived as provided in Section 7.6. No such rescission and annulment shall extend to or shall affect any subsequent default or impair any right consequent thereon.

(d) In case the Trustee shall have proceeded to enforce any right with respect to Debentures under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company and the Trustee shall be restored

respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company and the Trustee shall continue as though no such proceedings had been taken.

SECTION 7.2 COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

(a) The Company covenants that (1) in case it shall default in the payment of any installment of interest on any of the Debentures, and such default shall have continued for a period of 90 Business Days; or (2) in case it shall default in the payment of the principal of any of the Debentures when the same shall have become due and payable, whether upon maturity of the Debentures or upon redemption or upon declaration or otherwise, then, upon demand of the Trustee, the Company shall pay to the Trustee, for the benefit of the holders of the Debentures, the whole amount that then shall have been become due and payable on all such Debentures for principal or interest, or both, as the case may be, with interest upon the overdue principal and (to the extent that payment of such interest is enforceable under applicable law and, if the Debentures are held by the Trust or a trustee of the Trust, without duplication of any other amounts paid by the Trust or trustee in respect thereof) upon overdue installments of interest at the rate per annum expressed in the Debentures; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, and the amount payable to the Trustee under Section 9.7.

(b) If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company or other obligor upon the Debentures and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or other obligor upon the Debentures, wherever situated.

(c) In case of any receivership, insolvency, liquidation, bankruptcy, reorganization, readjustment, arrangement, composition or judicial proceedings affecting the Company or the creditors or property of either, the Trustee shall have power to intervene in such proceedings and take any action therein that may be permitted by the court and shall (except as may be otherwise provided by law) be entitled to file such proofs of claim and other papers and documents as may be necessary or advisable in order to have the claims of the Trustee and of the holders of the Debentures allowed for the entire amount due and payable by the Company under this Indenture at the date of institution of such proceedings and for any additional amount that may become due and payable by the Company after such date, and to collect and receive any moneys or other property payable or deliverable on any such claim, and to distribute the same after the deduction of the amount payable to the Trustee under Section 9.7; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the holders of the Debentures to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to such Debentureholders, to pay to the Trustee any amount due it under Section 9.7.

(d) All rights of action and of asserting claims under this Indenture, or under any of the terms established with respect to Debentures, may be enforced by the Trustee without the possession of any of such Debentures, or the production thereof at any trial or other proceeding relative thereto,

and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for payment to the Trustee of any amounts due under Section 9.7, be for the ratable benefit of the holders of the Debentures. In case of an Event of Default hereunder, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law. Nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Debentureholder any plan of reorganization, arrangement, adjustment or composition affecting the Debentures or the rights of any holder thereof or to authorize the Trustee to vote in respect of the claim of any Debentureholder in any such proceeding.

SECTION 7.3 APPLICATION OF MONEYS COLLECTED.

Any moneys or other assets collected by the Trustee pursuant to this Article VII with respect to the Debentures shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such moneys or other assets on account of principal or interest, upon presentation of the Debentures, and notation thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

FIRST: To the payment of costs and expenses of collection and of all amounts payable to the Trustee under Section 9.6;

SECOND: To the payment of all Senior Indebtedness of the Company if and to the extent required by Article XVI; and

THIRD: To the payment of the amounts then due and unpaid upon the Debentures for principal and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Debentures for principal and interest, respectively.

SECTION 7.4 LIMITATION ON SUITS.

(a) Except as set forth herein, no holder of any Debenture shall have any right by virtue or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (i) such holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof with respect to the Debentures specifying such Event of Default, as hereinbefore provided; (ii) the holders of not less than 25% in aggregate principal amount of the Debentures then Outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as trustee hereunder; (iii) such holder or holders shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby; (iv) the

Trustee for 60 days after its receipt of such notice, request and offer of indemnity, shall have failed to institute any such action, suit or proceeding; and (v) during such 60 day period, the holders of a majority in principal amount of the Debentures do not give the Trustee a direction inconsistent with the request.

(b) Notwithstanding anything contained herein to the contrary or any other provisions of this Indenture, the right of any holder of the Debentures to receive payment of the principal of and interest on the Debentures, as therein provided, on or after the respective due dates expressed in such Debenture (or in the case of redemption, on the redemption date), or to institute suit for the enforcement of any such payment on or after such respective dates or redemption date, shall not be impaired or affected without the consent of such holder and by accepting a Debenture hereunder it is expressly understood, intended and covenanted by the taker and holder of every Debenture with every other such taker and holder and the Trustee, that no one or more holders of Debentures shall have any right in any manner whatsoever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of the holders of any other of such Debentures, or to obtain or seek to obtain priority over or preference to any other such holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Debentures. For the protection and enforcement of the provisions of this Section 7.4, each and every Debentureholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

SECTION 7.5 RIGHTS AND REMEDIES CUMULATIVE; DELAY OR OMISSION NOT WAIVER.

(a) Except as otherwise provided in Section 2.9, all powers and remedies given by this Article VII to the Trustee or to the Debentureholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any other powers and remedies available to the Trustee or the holders of the Debentures, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture or otherwise established with respect to such Debentures.

(b) No delay or omission of the Trustee or of any holder of any of the Debentures to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or on acquiescence therein; and, subject to the provisions of Section 7.4, every power and remedy given by this Article VII or by law to the Trustee or the Debentureholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Debentureholders.

SECTION 7.6 CONTROL BY DEBENTUREHOLDERS.

The holders of a majority in aggregate principal amount of the Debentures at the time Outstanding, determined in accordance with Section 10.4, shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, however, that such direction shall not be in conflict with any rule of law or with this Indenture. Subject to the provisions of

Section 9.1, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall, by a Responsible Officer or Officers of the Trustee, determine that the proceeding so directed would involve the Trustee in personal liability. The holders of a majority in aggregate principal amount of the Debentures at the time Outstanding affected thereby, determined in accordance with Section 10.4, may on behalf of the holders of all of the Debentures waive any past default in the performance of any of the covenants contained herein and its consequences, except (i) a default in the payment of the principal of or interest on, any of the Debentures as and when the same shall become due by the terms of such Debentures otherwise than by acceleration (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal has been deposited with the Trustee (in accordance with Section 7.1(c)); (ii) a default in the covenants contained in Section 5.6; or (iii) in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the holder of each Outstanding Debenture affected; provided, however, that if the Debentures are held by the Trust or a trustee of the Trust, such waiver or modification to such waiver shall not be effective until the holders of a majority in liquidation preference of Trust Securities of the Trust shall have consented to such waiver or modification to such waiver; provided further, that if the consent of the holder of each Outstanding Debenture is required, such waiver shall not be effective until each holder of the Trust Securities of the Trust shall have consented to such waiver. Upon any such waiver, the default covered thereby shall be deemed to be cured for all purposes of this Indenture and the Company, the Trustee and the holders of the Debentures shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 7.7 UNDERTAKING TO PAY COSTS.

All parties to this Indenture agree, and each holder of any Debentures by such holder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 7.7 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Debentureholder, or group of Debentureholders holding more than 10% in aggregate principal amount of the Outstanding Debentures, or to any suit instituted by any Debentureholder for the enforcement of the payment of the principal of or interest on the Debentures, on or after the respective due dates expressed in such Debenture or established pursuant to this Indenture.

SECTION 7.8 DIRECT ACTION; RIGHT OF SET-OFF

In the event that an Event of Default has occurred and is continuing and such event is attributable to the failure of the Company to pay interest on or principal of the Debentures on the payment date on which such payment is due and payable, then a holder of Preferred Securities may institute a legal proceeding directly against the Company for enforcement of payment to such holder of the principal of or interest on such Debentures having a principal amount equal to the aggregate

Liquidation Amount of the Preferred Securities of such holders (a "Direct Action"). In connection with such Direct Action, the Company will have a right of set-off under this Indenture to the extent of any payment made by the Company to such holder of the Preferred Securities with respect to such Direct Action.

ARTICLE VIII

FORM OF DEBENTURE AND ORIGINAL ISSUE

SECTION 8.1 FORM OF DEBENTURE.

The Debenture and the Trustee's Certificate of Authentication to be endorsed thereon are to be substantially in the forms contained as Exhibit A to this Indenture, attached hereto and incorporated herein by reference.

SECTION 8.2 ORIGINAL ISSUE OF DEBENTURES.

Debentures in the aggregate principal amount of \$28,350,516 may, upon execution of this Indenture, be executed by the Company and delivered to the Trustee for authentication. If the Underwriters exercise their Option and there is an Option Closing Date (as such terms are defined in the Underwriting Agreement, dated September 24, 1998, by and among the Company, the Trust, EVEREN Securities, Inc., ABN AMRO Incorporated and Piper Jaffray Inc., then, on such Option Closing Date, Debentures in the additional aggregate principal amount of up to \$3,659,794 may be executed by the Company and delivered to the Trustee for authentication. The Trustee shall thereupon authenticate and deliver said Debentures to or upon the written order of the Company, signed by its President, or any Vice President and its Treasurer or an Assistant Treasurer, without any further action by the Company.

ARTICLE IX

CONCERNING THE TRUSTEE

SECTION 9.1 CERTAIN DUTIES AND RESPONSIBILITIES OF THE TRUSTEE.

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform with respect to the Debentures such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants shall be read into this Indenture against the Trustee. In case an Event of Default has occurred that has not been cured or waived, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent Person would exercise or use under the circumstances in the conduct of its own affairs.

(b) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(1) the duties and obligations of the Trustee shall with respect to the Debentures be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable with respect to the Debentures except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may with respect to the Debentures conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the Debentures at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture with respect to the Debentures; and

(iv) none of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Indenture or adequate indemnity against such risk is not reasonably assured to it.

SECTION 9.2 NOTICE OF DEFAULTS.

Within 90 days after actual knowledge by a Responsible Officer of the Trustee of the occurrence of any default hereunder with respect to the Securities, the Trustee shall transmit by mail to all holders of the Debentures, as their names and addresses appear in the Debenture Register, notice of such default, unless such default shall have been cured or waived; provided, however, that, except in the case default in the payment of the principal or interest (including any Additional Interest) on any Debenture, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of the directors and/or Responsible Officers of the Trustee determines in good faith that the withholding of such notice is in the interests of the holders of such Debentures; and provided, further, that in the case of any default of the character specified in Section 7.1(a)(3), no such notice to holders of Debentures need be sent until at least 30 days after the occurrence thereof. For the purposes of this Section 9.2, the term "default" means any event which is, or after notice or lapse of time or both, would become, an Event of Default with respect to the Debentures.

SECTION 9.3 CERTAIN RIGHTS OF TRUSTEE.

Except as otherwise provided in Section 9.1:

- (a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;
- (b) Any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by a Board Resolution or an instrument signed in the name of the Company by its President or any Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer thereof (unless other evidence in respect thereof is specifically prescribed herein);
- (c) The Trustee shall not be deemed to have knowledge of a default or an Event of Default, other than an Event of Default specified in Section 7.1(a)(i); or (ii), unless and until it receives written notification of such Event of Default from the Company or by holders of at least 25% of the aggregate principal amount of the Debentures at the time Outstanding;
- (d) The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted hereunder in good faith and in reliance thereon;
- (e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Debentureholders, pursuant to the provisions of this Indenture, unless such Debentureholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby; nothing contained herein shall, however, relieve the Trustee of the obligation,

upon the occurrence of an Event of Default (that has not been cured or waived) to exercise with respect to the Debentures such of the rights and powers vested in it by this Indenture, and to use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs;

(f) The Trustee shall not be liable for any action taken or omitted to be taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, security, or other papers or documents, unless requested in writing so to do by the holders of not less than a majority in principal amount of the Outstanding Debentures (determined as provided in Section 10.4); provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such costs, expenses or liabilities as a condition to so proceeding. The reasonable expense of every such examination shall be paid by the Company or, if paid by the Trustee, shall be repaid by the Company upon demand; and

(h) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 9.4 TRUSTEE NOT RESPONSIBLE FOR RECITALS, ETC.

(a) The Recitals contained herein and in the Debentures shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same.

(b) The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Debentures.

(c) The Trustee shall not be accountable for the use or application by the Company of any of the Debentures or of the proceeds of such Debentures, or for the use or application of any moneys paid over by the Trustee in accordance with any provision of this Indenture, or for the use or application of any moneys received by any paying agent other than the Trustee.

SECTION 9.5 MAY HOLD DEBENTURES.

The Trustee or any paying agent or registrar for the Debentures, in its individual or any other capacity, may become the owner or pledgee of Debentures with the same rights it would have if it were not Trustee, paying agent or Debenture Registrar.

SECTION 9.6 MONEYS HELD IN TRUST.

Subject to the provisions of Section 13.5, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any moneys received by it hereunder except such as it may agree with the Company to pay thereon.

SECTION 9.7 COMPENSATION AND REIMBURSEMENT.

(a) The Company covenants and agrees to pay to the Trustee, and the Trustee shall be entitled to, such compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), as the Company and the Trustee may from time to time agree in writing, for all services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee, and, except as otherwise expressly provided herein, the Company shall pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Company also covenants to indemnify the Trustee (and its officers, agents, directors and employees) for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee and arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim of liability in the premises. (1)

(b) The obligations of the Company under this Section 9.7 to compensate and indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a lien prior to that of the Debentures upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Debentures.

SECTION 9.8 RELIANCE ON OFFICERS' CERTIFICATE.

Except as otherwise provided in Section 9.1, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting to take any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted to be taken by it under the provisions of this Indenture upon the faith thereof.

SECTION 9.9 DISQUALIFICATION: CONFLICTING INTERESTS.

If the Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Trustee and the Company shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 9.10 CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

There shall at all times be a Trustee with respect to the Debentures issued hereunder which shall at all times be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or other Person permitted to act as trustee by the Commission, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal, state, territorial, or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 9.10, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Company may not, nor may any Person directly or indirectly controlling, controlled by, or under common control with the Company, serve as Trustee. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 9.10, the Trustee shall resign immediately in the manner and with the effect specified in Section 9.11.

SECTION 9.11 RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

(a) The Trustee or any successor hereafter appointed, may at any time resign by giving written notice thereof to the Company and by transmitting notice of resignation by mail, first class postage prepaid, to the Debentureholders, as their names and addresses appear upon the Debenture Register. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee with respect to Debentures by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee with respect to Debentures, or any Debentureholder who has been a bona fide holder of a Debenture or Debentures for at least six months may, subject to the provisions of Section 9.9, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any one of the following shall occur

(i) the Trustee shall fail to comply with the provisions of Section 9.9 after written request therefor by the Company or by any Debentureholder who has been a bona fide holder of a Debenture or Debentures for at least six months; or

(ii) the Trustee shall cease to be eligible in accordance with the provisions of Section 9.10 and shall fail to resign after written request therefor by the Company or by any such Debentureholder; or

(iii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or commence a voluntary bankruptcy proceeding, or a receiver of the Trustee or of its property shall be appointed or consented to, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, the Company may remove the Trustee with respect to all Debentures and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 9.9, unless the Trustee's duty to resign is stayed as provided herein, any Debentureholder who has been a bona fide holder of a Debenture or Debentures for at least six months may, on behalf of that holder and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The holders of a majority in aggregate principal amount of the Debentures at the time Outstanding may at any time remove the Trustee by so notifying the Trustee and the Company and may appoint a successor Trustee with the consent of the Company.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee with respect to the Debentures pursuant to any of the provisions of this Section 9.11 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 9.12.

(e) Any successor trustee appointed pursuant to this Section 9.11 may be appointed with respect to the Debentures, and at any time there shall be only one Trustee with respect to the Debentures.

SECTION 9.12 ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) In case of the appointment hereunder of a successor trustee with respect to the Debentures, every successor trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor trustee all the rights, powers, and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor trustee all property and money held by such retiring Trustee hereunder.

(b) Upon request of any successor trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor trustee all such rights, powers and trusts referred to in paragraph (a) of this Section 9.12.

(c) No successor trustee shall accept its appointment unless at the time of such acceptance such successor trustee shall be qualified and eligible under this Article IX.

(d) Upon acceptance of appointment by a successor trustee as provided in this Section 9.12, the Company shall transmit notice of the succession of such trustee hereunder by mail, first class postage prepaid, to the Debentureholders, as their names and addresses appear upon the Debenture Register. If the Company fails to transmit such notice within ten days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be transmitted at the expense of the Company.

SECTION 9.13 MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided that such corporation shall be qualified under the provisions of Section 9.9 and eligible under the provisions of Section 9.10, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. In case any Debentures shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Debentures so authenticated with the same effect as if such successor Trustee had itself authenticated such Debentures.

SECTION 9.14 PREFERENTIAL COLLECTION OF CLAIMS AGAINST THE COMPANY.

The Trustee shall comply with Section 311(a) of the Trust Indenture Act, excluding any creditor relationship described in Section 311(b) of the Trust Indenture Act. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the Trust Indenture Act to the extent included therein.

ARTICLE X

CONCERNING THE DEBENTUREHOLDERS

SECTION 10.1 EVIDENCE OF ACTION BY HOLDERS.

(a) Whenever in this Indenture it is provided that the holders of a majority or specified percentage in aggregate principal amount of the Debentures may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the holders of such majority or specified percentage have joined therein may be evidenced by any instrument or any number of instruments of similar tenor executed by such holders of Debentures in Person or by agent or proxy appointed in writing.

(b) If the Company shall solicit from the Debentureholders any request, demand, authorization, direction, notice, consent, waiver or other action, the Company may, at its option, as evidenced by an Officers' Certificate, fix in advance a record date for the determination of Debentureholders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other action, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other action may be given before or after the record date, but only the Debentureholders of record at the close of business on the record date shall be deemed to be Debentureholders for the purposes of determining whether Debentureholders of the requisite proportion of Outstanding Debentures have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other action, and for that purpose the Outstanding Debentures shall be computed as of the record date; provided, however, that no such authorization, agreement or consent by such Debentureholders on the record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

SECTION 10.2 PROOF OF EXECUTION BY DEBENTUREHOLDERS.

Subject to the provisions of Section 9.1, proof of the execution of any instrument by a Debentureholder (such proof shall not require notarization) or his agent or proxy and proof of the holding by any Person of any of the Debentures shall be sufficient if made in the following manner:

- (a) The fact and date of the execution by any such Person of any instrument may be proved in any reasonable manner acceptable to the Trustee.
- (b) The ownership of Debentures shall be proved by the Debenture Register of such Debentures or by a certificate of the Debenture Registrar thereof.
- (c) The Trustee may require such additional proof of any matter referred to in this Section 10.2 as it shall deem necessary.

SECTION 10.3 WHO MAY BE DEEMED OWNERS.

Prior to the due presentment for registration of transfer of any Debenture, the Company, the Trustee, any paying agent, any Authenticating Agent and any Debenture Registrar may deem and treat the Person in whose name such Debenture shall be registered upon the books of the Company as the absolute owner of such Debenture (whether or not such Debenture shall be overdue and notwithstanding any notice of ownership or writing thereon made by anyone other than the Debenture Registrar) for the purpose of receiving payment of or on account of the principal of and interest on such Debenture (subject to Section 2.3) and for all other purposes; and neither the Company nor the Trustee nor any paying agent nor any Authenticating Agent nor any Debenture Registrar shall be affected by any notice to the contrary.

SECTION 10.4 CERTAIN DEBENTURES OWNED BY COMPANY DISREGARDED.

In determining whether the holders of the requisite aggregate principal amount of Debentures have concurred in any direction, consent or waiver under this Indenture, the Debentures that are owned by the Company or any other obligor on the Debentures or by any Person directly or indirectly controlling or controlled by or under common control with the Company or any other obligor on the Debentures shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only Debentures that the Trustee actually knows are so owned shall be so disregarded. The Debentures so owned that have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 10.4, if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right so to act with respect to such Debentures and that the pledgee is not a Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such other obligor. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 10.5 ACTIONS BINDING ON FUTURE DEBENTUREHOLDERS.

At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 10.1, of the taking of any action by the holders of the majority or percentage in aggregate principal amount of the Debentures specified in this Indenture in connection with such action, any holder of a Debenture that is shown by the evidence to be included in the Debentures the holders of which have consented to such action may, by filing written notice with the Trustee, and upon proof of holding as provided in Section 10.2, revoke such action so far as concerns such Debenture. Except as aforesaid any such action taken by the holder of any Debenture shall be conclusive and binding upon such holder and upon all future holders and owners of such Debenture, and of any Debenture issued in exchange therefor, on registration of transfer thereof or in place thereof, irrespective of whether or not any notation in regard thereto is made upon such Debenture. Any action taken by the holders of the majority or percentage in aggregate principal amount of the Debentures specified in this Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the holders of all the Debentures.

ARTICLE XI

SUPPLEMENTAL INDENTURES

SECTION 11.1 SUPPLEMENTAL INDENTURES WITHOUT THE CONSENT OF DEBENTUREHOLDERS.

In addition to any supplemental indenture otherwise authorized by this Indenture, the Company and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act as then in effect), without the consent of the Debentureholders, for one or more of the following purposes:

- (a) to cure any ambiguity, defect, or inconsistency herein, in the Debentures;
- (b) to comply with Article X;
- (c) to provide for uncertificated Debentures in addition to or in place of certificated Debentures;
- (d) to add to the covenants of the Company for the benefit of the holders of all or any of the Debentures or to surrender any right or power herein conferred upon the Company; (1)
- (e) to add to, delete from, or revise the conditions, limitations, and restrictions on the authorized amount, terms, or purposes of issue, authentication, and delivery of Debentures, only as herein set forth;
- (f) to make any change that does not adversely affect the rights of any Debentureholder in any material respect;
- (g) to provide for the issuance of and establish the form and terms and conditions of the Debentures, to establish the form of any certifications required to be furnished pursuant to the terms of this Indenture or of the Debentures, or to add to the rights of the holders of the Debentures; or
- (h) qualify or maintain the qualification of this Indenture under the Trust Indenture Act.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into any such supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise. Any supplemental indenture authorized by the provisions of this Section 11.1 may be executed by the Company and the Trustee without the consent of the holders of any of the Debentures at the time Outstanding, notwithstanding any of the provisions of Section 11.2.

SECTION 11.2 SUPPLEMENTAL INDENTURES WITH CONSENT OF DEBENTUREHOLDERS.

With the consent (evidenced as provided in Section 10.1) of the holders of not less than a majority in aggregate principal amount of the Debentures at the time Outstanding, the Company, when authorized by Board Resolutions, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act as then in effect) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner not covered by Section 11.1 the rights of the holders of the Debentures under this Indenture; provided, however, that no such supplemental indenture shall without the consent of the holders of each Debenture then Outstanding and affected thereby, (i) extend the fixed maturity of any Debentures, reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, without the consent of the holder of each Debenture so affected; or (ii) reduce the aforesaid percentage of Debentures, the holders of which are required to consent to any such supplemental indenture; provided further, that if the Debentures are held by the Trust or a trustee of the Trust, such supplemental indenture shall not be effective until the holders of a majority in liquidation preference of Trust Securities of the Trust shall have consented to such supplemental indenture; provided further, that if the consent of the holder of each Outstanding Debenture is required, such supplemental indenture shall not be effective until each holder of the Trust Securities of the Trust shall have consented to such supplemental indenture. It shall not be necessary for the consent of the Debentureholders affected thereby under this Section 11.2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

SECTION 11.3 EFFECT OF SUPPLEMENTAL INDENTURES.

Upon the execution of any supplemental indenture pursuant to the provisions of this Article XI, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Debentures shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 11.4 DEBENTURES AFFECTED BY SUPPLEMENTAL INDENTURES.

Debentures affected by a supplemental indenture, authenticated and delivered after the execution of such supplemental indenture pursuant to the provisions of this Article XI, may bear a notation in form approved by the Company, provided such form meets the requirements of any exchange upon which the Debentures may be listed, as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Debentures so modified as to conform, in the opinion of the Board of Directors of the Company, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Company, authenticated by the Trustee and delivered in exchange for the Debentures then Outstanding.

SECTION 11.5 EXECUTION OF SUPPLEMENTAL INDENTURES.

(a) Upon the request of the Company, accompanied by their Board Resolutions authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Debentureholders required to consent thereto as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture. The Trustee, subject to the provisions of Sections 9.1, may receive an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to this Article XI is authorized or permitted by, and conforms to, the terms of this Article XI and that it is proper for the Trustee under the provisions of this Article XI to join in the execution thereof.

(b) Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section 11.5, the Trustee shall transmit by mail, first class postage prepaid, a notice, setting forth in general terms the substance of such supplemental indenture, to the Debentureholders as their names and addresses appear upon the Debenture Register. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

ARTICLE XII

SUCCESSOR CORPORATION

SECTION 12.1 COMPANY MAY CONSOLIDATE, ETC.

Nothing contained in this Indenture or in any of the Debentures shall prevent any consolidation or merger of the Company with or into any other corporation or corporations (whether or not affiliated with the Company, as the case may be), or successive consolidations or mergers in which the Company, as the case may be, or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance, transfer or other disposition of the property of the Company, as the case may be, or its successor or successors as an entirety, or substantially as an entirety, to any other corporation (whether or not affiliated with the Company, as the case may be, or its successor or successors) authorized to acquire and operate the same; provided, however, the Company hereby covenants and agrees that, (i) upon any such consolidation, merger, sale, conveyance, transfer or other disposition, the due and punctual payment, in the case of the Company, of the principal of and interest on all of the Debentures, according to their tenor and the due and punctual performance and observance of all the covenants and conditions of this Indenture to be kept or performed by the Company as the case may be, shall be expressly assumed, by supplemental indenture (which shall conform to the provisions of the Trust Indenture Act, as then in effect) satisfactory in form to the Trustee executed and delivered to the Trustee by the entity formed by such consolidation, or into which the Company, as the case may be, shall have been merged, or by the entity which shall have acquired such property; (ii) in case the Company consolidates with or merges into another Person or conveys or transfers its properties and assets substantially then as an entirety to any Person, the

successor Person is organized under the laws of the United States or any state or the District of Columbia; and (iii) immediately after giving effect thereto, an Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing.

SECTION 12.2 SUCCESSOR CORPORATION SUBSTITUTED.

(a) In case of any such consolidation, merger, sale, conveyance, transfer or other disposition and upon the assumption by the successor corporation, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of, in the case of the Company, the due and punctual payment of the principal of and interest on all of the Debentures Outstanding and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Company, as the case may be, such successor corporation shall succeed to and be substituted for the Company, with the same effect as if it had been named as the Company herein, and thereupon the predecessor corporation shall be relieved of all obligations and covenants under this Indenture and the Debentures.

(b) In case of any such consolidation, merger, sale, conveyance, transfer or other disposition such changes in phraseology and form (but not in substance) may be made in the Debentures thereafter to be issued as may be appropriate.

(c) Nothing contained in this Indenture or in any of the Debentures shall prevent the Company from merging into itself or acquiring by purchase or otherwise all or any part of the property of any other Person (whether or not affiliated with the Company).

SECTION 12.3 EVIDENCE OF CONSOLIDATION, ETC. TO TRUSTEE.

The Trustee, subject to the provisions of Section 9.1, may receive an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, conveyance, transfer or other disposition, and any such assumption, comply with the provisions of this Article XII.

ARTICLE XIII

SATISFACTION AND DISCHARGE

SECTION 13.1 SATISFACTION AND DISCHARGE OF INDENTURE.

If at any time: (a) the Company shall have delivered to the Trustee for cancellation all Debentures theretofore authenticated (other than any Debentures that shall have been destroyed, lost or stolen and that shall have been replaced or paid as provided in Section 2.9) and Debentures for whose payment money or Governmental Obligations have theretofore been deposited in trust or segregated and held in trust by the Company (and thereupon repaid to the Company or discharged from such trust, as provided in Section 13.5); or (b) all such Debentures not theretofore delivered to the Trustee for cancellation shall have become

due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and the Company shall deposit or cause to be deposited with the Trustee as trust funds the entire amount in moneys or Governmental Obligations sufficient or a combination thereof, sufficient in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay at maturity or upon redemption all Debentures not theretofore delivered to the Trustee for cancellation, including principal and interest due or to become due to such date of maturity or date fixed for redemption, as the case may be, and if the Company shall also pay or cause to be paid all other sums payable hereunder by the Company; then this Indenture shall thereupon cease to be of further effect except for the provisions of Sections 2.3, 2.7, 2.9, 5.1, 5.2, 5.3 and 9.7, that shall survive until the date of maturity or redemption date, as the case may be, and Sections 9.7 and 13.5, that shall survive to such date and thereafter, and the Trustee, on demand of the Company and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture.

SECTION 13.2 DISCHARGE OF OBLIGATIONS.

If at any time all Debentures not heretofore delivered to the Trustee for cancellation or that have not become due and payable as described in Section 13.1 shall have been paid by the Company by depositing irrevocably with the Trustee as trust funds moneys or an amount of Governmental Obligations sufficient in the opinion of a nationally recognized certified public accounting firm to pay at maturity or upon redemption all Debentures not theretofore delivered to the Trustee for cancellation, including principal and interest due or to become due to such date of maturity or date fixed for redemption, as the case may be, and if the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then after the date such moneys or Governmental Obligations, as the case may be, are deposited with the Trustee, the obligations of the Company under this Indenture shall cease to be of further effect except for the provisions of Sections 2.3, 2.7, 2.9, 5.1, 5.2, 5.3, 9.6, 9.7 and 13.5 hereof that shall survive until such Debentures shall mature and be paid. Thereafter, Sections 9.7 and 13.5 shall survive.

SECTION 13.3 DEPOSITED MONEYS TO BE HELD IN TRUST.

All monies or Governmental Obligations deposited with the Trustee pursuant to Sections 13.1 or 13.2 shall be held in trust and shall be available for payment as due, either directly or through any paying agent (including the Company acting as its own paying agent), to the holders of the Debentures for the payment or redemption of which such moneys or Governmental Obligations have been deposited with the Trustee.

SECTION 13.4 PAYMENT OF MONIES HELD BY PAYING AGENTS.

In connection with the satisfaction and discharge of this Indenture, all moneys or Governmental Obligations then held by any paying agent under the provisions of this Indenture shall, upon demand of the Company, be paid to the Trustee and thereupon such paying agent shall be released from all further liability with respect to such moneys or Governmental Obligations.

SECTION 13.5 REPAYMENT TO COMPANY.

Any monies or Governmental Obligations deposited with any paying agent or the Trustee, or then held by the Company in trust, for payment of principal of or interest on the Debentures that are not applied but remain unclaimed by the holders of such Debentures for at least two years after the date upon which the principal of or interest on such Debentures shall have respectively become due and payable, shall be repaid to the Company, as the case may be, on May 31 of each year or (if then held by the Company) shall be discharged from such trust; and thereupon the paying agent and the Trustee shall be released from all further liability with respect to such moneys or Governmental Obligations, and the holder of any of the Debentures entitled to receive such payment shall thereafter, as an unsecured general creditor, look only to the Company for the payment thereof.

ARTICLE XIV

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 14.1 NO RECOURSE.

No recourse under or upon any obligation, covenant or agreement of this Indenture, or of the Debentures, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, stockholder, officer or director, past, present or future as such, of the Company or of any predecessor corporation, either directly or through the Company or any such predecessor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the obligations issued hereunder are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, stockholders, officers or directors as such, of the Company or of any predecessor corporation, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Debentures or implied therefrom; and that any and all such personal liability of every name and nature, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, stockholder, officer or director as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Debentures or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issuance of such Debentures.

ARTICLE XV

MISCELLANEOUS PROVISIONS

SECTION 15.1 EFFECT ON SUCCESSORS AND ASSIGNS.

All the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of the Company shall bind their respective successors and assigns, whether so expressed or not.

SECTION 15.2 ACTIONS BY SUCCESSOR.

Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the corresponding board, committee or officer of any corporation that shall at the time be the lawful sole successor of the Company.

SECTION 15.3 SURRENDER OF COMPANY POWERS.

The Company by instrument in writing executed by appropriate authority of its Board of Directors and delivered to the Trustee may surrender any of the powers reserved to the Company, and thereupon such power so surrendered shall terminate both as to the Company, as the case may be, and as to any successor corporation.

SECTION 15.4 NOTICES.

Except as otherwise expressly provided herein any notice or demand that by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Debentures to or on the Company may be given or served by being deposited first class postage prepaid in a post-office letterbox addressed (until another address is filed in writing by the Company with the Trustee), as follows: Wintrust Capital Trust I, 727 North Bank Lane, Lake Forest, Illinois 60045, Attention: David A. Dykstra. Any notice, election, request or demand by the Company or any Debentureholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made in writing at the Corporate Trust Office of the Trustee.

SECTION 15.5 GOVERNING LAW.

This Indenture and each Debenture shall be deemed to be a contract made under the internal laws of the State of Illinois and for all purposes shall be construed in accordance with the laws of said State.

SECTION 15.5 TREATMENT OF DEBENTURES AS DEBT.

It is intended that the Debentures shall be treated as indebtedness and not as equity for federal income tax purposes. The provisions of this Indenture shall be interpreted to further this intention.

SECTION 15.7 COMPLIANCE CERTIFICATES AND OPINIONS.

(a) Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

(b) Each certificate or opinion of the Company provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant in this Indenture shall include (1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (3) a statement that, in the opinion of such Person, he has made such examination or investigation as, in the opinion of such Person, is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with; provided, however, that each such certificate shall comply with the provisions of Section 314 of the Trust Indenture Act.

SECTION 15.8 PAYMENTS ON BUSINESS DAYS.

In any case where the date of maturity of interest or principal of any Debenture or the date of redemption of any Debenture shall not be a Business Day, then payment of interest or principal may be made on the next succeeding Business Day with the same force and effect as if made on the nominal date of maturity or redemption, and no interest shall accrue for the period after such nominal date.

SECTION 15.9 CONFLICT WITH TRUST INDENTURE ACT.

If and to the extent that any provision of this Indenture limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

SECTION 15.10 COUNTERPARTS.

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 15.1 SEPARABILITY.

In case any one or more of the provisions contained in this Indenture or in the Debentures shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Indenture or of the Debentures, but this Indenture and the Debentures shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

SECTION 15.12 ASSIGNMENT.

The Company shall have the right at all times to assign any of its respective rights or obligations under this Indenture to a direct or indirect wholly owned Subsidiary of the Company, provided that, in the event of any such assignment, the Company shall remain liable for all such obligations. Subject to the foregoing, this Indenture is binding upon and inures to the benefit of the parties thereto and their respective successors and assigns. This Indenture may not otherwise be assigned by the parties thereto.

SECTION 15.13 ACKNOWLEDGMENT OF RIGHTS.

The Company acknowledges that, with respect to any Debentures held by the Trust or a trustee of the Trust, if the Property Trustee fails to enforce its rights under this Indenture as the holder of the Debentures held as the assets of the Trust, any holder of Preferred Securities may institute legal proceedings directly against the Company to enforce such Property Trustee's rights under this Indenture without first instituting any legal proceedings against such Property Trustee or any other person or entity. Notwithstanding the foregoing, if an Event of Default has occurred and is continuing and such event is attributable to the failure of the Company to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date), the Company acknowledges that a holder of Preferred Securities may directly institute a proceeding for enforcement of payment to such holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Preferred Securities of such holder on or after the respective due date specified in the Debentures.

ARTICLE XVI

SUBORDINATION OF DEBENTURES

SECTION 16.1 AGREEMENT TO SUBORDINATE.

The Company covenants and agrees, and each holder of Debentures issued hereunder by such holder's acceptance thereof likewise covenants and agrees, that all Debentures shall be issued subject to the provisions of this Article XVI; and each holder of a Debenture, whether upon original issue or upon transfer or assignment thereof, accepts and agrees to be bound by such provisions. The payment by the Company of the principal of and interest on all Debentures issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and junior in right of payment to the prior payment in full of all Senior Debt, Subordinated Debt and Additional Senior Obligations (collectively, "Senior Indebtedness") to the extent provided herein, whether outstanding at the date of this Indenture or thereafter incurred. No provision of this Article XVI shall prevent the occurrence of any default or Event of Default hereunder.

SECTION 16.2 DEFAULT ON SENIOR DEBT, SUBORDINATED DEBT OR ADDITIONAL SENIOR OBLIGATIONS.

In the event and during the continuation of any default by the Company in the payment of principal, premium, interest or any other payment due on any Senior Indebtedness of the Company, or in the event that the maturity of any Senior Indebtedness of the Company has been accelerated because of a default, then, in either case, no payment shall be made by the Company with respect to the principal (including redemption payments) of or interest on the Debentures. In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee when such payment is prohibited by the preceding sentence of this

Section 16.2, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Senior Indebtedness (or their representative or representatives or a trustee) notify the Trustee in writing within 90 days of such payment of the amounts then due and owing on the Senior Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of Senior Indebtedness.

SECTION 16.3 LIQUIDATION; DISSOLUTION; BANKRUPTCY.

(a) Upon any payment by the Company or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due upon all Senior Indebtedness of the Company shall first be paid in full, or payment thereof provided for in money in accordance with its terms, before any payment is made by the Company on account of the principal or interest on the Debentures; and upon any such dissolution or winding-up or liquidation or reorganization, any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the holders of the Debentures or

the Trustee would be entitled to receive from the Company, except for the provisions of this Article XVI, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the holders of the Debentures or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Indebtedness of the Company (pro rata to such holders on the basis of the respective amounts of Senior Indebtedness held by such holders, as calculated by the Company) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay such Senior Indebtedness in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness, before any payment or distribution is made to the holders of Debentures or to the Trustee.

(b) In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Trustee before all Senior Indebtedness of the Company is paid in full, or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of such Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, and their respective interests may appear, as calculated by the Company, for application to the payment of all Senior Indebtedness of the Company, as the case may be, remaining unpaid to the extent necessary to pay such Senior Indebtedness in full in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the benefit of the holders of such Senior Indebtedness.

(c) For purposes of this Article XVI, the words "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article XVI with respect to the Debentures to the payment of all Senior Indebtedness of the Company, as the case may be, that may at the time be outstanding, provided that (i) such Senior Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or readjustment; and (ii) the rights of the holders of such Senior Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article XII shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 16.3 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article XII. Nothing in Section 16.2 or in this Section 16.3 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 9.7.

SECTION 16.4 SUBROGATION.

(a) Subject to the payment in full of all Senior Indebtedness of the Company, the rights of the holders of the Debentures shall be subrogated to the rights of the holders of such Senior Indebtedness to receive payments or distributions of cash, property or securities of the Company, as the case may be, applicable to such Senior Indebtedness until the principal of and interest on the Debentures shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of such Senior Indebtedness of any cash, property or securities to which the holders of the Debentures or the Trustee would be entitled except for the provisions of this Article XVI, and no payment over pursuant to the provisions of this Article XVI to or for the benefit of the holders of such Senior Indebtedness by holders of the Debentures or the Trustee, shall, as between the Company, its creditors other than holders of Senior Indebtedness of the Company, and the holders of the Debentures, be deemed to be a payment by the Company to or on account of such Senior Indebtedness. It is understood that the provisions of this Article XVI are and are intended solely for the purposes of defining the relative rights of the holders of the Debentures, on the one hand, and the holders of such Senior Indebtedness on the other hand.

(b) Nothing contained in this Article XVI or elsewhere in this Indenture or in the Debentures is intended to or shall impair, as between the Company, its creditors (other than the holders of Senior Indebtedness of the Company), and the holders of the Debentures, the obligation of the Company, which is absolute and unconditional, to pay to the holders of the Debentures the principal of and interest on the Debentures as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the holders of the Debentures and creditors of the Company, as the case may be, other than the holders of Senior Indebtedness of the Company, as the case may be, nor shall anything herein or therein prevent the Trustee or the holder of any Debenture from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article XVI of the holders of such Senior Indebtedness in respect of cash, property or securities of the Company, as the case may be, received upon the exercise of any such remedy.

(c) Upon any payment or distribution of assets of the Company referred to in this Article XVI, the Trustee, subject to the provisions of Article IX, and the holders of the Debentures shall be entitled to conclusively rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidation trustee, agent or other Person making such payment or distribution, delivered to the Trustee or to the holders of the Debentures, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of Senior Indebtedness and other indebtedness of the Company, as the case may be, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article XVI.

SECTION 16.5 TRUSTEE TO EFFECTUATE SUBORDINATION.

Each holder of Debentures by such holder's acceptance thereof authorizes and directs the Trustee on such holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article XVI and appoints the Trustee such holder's attorney-in-fact for any and all such purposes.

SECTION 16.6 NOTICE BY THE COMPANY.

(a) The Company shall give prompt written notice to a Responsible Officer of the Trustee of any fact known to the Company that would prohibit the making of any payment of monies to or by the Trustee in respect of the Debentures pursuant to the provisions of this Article XVI. Notwithstanding the provisions of this Article XVI or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of monies to or by the Trustee in respect of the Debentures pursuant to the provisions of this Article XVI, unless and until a Responsible Officer of the Trustee shall have received written notice thereof from the Company or a holder or holders of Senior Indebtedness or from any trustee therefor; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 9.1, shall be entitled in all respects to assume that no such facts exist; provided, however, that if the Trustee shall not have received the notice provided for in this Section 16.6 at least two Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of or interest on any Debenture), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which they were received, and shall not be affected by any notice to the contrary that may be received by it within two Business Days prior to such date.

(b) The Trustee, subject to the provisions of Section 9.1, shall be entitled to conclusively rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness of the Company (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of such Senior Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of such Senior Indebtedness to participate in any payment or distribution pursuant to this Article XVI, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of such Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article XVI, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 16.7 RIGHTS OF THE TRUSTEE; HOLDERS OF SENIOR INDEBTEDNESS.

(a) The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article XVI in respect of any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder. The Trustee's right to compensation and reimbursement of expenses as set forth in Section 9.7 shall not be subject to the subordination provisions of the Article XVI.

(b) With respect to the holders of Senior Indebtedness of the Company, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article XVI, and no implied covenants or obligations with respect to the holders of such Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of such Senior Indebtedness and, subject to the provisions of Section 9.1, the Trustee shall not be liable to any holder of such Senior Indebtedness if it shall pay over or deliver to holders of Debentures, the Company or any other Person money or assets to which any holder of such Senior Indebtedness shall be entitled by virtue of this Article XVI or otherwise.

SECTION 16.8 SUBORDINATION MAY NOT BE IMPAIRED.

(a) No right of any present or future holder of any Senior Indebtedness of the Company to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof that any such holder may have or otherwise be charged with.

(b) Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness of the Company may, at any time and from time to time, without the consent of or notice to the Trustee or the holders of the Debentures, without incurring responsibility to the holders of the Debentures and without impairing or releasing the subordination provided in this Article XVI or the obligations hereunder of the holders of the Debentures to the holders of such Senior Indebtedness, do any one or more of the following:

- (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, such Senior Indebtedness, or otherwise amend or supplement in any manner such Senior Indebtedness or any instrument evidencing the same or any agreement under which such Senior Indebtedness is outstanding;
- (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing such Senior Indebtedness; (iii) release any Person liable in any manner for the collection of such Senior Indebtedness; and
- (iv) exercise or refrain from exercising any rights against the Company and any other Person.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the day and year first above written.

WINTRUST FINANCIAL CORPORATION

By: _____
Name: _____
Title: _____

WILMINGTON TRUST COMPANY, AS TRUSTEE

By: _____
Name: _____
Title: _____

STATE OF ILLINOIS)

) ss:

COUNTY OF COOK)

On the __th day of ____, 1998, before me personally came _____ to me known, who, being by me duly sworn, did depose and say that he is the _____ of Company, one of the corporations described in and which executed the above instrument; that he knows the corporate seal of said corporation; that the seal affixed to the said instrument is such corporation seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

Notary Public, _____

[seal] My Commission expires: _____

EXHIBIT A

(FORM OF FACE OF DEBENTURE)

WINTRUST FINANCIAL CORPORATION

9.00% SUBORDINATED DEBENTURE

DUE SEPTEMBER 30, 2028

No. _____

\$ _____

CUSIP No. 97650W AA 6

Wintrust Financial Corporation, an Illinois corporation (the "Company,"

which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to, _____ or registered assigns, the principal sum of _____ (\$ _____) on September 30, 2028 (the "Stated Maturity"), and to pay interest on said principal sum from September 29, 1998, or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, quarterly (subject to deferral as set forth herein) in arrears on March, June, September and December of each year commencing December 31, 1998, at the rate of 9.00% per annum until the principal hereof shall have become due and payable, and on any overdue principal and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum compounded quarterly. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of interest for any partial period shall be computed on the basis of the number of days elapsed in a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Debenture is not a business day, then payment of interest payable on such date shall be made on the next succeeding day that is a business day (and without any interest or other payment in respect of any such delay) except that, if such business day is in the next succeeding calendar year, payment of such interest will be made on the immediately preceding business day, in each case, with the same force and effect as if made on such date. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in the Indenture, be paid to the person in whose name this Debenture (or one or more Predecessor Debentures, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment, which shall be the close of business on the business day next preceding such Interest Payment Date unless otherwise provided in the Indenture. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered holders on such regular record date and may be paid to the Person in whose name this Debenture (or one or more Predecessor Debentures) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice

whereof shall be given to the registered holders of the Debentures not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Debentures may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. The principal of and the interest on this Debenture shall be payable at the office or agency of the Trustee maintained for that purpose in any coin or currency of the United States of America that at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the registered holder at such address as shall appear in the Debenture Register. Notwithstanding the foregoing, so long as the holder of this Debenture is the Property Trustee, the payment of the principal of and interest on this Debenture shall be made at such place and to such account as may be designated by the Trustee.

The Stated Maturity may be shortened at any time by the Company to any date not earlier than September 30, 2003, subject to the Company having received prior approval of the Federal Reserve if then required under applicable capital guidelines, policies or regulations of the Federal Reserve. Such date may also be extended at any time at the election of the Company for one or more periods, but in no event to a date later than September 30, 2047, subject to certain limitations described in the Indenture.

The indebtedness evidenced by this Debenture is, to the extent provided in the Indenture, subordinate and junior in right of payment to the prior payment in full of all Senior Indebtedness, and this Debenture is issued subject to the provisions of the Indenture with respect thereto. Each holder of this Debenture, by accepting the same, (a) agrees to and shall be bound by such provisions; (b) authorizes and directs the Trustee on his or her behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided; and (c) appoints the Trustee his or her attorney-in-fact for any and all such purposes. Each holder hereof, by his or her acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

This Debenture shall not be entitled to any benefit under the Indenture hereinafter referred to, be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

The provisions of this Debenture are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed.

Dated September 29, 1998.

WINTRUST FINANCIAL CORPORATION

By: _____
Name: _____
Title: _____

Attest:

By: _____ Name: _____
Title: _____

[FORM OF CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

This is one of the Debentures described in the within-mentioned Indenture.

Dated: September 29, 1998

Wilmington Trust Company, _____ as Trustee or Authentication Agent

By _____ By _____ Authorized Signatory

[FORM OF REVERSE OF DEBENTURE]

9.00% SUBORDINATED DEBENTURE
(CONTINUED)

This Debenture is one of the subordinated debentures of the Company (herein sometimes referred to as the "Debentures"), specified in the Indenture, all issued or to be issued under and pursuant to an Indenture dated as of September 29, 1998 (the "Indenture") duly executed and delivered between the Company and Wilmington Trust Company, as Trustee (the "Trustee"), to which Indenture reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Debentures. The Debentures are limited in aggregate principal amount as specified in the Indenture.

Because of the occurrence and continuation of a Special Event, in certain circumstances, this Debenture may become due and payable at the principal amount together with any interest accrued thereon (the "Redemption Price"). The Redemption Price shall be paid prior to 12:00 noon, Eastern Standard Time, time, on the date of such redemption or at such earlier time as the Company determines. The Company shall have the right to redeem this Debenture at the option of the Company, without premium or penalty, in whole or in part at any time on or after September 30, 2003 (an "Optional Redemption"), or at any time in certain circumstances upon the occurrence of a Special Event, at a Redemption Price equal to 100% of the principal amount plus any accrued but unpaid interest, to the date of such redemption. Any redemption pursuant to this paragraph shall be made upon not less than 30 days nor more than 60 days notice, at the Redemption Price. If the Debentures are only partially redeemed by the Company pursuant to an Optional Redemption, the Debentures shall be redeemed pro rata or by lot or by any other method utilized by the Trustee.

In the event of redemption of this Debenture in part only, a new Debenture or Debentures for the unredeemed portion hereof shall be issued in the name of the holder hereof upon the cancellation hereof.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all of the Debentures may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the Debentures at the time outstanding, as defined in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Debentures; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of the Debentures except as provided in the Indenture, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, without the consent of the holder of each Debenture so affected; or (ii) reduce the aforesaid percentage of Debentures, the

holders of which are required to consent to any such supplemental indenture, without the consent of the holders of each Debenture then outstanding and affected thereby. The Indenture also contains provisions permitting the holders of a majority in aggregate principal amount of the Debentures at the time outstanding, on behalf of all of the holders of the Debentures, to waive any past default in the performance of any of the covenants contained in the Indenture, or established pursuant to the Indenture, and its consequences, except a default in the payment of the principal of or interest on any of the Debentures. Any such consent or waiver by the registered holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debenture and of any Debenture issued in exchange herefor or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Debenture.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal and interest on this Debenture at the time and place and at the rate and in the money herein prescribed.

Provided certain conditions are met, the Company shall have the right at any time during the term of the Debentures and from time to time to extend the interest payment period of such Debentures for up to 20 consecutive quarters (each, an "Extended Interest Payment Period"), at the end of which period the Company shall pay all interest then accrued and unpaid (together with interest thereon at the rate specified for the Debentures to the extent that payment of such interest is enforceable under applicable law). Before the termination of any such Extended Interest Payment Period, so long as no Event of Default shall have occurred and be continuing, the Company may further extend such Extended Interest Payment Period, provided that such Extended Interest Payment Period together with all such further extensions thereof shall not exceed 20 consecutive quarters, extend beyond the Stated Maturity or end on a date other than an Interest Payment Date. At the termination of any such Extended Interest Payment Period and upon the payment of all accrued and unpaid interest and any additional amounts then due and subject to the foregoing conditions, the Company may commence a new Extended Interest Payment Period.

As provided in the Indenture and subject to certain limitations therein set forth, this Debenture is transferable by the registered holder hereof on the Debenture Register of the Company, upon surrender of this Debenture for registration of transfer at the office or agency of the Trustee accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee duly executed by the registered holder hereof or his attorney duly authorized in writing, and thereupon one or more new Debentures of authorized denominations and for the same aggregate principal amount shall be issued to the designated transferee or transferees. No service charge shall be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Debenture, the Company, the Trustee, any paying agent and the Debenture Registrar may deem and treat the registered holder hereof as the absolute owner hereof (whether or not this Debenture shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Debenture

Registrar) for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Debenture Registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Debenture, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

The Debentures are issuable only in registered form without coupons in denominations of \$25 and any integral multiple thereof.

All terms used in this Debenture that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

Exhibit 4.4

WINTRUST CAPITAL TRUST I

AMENDED AND RESTATED

TRUST AGREEMENT

among

WINTRUST FINANCIAL CORPORATION, as Depositor,

WILMINGTON TRUST COMPANY, as Property Trustee,

WILMINGTON TRUST COMPANY, as Delaware Trustee,

and

THE ADMINISTRATIVE TRUSTEES NAMED HEREIN

Dated as of September 29, 1998

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EXHIBITS

Exhibit A	Certificate of Trust
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Exhibit F	Certificate of Depositary Agreement

CROSS-REFERENCE TABLE

Section of Trust Indenture Act of 1939, as amended -----	Section of Amended and Restated Trust Agreement -----
310(a)(1).....	807
310(a)(2).....	807
310(a)(3).....	807
310(a)(4).....	207(a)(ii)
310(b).....	808
311(a).....	813
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312(a).....	507
312(b).....	507
312(c).....	507
313(a).....	814(a)
313(a)(4).....	814(b)
313(b).....	814(b)
313(c).....	1008
313(d).....	814(c)
314(a).....	815
314(b).....	Not Applicable
314(c)(1).....	816
314(c)(2).....	816
314(c)(3).....	Not Applicable
314(d).....	Not Applicable
314(e).....	101, 816
315(a).....	801(a), 803(a)
315(b).....	802, 1008
315(c).....	801(a)
315(d).....	801, 803
316(a)(2).....	Not Applicable
316(b).....	Not Applicable
316(c).....	607
317(a)(1).....	Not Applicable
317(a)(2).....	Not Applicable
317(b).....	509
318(a).....	1010

Note: This Cross-Reference Table does not constitute part of this Agreement and shall not affect the interpretation of any of its terms or provisions.

AMENDED AND RESTATED TRUST AGREEMENT

AMENDED AND RESTATED TRUST AGREEMENT, dated as of September 29, 1998, among (i) WINTRUST FINANCIAL CORPORATION, an Illinois corporation (including any successors or assigns, the "Depositor"), (ii) Wilmington Trust Company, a Delaware banking corporation duly organized and existing under the laws of the State of Delaware, as property trustee (the "Property Trustee" and, in its separate corporate capacity and not in its capacity as Property Trustee, the "Bank"), (iii) WILMINGTON TRUST COMPANY, a Delaware banking corporation duly organized and existing under the laws of the State of Delaware, as Delaware trustee (the "Delaware Trustee," and, in its separate corporate capacity and not in its capacity as Delaware Trustee, the "Delaware Bank") (iv) EDWARD J. WEHMER, an individual, DAVID A. DYKSTRA, an individual, and RANDOLPH M. HIBBEN, an individual, each of whose address is c/o Company (each an "Administrative Trustee" and collectively the "Administrative Trustees") (the Property Trustee, the Delaware Trustee and the Administrative Trustees referred to collectively as the "Trustees"), and (v) the several Holders (as hereinafter defined).

RECITALS

WHEREAS, the Depositor, the Delaware Trustee, and Edward J. Wehmer, David A. Dykstra and Randolph M. Hibben, each as an Administrative Trustee, have heretofore duly declared and established a business trust pursuant to the Delaware Business Trust Act by the entering into of that certain Trust Agreement, dated as of August 14, 1998 (the "Original Trust Agreement"), and by the execution and filing by the Delaware Trustee, the Depositor and the Administrative Trustees with the Secretary of State of the State of Delaware of the Certificate of Trust, filed on August 14, 1998, the form of which is attached as Exhibit A; and

WHEREAS, the Depositor, the Delaware Trustee, the Property Trustee and the Administrative Trustees desire to amend and restate the Original Trust Agreement in its entirety as set forth herein to provide for, among other things, (i) the issuance of the Common Securities (as defined herein) by the Trust (as defined herein) to the Depositor; (ii) the issuance and sale of the Preferred Securities (as defined herein) by the Trust pursuant to the Underwriting Agreement (as defined herein); (iii) the acquisition by the Trust from the Depositor of all of the right, title and interest in the Debentures (as defined herein); and (iv) the appointment of the Trustees;

NOW THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each party, for the benefit of the other parties and for the benefit of the Securityholders (as defined herein), hereby amends and restates the Original Trust Agreement in its entirety and agrees as follows:

**ARTICLE I
DEFINED TERMS**

SECTION 101. DEFINITIONS.

For all purposes of this Trust Agreement, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the terms defined in this Article I have the meanings assigned to them in this Article I and include the plural as well as the singular;
- (b) all other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (c) unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or a Section, as the case may be, of this Trust Agreement; and
- (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or other subdivision.

"Act" has the meaning specified in Section 608.

"Additional Amount" means, with respect to Trust Securities of a given Liquidation Amount and/or a given period, the amount of additional interest accrued on interest in arrears and paid by the Depositor on a Like Amount of Debentures for such period.

"Additional Interest" has the meaning specified in Section 1.1 of the Indenture.

"Administrative Trustee" means each of Edward J. Wehmer, David A. Dykstra and Randolph M. Hibben, solely in his or her capacity as Administrative Trustee of the Trust formed and continued hereunder and not in his or her individual capacity, or such Administrative Trustee's successor in interest in such capacity, or any successor trustee appointed as herein provided.

"Affiliate" means, with respect to a specified Person, (a) any Person directly or indirectly owning, controlling or holding with power to vote 10% or more of the outstanding voting securities or other ownership interests of the specified Person, any Person 10% or more of whose outstanding voting securities or other ownership interests are directly or indirectly owned, controlled or held with power to vote by the specified Person; (b) any Person directly or indirectly controlling, controlled by, or under common control with the specified Person; (c) a partnership in which the specified Person is a general partner; (d) any officer or director of the specified Person; and (e) if the specified Person is an individual, any entity of which the specified Person is an officer, director or general partner.

"Authenticating Agent" means an authenticating agent with respect to the Preferred Securities appointed by the Property Trustee pursuant to Section 503.

"Bank" has the meaning specified in the Preamble to this Trust Agreement.

"Bankruptcy Event" means, with respect to any Person:

(a) the entry of a decree or order by a court having jurisdiction in the premises adjudging such Person a bankrupt or insolvent, or approving as properly filed a petition seeking liquidation or reorganization of or in respect of such Person under the United States Bankruptcy Code of 1978, as amended, or any other similar applicable federal or state law, and the continuance of any such decree or order unvacated and unstayed for a period of 90 days; or the commencement of an involuntary case under the United States Bankruptcy Code of 1978, as amended, in respect of such Person, which shall continue undismissed for a period of 90 days or entry of an order for relief in such case; or the entry of a decree or order of a court having jurisdiction in the premises for the appointment on the ground of insolvency or bankruptcy of a receiver, custodian, liquidator, trustee or assignee in bankruptcy or insolvency of such Person or of its property, or for the winding up or liquidation of its affairs, and such decree or order shall have remained in force unvacated and unstayed for a period of 90 days; or

(b) the institution by such Person of proceedings to be adjudicated a voluntary bankrupt, or the consent by such Person to the filing of a bankruptcy proceeding against it, or the filing by such Person of a petition or answer or consent seeking liquidation or reorganization under the United States Bankruptcy Code of 1978, as amended, or other similar applicable Federal or State law, or the consent by such Person to the filing of any such petition or to the appointment on the ground of insolvency or bankruptcy of a receiver or custodian or liquidator or trustee or assignee in bankruptcy or insolvency of such Person or of its property, or shall make a general assignment for the benefit of creditors.

"Bankruptcy Laws" has the meaning specified in Section 1009.

"Board Resolution" means a copy of a resolution certified by the Secretary of the Depositor to have been duly adopted by the Depositor's Board of Directors, or such committee of the Board of Directors or officers of the Depositor to which authority to act on behalf of the Board of Directors has been delegated, and to be in full force and effect on the date of such certification, and delivered to the appropriate Trustee.

"Business Day" means a day other than a Saturday or Sunday, a day on which banking institutions in The City of New York are authorized or required by law, executive order or regulation to remain closed, or a day on which the Property Trustee's Corporate Trust Office or the Corporate Trust Office of the Debenture Trustee is closed for business.

"Certificate of Depositary Agreement" means the agreement among Depositor, Trust and DTC, as the initial Clearing Agency, dated as of the Closing Date, substantially in the form attached as Exhibit F as the same may be amended and supplemented from time to time.

"Certificate of Trust" means the certificate of trust filed with the Secretary of State of the State of Delaware with respect to the Trust, as amended or restated from time to time.

"Change in 1940 Act Law" shall have the meaning set forth in the definition of "Investment Company Event."

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Securities Exchange Act of 1934, as amended. DTC shall be the initial Clearing Agency.

"Clearing Agency Participant" means a broker, dealer, bank or other financial institution or other Person for whom from time to time a Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

"Closing Date" means the date of execution and delivery of this Trust Agreement.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Security" means an undivided beneficial interest in the assets of the Trust, having a Liquidation Amount of \$25 and having the rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"Common Securities Certificate" means a certificate evidencing ownership of Common Securities, substantially in the form attached as Exhibit C.

"Company" means Wintrust Financial Corporation.

"Corporate Trust Office" means the office at which, at any particular time, the corporate trust business of the Property Trustee or the Debenture Trustee, as the case may be, shall be principally administered, which office at the date hereof, in each such case, is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attn: Corporate Trust Administration.

"Debenture Event of Default" means an "Event of Default" as defined in Section 7.1 of the Indenture.

"Debenture Redemption Date" means, with respect to any Debentures to be redeemed under the Indenture, the date fixed for redemption under the Indenture.

"Debenture Tax Event" means a "Tax Event" as specified in Section 1.1 of the Indenture.

"Debenture Trustee" means Wilmington Trust Company, a state chartered trust company organized under the laws of the State of Delaware and any successor thereto, as trustee under the Indenture.

"Debentures" means the \$32,010,310 aggregate principal amount of the Depositor's 9.00% Subordinated Debentures due 2028, issued pursuant to the Indenture.

"Definitive Preferred Securities Certificates" means Preferred Securities Certificates issued in certified, fully registered form as provided in Section 513.

"Delaware Bank" has the meaning specified in the Preamble to this Trust Agreement.

"Delaware Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Delaware Code Sections 3801 et seq. as it may be amended from time to time.

"Delaware Trustee" means the commercial bank or trust company identified as the "Delaware Trustee" in the Preamble to this Trust Agreement solely in its capacity as Delaware Trustee of the Trust formed and continued hereunder and not in its individual capacity, or its successor in interest in such capacity, or any successor trustee appointed as herein provided.

"Depository" means DTC or any successor thereto.

"Depositor" has the meaning specified in the Preamble to this Trust Agreement.

"Distribution Date" has the meaning specified in Section 401(a).

"Distributions" means amounts payable in respect of the Trust Securities as provided in Section 401.

"DTC" means The Depository Trust Company.

"Event of Default" means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) the occurrence of a Debenture Event of Default; or

(b) default by the Trust in the payment of any Distribution when it becomes due and payable, and continuation of such default for a period of 30 days; or

(c) default by the Trust in the payment of any Redemption Price of any Trust Security when it becomes due and payable; or

(d) default in the performance, or breach, in any material respect, of any covenant or warranty of the Trustees in this Trust Agreement (other than a covenant or warranty a default in the performance of which or the breach of which is dealt with in clause (b) or (c), above) and continuation of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the defaulting Trustee or Trustees by the Holders of at least 25% in aggregate liquidation preference of the Outstanding Preferred Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(e) the occurrence of a Bankruptcy Event with respect to the Property Trustee and the failure by the Depositor to appoint a successor Property Trustee within 60 days thereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Expense Agreement" means the Agreement as to Expenses and Liabilities between the Depositor and the Trust, substantially in the form attached as Exhibit C, as amended from time to time.

"Expiration Date" has the meaning specified in Section 901.

"Extended Interest Payment Period" has the meaning specified in Section 4.1 of the Indenture.

"Global Preferred Securities Certificate" means a Preferred Securities Certificate evidencing ownership of Global Preferred Securities.

"Global Preferred Security" means a Preferred Security, the ownership and transfer of which shall be made through book entries by a Clearing Agency as described herein.

"Guarantee" means the Preferred Securities Guarantee Agreement executed and delivered by the Depositor and Wilmington Trust Company, as trustee, contemporaneously with the execution and delivery of this Trust Agreement, for the benefit of the holders of the Preferred Securities, as amended from time to time.

"Indenture" means the Indenture, dated as of September 29, 1998, between the Depositor and the Debenture Trustee, as trustee, as amended or supplemented from time to time.

"Investment Company Act," means the Investment Company Act of 1940, as amended, as in effect at the date of execution of this instrument.

"Investment Company Event" means the receipt by the Trust and the Depositor of an Opinion of Counsel, rendered by a law firm having a recognized national tax and securities law practice, to the effect that, as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), the Trust is or shall be considered an

"investment company" that is required to be registered under the Investment Company Act, which Change in 1940 Act Law becomes effective on or after the date of original issuance of the Preferred Securities under this Trust Agreement, provided, however, that the Depositor or the Trust shall have requested and received such an Opinion of Counsel with regard to such matters within a reasonable period of time after the Depositor or the Trust shall have become aware of the possible occurrence of any such event.

"Lien" means any lien, pledge, charge, encumbrance, mortgage, deed of trust, adverse ownership interest, hypothecation, assignment, security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever.

"Like Amount" means (a) with respect to a redemption of Trust Securities, Trust Securities having an aggregate Liquidation Amount equal to the aggregate principal amount of Debentures to be contemporaneously redeemed in accordance with the Indenture and the proceeds of which shall be used to pay the Redemption Price of such Trust Securities; and (b) with respect to a distribution of Debentures to Holders of Trust Securities in connection with a termination or liquidation of the Trust, Debentures having a principal amount equal to the Liquidation Amount of the Trust Securities of the Holder to whom such Debentures are distributed. Each Debenture distributed pursuant to clause (b) above shall carry with it accrued interest in an amount equal to the accrued and unpaid interest then due on such Debentures.

"Liquidation Amount" means the stated amount of \$25 per Trust Security.

"Liquidation Date" means the date on which Debentures are to be distributed to Holders of Trust Securities in connection with a termination and liquidation of the Trust pursuant to Section 904(a).

"Liquidation Distribution" has the meaning specified in Section 904(d).

"Officers' Certificate" means a certificate signed by the President or an Executive Vice President and by the Treasurer or the Vice PresidentCFinance or the Secretary, of the Depositor, and delivered to the appropriate Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 816 shall be the principal executive, financial or accounting officer of the Depositor. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Trust Agreement shall include:

(a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;

(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Opinion of Counsel" means an opinion in writing of independent, outside legal counsel for the Trust, the Property Trustee, the Delaware Trustee or the Depositor, who shall be reasonably acceptable to the Property Trustee.

"Original Trust Agreement" has the meaning specified in the Recitals to this Trust Agreement.

"Outstanding", when used with respect to Preferred Securities, means, as of the date of determination, all Preferred Securities theretofore executed and delivered under this Trust Agreement, except:

(a) Preferred Securities theretofore canceled by the Property Trustee or delivered to the Property Trustee for cancellation;

(b) Preferred Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Property Trustee or any Paying Agent for the Holders of such Preferred Securities; provided that, if such Preferred Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Trust Agreement; and

(c) Preferred Securities which have been paid or in exchange for or in lieu of which other Preferred Securities have been executed and delivered pursuant to Sections 504, 505, 511 and 513; provided, however, that in determining whether the Holders of the requisite Liquidation Amount of the Outstanding Preferred Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Preferred Securities owned by the Depositor, any Trustee or any Affiliate of the Depositor or any Trustee shall be disregarded and deemed not to be Outstanding, except that (a) in determining whether any Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Preferred Securities that such Trustee knows to be so owned shall be so disregarded; and (b) the foregoing shall not apply at any time when all of the outstanding Preferred Securities are owned by the Depositor, one or more of the Trustees and/or any such Affiliate. Preferred Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Administrative Trustees the pledgee's right so to the Depositor or any Affiliate of the Depositor.

"Paying Agent" means any paying agent or co-paying agent appointed pursuant to Section 509 and shall initially be the Bank.

"Payment Account" means a segregated non-interest-bearing corporate trust account maintained by the Property Trustee with the Bank in its trust department for the benefit of the Securityholders in which all amounts paid in respect of the Debentures shall be held and from which the Property Trustee shall make payments to the Securityholders in accordance with Sections 401 and 402.

"Person" means any individual, corporation, partnership, joint venture, trust, limited liability company or corporation, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Security" means an undivided beneficial interest in the assets of the Trust, having a Liquidation Amount of \$25 and having the rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"Preferred Securities Certificate", means a certificate evidencing ownership of Preferred Securities, substantially in the form attached as Exhibit D. "Property Trustee" means the commercial bank or trust company identified as the "Property Trustee," in the Preamble to this Trust Agreement solely in its capacity as Property Trustee of the Trust heretofore formed and continued hereunder and not in its individual capacity, or its successor in interest in such capacity, or any successor property trustee appointed as herein provided.

"Redemption Date" means, with respect to any Trust Security to be redeemed, the date fixed for such redemption by or pursuant to this Trust Agreement; provided that each Debenture Redemption Date and the stated maturity of the Debentures shall be a Redemption Date for a Like Amount of Trust Securities.

"Redemption Price" means, with respect to any Trust Security, the Liquidation Amount of such Trust Security, plus accumulated and unpaid Distributions to the Redemption Date, plus the related amount of the premium, if any, paid by the Depositor upon the concurrent redemption of a Like Amount of Debentures, allocated on a pro rata basis (based on Liquidation Amounts) among the Trust Securities.

"Relevant Trustee" shall have the meaning specified in Section 810.

"Securities Register" and "Securities Registrar" have the respective meanings specified in Section 504.

"Securityholder" or "Holder" means a Person in whose name a Trust Security or Trust Securities is registered in the Securities Register; any such Person is a beneficial owner within the meaning of the Delaware Business Trust Act.

"Trust" means the Delaware business trust created and continued hereby and identified on the cover page to this Trust Agreement.

"Trust Agreement" means this Amended and Restated Trust Agreement, as the same may be modified, amended or supplemented in accordance with the applicable provisions hereof, including all exhibits hereto, including, for all purposes of this Trust Agreement and any such modification, amendment or supplement, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this Trust Agreement and any such modification, amendment or supplement, respectively.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, as in force at the date as of which this instrument was executed; provided, however, that in the event the Trust Indenture Act of 1939, as amended, is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Trust Property" means (a) the Debentures; (b) the rights of the Property Trustee under the Guarantee; (c) any cash on deposit in, or owing to, the Payment Account; and (d) all proceeds and rights in respect of the foregoing and any other property and assets for the time being held or deemed to be held by the Property Trustee pursuant to the trusts of this Trust Agreement.

"Trust Security" means any one of the Common Securities or the Preferred Securities.

"Trust Securities Certificate" means any one of the Common Securities Certificates or the Preferred Securities Certificates.

"Trustees" means, collectively, the Property Trustee, the Delaware Trustee and the Administrative Trustees.

"Underwriting Agreement" means the Underwriting Agreement, dated as of September 24, 1998, among the Trust, the Depositor and the Underwriters named therein.

ARTICLE I ESTABLISHMENT OF THE TRUST

SECTION II. NAME.

The Trust continued hereby shall be known as "Wintrust Capital Trust I," as such name may be modified from time to time by the Administrative Trustees following written notice to the Holders of Trust Securities and the other Trustees, in which name the Trustees may engage in the transactions contemplated hereby, make and execute contracts and other instruments on behalf of the Trust and sue and be sued.

SECTION 201. OFFICE OF THE DELAWARE TRUSTEE; PRINCIPAL PLACE OF BUSINESS.

The address of the Delaware Trustee in the State of Delaware is c/o Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attn: Corporate Trust Administration, or such other address in the State of Delaware as the Delaware Trustee may designate by written notice to the Securityholders and the Depositor. The principal executive office of the Trust is c/o Wintrust Financial Corporation, 727 North Bank Lane, Lake Forest, Illinois 60045.

SECTION 203. INITIAL CONTRIBUTION OF TRUST PROPERTY; ORGANIZATIONAL EXPENSES.

The Trustees acknowledge receipt in trust from the Depositor in connection with the Original Trust Agreement of the sum of \$10, which constituted the initial Trust Property. The Depositor shall pay organizational expenses of the Trust as they arise or shall, upon request of any Trustee, promptly reimburse such Trustee for any such expenses paid by such Trustee. The Depositor shall make no claim upon the Trust Property for the payment of such expenses.

SECTION 204. ISSUANCE OF THE PREFERRED SECURITIES.

On September 24, 1998, the Depositor and an Administrative Trustee, on behalf of the Trust and pursuant to the Original Trust Agreement, executed and delivered the Underwriting Agreement. Contemporaneously with the execution and delivery of this Trust Agreement, an Administrative Trustee, on behalf of the Trust, shall execute in accordance with Section 502 and deliver in accordance with the Underwriting Agreement, Preferred Securities Certificates, registered in the name of Persons entitled thereto in an aggregate amount of 1,100,000 Preferred Securities having an aggregate Liquidation Amount of \$27,500,000 against receipt of the aggregate purchase price of such Preferred Securities of \$27,500,000, which amount such Administrative Trustee shall promptly deliver to the Property Trustee. If the underwriters exercise their over-allotment option and there is an Option Closing Date (as such term is defined in the Underwriting Agreement), then an Administrative Trustee, on behalf of the Trust, shall execute in accordance with Section 502 and deliver in accordance with the Underwriting Agreement, Preferred Securities Certificates, registered in the name of the Persons entitled thereto in an aggregate amount of up to 142,000 Preferred Securities having an aggregate Liquidation Amount of up to \$3,550,000 against receipt of the aggregate purchase price of such Preferred Securities of up to \$3,550,000, which amount such Administrative Trustee shall promptly deliver to the Property Trustee.

SECTION 205. ISSUANCE OF THE COMMON SECURITIES; SUBSCRIPTION AND PURCHASE OF DEBENTURES.

(a) Contemporaneously with the execution and delivery of this Trust Agreement, an Administrative Trustee, on behalf of the Trust, shall execute in accordance with Section 502 and deliver to the Depositor, Common Securities Certificates, registered in the name of the Depositor, in an aggregate amount of Common Securities having an aggregate Liquidation Amount of \$850,516 against payment by the Depositor of such amount. Contemporaneously therewith, an Administrative Trustee, on behalf of the Trust, shall subscribe to and purchase from the Depositor Debentures, registered in the name of the Property Trustee on behalf of the Trust and having an aggregate principal amount equal to \$28,350,516, and, in satisfaction of the purchase price for such Debentures, the Property Trustee, on behalf of the Trust, shall deliver to the Depositor the sum of \$28,350,516.

(b) If the underwriters exercise the Option and there is an Option Closing Date, then an Administrative Trustee, on behalf of the Trust, shall execute in accordance with Section 502 and deliver to the Depositor, Common Securities Certificates, registered in the name of the Depositor, in an additional aggregate amount of Common Securities having an aggregate Liquidation Amount

of up to \$109,794 against payment by the Depositor of such amount. Contemporaneously therewith, an Administrative Trustee, on behalf of the Trust, shall subscribe to and purchase from the Depositor, additional Debentures, registered in the name of the Trust and having an aggregate principal amount of up to \$3,659,794, and, in satisfaction of the purchase price of such Debentures, the Property Trustee, on behalf of the Trust, shall deliver to the Depositor up to \$3,659,794, such aggregate amount to be equal to the sum of the amounts received from the Depositor pursuant to Section 205(b) and from one of the Administrative Trustees pursuant to the last sentence of Section 204.

SECTION 206. DECLARATION OF TRUST.

The exclusive purposes and functions of the Trust are (a) to issue and sell Trust Securities and use the proceeds from such sale to acquire the Debentures; and (b) to engage in those activities necessary, advisable or incidental thereto. The Depositor hereby appoints the Trustees as trustees of the Trust, to have all the rights, powers and duties to the extent set forth herein, and the Trustees hereby accept such appointment. The Property Trustee hereby declares that it shall hold the Trust Property in trust upon and subject to the conditions set forth herein for the benefit of the Securityholders. The Administrative Trustees shall have all rights, powers and duties set forth herein and in accordance with applicable law with respect to accomplishing the purposes of the Trust. The Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities, of the Property Trustee or the Administrative Trustees set forth herein. The Delaware Trustee shall be one of the Trustees of the Trust for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Delaware Business Trust Act.

SECTION 207. AUTHORIZATION TO ENTER INTO CERTAIN TRANSACTIONS.

(a) The Trustees shall conduct the affairs of the Trust in accordance with the terms of this Trust Agreement. Subject to the limitations set forth in paragraph (b) of this Section 207 and Article VIII, and in accordance with the following provisions (i) and (ii), the Administrative Trustees shall have the authority to enter into all transactions and agreements determined by the Administrative Trustees to be appropriate in exercising the authority, express or implied, otherwise granted to the Administrative Trustees under this Trust Agreement, and to perform all acts in furtherance thereof, including without limitation, the acts set forth in the following provision (i) and the Property Trustee shall have the authority to act, each as set forth below:

(i) As among the Trustees, each Administrative Trustee, acting singly or jointly, shall have the power and authority to act on behalf of the Trust with respect to the following matters:

(A) the issuance and sale of the Trust Securities and the compliance with the Underwriting Agreement in connection therewith;

(B) to cause the Trust to enter into, and to execute, deliver and perform on behalf of the Trust, the Expense Agreement and such other

agreements or documents as may be necessary or desirable in connection with the purposes and function of the Trust;

(C) assisting in the registration of the Preferred Securities under the Securities Act of 1933, as amended, and under state securities or blue sky laws, and the qualification of this Trust Agreement as a trust indenture under the Trust Indenture Act;

(D) assisting in the listing of the Preferred Securities upon The Nasdaq National Market^K or such securities exchange or exchanges as shall be determined by the Depositor, the registration of the Preferred Securities under the Exchange Act, the compliance with the listing requirements of The Nasdaq National MarketSM or the applicable securities exchange and the preparation and filing of all periodic and other reports and other documents pursuant to the foregoing;

(E) the sending of notices (other than notices of default) and other information regarding the Trust Securities and the Debentures to the Securityholders in accordance with this Trust Agreement;

(F) the appointment of a Paying Agent, authenticating agent and Securities Registrar in accordance with this Trust Agreement;

(G) to the extent provided in this Trust Agreement, the winding up of the affairs of and liquidation of the Trust and the preparation, execution and filing of the certificate of cancellation with the Secretary of State of the State of Delaware;

(H) to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Preferred Securities or to enable the Trust to effect the purposes for which the Trust was created; and

(I) the taking of any action incidental to the foregoing as the Administrative Trustees may from time to time determine is necessary or advisable to give effect to the terms of this Trust Agreement for the benefit of the Securityholders (without consideration of the effect of any such action on any particular Securityholder).

(ii) As among the Trustees, the Property Trustee shall have the power, duty and authority to act on behalf of the Trust with respect to the following matters:

- (A) the establishment of the Payment Account;
- (B) the receipt of the Debentures;
- (C) the collection of interest, principal and any other payments made in respect of the Debentures in the Payment Account;
- (D) the distribution of amounts owed to the Securityholders in respect of the Trust Securities in accordance with the terms of this Trust Agreement;
- (E) the exercise of all of the rights, powers and privileges of a holder of the Debentures;
- (F) the sending of notices of default and other information regarding the Trust Securities and the Debentures to the Securityholders in accordance with this Trust Agreement;
- (G) the distribution of the Trust Property in accordance with the terms of this Trust Agreement;
- (H) to the extent provided in this Trust Agreement, the winding up of the affairs of and liquidation of the Trust;
- (I) after an Event of Default, the taking of any action incidental to the foregoing as the Property Trustee may from time to time determine is necessary or advisable to give effect to the terms of this Trust Agreement and protect and conserve the Trust Property for the benefit of the Securityholders (without consideration of the effect of any such action on any particular Securityholder);
- (J) registering transfers of the Trust Securities in accordance with this Trust Agreement; and
- (K) except as otherwise provided in this Section 207(a)(ii), the Property Trustee shall have none of the duties, liabilities, powers or the authority of the Administrative Trustees set forth in Section 207(a)(i).

(b) So long as this Trust Agreement remains in effect, the Trust (or the Trustees acting on behalf of the Trust) shall not undertake any business, activities or transaction except as expressly provided herein or contemplated hereby. In particular, the Trustees shall not (i) acquire any investments or engage in any activities not authorized by this Trust Agreement; (ii) sell, assign, transfer, exchange, mortgage, pledge, set-off or otherwise dispose of any of the Trust Property or interests therein, including to Securityholders, except as expressly provided herein; (iii) take any

action that would cause the Trust to fail or cease to qualify as a "grantor trust" for United States federal income tax purposes; (iv) incur any indebtedness for borrowed money or issue any other debt; or (v) take or consent to any action that would result in the placement of a Lien on any of the Trust Property. The Administrative Trustees shall defend all claims and demands of all Persons at any time claiming any Lien on any of the Trust Property adverse to the interest of the Trust or the Securityholders in their capacity as Securityholders.

(c) In connection with the issue and sale of the Preferred Securities, the Depositor shall have the right and responsibility to assist the Trust with respect to, or effect on behalf of the Trust, the following (and any actions taken by the Depositor in furtherance of the following prior to the date of this Trust Agreement are hereby ratified and confirmed in all respects):

(i) the preparation and filing by the Trust with the Commission and the execution on behalf of the Trust of a registration statement on the appropriate form in relation to the Preferred Securities, the Debentures, and the Guarantee, including any amendments thereto;

(ii) the determination of the states in which to take appropriate action to qualify or, register for sale all or part of the Preferred Securities and to do any and all such acts, other than actions which must be taken by or on behalf of the Trust, and advise the Trustees of actions they must take on behalf of the Trust, and prepare for execution and filing any documents to be executed and filed by the Trust or on behalf of the Trust, as the Depositor deems necessary or advisable in order to comply with the applicable laws of any such States;

(iii) the preparation for filing by the Trust and execution on behalf of the Trust of an application to The Nasdaq National MarketK or a national stock exchange or other organizations for listing upon notice of issuance of any Preferred Securities and to file or cause an Administrative Trustee to file thereafter with such exchange or organization such notifications and documents as may be necessary from time to time;

(iv) the preparation for filing by the Trust with the Commission and the execution on behalf of the Trust of a registration statement on Form 8-A relating to the registration of the Preferred Securities under Section 12(b) or 12(g) of the Exchange Act, including any amendments thereto;

(v) the negotiation of the terms of, and the execution and delivery of, the Underwriting Agreement providing for the sale of the Preferred Securities; and

(vi) the taking of any other actions necessary or desirable to carry out any of the foregoing activities.

(d) Notwithstanding anything herein to the contrary, the Trustees are authorized and directed to conduct the affairs of the Trust and to operate the Trust so that the Trust shall not be deemed to be an "investment company" required to be registered under the Investment Company Act, shall be classified as a "grantor trust" and not as an association taxable as a corporation for United States federal income tax purposes and so that the Debentures shall be treated as indebtedness of the Depositor for United States federal income tax purposes. In this connection, subject to Section 1002, the Depositor and the Trustees are authorized to take any action, not inconsistent with applicable law or this Trust Agreement, that each of the Depositor and the Trustees determines in their discretion to be necessary or desirable for such purposes.

SECTION 208. ASSETS OF TRUST.

The assets of the Trust shall consist of the Trust Property.

SECTION 209. TITLE TO TRUST PROPERTY.

Legal title to all Trust Property shall be vested at all times in the Property Trustee (in its capacity as such) and shall be held and administered by the Property Trustee for the benefit of the Securityholders in accordance with this Trust Agreement.

ARTICLE II PAYMENT ACCOUNT

SECTION III. PAYMENT ACCOUNT.

(a) On or prior to the Closing Date, the Property Trustee shall establish the Payment Account. The Property Trustee and any agent of the Property Trustee shall have exclusive control and sole right of withdrawal with respect to the Payment Account for the purpose of making deposits and withdrawals from the Payment Account in accordance with this Trust Agreement. All monies and other property deposited or held from time to time in the Payment Account shall be held by the Property Trustee in the Payment Account for the exclusive benefit of the Securityholders and for distribution as herein provided, including (and subject to) any priority of payments provided for herein.

(b) The Property Trustee shall deposit in the Payment Account, promptly upon receipt, all payments of principal of or interest on, and any other payments or proceeds with respect to, the Debentures. Amounts held in the Payment Account shall not be invested by the Property Trustee pending distribution thereof.

**ARTICLE III
DISTRIBUTIONS; REDEMPTION**

SECTION 401. DISTRIBUTIONS.

(a) Distributions on the Trust Securities shall be cumulative, and shall accumulate whether or not there are funds of the Trust available for the payment of Distributions. Distributions shall accumulate from September 29, 1998, and, except during any Extended Interest Payment Period with respect to the Debentures, shall be payable quarterly in arrears on the last calendar day of March, June, September and December of each year, commencing on December 31, 1998. If any date on which a Distribution is otherwise payable on the Trust Securities is not a Business Day, then the payment of such Distribution shall be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day (and without any reduction of interest or any other payment in respect of any such acceleration), in each case with the same force and effect as if made on such date (each date on which distributions are payable in accordance with this Section 401(a), a "Distribution Date").

(b) The Trust Securities represent undivided beneficial interests in the Trust Property, and, as a practical matter, the Distributions on the Trust Securities shall be payable at a rate of 9.00% per annum of the Liquidation Amount of the Trust Securities. The amount of Distributions payable for any full period shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of Distributions for any partial period shall be computed on the basis of the number of days elapsed in a 360-day year of twelve 30-day months. During any Extended Interest Payment Period with respect to the Debentures, Distributions on the Preferred Securities shall be deferred for a period equal to the Extended Interest Payment Period. The amount of Distributions payable for any period shall include the Additional Amounts, if any.

(c) Distributions on the Trust Securities shall be made by the Property Trustee solely from the Payment Account and shall be payable on each Distribution Date only to the extent that the Trust has funds on hand and immediately available by 12:30 p.m. on each Distribution Date in the Payment Account for the payment of such Distributions.

(d) Distributions on the Trust Securities with respect to a Distribution Date shall be payable to the record holders thereof as they appear on the Securities Register for the Trust Securities on the relevant record date, which shall be the 15th day of March, June, September or December for Distributions payable on the last calendar day of the respective month.

SECTION 402. REDEMPTION.

(a) On each Debenture Redemption Date and on the maturity of the Debentures, the Trust shall be required to redeem a Like Amount of Trust Securities at the Redemption Price.

(b) Notice of redemption shall be given by the Property Trustee by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date to each

Holder of Trust Securities to be redeemed, at such Holder's address appearing in the Securities Register. The Property Trustee shall have no responsibility for the accuracy of any CUSIP number contained in such notice. All notices of redemption shall state:

(i) the Redemption Date;

(ii) the Redemption Price;

(iii) the CUSIP number;

(iv) if less than all the Outstanding Trust Securities are to be redeemed, the identification and the aggregate Liquidation Amount of the particular Trust Securities to be redeemed;

(v) that, on the Redemption Date, the Redemption Price shall become due and payable upon each such Trust Security to be redeemed and that Distributions thereon shall cease to accumulate on and after said date, except as provided in Section 4.2(d); and

(vi) the place or places at which Trust Securities are to be surrendered for the payment of the Redemption Price; and

(c) The Trust Securities redeemed on each Redemption Date shall be redeemed at the Redemption Price with the proceeds from the contemporaneous redemption of Debentures. Redemptions of the Trust Securities shall be made and the Redemption Price shall be payable on each Redemption Date only to the extent that the Trust has immediately available funds then on hand and available in the Payment Account for the payment of such Redemption Price.

(d) If the Property Trustee gives a notice of redemption in respect of any Preferred Securities, then, by 12:00 noon, New York City time, on the Redemption Date, subject to Section 402(c), the Property Trustee, subject to Section 402(c), shall, with respect to Preferred Securities held in global form, deposit with the Clearing Agency for such Preferred Securities, to the extent available therefor, funds sufficient to pay the applicable Redemption Price and will give such Clearing Agency irrevocable instructions and authority to pay the Redemption Price to the Holders of the Preferred Securities. With respect to Trust Securities that are not held in global form, the Property Trustee, subject to Section 402(c), shall deposit with the Paying Agent funds sufficient to pay the applicable Redemption Price and shall give the Paying Agent irrevocable instructions and authority to pay the Redemption Price to the record holders thereof upon surrender of their Preferred Securities Certificates. Notwithstanding the foregoing, Distributions payable on or prior to the Redemption Date for any Trust Securities called for redemption shall be payable to the Holders of such Trust Securities as they appear on the Register for the Trust Securities on the relevant record dates for the related Distribution Dates. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, (i) all rights of Securityholders holding Trust Securities so called for redemption shall cease, except the right of such Securityholders to receive the Redemption Price, (ii) such Securities shall cease to be Outstanding, (iii) the Clearing

Agency for the Preferred Securities or its nominee, as the registered Holder of the Global Preferred Securities Certificate, shall receive a registered global certificate or certificates representing the Debentures to be delivered upon such distribution with respect to Preferred Securities held by the Clearing Agency or its nominee, and (iv) any Trust Securities Certificates not held by the Clearing Agency for the Preferred Securities or its nominee as specified in clause (iii) above will be deemed to represent Debentures having a principal amount equal to the stated Liquidation Amount of the Trust Securities represented thereby and bearing accrued and unpaid interest in an amount equal to the accumulated and unpaid Distributions on such Trust Securities until such certificates are presented to the Securities Registrar for transfer or reissuance. In the event that any date on which any Redemption Price is payable is not a Business Day, then payment of the Redemption Price payable on such date shall be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day (and without any reduction of interest or any other payment in respect of any such acceleration), in each case with the same force and effect as if made on such date. In the event that payment of the Redemption Price in respect of any Trust Securities called for redemption is improperly withheld or refused and not paid either by the Trust or by the Depositor pursuant to the Guarantee, Distributions on such Trust Securities shall continue to accumulate, at the then applicable rate, from the Redemption Date originally established by the Trust for such Trust Securities to the date such Redemption Price is actually paid, in which case the actual payment date shall be the date fixed for redemption for purposes of calculating the Redemption Price.

(e) Payment of the Redemption Price on the Trust Securities shall be made to the record holders thereof as they appear on the Securities Register for the Trust Securities on the relevant record date, which shall be the date 15 days prior to the relevant Redemption Date.

(f) Subject to Section 403(a), if less than all the Outstanding Trust Securities are to be redeemed on a Redemption Date, then the aggregate Liquidation Amount of Trust Securities to be redeemed shall be allocated on a pro rata basis (based on Liquidation Amounts) among the Common Securities and the Preferred Securities. The particular Preferred Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Property Trustee from the outstanding Preferred Securities not previously called for redemption, by such method (including, without limitation, by lot) as the Property Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to \$25 or an integral multiple of \$25 in excess thereof) of the Liquidation Amount of Preferred Securities of a denomination larger than \$25. The Property Trustee shall promptly notify the Securities Registrar in writing of the Preferred Securities selected for redemption and, in the case of any Preferred Securities selected for partial redemption, the Liquidation Amount thereof to be redeemed. For all purposes of this Trust Agreement, unless the context otherwise requires, all provisions relating to the redemption of Preferred Securities shall relate, in the case of any Preferred Securities redeemed or to be redeemed only in part, to the portion of the Liquidation Amount of Preferred Securities which has been or is to be redeemed.

SECTION 403. SUBORDINATION OF COMMON SECURITIES.

(a) Payment of Distributions (including Additional Amounts, if applicable) on, and the Redemption Price of, the Trust Securities, as applicable, shall be made, subject to Section 402(f), pro rata among the Common Securities and the Preferred Securities based on the Liquidation Amount of the Trust Securities; provided, however, that if on any Distribution Date or Redemption Date any Event of Default resulting from a Debenture Event of Default shall have occurred and be continuing, no payment of any Distribution (including Additional Amounts, if applicable) on, or Redemption Price of, any Common Security, and no other payment on account of the redemption, liquidation or other acquisition of Common Securities, shall be made unless payment in full in cash of all accumulated and unpaid Distributions (including Additional Amounts, if applicable) on all Outstanding Preferred Securities for all Distribution periods terminating on or prior thereto, or in the case of payment of the Redemption Price the full amount of such Redemption Price on all Outstanding Preferred Securities then called for redemption, shall have been made or provided for, and all funds immediately available to the Property Trustee shall first be applied to the payment in full in cash of all Distributions (including Additional Amounts, if applicable) on, or the Redemption Price of, Preferred Securities then due and payable.

(b) In the case of the occurrence of any Event of Default resulting from a Debenture Event of Default, the record holder of Common Securities, the Depositor, shall be deemed to have waived any right to act with respect to any such Event of Default under this Trust Agreement until the effect of all such Events of Default with respect to the Preferred Securities shall have been cured, waived or otherwise eliminated. Until any such Event of Default under this Trust Agreement with respect to the Preferred Securities shall have been so cured, waived or otherwise eliminated, the Property Trustee shall act solely on behalf of the record holders of the Preferred Securities and not the record holder of the Common Securities, and only the Holders of the Preferred Securities shall have the right to direct the Property Trustee to act on their behalf.

SECTION 404. PAYMENT PROCEDURES.

Payments of Distributions (including Additional Amounts, if applicable) in respect of the Preferred Securities shall be made by check mailed to the address of the Person entitled thereto as such address shall appear on the Securities Register or, if the Preferred Securities are held by a Clearing Agency, such Distributions shall be made to the Clearing Agency in immediately available funds, which will credit the relevant accounts on the applicable Distribution Dates. Payments in respect of the Common Securities shall be made in such manner as shall be mutually agreed between the Property Trustee and the Common Securityholder.

SECTION 405. TAX RETURNS AND REPORTS.

The Administrative Trustees shall prepare (or cause to be prepared), at the Depositor's expense, and file all United States federal, state and local tax and information returns and reports required to be filed by or in respect of the Trust. In this regard, the Administrative Trustees shall (a) prepare and file (or cause to be prepared and filed) the appropriate Internal Revenue Service forms required to be filed in respect of the Trust in each taxable year of the Trust; and (b) prepare

and furnish (or cause to be prepared and furnished) to each Securityholder the appropriate Internal Revenue Service forms required to be furnished to such Securityholder or the information required to be provided on such form. The Administrative Trustees shall provide the Depositor with a copy of all such returns and reports promptly after such filing or furnishing. The Property Trustee shall comply with United States federal withholding and backup withholding tax laws and information reporting requirements with respect to any payments to Securityholders under the Trust Securities.

SECTION 406. PAYMENT OF TAXES, DUTIES, ETC. OF THE TRUST.

Upon receipt under the Debentures of Additional Interest (as defined in Section 1.1 of the Indenture), the Property Trustee, at the direction of an Administrative Trustee or the Depositor, shall promptly pay any taxes, duties or governmental charges of whatsoever nature (other than withholding taxes) imposed on the Trust by the United States or any other taxing authority.

SECTION 407. PAYMENTS UNDER INDENTURE.

Any amount payable hereunder to any record holder of Preferred Securities shall be reduced by the amount of any corresponding payment such Holder has directly received under the Indenture pursuant to Section 513(b) or (c) hereof.

ARTICLE IV TRUST SECURITIES CERTIFICATES

SECTION 501. INITIAL OWNERSHIP.

Upon the creation of the Trust and the contribution by the Depositor pursuant to Section 203 and until the issuance of the Trust Securities, and at any time during which no Trust Securities are outstanding, the Depositor shall be the sole beneficial owner of the Trust.

SECTION 502. THE TRUST SECURITIES CERTIFICATES.

The Preferred Securities Certificates shall be issued in minimum denominations of \$25 Liquidation Amount and integral multiples of \$25 in excess thereof, and the Common Securities Certificates shall be issued in denominations of \$25 Liquidation Amount and multiples thereof (which may, in the case of the Common Securities, include fractional amounts). The Trust Securities Certificates shall be executed on behalf of the Trust by manual or facsimile signature of at least one Administrative Trustee. Trust Securities Certificates bearing the manual or facsimile signatures of individuals who were, at the time when such signatures shall have been affixed, authorized to sign on behalf of the Trust, shall be validly issued and entitled to the benefits of this Trust Agreement, notwithstanding that such individuals or any of them shall have ceased to be so authorized prior to the delivery of such Trust Securities Certificates or did not hold such offices at the date of delivery of such Trust Securities Certificates. A transferee of a Trust Securities Certificate shall become a Securityholder, and shall be entitled to the rights and subject to the obligations of a Securityholder

hereunder, upon due registration of such Trust Securities Certificate in such transferee's name pursuant to Sections 504, 511 and 513.

SECTION 503. EXECUTION, AUTHENTICATION AND DELIVERY OF TRUST SECURITIES CERTIFICATES.

(a) On the Closing Date and on any date on which the underwriters exercise their over-allotment option, as applicable (an "Option Closing Date"), the Administrative Trustees shall cause Trust Securities Certificates, in an aggregate Liquidation Amount as provided in Sections 204 and 205, to be executed on behalf of the Trust by at least one of the Administrative Trustees and delivered to or upon the written order of the Depositor, signed by its Chief Executive Officer, President, any Vice President or its Treasurer without further corporate action by the Depositor, in authorized denominations.

(b) A Preferred Securities Certificate shall not be valid until authenticated by the manual signature of an authorized signatory of the Property Trustee. The signature shall be conclusive evidence that the Preferred Securities Certificate has been authenticated under this Trust Agreement. Each Preferred Security Certificate shall be dated the date of its authentication.

Upon the written order of the Trust signed by one of the Administrative Trustees, the Property Trustee shall authenticate and make available for delivery the Preferred Securities Certificates.

The Property Trustee may appoint an Authenticating Agent acceptable to the Trust to authenticate the Preferred Securities. An Authenticating Agent may authenticate the Preferred Securities whenever the Property Trustee may do so. Each reference in this Trust Agreement to authentication by the Property Trustee includes authentication by such agent. An Authenticating Agent has the same rights as the Property Trustee to deal with the Company or the Trust.

SECTION 503A. GLOBAL PREFERRED SECURITY.

(a) Any Global Preferred Security issued under this Trust Agreement shall be registered in the name of the nominee of the Clearing Agency and delivered to such custodian therefor, and such Global Preferred Security shall constitute a single Preferred Security for all purposes of this Trust Agreement.

(b) Notwithstanding any other provision in this Trust Agreement, no Global Preferred Security may be exchanged for Preferred Securities registered in the names of persons other than the Depository or its nominee unless (i) the Depository notifies the Debenture Trustee that it is unwilling or unable to continue as a depository for such Global Preferred Securities and the Depositor is unable to locate a qualified successor depository, (ii) the Depositor executes and delivers to the Trustee a written order stating that it elects to terminate the book-entry system through the Depository or (iii) there shall have occurred and be continuing a Debenture Event of Default.

(c) If a Preferred Security is to be exchanged in whole or in part for a beneficial interest in a Global Preferred Security, then either (i) such Global Preferred Security shall be so surrendered

for exchange or cancellation as provided in this Article V or (ii) the Liquidation amount thereof shall be reduced or increased by an amount equal to the portion thereof to be so exchanged or cancelled, or equal to the Liquidation Amount of such other Preferred Securities to be so exchanged for a beneficial interest therein, as the case may be, by means of an appropriate adjustment made on the records of the Securities Registrar, whereupon the Property Trustee, in accordance with the rules and procedures of the Depositary for such Global Preferred Security (the "Applicable Procedures"), shall instruct the Clearing Agency or its authorized representative to make a corresponding adjustment to its records. Upon any such surrender or adjustment of a Global Preferred Security by the Clearing Agency, accompanied by registration instructions, the Administrative Trustees shall execute and the Property Trustee shall, subject to Section 504(b) and as otherwise provided in this Article V, authenticate and deliver any Preferred Securities issuable in exchange for such Global Preferred Security (or any portion thereof) in accordance with the instructions of the Clearing Agency. The Property Trustee shall not be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be fully protected in relying on, such instructions.

(d) Every Preferred Security executed, authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Preferred Security or any portion thereof, whether pursuant to this Article V or otherwise, shall be executed, authenticated and delivered in the form of, and shall be, a Global Preferred Security, unless such Global Preferred Security is registered in the name of a Person other than the Clearing Agency for such Global Preferred Security or a nominee thereof.

(e) The Clearing Agency or its nominee, as the registered owner of a Global Preferred Security, shall be considered the Holder of the Preferred Securities represented by such Global Preferred Security for all purposes under this Trust Agreement and the Preferred Securities, and owners of beneficial interests in such Global Preferred Security shall hold such interests pursuant to the Applicable Procedures and, except as otherwise provided herein, shall not be entitled to receive physical delivery of any such Preferred Securities in definitive form and shall not be considered the Holders thereof under this Trust Agreement. Accordingly, any such owner's beneficial interest in the Global Preferred Securities shall be shown only on, and the transfer of such interest shall be effected only through, records maintained by the Clearing Agency or its nominee. Neither the Property Trustee, the Securities Registrar nor Depositor shall have any liability in respect of any transfers effected by the Clearing Agency.

(f) The rights of owners of beneficial interests in a Global Preferred Security shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such owners and the Clearing Agency.

SECTION 504. REGISTRATION OF TRANSFER AND EXCHANGE OF PREFERRED SECURITIES CERTIFICATES.

(a) The Depositor shall keep or cause to be kept, at the office or agency maintained pursuant to Section 508, a register or registers for the purpose of registering Trust Securities Certificates and, subject to the provisions of Section 503A, transfers and exchanges of Preferred Securities Certificates (herein referred to as the "Securities Register") in which the registrar

designated by the Depositor (the "Securities Registrar"), subject to such reasonable regulations as it may prescribe, shall provide for the registration of Preferred Securities Certificates and Common Securities Certificates (subject to Section 510 in the case of the Common Securities Certificates) and registration of transfers and exchanges of Preferred Securities Certificates as herein provided. The Property Trustee shall be the initial Securities Registrar.

(b) Subject to the provisions of Section 503A, upon surrender for registration of transfer of any Preferred Securities Certificate at the office or agency maintained pursuant to Section 508, the Administrative Trustees or any one of them shall execute and deliver, in the name of the designated transferee or transferees, one or more new Preferred Securities Certificates in authorized denominations of a like aggregate Liquidation Amount dated the date of execution by such Administrative Trustee or Trustees. The Securities Registrar shall not be required to register the transfer of any Preferred Securities that have been called for redemption. At the option of a record holder, Preferred Securities Certificates may be exchanged for other Preferred Securities Certificates in authorized denominations of the same class and of a like aggregate Liquidation Amount upon surrender of the Preferred Securities Certificates to be exchanged at the office or agency maintained pursuant to Section 508.

(c) Every Preferred Securities Certificate presented or surrendered for registration of transfer or exchange, subject to the provisions of Section 503A, shall be accompanied by a written instrument of transfer in form satisfactory to the Property Trustee and the Securities Registrar duly executed by the Holder or his attorney duly authorized in writing. Each Preferred Securities Certificate surrendered for registration of transfer or exchange shall be canceled and subsequently disposed of by the Property Trustee in accordance with its customary practice. The Trust shall not be required to (i) issue, register the transfer of, or exchange any Preferred Securities during a period beginning at the opening of business 15 calendar days before the date of mailing of a notice of redemption of any Preferred Securities called for redemption and ending at the close of business on the day of such mailing; or (ii) register the transfer of or exchange any Preferred Securities so selected for redemption, in whole or in part, except the unredeemed portion of any such Preferred Securities being redeemed in part.

(d) No service charge shall be made for any registration of transfer or exchange of Preferred Securities Certificates, subject to the provisions of Section 503A, but the Securities Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Preferred Securities Certificates.

(e) Preferred Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Trust Agreement. Any transfer or purported transfer of any Preferred Security not made in accordance with this Trust Agreement shall be null and void. A Preferred Security that is not a Global Preferred Security may be transferred, in whole or in part, to a Person who takes delivery in the form of another Preferred Security that is not a Global Preferred Security as provided in Section 504(a). A beneficial interest in a Global Preferred Security may be exchanged for a Preferred Security that is not a Global Preferred Security only as provided in Section 503A.

SECTION 505. MUTILATED, DESTROYED, LOST OR STOLEN TRUST SECURITIES CERTIFICATES.

If (a) any mutilated Trust Securities certificate shall be surrendered to the Securities Registrar, or if the Securities Registrar shall receive evidence to its satisfaction of the destruction, loss or theft of any Trust Securities Certificate; and (b) there shall be delivered to the Securities Registrar and the Administrative Trustees such security or indemnity as may be required by them to save each of them harmless, then in the absence of notice that such Trust Securities Certificate shall have been acquired by a bona fide purchaser, the Administrative Trustees, or any one of them, on behalf of the Trust shall execute and make available for delivery, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Trust Securities Certificate, a new Trust Securities Certificate of like class, tenor and denomination. In connection with the issuance of any new Trust Securities Certificate under this

Section 505, the Administrative Trustees or the Securities Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Trust Securities Certificate issued pursuant to this Section 505 shall constitute conclusive evidence of an undivided beneficial interest in the assets of the Trust, as if originally issued, whether or not the lost, stolen or destroyed Trust Securities Certificate shall be found at any time.

SECTION 506. PERSONS DEEMED SECURITYHOLDERS.

The Trustees, the Paying Agent and the Securities Registrar shall treat the Person in whose name any Trust Securities Certificate shall be registered in the Securities Register as the owner of such Trust Securities Certificate for the purpose of receiving Distributions and for all other purposes whatsoever, and neither the Trustees nor the Securities Registrar shall be bound by any notice to the contrary.

SECTION 507. ACCESS TO LIST OF SECURITYHOLDERS' NAMES AND ADDRESSES.

At any time when the Property Trustee is not also acting as the Securities Registrar, the Administrative Trustees or the Depositor shall furnish or cause to be furnished to the Property Trustee (a) within five Business Days of March 15, June 15, September 15 and December 15 of each year, a list, in such form as the Property Trustee may reasonably require, of the names and addresses of the Securityholders as of the most recent record date; and (b) promptly after receipt by any Administrative Trustee or the Depositor of a request therefor from the Property Trustee in order to enable the Property Trustee to discharge its obligations under this Trust Agreement, in each case to the extent such information is in the possession or control of the Administrative Trustees or the Depositor and is not identical to a previously supplied list or has not otherwise been received by the Property Trustee in its capacity as Securities Registrar. The rights of Securityholders to communicate with other Securityholders with respect to their rights under this Trust Agreement or under the Trust Securities, and the corresponding rights of the Trustee shall be as provided in the Trust Indenture Act. Each Holder, by receiving and holding a Trust Securities Certificate, and each owner shall be deemed to have agreed not to hold the Depositor, the Property Trustee or the Administrative Trustees accountable by reason of the disclosure of its name and address, regardless of the source from which such information was derived.

SECTION 508. MAINTENANCE OF OFFICE OR AGENCY.

The Administrative Trustees shall maintain, or cause to be maintained, in The City of New York, or other location designated by the Administrative Trustees, an office or offices or agency or agencies where Preferred Securities Certificates may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Trustees in respect of the Trust Securities Certificates may be served. The Administrative Trustees initially designate the Corporate Trust Office of the Property Trustee, Wilmington Trust Company, as the principal corporate trust office for such purposes. The Administrative Trustees shall give prompt written notice to the Depositor and to the Securityholders of any change in the location of the Securities Register or any such office or agency.

SECTION 509. APPOINTMENT OF PAYING AGENT.

The Paying Agent shall make Distributions to Securityholders from the Payment Account and shall report the amounts of such Distributions to the Property Trustee and the Administrative Trustees. Any Paying Agent shall have the revocable power to withdraw funds from the Payment Account for the purpose of making the Distributions referred to above. The Administrative Trustees may revoke such power and remove the Paying Agent if such Trustees determine in their sole discretion that the Paying Agent shall have failed to perform its obligations under this Trust Agreement in any material respect. The Paying Agent shall initially be the Property Trustee, and any co-paying agent chosen by the Property Trustee, and acceptable to the Administrative Trustees and the Depositor. Any Person acting as Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Administrative Trustees, the Property Trustee and the Depositor. In the event that the Property Trustee shall no longer be the Paying Agent or a successor Paying Agent shall resign or its authority to act be revoked, the Administrative Trustees shall appoint a successor that is acceptable to the Property Trustee and the Depositor to act as Paying Agent (which shall be a bank or trust company). The Administrative Trustees shall cause such successor Paying Agent or any additional Paying Agent appointed by the Administrative Trustees to execute and deliver to the Trustees an instrument in which such successor Paying Agent or additional Paying Agent shall agree with the Trustees that as Paying Agent, such successor Paying Agent or additional Paying Agent shall hold all sums, if any, held by it for payment to the Securityholders in trust for the benefit of the Securityholders entitled thereto until such sums shall be paid to such Securityholders. The Paying Agent shall return all unclaimed funds to the Property Trustee and, upon removal of a Paying Agent, such Paying Agent shall also return all funds in its possession to the Property Trustee. The provisions of Sections 801, 803 and 806 shall apply to the Property Trustee also in its role as Paying Agent, for so long as the Property Trustee shall act as Paying Agent and, to the extent applicable, to any other paying agent appointed hereunder. Any reference in this Agreement to the Paying Agent shall include any co-paying agent unless the context requires otherwise.

SECTION 510. OWNERSHIP OF COMMON SECURITIES BY DEPOSITOR.

On the Closing Date, the Depositor shall acquire and retain beneficial and record ownership of the Common Securities. To the fullest extent permitted by law, any attempted transfer of the Common Securities (other than a transfer in connection with a merger or consolidation of the Depositor into another corporation pursuant to Section 12.1 of the Indenture) shall be void. The Administrative Trustees shall cause each Common Securities Certificate issued to the Depositor to contain a legend stating "THIS CERTIFICATE IS NOT TRANSFERABLE."

SECTION 511. TRUST SECURITIES CERTIFICATES.

(a) Upon their original issuance, Preferred Securities Certificates shall be issued in the form of one or more fully registered Global Preferred Securities Certificates which will be deposited with or on behalf of the Clearing Agency and registered in the name of the Clearing Agency's nominee. Unless and until it is exchangeable in whole or in part for the Preferred Securities in definitive form, a global security may not be transferred except as a whole by the Clearing Agency to a nominee of the Clearing Agency or by a nominee of the Clearing Agency to the Clearing Agency or another nominee of the Clearing Agency or by the Clearing Agency or any such nominee to a successor of such Clearing Agency or a nominee of such successor.

(b) A single Common Securities Certificate representing the Common Securities shall be issued to the Depositor in the form of a definitive Common Securities Certificate.

SECTION 512. NOTICES TO CLEARING AGENCY.

To the extent that a notice or other communication to the Holders is required under this Trust Agreement, for so long as Preferred Securities are represented by a Global Preferred Securities Certificate, the Trustees shall give all such notices and communications specified herein to be given to the Clearing Agency, and shall have no obligations to provide notice to the owners of the beneficial interest in the Global Preferred Securities.

SECTION 513. RIGHTS OF SECURITYHOLDERS.

(a) The legal title to the Trust Property is vested exclusively in the Property Trustee (in its capacity as such) in accordance with Section 209, and the Securityholders shall not have any right or title therein other than the undivided beneficial interest in the assets of the Trust conferred by their Trust Securities and they shall have no right to call for any partition or division of property, profits or rights of the Trust except as described below. The Trust Securities shall be personal property giving only the rights specifically set forth therein and in this Trust Agreement. The Trust Securities shall have no preemptive or similar rights. When issued and delivered to Holders of the Preferred Securities against payment of the purchase price therefor, the Preferred Securities shall be fully paid and nonassessable interests in the Trust. The Holders of the Preferred Securities, in their capacities as such, shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

(b) For so long as any Preferred Securities remain Outstanding, if, upon a Debenture Event of Default, the Debenture Trustee fails or the holders of not less than 25% in principal amount of the outstanding Debentures fail to declare the principal of all of the Debentures to be immediately due and payable, the Holders of at least 25% in Liquidation Amount of the Preferred Securities then Outstanding shall have such right by a notice in writing to the Depositor and the Debenture Trustee; and upon any such declaration such principal amount of and the accrued interest on all of the Debentures shall become immediately due and payable, provided that the payment of principal and interest on such Debentures shall remain subordinated to the extent provided in the Indenture.

(c) For so long as any Preferred Securities remain outstanding, upon a Debenture Event of Default arising from the failure to pay interest or principal on the Debentures, the Holders of any Preferred Securities then Outstanding shall, to the fullest extent permitted by law, have the right to directly institute proceedings for enforcement of payment to such Holders of principal of or interest on the Debentures having a principal amount equal to the Liquidation Amount of the Preferred Securities of such Holders.

ARTICLE I ACTS OF SECURITYHOLDERS; MEETINGS; VOTING

SECTION 601. LIMITATIONS ON VOTING RIGHTS.

(a) Except as provided in this Section 601, in Sections 512, 810 and 1002 and in the Indenture and as otherwise required by law, no record Holder of Preferred Securities shall have any right to vote or in any manner otherwise control the administration, operation and management of the Trust or the obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the Trust Securities Certificates, be construed so as to constitute the Securityholders from time to time as partners or members of an association.

(b) So long as any Debentures are held by the Property Trustee on behalf of the Trust, the Trustees shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Debenture Trustee, or executing any trust or power conferred on the Debenture Trustee with respect to such Debentures; (ii) waive any past default which is waivable under Article VII of the Indenture; (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable; or (iv) consent to any amendment, modification or termination of the Indenture or the Debentures, where such consent shall be required, without, in each case, obtaining the prior approval of the Holders of at least a majority in Liquidation Amount of all Outstanding Preferred Securities; provided, however, that where a consent under the Indenture would require the consent of each Holder of Outstanding Debentures affected thereby, no such consent shall be given by the Property Trustee without the prior written consent of each holder of Preferred Securities. The Trustees shall not revoke any action previously authorized or approved by a vote of the Holders of the Outstanding Preferred Securities, except by a subsequent vote of the Holders of the Outstanding Preferred Securities. The Property Trustee shall notify each Holder of the Outstanding Preferred Securities of any notice of default received from the Debenture Trustee

with respect to the Debentures. In addition to obtaining the foregoing approvals of the Holders of the Preferred Securities, prior to taking any of the foregoing actions, the Trustees shall, at the expense of the Depositor, obtain an Opinion of Counsel experienced in such matters to the effect that the Trust shall continue to be classified as a grantor trust and not as an association taxable as a corporation for United States federal income tax purposes on account of such action.

(c) If any proposed amendment to the Trust Agreement provides for, or the Trustees otherwise propose to effect, (i) any action that would adversely affect in any material respect the powers, preferences or special rights of the Preferred Securities, whether by way of amendment to the Trust Agreement or otherwise; or (ii) the dissolution, winding-up or termination of the Trust, other than pursuant to the terms of this Trust Agreement, then the Holders of Outstanding Preferred Securities as a class shall be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of the Holders of at least a majority in Liquidation Amount of the Outstanding Preferred Securities. No amendment to this Trust Agreement may be made if, as a result of such amendment, the Trust would cease to be classified as a grantor trust or would be classified as an association taxable as a corporation for United States federal income tax purposes.

SECTION 602. NOTICE OF MEETINGS.

Notice of all meetings of the Preferred Securityholders, stating the time, place and purpose of the meeting, shall be given by the Property Trustee pursuant to Section 1008 to each Preferred Securityholder of record, at his registered address, at least 15 days and not more than 90 days before the meeting. At any such meeting, any business properly before the meeting may be so considered whether or not stated in the notice of the meeting. Any adjourned meeting may be held as adjourned without further notice.

SECTION 603. MEETINGS OF PREFERRED SECURITYHOLDERS.

(a) No annual meeting of Securityholders is required to be held. The Administrative Trustees, however, shall call a meeting of Securityholders to vote on any matter in respect of which Preferred Securityholders are entitled to vote upon the written request of the Preferred Securityholders of 25% of the Outstanding Preferred Securities (based upon their aggregate Liquidation Amount) and the Administrative Trustees or the Property Trustee may, at any time in their discretion, call a meeting of Preferred Securityholders to vote on any matters as to which the Preferred Securityholders are entitled to vote.

(b) Preferred Securityholders of record of 50% of the Outstanding Preferred Securities (based upon their aggregate Liquidation Amount), present in person or by proxy, shall constitute a quorum at any meeting of Securityholders.

(c) If a quorum is present at a meeting, an affirmative vote by the Preferred Securityholders of record present, in person or by proxy, holding more than a majority of the Preferred Securities (based upon their aggregate Liquidation Amount) held by the Preferred Securityholders of record present, either in person or by proxy, at such meeting shall constitute the

action of the Securityholders, unless this Trust Agreement requires a greater number of affirmative votes.

SECTION 604. VOTING RIGHTS.

Securityholders shall be entitled to one vote for each \$25 of Liquidation Amount represented by their Trust Securities (with any fractional multiple thereof rounded up or down as the case may be to the closest integral multiple) in respect of any matter as to which such Securityholders are entitled to vote.

SECTION 605. PROXIES, ETC.

At any meeting of Securityholders, any Securityholder entitled to vote thereat may vote by proxy, provided that no proxy, shall be voted at any meeting unless it shall have been placed on file with the Administrative Trustees, or with such other officer or agent of the Trust as the Administrative Trustees may direct, for verification prior to the time at which such vote shall be taken. Only Holders of record shall be entitled to vote. When Trust Securities are held jointly by several persons, any one of them may vote at any meeting in person or by proxy in respect of such Trust Securities, but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote shall not be received in respect of such Trust Securities. A proxy purporting to be executed by or on behalf of a Securityholder shall be deemed valid unless challenged at or prior to its exercise, and, the burden of proving invalidity shall rest on the challenger. No proxy shall be valid more than three years after its date of execution.

SECTION 606. SECURITYHOLDER ACTION BY WRITTEN CONSENT.

Any action which may be taken by Securityholders at a meeting may be taken without a meeting if Securityholders holding more than a majority of all outstanding Trust Securities (based upon their aggregate Liquidation Amount) entitled to vote in respect of such action (or such larger proportion thereof as shall be required by any express provision of this Trust Agreement) shall consent to the action in writing (based upon their aggregate Liquidation Amount).

SECTION 607. RECORD DATE FOR VOTING AND OTHER PURPOSES.

For the purposes of determining the Securityholders who are entitled to notice of and to vote at any meeting or by written consent, or to participate in any Distribution on the Trust Securities in respect of which a record date is not otherwise provided for in this Trust Agreement, or for the purpose of any other action, the Administrative Trustees or the Property Trustee may from time to time fix a date, not more than 90 days prior to the date of any meeting of Securityholders or the payment of Distribution or other action, as the case may be, as a record date for the determination of the identity of the Securityholders of record for such purposes.

SECTION 608. ACTS OF SECURITYHOLDERS.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Trust Agreement to be given, made or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders or owners in person or by an agent duly appointed in writing; and, except as otherwise expressly provided herein, such action shall become effective when such instrument or instruments are delivered to an Administrative Trustee. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Securityholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Trust Agreement and (subject to Section 801) conclusive in favor of the Trustees, if made in the manner provided in this Section 608.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which any Trustee receiving the same deems sufficient.

(c) The ownership of Preferred Securities shall be proved by the Securities Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Securityholder of any Trust Security shall bind every future Securityholder of the same Trust Security and the Securityholder of every Trust Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustees or the Trust in reliance thereon, whether or not notation of such action is made upon such Trust Security.

(e) Without limiting the foregoing, a Securityholder entitled hereunder to take any action hereunder with regard to any particular Trust Security may do so with regard to all or any part of the Liquidation Amount of such Trust Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such liquidation amount.

(f) A Securityholder may institute a legal proceeding directly against the Depositor under the Guarantee to enforce its rights under the Guarantee without first instituting a legal proceeding against the Guarantee Trustee (as defined in the Guarantee), the Trust or any Person.

SECTION 609. INSPECTION OF RECORDS.

Upon reasonable notice to the Administrative Trustees and the Property Trustee, the records of the Trust shall be open to inspection at the principal executive office of the Trust (as indicated in Section 202) by record holders of the Trust Securities during normal business hours for any purpose reasonably related to such record holder's interest as a record holder.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

SECTION 701. REPRESENTATIONS AND WARRANTIES OF THE BANK AND THE PROPERTY TRUSTEE.

The Bank and the Property Trustee, each severally on behalf of and as to itself, as of the date hereof, and each Successor Property Trustee at the time of the Successor Property Trustee's acceptance of its appointment as Property Trustee hereunder (in the case of a Successor Property Trustee, the term "Bank" as used herein shall be deemed to refer to such Successor Property Trustee in its separate corporate capacity), hereby represents and warrants (as applicable) for the benefit of the Depositor and the Securityholders that:

- (a) the Bank is a state chartered trust company duly organized, validly existing and in good standing under the laws of the State of Delaware;
- (b) the Bank has full corporate power, authority and legal right to execute, deliver and perform its obligations under this Trust Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Trust Agreement;
- (c) this Trust Agreement has been duly authorized, executed and delivered by the Property Trustee and constitutes the valid and legally binding agreement of the Property Trustee enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors, rights and to general equity principles;
- (d) the execution, delivery and performance by the Property Trustee of this Trust Agreement has been duly authorized by all necessary corporate or other action on the part of the Property Trustee and does not require any approval of stockholders of the Bank and such execution, delivery and performance shall not (i) violate the Bank's charter or by-laws; (ii) violate any provision of, or constitute, with or without notice or lapse of time, a default under, or result in the creation or imposition of, any Lien on any properties included in the Trust Property pursuant to the provisions of, any indenture, mortgage, credit agreement, license or other agreement or instrument to which the Property Trustee or the Bank is a party or by which it is bound; or (iii) violate any law, governmental rule or regulation of the United States or the State of Delaware, as the case may be, governing the banking or trust powers of the Bank or the Property Trustee (as appropriate in context) or any order, judgment or decree applicable to the Property Trustee or the Bank;

(e) neither the authorization, execution or delivery by the Property Trustee of this Trust Agreement nor the consummation of any of the transactions by the Property Trustee contemplated herein or therein requires the consent or approval of, the giving of notice to, the registration with or the taking of any other action with respect to any governmental authority or agency under any existing federal law governing the banking or trust powers of the Bank or the Property Trustee, as the case may be, under the laws of the United States or the State of Delaware;

(f) there are no proceedings pending or, to the best of the Property Trustee's knowledge, threatened against or affecting the Bank or the Property Trustee in any court or before any governmental authority, agency or arbitration board or tribunal which, individually or in the aggregate, would materially and adversely affect the Trust or would question the right, power and authority of the Property Trustee to enter into or perform its obligations as one of the Trustees under this Trust Agreement; and

(g) the Property Trustee is a Person eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least \$50,000,000.

SECTION 702. REPRESENTATIONS AND WARRANTIES OF THE DELAWARE BANK AND THE DELAWARE TRUSTEE.

The Delaware Bank and the Delaware Trustee, each severally on behalf of and as to itself, as of the date hereof, and each Successor Delaware Trustee at the time of the Successor Delaware Trustee's acceptance of appointment as Delaware Trustee hereunder (the term "Delaware Bank" being used to refer to such Successor Delaware Trustee in its separate corporate capacity), hereby represents and warrants (as applicable) for the benefit of the Depositor and the Securityholders that:

(a) the Delaware Bank is a Delaware banking corporation duly organized, validly existing and in good standing under the laws of the State of Delaware;

(b) the Delaware Bank has full corporate power, authority and legal right to execute, deliver and perform its obligations under this Trust Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Trust Agreement;

(c) this Trust Agreement has been duly authorized, executed and delivered by the Delaware Trustee and constitutes the valid and legally binding agreement of the Delaware Trustee enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors, rights and to general equity principles;

(d) the execution, delivery and performance by the Delaware Trustee of this Trust Agreement has been duly authorized by all necessary corporate or other action on the part of the Delaware Trustee and does not require any approval of stockholders of the Delaware Bank and such execution, delivery and performance shall not (i) violate the Delaware Bank's charter or by-laws; (ii) violate any provision of, or constitute, with or without notice or lapse of time, a default under, or result in the creation or imposition of, any Lien on any properties included in the Trust Property

pursuant to the provisions of, any indenture, mortgage, credit agreement, license or other agreement or instrument to which the Delaware Bank or the Delaware Trustee is a party or by which it is bound; or (iii) violate any law, governmental rule or regulation of the United States or the State of Delaware, as the case may be, governing the banking or trust powers of the Delaware Bank or the Delaware Trustee (as appropriate in context) or any order, judgment or decree applicable to the Delaware Bank or the Delaware Trustee;

(e) neither the authorization, execution or delivery by the Delaware Trustee of this Trust Agreement nor the consummation of any of the transactions by the Delaware Trustee contemplated herein or therein requires the consent or approval of, the giving of notice to, the registration with or the taking of any other action with respect to any governmental authority or agency under any existing federal law governing the banking or trust powers of the Delaware Bank or the Delaware Trustee, as the case may be, under the laws of the United States or the State of Delaware; and

(f) there are no proceedings pending or, to the best of the Delaware Trustee's knowledge, threatened against or affecting the Delaware Bank or the Delaware Trustee in any court or before any governmental authority, agency or arbitration board or tribunal which, individually or in the aggregate, would materially and adversely affect the Trust or would question the right, power and authority of the Delaware Trustee to enter into or perform its obligations as one of the Trustees under this Trust Agreement.

SECTION 703. REPRESENTATIONS AND WARRANTIES OF DEPOSITOR.

The Depositor hereby represents and warrants for the benefit of the Securityholders that:

(a) the Trust Securities Certificates issued on the Closing Date or the Option Closing Date, if applicable, on behalf of the Trust have been duly authorized and, shall have been, duly and validly executed, issued and delivered by the Administrative Trustees pursuant to the terms and provisions of, and in accordance with the requirements of, this Trust Agreement and the Securityholders shall be, as of such date, entitled to the benefits of this Trust Agreement; and

(b) there are no taxes, fees or other governmental charges payable by the Trust (or the Trustees on behalf of the Trust) under the laws of the State of Delaware or any political subdivision thereof in connection with the execution, delivery and performance by the Bank, the Property Trustee or the Delaware Trustee, as the case may be, of this Trust Agreement.

ARTICLE III TRUSTEES

SECTION 801. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) The duties and responsibilities of the Trustees shall be as provided by this Trust Agreement and, in the case of the Property Trustee, by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Trust Agreement shall require the Trustees to expend or risk their

own funds or otherwise incur any financial liability in the performance of any of their duties hereunder, or in the exercise of any of their rights or powers, if they shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. No Administrative Trustee nor the Delaware Trustee shall be liable for its act or omissions hereunder except as a result of its own gross negligence or willful misconduct. The Property Trustee's liability shall be determined under the Trust Indenture Act. Whether or not therein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustees shall be subject to the provisions of this Section 801. To the extent that, at law or in equity, the Delaware Trustee or an Administrative Trustee has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to the Securityholders, the Delaware Trustee or such Administrative Trustee shall not be liable to the Trust or to any Securityholder for such Trustee's good faith reliance on the provisions of this Trust Agreement. The provisions of this Trust Agreement, to the extent that they restrict the duties and liabilities of the Delaware Trustee or the Administrative Trustees otherwise existing at law or in equity, are agreed by the Depositor and the Securityholders to replace such other duties and liabilities of the Delaware Trustee or the Administrative Trustees, as the case may be.

(b) All payments made by the Property Trustee or a Paying Agent in respect of the Trust Securities shall be made only from the revenue and proceeds from the Trust Property and only to the extent that there shall be sufficient revenue or proceeds from the Trust Property to enable the Property Trustee or a Paying Agent to make payments in accordance with the terms hereof. Each Securityholder, by its acceptance of a Trust Security, agrees that it shall look solely to the revenue and proceeds from the Trust Property to the extent legally available for distribution to it as herein provided and that the Trustees are not personally liable to it for any amount distributable in respect of any Trust Security or for any other liability in respect of any Trust Security. This Section 801(b) does not limit the liability of the Trustees expressly set forth elsewhere in this Trust Agreement or, in the case of the Property Trustee, in the Trust Indenture Act.

(c) No provision of this Trust Agreement shall be construed to relieve the Property Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) the Property Trustee shall not be liable for any error of judgment made in good faith by an authorized officer of the Property Trustee, unless it shall be proved that the Property Trustee was negligent in ascertaining the pertinent facts;

(ii) the Property Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in Liquidation Amount of the Trust Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred upon the Property Trustee under this Trust Agreement;

(iii) the Property Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Debentures and the Payment Account shall be to deal with such Property in a similar manner as the Property Trustee deals with similar property for its own account, subject to the protections and limitations on liability afforded to the Property Trustee under this Trust Agreement and the Trust Indenture Act;

(iv) the Property Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree with the Depositor and money held by the Property Trustee need not be segregated from other funds held by it except in relation to the Payment Account maintained by the Property Trustee pursuant to Section 301 and except to the extent otherwise required by law; and

(d) the Property Trustee shall not be responsible for monitoring the compliance by the Administrative Trustees or the Depositor with their respective duties under this Trust Agreement, nor shall the Property Trustee be liable for the negligence, default or misconduct of the Administrative Trustees or the Depositor.

SECTION 802. CERTAIN NOTICES.

(a) Within five Business Days after the occurrence of any Event of Default actually known to the Property Trustee, the Property Trustee shall transmit, in the manner and to the extent provided in Section 1008, notice of such Event of Default to the Securityholders, the Administrative Trustees and the Depositor, unless such Event of Default shall have been cured or waived. For purposes of this Section 802 the term "Event of Default" means any event that is, or after notice or lapse of time or both would become, an Event of Default.

(b) The Administrative Trustees shall transmit, to the Securityholders in the manner and to the extent provided in Section 1008, notice of the Depositor's election to begin or further extend an Extended Interest Payment Period on the Debentures (unless such election shall have been revoked) within the time specified for transmitting such notice to the holders of the Debentures pursuant to the Indenture as originally executed.

SECTION 803. CERTAIN RIGHTS OF PROPERTY TRUSTEE.

Subject to the provisions of Section 801:

(a) the Property Trustee may rely and shall be protected in acting or refraining from acting in good faith upon any resolution, Opinion of Counsel, certificate, written representation of a Holder or transferee, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, appraisal, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) if (i) in performing its duties under this Trust Agreement the Property Trustee is required to decide between alternative courses of action; or (ii) in construing any of the provisions of this Trust Agreement the Property Trustee finds the same ambiguous or inconsistent with other provisions contained herein; or (iii) the Property Trustee is unsure of the application of any provision of this Trust Agreement, then, except as to any matter as to which the Preferred Securityholders are entitled to vote under the terms of this Trust Agreement, the Property Trustee shall deliver a notice to the Depositor requesting written instructions of the Depositor as to the course of action to be taken and the Property Trustee shall take such action, or refrain from taking such action, as the Property Trustee shall be instructed in writing to take, or to refrain from taking, by the Depositor; provided, however, that if the Property Trustee does not receive such instructions of the Depositor within 10 Business Days after it has delivered such notice, or such reasonably shorter period of time set forth in such notice (which to the extent practicable shall not be less than 2 Business Days), it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Trust Agreement as it shall deem advisable and in the best interests of the Securityholders, in which event the Property Trustee shall have no liability except for its own bad faith, negligence or willful misconduct;

(c) any direction or act of the Depositor or the Administrative Trustees contemplated by this Trust Agreement shall be sufficiently evidenced by an Officers' Certificate;

(d) whenever in the administration of this Trust Agreement, the Property Trustee shall deem it desirable that a matter be established before undertaking, suffering or omitting any action hereunder, the Property Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officer's Certificate which, upon receipt of such request, shall be promptly delivered by the Depositor or the Administrative Trustees;

(e) the Property Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement, any filing under tax or securities laws or any filing under tax or securities laws) or any rerecording, refiling or reregistration thereof;

(f) the Property Trustee may consult with counsel of its choice (which counsel may be counsel to the Depositor or any of its Affiliates) and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon and, in accordance with such advice, such counsel may be counsel to the Depositor or any of its Affiliates, and may include any of its employees; the Property Trustee shall have the right at any time to seek instructions concerning the administration of this Trust Agreement from any court of competent jurisdiction;

(g) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request or direction of any of the Securityholders pursuant to this Trust Agreement, unless such Securityholders shall have offered to the Property Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(h) the Property Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, debenture, note or other evidence of indebtedness or other paper or document, unless requested in writing to do so by one or more Securityholders, but the Property Trustee may make such further inquiry or investigation into such facts or matters as it may see fit;

(i) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its agents or attorneys, provided that the Property Trustee shall be responsible for its own negligence or recklessness with respect to selection of any agent or attorney appointed by it hereunder;

(j) whenever in the administration of this Trust Agreement the Property Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder the Property Trustee (i) may request instructions from the Holders of the Trust Securities which instructions may only be given by the Holders of the same proportion in Liquidation Amount of the Trust Securities as would be entitled to direct the Property Trustee under the terms of the Trust Securities in respect of such remedy, right or action; (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received; and (iii) shall be protected in acting in accordance with such instructions; and

(k) except as otherwise expressly provided by this Trust Agreement, the Property Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Trust Agreement. No provision of this Trust Agreement shall be deemed to impose any duty or obligation on the Property Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which the Property Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Property Trustee shall be construed to be a duty.

SECTION 804. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES.

The Recitals contained herein and in the Trust Securities Certificates shall be taken as the statements of the Trust, and the Trustees do not assume any responsibility for their correctness. The Trustees shall not be accountable for the use or application by the Depositor of the proceeds of the Debentures.

SECTION 805. MAY HOLD SECURITIES.

Any Trustee or any other agent of any Trustee or the Trust, in its individual or any other capacity, may become the owner or pledgee of Trust Securities and, subject to Sections 808 and 813 and except as provided in the definition of the term "Outstanding" in Article I, may otherwise deal with the Trust with the same rights it would have if it were not a Trustee or such other agent.

SECTION 806. COMPENSATION; INDEMNITY; FEES.

The Depositor agrees:

(a) to pay to the Trustees from time to time compensation for all services rendered by them hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), in the case of the Property Trustee, as set forth in a written agreement between the Depositor and the Property Trustee;

(b) except as otherwise expressly provided herein, to reimburse the Trustees upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustees in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to such Trustee's negligence, bad faith or willful misconduct (or, in the case of the Administrative Trustees or the Delaware Trustee, any such expense, disbursement or advance as may be attributable to its, his or her gross negligence, bad faith or willful misconduct); and

(c) to indemnify each of the Trustees or any predecessor Trustee for, and to hold the Trustees harmless against, any loss, damage, claims, liability, penalty or expense of any kind or nature whatsoever, arising out of or in connection with the acceptance or administration of this Trust Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder, except any such expense, disbursement or advance as may be attributable to such Trustee's negligence, bad faith or willful misconduct for (or, in the case of the Administrative Trustees or the Delaware Trustee, any such expense, disbursement or advance as may be attributable to its, his or her gross negligence, bad faith or willful misconduct).

Each Trustee may claim a Lien or charge on Trust Property as a result of any amount due and unpaid pursuant to this Section 806. The Property Trustee and the Delaware Trustee may be the same Person.

SECTION 807. CORPORATE PROPERTY TRUSTEE REQUIRED; ELIGIBILITY OF TRUSTEES.

(a) There shall at all times be a Property Trustee hereunder with respect to the Trust Securities. The Property Trustee shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least \$50,000,000. If any such Person publishes reports of condition at least annually, pursuant to law or to the requirements of its supervising or examining authority, then for the purposes of this Section 807, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Property Trustee with respect to the Trust Securities shall cease to be eligible in accordance with the provisions of this Section 807, it shall resign immediately in the manner and with the effect hereinafter specified in this Article VIII.

(b) There shall at all times be one or more Administrative Trustees hereunder with respect to the Trust Securities. Each Administrative Trustee shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more persons authorized to bind that entity.

(c) There shall at all times be a Delaware Trustee with respect to the Trust Securities. The Delaware Trustee shall either be (i) a natural person who is at least 21 years of age and a resident of the State of Delaware; or (ii) a legal entity with its principal place of business in the State of Delaware and that otherwise meets the requirements of applicable Delaware law that shall act through one or more persons authorized to bind such entity.

SECTION 808. CONFLICTING INTERESTS.

If the Property Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Property Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Trust Agreement.

SECTION 809. CO-TRUSTEES AND SEPARATE TRUSTEE.

(a) Unless an Event of Default shall have occurred and be continuing, at any time or times, for the purpose of meeting the legal requirements of the Trust Indenture Act or of any jurisdiction in which any part of the Trust Property may at the time be located, the Depositor shall have power to appoint, and upon the written request of the Property Trustee, the Depositor shall for such purpose join with the Property Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Property Trustee either to act as co-trustee, jointly with the Property Trustee, of all or any part of such Trust Property, or to the extent required by law to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section 809. If the Depositor does not join in such appointment within 15 days after the receipt by it of a request so to do, or in case a Debenture Event of Default has occurred and is continuing, the Property Trustee alone shall have power to make such appointment. Any co-trustee or separate trustee appointed pursuant to this Section 809 shall either be (i) a natural person who is at least 21 years of age and a resident of the United States; or (ii) a legal entity with its principal place of business in the United States that shall act through one or more persons authorized to bind such entity.

(b) Should any written instrument from the Depositor be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right, or power, any and all such instruments shall, on request, be executed, acknowledged, and delivered by the Depositor.

(c) Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(i) The Trust Securities shall be executed and delivered and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustees specified hereunder, shall be exercised, solely by such Trustees and not by such co-trustee or separate trustee.

(ii) The rights, powers, duties and obligations hereby conferred or imposed upon the Property Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Property Trustee or by the Property Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Property Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee.

(iii) The Property Trustee at any time, by an instrument in writing executed by it, with the written concurrence of the Depositor, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section 809, and, in case a Debenture Event of Default has occurred and is continuing, the Property Trustee shall have the power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Depositor. Upon the written request of the Property Trustee, the Depositor shall join with the Property Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section 809.

(iv) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Property Trustee or any other trustee hereunder.

(v) The Property Trustee shall not be liable by reason of any act of a co-trustee or separate trustee.

(vi) Any Act of Holders delivered to the Property Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

SECTION 810. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

(a) No resignation or removal of any Trustee (the "Relevant Trustee") and no appointment of a successor Trustee pursuant to this Article VIII shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 811.

(b) Subject to the immediately preceding paragraph, the Relevant Trustee may resign at any time with respect to the Trust Securities by giving written notice thereof to the Securityholders. If the instrument of acceptance by the successor Trustee required by Section 811 shall not have been delivered to the Relevant Trustee within 30 days after the giving of such notice of resignation, the Relevant Trustee may petition, at the expense of the Depositor, any court of competent jurisdiction for the appointment of a successor Relevant Trustee with respect to the Trust Securities.

(c) Unless a Debenture Event of Default shall have occurred and be continuing, any Trustee may be removed at any time by Act of the Common Securityholder. If a Debenture Event of Default shall have occurred and be continuing, the Property Trustee or the Delaware Trustee, or both of them, may be removed at such time by Act of the Holders of a majority in Liquidation Amount of the Preferred Securities, delivered to the Relevant Trustee (in its individual capacity and on behalf of the Trust). An Administrative Trustee may be removed by the Common Securityholder at any time.

(d) If any Trustee shall resign, be removed or become incapable of acting as Trustee, or if a vacancy shall occur in the office of any Trustee for any cause, at a time when no Debenture Event of Default shall have occurred and be continuing, the Common Securityholder, by Act of the Common Securityholder delivered to the retiring Trustee, shall promptly appoint a successor Trustee or Trustees with respect to the Trust Securities and the Trust, and the successor Trustee shall comply with the applicable requirements of Section 811. If the Property Trustee or the Delaware Trustee shall resign, be removed or become incapable of continuing to act as the Property Trustee or the Delaware Trustee, as the case may be, at a time when a Debenture Event of Default shall have occurred and is continuing, the Preferred Securityholders, by Act of the Securityholders of a majority in Liquidation Amount of the Preferred Securities then Outstanding delivered to the retiring Relevant Trustee, shall promptly appoint a successor Relevant Trustee or Trustees with respect to the Trust Securities and the Trust, and such successor Trustee shall comply with the applicable requirements of Section 811. If an Administrative Trustee shall resign, be removed or become incapable of acting as Administrative Trustee, at a time when a Debenture Event of Default shall have occurred and be continuing, the Common Securityholder, by Act of the Common Securityholder delivered to an Administrative Trustee, shall promptly appoint a successor Administrative Trustee or Administrative Trustees with respect to the Trust Securities and the Trust, and such successor Administrative Trustee or Administrative Trustees shall comply with the applicable requirements of Section 811. If no successor Relevant Trustee with respect to the Trust Securities shall have been so appointed by the Common Securityholder or the Preferred Securityholders and accepted appointment in the manner required by Section 811, any Securityholder who has been a Securityholder of Trust Securities on behalf of himself and all others similarly situated may petition a court of competent jurisdiction for the appointment Trustee with respect to the Trust Securities.

(e) The Property Trustee shall give notice of each resignation and each removal of a Trustee and each appointment of a successor Trustee to all Securityholders in the manner provided in Section 1008 and shall give notice to the Depositor. Each notice shall include the name of the successor Relevant Trustee and the address of its Corporate Trust office if it is the Property Trustee.

(f) Notwithstanding the foregoing or any other provision of this Trust Agreement, in the event any Administrative Trustee or a Delaware Trustee who is a natural person dies or becomes, in the opinion of the Depositor, incompetent or incapacitated, the vacancy created by such death, incompetence or incapacity may be filled by (a) the unanimous act of remaining Administrative Trustees if there are at least two of them; or (b) otherwise by the Depositor (with the successor in each case being a Person who satisfies the eligibility requirement for Administrative Trustees set forth in Section 807).

SECTION 811. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) In case of the appointment hereunder of a successor Relevant Trustee with respect to the Trust Securities and the Trust, the retiring Relevant Trustee and each successor Relevant Trustee with respect to the Trust Securities shall execute and deliver an instrument hereto wherein each successor Relevant Trustee shall accept such appointment and which shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Relevant Trustee all the rights, powers, trusts and duties of the retiring Relevant Trustee with respect to the Trust Securities and the Trust and upon the execution and delivery of such instrument the resignation or removal of the retiring Relevant Trustee shall become effective to the extent provided therein and each such successor Relevant Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Relevant Trustee with respect to the Trust Securities and the Trust; but, on request of the Trust or any successor Relevant Trustee such retiring Relevant Trustee shall duly assign, transfer and deliver to such successor Relevant Trustee all Trust Property, all proceeds thereof and money held by such retiring Relevant Trustee hereunder with respect to the Trust Securities and the Trust.

(b) Upon request of any such successor Relevant Trustee, the Trust shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Relevant Trustee all such rights, powers and trusts referred to in the immediately preceding paragraph, as the case may be.

(c) No successor Relevant Trustee shall accept its appointment unless at the time of such acceptance such successor Relevant Trustee shall be qualified and eligible under this Article VIII.

SECTION 812. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any Person into which the Property Trustee, the Delaware Trustee or any Administrative Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which such Relevant Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of such Relevant

Trustee, shall be the successor of such Relevant Trustee hereunder, provided such Person shall be otherwise qualified and eligible under this Article VIII, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

SECTION 813. PREFERENTIAL COLLECTION OF CLAIMS AGAINST DEPOSITOR OR TRUST.

If and when the Property Trustee or the Delaware Trustee shall be or become a creditor of the Depositor or the Trust (or any other obligor upon the Debentures or the Trust Securities), the Property Trustee or the Delaware Trustee, as the case may be, shall be subject to and shall take all actions necessary in order to comply with the provisions of the Trust Indenture Act regarding the collection of claims against the Depositor or Trust (or any such other obligor).

SECTION 814. REPORTS BY PROPERTY TRUSTEE.

(a) Not later than July 15 of each year commencing with July 15, 1999, the Property Trustee shall transmit to all Securityholders in accordance with Section 1008, and to the Depositor, a brief report dated as of May 15 with respect to:

(i) its eligibility under Section 807 or, in lieu thereof, if to the best of its knowledge it has continued to be eligible under said Section, a written statement to such effect; and

(ii) any change in the property and funds in its possession as Property Trustee since the date of its last report and any action taken by the Property Trustee in the performance of its duties hereunder which it has not previously reported and which in its opinion materially affects the Trust Securities.

(b) In addition the Property Trustee shall transmit to Securityholders such reports concerning the Property Trustee and its actions under this Trust Agreement as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

(c) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Property Trustee with The Nasdaq National MarketSM, and each national securities exchange or other organization upon which the Trust Securities are listed, and also with the Commission and the Depositor.

SECTION 815. REPORTS TO THE PROPERTY TRUSTEE.

The Depositor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such documents, reports and information as required by Section 314 of the Trust Indenture Act (if any) and the compliance certificate required by Section 314(a) of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 816. EVIDENCE OF COMPLIANCE WITH CONDITIONS PRECEDENT.

Each of the Depositor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Trust Agreement that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) of the Trust Indenture Act shall be given in the form of an Officers' Certificate.

SECTION 817. NUMBER OF TRUSTEES.

(a) The number of Trustees shall be five, provided that the Holder of all of the Common Securities by written instrument may increase or decrease the number of Administrative Trustees. The Property Trustee and the Delaware Trustee may be the same Person.

(b) If a Trustee ceases to hold office for any reason and the number of Administrative Trustees is not reduced pursuant to Section 817(a), or if the number of Trustees is increased pursuant to Section 817(a), a vacancy shall occur. The vacancy shall be filled with a Trustee appointed in accordance with Section 810.

(c) The death, resignation, retirement, removal, bankruptcy, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul the Trust. Whenever a vacancy in the number of Administrative Trustees shall occur, until such vacancy is filled by the appointment of an Administrative Trustee in accordance with Section 810, the Administrative Trustees in office, regardless of their number (and notwithstanding any other provision of this Agreement), shall have all the powers granted to the Administrative Trustees and shall discharge all the duties imposed upon the Administrative Trustees by this Trust Agreement.

SECTION 818. DELEGATION OF POWER.

(a) Any Administrative Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 207(a); and

(b) The Administrative Trustees shall have power to delegate from time to time to such of their number or to the Depositor the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Administrative Trustees or otherwise as the Administrative Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

SECTION 819. VOTING.

Except as otherwise provided in this Trust Agreement, the consent or approval of the Administrative Trustees shall require consent or approval by not less than a majority of the Administrative Trustees, unless there are only two, in which case both must consent.

**ARTICLE IV
TERMINATION, LIQUIDATION AND MERGER**

SECTION 901. TERMINATION UPON EXPIRATION DATE.

Unless earlier dissolved, the Trust shall automatically dissolve on, September 30, 2053 (the "Expiration Date") subject to distribution of the Trust Property in accordance with Section 904.

SECTION 902. EARLY TERMINATION.

The first to occur of any of the following events is an "Early Termination Event:"

- (a) the occurrence of a Bankruptcy Event in respect of, or the dissolution or liquidation of, the Depositor;
- (b) delivery of written direction to the Property Trustee by the Depositor at any time (which direction is wholly optional and within the discretion of the Depositor, subject to Depositor having received prior approval of the Board of Governors of the Federal Reserve System if so required under applicable guidelines, policies or regulations thereof) to dissolve the Trust and distribute the Debentures to Securityholders in exchange for the Preferred Securities in accordance with Section 904;
- (c) the redemption of all of the Preferred Securities in connection with the redemption of all of the Debentures (whether upon a Debenture Redemption Date or the maturity of the Debenture); or
- (d) an order for dissolution of the Trust shall have been entered by a court of competent jurisdiction.

SECTION 903. TERMINATION.

The respective obligations and responsibilities of the Trustees and the Trust created and continued hereby shall terminate upon the latest to occur of the following: (a) the distribution by the Property Trustee to Securityholders upon the liquidation of the Trust pursuant to Section 904, or upon the redemption of all of the Trust Securities pursuant to Section 402, of all amounts required to be distributed hereunder upon the final payment of the Trust Securities; (b) the payment of any expenses owed by the Trust; (c) the discharge of all administrative duties of the Administrative Trustees, including the performance of any tax reporting obligations with respect to the Trust or the Securityholders; and (d) the filing of a Certificate of Cancellation by the Administrative Trustee under the Business Trust Act.

SECTION 904. LIQUIDATION.

(a) If an Early Termination Event specified in clause (a), (b), or (d) of Section 902 occurs or upon the Expiration Date, the Trust shall be liquidated by the Trustees as expeditiously as the Trustees determine to be possible by distributing, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, to each Securityholder a Like Amount of Debentures, subject to Section 904(d). Notice of liquidation shall be given by the Property Trustee by first-class mail, postage prepaid, mailed not later than 30 nor more than 60 days prior to the Liquidation Date to each Holder of Trust Securities at such Holder's address appearing in the Securities Register. All notices of liquidation shall:

(i) state the Liquidation Date;

(ii) state that from and after the Liquidation Date, the Trust Securities shall no longer be deemed to be Outstanding and any Trust Securities Certificates not surrendered for exchange shall be deemed to represent a Like Amount of Debentures; and

(iii) provide such information with respect to the mechanics by which Holders may exchange Trust Securities Certificates for Debentures, or, if

Section 904(d) applies, receive a Liquidation Distribution, as the Administrative Trustees or the Property Trustee shall deem appropriate.

(b) Except where Section 902(c) or 904(d) applies, in order to effect the liquidation of the Trust and distribution of the Debentures to Securityholders, the Property Trustee shall establish a record date for such distribution (which shall be not more than 45 days prior to the Liquidation Date) and, either itself acting as exchange agent or through the appointment of a separate exchange agent, shall establish such procedures as it shall deem appropriate to effect the distribution of Debentures in exchange for the Outstanding Trust Securities Certificates.

(c) Except where Section 902(c) or 904(d) applies, after the Liquidation Date, (i) the Trust Securities shall no longer be deemed to be outstanding; (ii) certificates representing a Like Amount of Debentures shall be issued to holders of Trust Securities Certificates upon surrender of such certificates to the Administrative Trustees or their agent for exchange; (iii) the Depositor shall use its reasonable efforts to have the Debentures listed on the Nasdaq National MarketK or on such other securities exchange or other organization as the Preferred Securities are then listed or traded; (iv) any Trust Securities Certificates not so surrendered for exchange shall be deemed to represent a Like Amount of Debentures, accruing interest at the rate provided for in the Debentures from the last Distribution Date on which a Distribution was made on such Trust Securities Certificates until such certificates are so surrendered (and until such certificates are so surrendered, no payments of interest or principal shall be made to holders of Trust Securities Certificates with respect to such Debentures); and (v) all rights of Securityholders holding Trust Securities shall cease, except the right of such Securityholders to receive Debentures upon surrender of Trust Securities Certificates.

(d) In the event that, notwithstanding the other provisions of this Section 904, whether because of an order for dissolution entered by a court of competent jurisdiction or otherwise, distribution of the Debentures in the manner provided herein is determined by the Property Trustee not to be practical, the Trust Property shall be liquidated, and the Trust shall be dissolved, wound-up or terminated, by the Property Trustee in such manner as the Property Trustee determines. In such event, on the date of the dissolution, winding-up or other termination of the Trust, Securityholders shall be entitled to receive out of the assets of the Trust available for distribution to Securityholders, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, an amount equal to the Liquidation Amount per Trust Security plus accumulated and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If, upon any such dissolution, winding-up or termination, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then, subject to the next succeeding sentence, the amounts payable by the Trust on the Trust Securities shall be paid on a pro rata basis (based upon Liquidation Amounts). The holder of the Common Securities shall be entitled to receive Liquidation Distributions upon any such dissolution, winding-up or termination pro rata (determined as aforesaid) with Holders of Preferred Securities, except that, if a Debenture Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities.

SECTION 905. MERGERS, CONSOLIDATIONS, AMALGAMATIONS OR REPLACEMENTS OF THE TRUST.

The Trust may not merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other Person, except pursuant to this Section 905. At the request of the Depositor, with the consent of the Administrative Trustees and without the consent of the holders of the Preferred Securities, the Property Trustee or the Delaware Trustee, the Trust may merge with or into, consolidate, amalgamate, be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to a trust organized as such under the laws of any state; provided, that (i) such successor entity either (a) expressly assumes all of the obligations of the Trust with respect to the Preferred Securities; or (b) substitutes for the Preferred Securities other securities having substantially the same terms as the Preferred Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Preferred Securities rank in priority with respect to distributions and payments upon liquidation, redemption and otherwise; (ii) the Depositor expressly appoints a trustee of such successor entity possessing substantially the same powers and duties as the Property Trustee as the holder of the Debentures; (iii) the Successor Securities are listed or traded, or any Successor Securities shall be listed or traded upon notification of issuance, on any national securities exchange or other organization on which the Preferred Securities are then listed, if any; (iv) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the Preferred Securities (including any Successor Securities) in any material respect; (v) such successor entity has a purpose substantially identical to that of the Trust; (vi) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Depositor has received an Opinion of Counsel to the effect that (a) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the Preferred Securities (including any Successor Securities) in any material respect; and (b) following such merger,

consolidation, amalgamation, replacement, conveyance, transfer or lease, neither the Trust nor such successor entity shall be required to register as an "investment company" under the Investment Company Act; and (vii) the Depositor owns all of the Common Securities of such successor entity and guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee. Notwithstanding the foregoing, the Trust shall not, except with the consent of holders of 100% in Liquidation Amount of the Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to any other Person or permit any other Person to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity to be classified as other than a grantor trust for United States federal income tax purposes.

ARTICLE V MISCELLANEOUS PROVISIONS

SECTION 1001. LIMITATION OF RIGHTS OF SECURITYHOLDERS.

The death or incapacity of any Person having an interest, beneficial or otherwise, in Trust Securities shall not operate to terminate this Trust Agreement, nor entitle the legal representatives or heirs of such Person or any Securityholder for such Person, to claim an accounting, take any action or bring any proceeding in any court for a partition or winding-up of the arrangements contemplated hereby, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

SECTION 1002. AMENDMENT.

(a) This Trust Agreement may be amended from time to time by the Trustees and the Depositor, without the consent of any Securityholders, (i) as provided in Section 811 with respect to acceptance of appointment by a successor Trustee; (ii) to cure any ambiguity, correct or supplement any provision herein or therein which may be inconsistent with any other provision herein or therein, or to make any other provisions with respect to matters or questions arising under this Trust Agreement, that shall not be inconsistent with the other provisions of this Trust Agreement; or (iii) to modify, eliminate or add to any provisions of this Trust Agreement to such extent as shall be necessary to ensure that the Trust shall be classified for United States federal income tax purposes as a grantor trust at all times that any Trust Securities are outstanding or to ensure that the Trust shall not be required to register as an "investment company" under the Investment Company Act; provided, however, that in the case of clause (ii), such action shall not adversely affect in any material respect the interests of any Securityholder, and any amendments of this Trust Agreement shall become effective when notice thereof is given to the Securityholders.

(b) Except as provided in Section 601(c) or Section 1002(c) hereof, any provision of this Trust Agreement may be amended by the Trustees and the Depositor (i) with the consent of Trust Securityholders representing not less than a majority (based upon Liquidation Amounts) of the Trust Securities then Outstanding; and (ii) upon receipt by the Trustees of an Opinion of Counsel to the

effect that such amendment or the exercise of any power granted to the Trustees in accordance with such amendment shall not affect the Trust's status as a grantor trust for United States federal income tax purposes or the Trust's exemption from status of an "investment company" under the Investment Company Act.

(c) In addition to and notwithstanding any other provision in this Trust Agreement, without the consent of each affected Securityholder (such consent being obtained in accordance with Section 603 or 606 hereof), this Trust Agreement may not be amended to (i) change the amount or timing of any Distribution on the Trust Securities or otherwise adversely affect the amount of any Distribution required to be made in respect of the Trust Securities as of a specified date; or (ii) restrict the right of a Securityholder to institute suit for the enforcement of any such payment on or after such date; notwithstanding any other provision herein, without the unanimous consent of the Securityholders (such consent being obtained in accordance with Section 603 or 606 hereof), this paragraph (c) of this Section 1002 may not be amended.

(d) Notwithstanding any other provisions of this Trust Agreement, no Trustee shall enter into or consent to any amendment to this Trust Agreement which would cause the Trust to fail or cease to qualify for the exemption from status of an "investment company" under the Investment Company Act or to fail or cease to be classified as a grantor trust for United States federal income tax purposes.

(e) Notwithstanding anything in this Trust Agreement to the contrary, without the consent of the Depositor, this Trust Agreement may not be amended in a manner which imposes any additional obligation on the Depositor.

(f) In the event that any amendment to this Trust Agreement is made, the Administrative Trustees shall promptly provide to the Depositor a copy of such amendment.

(g) Neither the Property Trustee nor the Delaware Trustee shall be required to enter into any amendment to this Trust Agreement which affects its own rights, duties or immunities under this Trust Agreement. The Property Trustee shall be entitled to receive an Opinion of Counsel and an Officers' Certificate stating that any amendment to this Trust Agreement is in compliance with this Trust Agreement.

SECTION 1003. SEPARABILITY.

In case any provision in this Trust Agreement or in the Trust Securities Certificates shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1004. GOVERNING LAW.

THIS TRUST AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF EACH OF THE SECURITYHOLDERS, THE TRUST AND THE TRUSTEES WITH RESPECT TO THIS TRUST AGREEMENT AND THE TRUST SECURITIES SHALL BE CONSTRUED IN

ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF DELAWARE (WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF).

SECTION 1005. PAYMENTS DUE ON NON-BUSINESS DAY.

If the date fixed for any payment on any Trust Security shall be a day that is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding day which is a Business Day, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day (and without any reduction of interest or any other payment in respect of any such acceleration), in each case with the same force and effect as though made on the date fixed for such payment, and no distribution shall accumulate thereon for the period after such date.

SECTION 1006. SUCCESSORS.

This Trust Agreement shall be binding upon and shall inure to the benefit of any successor to the Depositor, the Trust or the Relevant Trustee (s), including any successor by operation of law. Except in connection with a consolidation, merger or sale involving the Depositor that is permitted under Article XII of the Indenture and pursuant to which the assignee agrees in writing to perform the Depositor's obligations hereunder, the Depositor shall not assign its obligations hereunder.

SECTION 1007. HEADINGS.

The Article and Section headings are for convenience only and shall not affect the construction of this Trust Agreement.

SECTION 1008. REPORTS, NOTICES AND DEMANDS.

Any report, notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon any Securityholder or the Depositor may be given or served in writing by deposit thereof, first-class postage prepaid, in the United States mail, hand delivery or facsimile transmission, in each case, addressed, (a) in the case of a Preferred Securityholder, to such Preferred Securityholder as such Securityholder's name and address may appear on the Securities Register; and (b) in the case of the Common Securityholder or the Depositor, to Wintrust Financial Corporation, 727 North Bank Lane, Lake Forest, Illinois 60045, Attention: David A. Dykstra, Chief Financial Officer, facsimile no.: (847) 234-3567. Any notice to Preferred Securityholders shall also be given to such owners as have, within two years preceding the giving of such notice, filed their names and addresses with the Property Trustee for that purpose. Such notice, demand or other communication to or upon a Securityholder shall be deemed to have been sufficiently given or made, for all purposes, upon hand delivery, mailing or transmission.

Any notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon the Trust, the Property Trustee or the Administrative Trustees shall be given in writing addressed (until another address is published by

the Trust) as follows: (a) with respect to the Property Trustee to Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration; (b) with respect to the Delaware Trustee, to Wilmington Trust Company at the above address; and

(c) with respect to the Administrative Trustees, to them at the address above for notices to the Depositor, marked Attention: "Administrative Trustees of Capital Trust." Such notice, demand or other communication to or upon the Trust or the Property Trustee shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by the Trust or the Property Trustee.

SECTION 1009. AGREEMENT NOT TO PETITION.

Each of the Trustees and the Depositor agree for the benefit of the Securityholders that, until at least one year and one day after the Trust has been terminated in accordance with Article IX, they shall not file, or join in the filing of, a petition against the Trust under any bankruptcy, insolvency, reorganization or other similar law (including, without limitation, the United States Bankruptcy Code of 1978, as amended) (collectively, "Bankruptcy Laws") or otherwise join in the commencement of any proceeding against the Trust under any Bankruptcy Law. In the event the Depositor or any of the Trustees takes action in violation of this Section 1009, the Property Trustee agrees, for the benefit of Securityholders, that at the expense of the Depositor (which expense shall be paid prior to the filing), it shall file an answer with the bankruptcy court or otherwise properly contest the filing of such petition by the Depositor or such Trustee against the Trust or the commencement of such action and raise the defense that the Depositor or such Trustee has agreed in writing not to take such action and should be stopped and precluded therefrom. The provisions of this Section 1009 shall survive the termination of this Trust Agreement.

SECTION 1010. TRUST INDENTURE ACT; CONFLICT WITH TRUST INDENTURE ACT.

(a) This Trust Agreement is subject to the provisions of the Trust Indenture Act that are required to be part of this Trust Agreement and shall, to the extent applicable, be governed by such provisions.

(b) The Property Trustee shall be the only Trustee which is a trustee for the purposes of the Trust Indenture Act.

(c) If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in this Trust Agreement by any of the provisions of the Trust Indenture Act, such required provision shall control. If any provision of this Trust Agreement modifies or excludes any provision of the Trust Indenture Act which may be so modified or excluded, the latter provision shall be deemed to apply to this Trust Agreement as so modified or to be excluded, as the case may be.

(d) The application of the Trust Indenture Act to this Trust Agreement shall not affect the nature of the Securities as equity securities representing undivided beneficial interests in the assets of the Trust.

SECTION 1011. ACCEPTANCE OF TERMS OF TRUST AGREEMENT, GUARANTEE AND INDENTURE.

THE RECEIPT AND ACCEPTANCE OF A TRUST SECURITY OR ANY INTEREST THEREIN BY OR ON BEHALF OF A SECURITYHOLDER OR ANY BENEFICIAL OWNER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE SECURITYHOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH TRUST SECURITY OF ALL THE TERMS AND PROVISIONS OF THIS TRUST AGREEMENT AND AGREEMENT TO THE SUBORDINATION PROVISIONS AND OTHER TERMS OF THE GUARANTEE AND THE INDENTURE, AND SHALL CONSTITUTE THE AGREEMENT OF THE TRUST, SUCH SECURITYHOLDER AND SUCH OTHERS THAT THE TERMS AND PROVISIONS OF THIS TRUST AGREEMENT SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS BETWEEN THE TRUST AND SUCH SECURITYHOLDER AND SUCH OTHERS.

[SIGNATURE PAGE FOLLOWS]

WINTRUST FINANCIAL CORPORATION

By: _____

Name:

Title:

**WILMINGTON TRUST COMPANY, as
Property Trustee**

By: _____

Name:

Title:

**WILMINGTON TRUST COMPANY, as
Delaware Trustee**

By: _____

Name:

Title:

Edward J. Wehmer, As Administrative Trustee

David A. Dykstra, As Administrative Trustee

Randolph M. Hibben, As Administrative Trustee

EXHIBIT A

**CERTIFICATE OF TRUST
OF
WINTRUST CAPITAL TRUST I**

THIS CERTIFICATE OF TRUST OF Wintrust Capital Trust I (the "Trust"), dated August 14, 1998, is being duly executed and filed by Wilmington Trust Company, a Delaware banking corporation, Edward J. Wehmer, David A. Dykstra and Randolph M. Hibben, each an individual, as trustees, to form a business trust under the Delaware Business Trust Act (12 Del. C. Section 3801 et seq.).

1. NAME. The name of the business trust formed hereby is Wintrust Capital Trust I.
2. DELAWARE TRUSTEE. The name and business address of the trustee of the Trust in the State of Delaware is Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration.
3. EFFECTIVE DATE. This Certificate of Trust shall be effective on August 14, 1998.

IN WITNESS WHEREOF, the undersigned, being the sole trustees of the Trust, has executed this Certificate of Trust as of the date first above written.

**WILMINGTON TRUST COMPANY, as
trustee**

By: _____
Name: Donald F. Carey, Jr.

Title: Vice President

Edward J. Wehmer, as Trustee

David A. Dykstra, as Trustee

Randolph M. Hibben, as Trustee

EXHIBIT B

THIS CERTIFICATE IS NOT TRANSFERABLE

CERTIFICATE NUMBER ____ **NUMBER OF COMMON SECURITIES** ____

**CERTIFICATE EVIDENCING COMMON SECURITIES
OF
WINTRUST CAPITAL TRUST I**

**COMMON SECURITIES
(LIQUIDATION AMOUNT \$25 PER COMMON SECURITY)**

WINTRUST CAPITAL TRUST I, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that WINTRUST FINANCIAL CORPORATION (the "Holder") is the registered owner of () common securities of the Trust representing undivided beneficial interests in the assets of the Trust and designated the Common Securities (liquidation amount \$25 per Common Security) (the "Common Securities"). In accordance with Section 510 of the Trust Agreement (as defined below), the Common Securities are not transferable and any attempted transfer hereof shall be void. The designations, rights, privileges, restrictions, preferences, and other terms and provisions of the Common Securities are set forth in, and this certificate and the Common Securities represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Trust Agreement of the Trust dated as of September 29, 1998, as the same may be amended from time to time (the "Trust Agreement"), including the designation of the terms of the Common Securities as set forth therein. The Trust shall furnish a copy of the Trust Agreement to the Holder without charge upon written request to the Trust at its principal place of business or registered office.

Upon receipt of this certificate, the Holder is bound by the Trust Agreement and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, one of the Administrative Trustees of the Trust has executed this certificate this 29th day of September, 1998.

WINTRUST CAPITAL TRUST I

By: _____
Name: _____
Title: _____

EXHIBIT C

AGREEMENT AS TO EXPENSES AND LIABILITIES

AGREEMENT AS TO EXPENSES AND LIABILITIES (this "Agreement") dated as of September 29, 1998, between WINTRUST FINANCIAL CORPORATION, an Illinois corporation (the "Company"), and WINTRUST CAPITAL TRUST I, a Delaware business trust (the "Trust").

RECITALS

WHEREAS, the Trust intends to issue its common securities (the "Common Securities") to, and receive 9.00% Subordinated Debentures (the "Debentures") from, the Company and to issue and sell Wintrust Capital Trust I 9.00% Cumulative Trust Preferred Securities (the "Preferred Securities") with such powers, preferences and special rights and restrictions as are set forth in the Amended and Restated Trust Agreement of the Trust dated as of September 29, 1998, as the same may be amended from time to time (the "Trust Agreement");

WHEREAS, the Company shall directly or indirectly own all of the Common Securities of the Trust and shall issue the Debentures;

NOW, THEREFORE, in consideration of the purchase by each holder of the Preferred Securities, which purchase the Company hereby agrees shall benefit the Company and which purchase the Company acknowledges shall be made in reliance upon the execution and delivery of this Agreement, the Company, including in its capacity as holder of the Common Securities, and the Trust hereby agree as follows:

ARTICLE I

SECTION 1.1 GUARANTEE BY THE COMPANY.

Subject to the terms and conditions hereof, the Company, including in its capacity as holder of the Common Securities, hereby irrevocably and unconditionally guarantees to each person or entity to whom the Trust is now or hereafter becomes indebted or liable (the "Beneficiaries") the full payment when and as due, of any and all Obligations (as hereinafter defined) to such Beneficiaries. As used herein, "Obligations" means any costs, expenses or liabilities of the Trust other than obligations of the Trust to pay to holders of any Preferred Securities or other similar interests in the Trust the amounts due such holders pursuant to the terms of the Preferred Securities or such other similar interests, as the case may be. This Agreement is intended to be for the benefit of, and to be enforceable by, all such Beneficiaries, whether or not such Beneficiaries have received notice hereof.

SECTION 1.2 Term of agreement.

This Agreement shall terminate and be of no further force and effect upon the later of (a) the date on which full payment has been made of all amounts payable to all holders of all the Preferred Securities (whether upon redemption, liquidation, exchange or otherwise); and (b) the date on which there are no Beneficiaries remaining; provided, however, that this Agreement shall continue to be effective or shall be reinstated, as the case may be, if at any time any holder of Preferred Securities or any Beneficiary must restore payment of any sums paid under the Preferred Securities, under any obligation, under the Preferred Securities Guarantee Agreement dated the date hereof by the Company and Wilmington Trust Company as guarantee trustee or under this Agreement for any reason whatsoever. This Agreement is continuing, irrevocable, unconditional and absolute.

SECTION 1.3 Waiver of Notice.

The Company hereby waives notice of acceptance of this Agreement and of any obligation to which it applies or may apply, and the Company hereby waives presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 1.4 No Impairment.

The obligations, covenants, agreements and duties of the Company under this Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

- (a) the extension of time for the payment by the Trust of all or any portion of the obligations or for the performance of any other obligation under, arising out of, or in connection with, the obligations;
- (b) any failure, omission, delay or lack of diligence on the part of the Beneficiaries to enforce, assert or exercise any right, privilege, power or remedy conferred on the Beneficiaries with respect to the obligations or any action on the part of the Trust granting indulgence or extension of any kind; or
- (c) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement composition or readjustment of debt of, or other similar proceedings affecting, the Trust or any of the assets of the Trust.

There shall be no obligation of the Beneficiaries to give notice to, or obtain the consent of, the Company with respect to the happening of any of the foregoing.

SECTION 1.5 Enforcement.

A Beneficiary may enforce this Agreement directly against the Company, and the Company waives any right or remedy to require that any action be brought against the Trust or any other person or entity before proceeding against the Company.

AII

SECTION 2.1 Binding Effect.

All guarantees and agreements contained in this Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the Beneficiaries.

SECTION 2.2 Amendment.

So long as there remains any Beneficiary or any Preferred Securities of any series are outstanding, this Agreement shall not be modified or amended in any manner adverse to such Beneficiary or to any of the holders of the Preferred Securities.

SECTION 2.3 Notices.

Any notice, request or other communication required or permitted to be given hereunder shall be given in writing by delivering the same by facsimile transmission (confirmed by mail), telex, or by registered or certified mail, addressed as follows (and if so given, shall be deemed given when mailed or upon receipt of an answerback, if sent by telex):

Wintrust Capital Trust I
c/o Wintrust Financial Corporation 727 North Bank Lane
Lake Forest, Illinois 60045
Facsimile No.: (847) 234-3567
Attention: David A. Dykstra, Administrative Trustee

Wintrust Financial Corporation
727 North Bank Lane
Lake Forest, Illinois 60045
Facsimile No.: (847) 234-3567
Attention: David A. Dykstra, Chief Financial Officer

SECTION 2.4 This agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Illinois (without regard to conflict of laws principles).

THIS AGREEMENT is executed as of the day and year first above written.

**WINTRUST FINANCIAL
CORPORATION**

By: _____
Name: _____
Title: _____

WINTRUST CAPITAL TRUST I

By: _____
Name: _____
Title: Administrative Trustee

EXHIBIT D

CERTIFICATE NUMBER _____ NUMBER OF PREFERRED SECURITIES _____

**CERTIFICATE EVIDENCING PREFERRED SECURITIES
OF
WINTRUST CAPITAL TRUST I**

**9.00% CUMULATIVE TRUST PREFERRED SECURITIES
(LIQUIDATION AMOUNT \$25 PER PREFERRED SECURITY)**

CUSIP 97650 Q 20 0

Wintrust Capital Trust I, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that _____ (the "Holder") is the registered owner of _____ preferred securities of the Trust representing undivided beneficial interests in the assets of the Trust and designated the 9.00% Cumulative Trust Preferred Securities (liquidation amount \$25 per Preferred Security) (the "Preferred Securities"). The Preferred Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer as provided in Section 504 of the Trust Agreement (as defined herein). The designations, rights, privileges, restrictions, preferences, and other terms and provisions of the Preferred Securities are set forth in, and this certificate and the Preferred Securities represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Trust Agreement of the Trust dated as of September 29, 1998, as the same may be amended from time to time (the "Trust Agreement"), including the designation of the terms of Preferred Securities as set forth therein. The Holder is entitled to the benefits of the Preferred Securities Guarantee Agreement entered into by Wintrust Financial Corporation, an Illinois corporation, and Wilmington Trust Company as guarantee trustee, dated as of September 29, 1998, as the same may be amended from time to time (the "Guarantee"), to the extent provided therein. The Trust shall furnish a copy of the Trust Agreement and the Guarantee to the Holder without charge upon written request to the Trust at its principal place of business or registered office.

Upon receipt of this certificate, the Holder is bound by the Trust Agreement and is entitled to the benefits thereunder.

Unless the Certificate of Authentication has been manually executed by the Authentication Agent, this certificate is not valid or effective.

IN WITNESS WHEREOF, the Administrative Trustees of the Trust have executed this Certificate this 29th day of September.

CERTIFICATE OF AUTHENTICATION:

This is one of the 9.00% Cumulative Trust Preferred Securities referred to in the within-mentioned Amended and Restated Trust Agreement.

WILMINGTON TRUST COMPANY,
as Authentication Agent and Registrar

By: _____
AUTHORIZED SIGNATURE

WINTRUST CAPITAL TRUST I

By: _____
Edward J. Wehmer, as Trustee

By: _____
David A. Dykstra, as Trustee

By: _____
Randolph M. Hibben, as Trustee

[FORM OF REVERSE OF CERTIFICATE]

The Trust will furnish without charge to any registered owner of Preferred Securities who so requests, a copy of the Trust Agreement and the Guarantee. Any such request should be in writing and addressed to Wintrust Capital Trust I, c/o Secretary, Wintrust Financial Corporation, 727 North Bank Lane, Lake Forest, Illinois 60045 or to the Registrar named on the face of this Certificate.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN CON -- as tenants in common UNIF GIFT MIN ACT -- under Uniform Gift to Minors Act TEN ENT -- as tenants by the entireties and not as tenants JT TEN -- as joint tenants with right of survival

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

(Please insert social security or other identifying number of assignee)

(insert address and zip code of assignee)

the within Certificate and all rights and interests represented by the Preferred Securities evidenced thereby, and hereby irrevocably constitutes and appoints

_____ attorney to transfer the said Preferred Securities on the books of the within-named Trust with full power of substitution in the premises.

Dated: _____

Signature: _____

Note: The signature(s) to this assignment must correspond with the name(s) as written upon the face of this Certificate in every particular, without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed:

NOTICE: Signature(s) must be guaranteed by an "eligible guarantor institution" that is a member or participant in a "signature guarantee program" (i.e., the Securities Transfer Agents Medallion Program, the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program).

EXHIBIT E

FORM OF CERTIFICATE OF AUTHENTICATION

This is one of the 9.00% Cumulative Trust Preferred Securities referred to in the within-mentioned Amended and Restated Trust Agreement.

**WILMINGTON TRUST COMPANY,
as Authentication Agent and Registrar**

By: _____
AUTHORIZED SIGNATURE

Exhibit 10.15

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made by and between WINTRUST FINANCIAL CORPORATION ("Wintrust"), an Illinois bank holding company, and Edward J. Wehmer, an individual resident in the State of Illinois ("Executive").

WITNESSETH THAT:

WHEREAS, Wintrust is an Illinois bank holding company;

WHEREAS, Executive has particular expertise and knowledge concerning the business of Wintrust and its operations and is a valued member of Wintrust's senior management;

WHEREAS, by virtue of his employment with Wintrust, Executive will become acquainted with certain confidential information regarding the services, customers, methods of doing business, strategic plans, marketing, and other aspects of the business of Wintrust or its Affiliates;

WHEREAS, Wintrust and Executive have previously entered into an employment agreement dated December 16, 1996 (the "Prior Employment Agreement"); and

WHEREAS, Wintrust and Executive desire to restate and set forth in this Agreement the terms, conditions and obligations of the parties with respect to such employment effective as of the date first written above (the "Effective Date") and this Agreement is intended by the parties to supersede all previous agreements and understanding, whether written or oral, concerning such employment, including, without limitation, the Prior Employment Agreement.

NOW THEREFORE, in consideration of the covenants and agreements contained herein, of Executive's employment, of the compensation to be paid by Wintrust for Executive's services, and of Wintrust's other undertakings in this Agreement, the parties hereto do hereby agree as follows:

1. **Scope of Employment.** Executive will be employed as President and Chief Executive Officer of Wintrust and shall perform such duties as may be assigned to Executive by the Board of Directors of Wintrust in such position. Executive agrees that during their employment Executive will be subject to and abide by the written policies and practices of Wintrust. Executive also agrees to assume such new or additional positions and responsibilities as he may from time to time be assigned for or on behalf of Wintrust or any Affiliate of Wintrust. Notwithstanding the foregoing, Executive will not be required without his consent to move his principal business location to another location more than a 35 mile radius from his principal business location on the Effective Date of this Agreement. For purposes of this Agreement, the term "Affiliate" shall

include but not be limited to Barrington Bank & Trust Company, Hinsdale Bank & Trust Company, Lake Forest Bank & Trust Company, Libertyville Bank & Trust Company, North Shore Community Bank & Trust Company, Crystal Lake Bank & Trust Company, First Insurance Funding Corporation, Wintrust Asset Management Company, and any subsidiary of any of them and shall further include any present or future affiliate of any of them as defined by the rules and regulations of the Federal Reserve Board. In the event Executive shall perform services for any Affiliate in addition to serving as President and Chief Executive Officer of Wintrust, the provisions of this Agreement shall also apply to the performance of such services by Executive on behalf of the Affiliate.

2. Compensation and Benefits. Executive will be paid such base salary as may from time to time be agreed upon between Executive and Wintrust. Executive will be entitled to coverage under such compensation plans, insurance plans and other fringe benefit plans and programs as may from time to time be established for employees of Wintrust in accordance with the terms and conditions of such plans and programs. Executive shall also be eligible to participate in the Wintrust 1997 Stock Incentive Plan or any successor Plan thereto.

3. Extent of Service. Executive shall devote his entire time, attention and energies to the business of Wintrust during the term of this Agreement; but this shall not be construed as preventing Executive from (a) investing Executive's personal assets in such form or manner as will not require any services on the part of Executive in the operation or the affairs of the companies in which such investments are made and in which his participation is solely that of an investor; (b) engaging (whether or not during normal business hours) in any other professional, civic or philanthropic activities provided that Executive's engagement does not result in a violation of his covenants under this Section or Sections 4 and 5 hereof; or (c) accepting appointments to the boards of directors of other companies provided that the Board of Directors of Wintrust approves of such appointments and Executive's performance of his duties on such boards does not result in a violation of his covenants under this Section or Sections 4 and 5 hereof.

4. Competition. During the period in which Executive performs services for Wintrust and for a period of two years after termination of Executive's employment with Wintrust, regardless of the reason, Executive shall not, directly or indirectly, either alone or in conjunction with any person, firm, association, company or corporation: (a) serve as President and Chief Executive Officer or in a comparable senior management position with a bank or other financial institution (or any branch or affiliate thereof) which offers to its customers any of the services provided by Wintrust or its Affiliates which operates in the Market Area of Wintrust or any Affiliate; (b) solicit or conduct business which involves any of the services provided by Wintrust or its Affiliates from or with any person, corporation or other entity which was a customer of Wintrust or any Affiliate with whom Executive had direct or indirect contact while employed by Wintrust or potential customers with whom Wintrust or any Affiliate has, at the time of Executive's termination of employment with Wintrust, an outstanding oral or written proposal to provide such services; (c) request, advise or directly or indirectly invite any of the

existing customers, suppliers or service providers of Wintrust or any Affiliate to withdraw, curtail or cancel its business with Wintrust or any Affiliate (other than through mass mailings or general advertisements not specifically directed at customers of Wintrust or any Affiliate); (d) hire, solicit, induce or attempt to solicit or induce any employee, consultant, or agent of Wintrust or any Affiliate: (i) to terminate his employment or association with Wintrust or any Affiliate; or (ii) to become employed by or to serve in any capacity by a bank or other financial institution which operates or is planned to operate in the Market Area of Wintrust or of any Affiliate; or (e) in any way participate in planning or opening a bank or other financial institution which operates or is intended to operate in the Market Area of Wintrust or of any Affiliate. For the purposes of this Agreement, the Market Area of Wintrust or of an Affiliate shall be the area within a ten (10) mile radius of the principal office and branches of Wintrust or of any Affiliate.

Notwithstanding the foregoing, Executive shall not be prevented from (i) investing or owning shares of stock of any corporation engaged in any business provided that such shares are regularly traded on a national securities exchange or in any over-the-counter market or (ii) retaining any shares of stock in any corporation which Executive owned prior to the date of his employment with Wintrust.

5. Confidential Information. Executive acknowledges that, during his or her employment with Wintrust, Executive has and will obtain access to Confidential Information of and for Wintrust or its Affiliates. For purposes of this Agreement, "Confidential Information" shall mean information not generally known or available without restriction to the trade or industry, including, without limitation, the following categories of information and documentation:

(i) documentation and information relating to lending customers of Wintrust or any Affiliate, including, but not limited to, lists of lending clients with their addresses and account numbers, credit analysis reports and other credit files, outstanding loan amounts, repayment dates and instructions, information regarding the use of the loan proceeds, and loan maturity and renewal dates; (ii) documentation and information relating to depositors of Wintrust or any Affiliate, including, but not limited to, lists of depositors with their addresses and account numbers, amounts held on deposit, types of depository products used and the number of accounts per customer; (iii) documentation and information relating to trust customers of Wintrust or any Affiliate, including, but not limited to, lists of trust customers with their addresses and account numbers, trust investment management contracts, identity of investment managers, trust corpus amounts, and grantor and beneficiary information; (iv) documentation and information relating to investment management clients of Wintrust or any Affiliate, including, but not limited to, lists of investors with their addresses, account numbers and beneficiary information, investment management contracts, amount of assets held for management, and the nature of the investment products used; (v) the identity of actual or potential customers of Wintrust or any Affiliate, including lists of the same; (vi) the identity of suppliers and service providers of Wintrust or any Affiliate, including lists of the same and the material terms of any supply contracts; (vii) marketing materials and information regarding the products and services offered by Wintrust or any

Affiliate and the nature and scope of use of such marketing materials and product information; (viii) policy and procedure manuals and other materials used by Wintrust or any Affiliate in the training and development of its employees; (ix) identity of all computer systems, programs and software utilized by Wintrust of any Affiliate to conduct its operations and manuals or other instructions for their use; (x) minutes or other summaries of Board of Directors or other department or committee meetings held by Wintrust or any Affiliate; (xi) the business and strategic growth plans of Wintrust or any Affiliate; and (xii) confidential communication materials provided for shareholders of Wintrust or of any Affiliate. Absent prior authorization by Wintrust or as required in Executive's duties for Wintrust, Executive will not at any time, directly or indirectly, use, permit the use of, disclose or permit the disclosure to any third party of any such Confidential Information to which Executive will be provided access. These obligations apply both during Executive's employment with Wintrust and shall continue beyond the termination of Executive's employment and this Agreement.

6. Inventions. All discoveries, designs, improvements, ideas, and inventions, whether patentable or not, relating to (or suggested by or resulting from) products, services, or other technology of Wintrust or any Affiliate or relating to (or suggested by or resulting from) methods or processes used or usable in connection with the business of Wintrust or any Affiliate that may be conceived, developed, or made by Executive during employment with Wintrust (hereinafter "Inventions"), either solely or jointly with others, shall automatically become the sole property of Wintrust or an Affiliate. Executive shall immediately disclose to Wintrust all such Inventions and shall, without additional compensation, execute all assignments and other documents deemed necessary to perfect the property rights of Wintrust or any Affiliate therein. These obligations shall continue beyond the termination of Executive's employment with respect to Inventions conceived, developed, or made by Executive during employment with Wintrust. The provisions of this Section 6 shall not apply to any Invention for which no equipment, supplies, facility, or trade secret information of Wintrust or any Affiliate is used by Executive and which is developed entirely on Executive's own time, unless (a) such Invention relates

(i) to the business of Wintrust or an Affiliate or (ii) to the actual or demonstrably anticipated research or development of Wintrust or an Affiliate, or

(b) such Invention results from work performed by Executive for Wintrust.

7. Remedies. Executive acknowledges that the compliance with the terms of this Agreement is necessary to protect the Confidential Information and goodwill of Wintrust and its Affiliates and that any breach by Executive of this Agreement will cause continuing and irreparable injury to Wintrust and its Affiliates for which money damages would not be an adequate remedy. Executive acknowledges that Affiliates are and are intended to be third party beneficiaries of this Agreement. Executive acknowledges that Wintrust and any Affiliate shall, in addition to any other rights or remedies they may have, be entitled to injunctive relief for any breach by Executive of any part of this Agreement. This Agreement shall not in any way limit the remedies in law or equity otherwise available to Wintrust and its Affiliates.

8. Term of Agreement. The initial term of Executive's employment pursuant to this Agreement shall be five (5) years, commencing on the date of this Agreement. After such initial term, this Agreement shall be extended automatically for successive one (1) year terms, unless either Executive or Wintrust gives contrary written notice not less than ninety (90) days in advance of the expiration of the initial or any succeeding term of this Agreement.

9. Termination of Employment.

a. General Provisions. Executive's employment may be terminated by Wintrust at any time and, except as otherwise provided in this Section 9, any and all of Wintrust's obligations under this Agreement shall terminate, other than Wintrust's obligation to pay Executive, within thirty (30) days of Executive's termination of employment, the full amount of any unpaid base salary and accrued but unpaid vacation pay earned by Executive pursuant to this Agreement through and including the date of termination and to observe the terms and conditions of any plan or benefit arrangement which, by its terms, survives such termination of Executive's employment. The payments to be made under this Section 9(a) shall be made to Executive, or in the event of Executive's death, to such beneficiary as Executive may designate in writing to Wintrust for that purpose, or if Executive has not so designated, then to the spouse of Executive, or if none is surviving, then to the personal representative of the estate of Executive. Notwithstanding the foregoing, termination of employment shall not affect the obligations of Executive that, pursuant to the express provisions of this Agreement, continue in effect.

b. Termination Due to Death. If Executive should die during the term of this Agreement, which event shall result in the termination of Executive's employment, Wintrust shall pay Executive an amount equal to two (2) times the sum of (i) Executive's base annual salary in effect at the time of Executive's death plus (ii) an amount equal to any bonuses paid to Executive during the twelve (12) month period prior to Executive's death in a lump sum within thirty (30) days following the date of Executive's death. The amount to be paid to Executive pursuant to this Section 9(b) shall be reduced by the amount of any life insurance benefit payments paid or payable to Executive from policies of insurance maintained and paid for by Wintrust; provided that in the event the life insurance benefits exceed the amount to be paid to Executive pursuant to this Section 9(b), Executive shall remain entitled to receive the excess life insurance payments. The payments to be made under this Section 9(b) shall be made to Executive, or in the event of Executive's death, to such beneficiary as Executive may designate in writing to Wintrust for that purpose, or if Executive has not so designated, then to the spouse of Executive, or if none is surviving, then to the personal representative of the estate of Executive.

c. Termination Due to Permanent Disability. If Executive should suffer a permanent disability, which event shall result in the termination of Executive's employment, Wintrust shall pay Executive an amount equal to two (2) times the sum of

(i) Executive's base annual salary in effect at the time of Executive's permanent disability plus (ii) an amount equal to any bonuses paid to Executive during the twelve (12) month period prior to Executive's permanent disability ratably over a twenty-four (24) month period beginning on the first payroll period following such termination and on each payroll period thereafter during the twenty-four (24) month period. The amount to be paid to Executive pursuant to this Section 9(c) shall be reduced by the amount of any long-term disability benefit payments paid or payable to Executive during such payment period from policies of insurance maintained and paid for by Wintrust; provided that in the event the long-term disability benefits exceed the amount to be paid to Executive pursuant to this Section 9(c), Executive shall remain entitled to receive the excess long-term disability insurance payments.

For the purposes of this Agreement, "permanent disability" means any mental or physical illness, disability or incapacity which renders Executive unable to perform his duties hereunder for ninety (90) consecutive working days. In addition, in the event of permanent disability, Executive's or Executive's dependents' participation in any medical, health, accident, disability, death, life insurance or similar plan in which Executive was participating immediately prior to termination shall continue for the period in which payments are being made under this Section 9(c) at Wintrust's expense (subject to any normal employee contributions, if any), although any continuation of health coverage shall count toward the "COBRA" continuation of coverage period.

d. Termination Without Cause. In the event Executive's employment is terminated without Cause (as such term is defined in Section 9(h) hereof) by Wintrust other than upon the expiration of the initial term or the expiration of any succeeding one (1) year term of this Agreement, Wintrust shall pay Severance Pay to Executive in the amount equal to two (2) times the sum of (i) Executive's base annual salary in effect at the time of Executive's termination plus (ii) an amount equal to any bonuses paid to Executive during the twelve (12) month period prior to termination. Severance Pay under this Section 9(d) shall be paid to the Executive ratably over a twenty-four (24) month period beginning on the first payroll period following such termination and on each payroll period thereafter during the twenty-four (24) month Severance Pay period. The amount of Severance Pay under this Section 9(d) shall be reduced by any income earned by Executive, whether paid to Executive immediately or deferred until a later date, during the twenty-four (24) month Severance Pay period from employment of any sort, including without limitation full, part time or temporary employment or work as an independent contractor or as a consultant. Executive agrees to promptly notify Wintrust if he obtains employment of any sort during the twenty-four (24) month Severance Pay period and to provide Wintrust with a copy of any W-2 or 1099 forms or other payroll or income records and a summary of contributions received under any deferred compensation arrangement. Notwithstanding the foregoing, Executive's Severance Pay to be paid under this Section 9(d) shall be not less than an amount to provide Executive with a monthly payment of \$ 4,166.67 during the twenty-four (24) month Severance Pay period.

e. Constructive Termination. If Executive suffers a Constructive Termination, Wintrust shall pay Severance Pay to Executive in the amounts and at the times described in Section 9(d) hereof. For the purposes of this Agreement, "Constructive Termination" means (i) a material reduction by Wintrust in the duties and responsibilities of Executive or (ii) a reduction by Wintrust of Executive's "Adjusted Total Compensation" (as hereinafter defined), to (y) less than seventy-five percent (75%) of the Adjusted Total Compensation of Executive for the twelve month period ending as of the last day of the month immediately preceding the month in which the Constructive Termination occurs; or (z) less than seventy-five percent (75%) of the Executive's Adjusted Total Compensation for the twelve month period ending as of the last day of the month preceding the Effective Date, whichever is greater. The amount of Severance Pay under this Section 9(e) shall be reduced by any income earned by Executive, whether paid to Executive immediately or deferred until a later date, during the twenty-four (24) month Severance Pay period from employment of any sort, including without limitation full, part time or temporary employment or work as an independent contractor or as a consultant. Executive agrees to promptly notify Wintrust if he or she obtains employment of any sort during the twenty-four (24) month Severance Pay period and to provide Wintrust with a copy of any W-2 or 1099 forms or other payroll or income records and a summary of contributions received under any deferred compensation arrangement. Notwithstanding the foregoing, Executive's Severance Pay to be paid under this Section 9(e) shall be not less than an amount to provide Executive with a monthly payment of \$ 4,166.67 during the twenty-four (24) month Severance Pay period.

(A) For the purposes of this Agreement, "Adjusted Total Compensation" means the aggregate base salary earned by the Executive plus the dollar value of all perquisites (i.e. Wintrust provided car, club dues and supplemental life insurance) as estimated by Wintrust in respect of the Executive for the relevant twelve month period. Adjusted Total Compensation shall exclude any bonus payments paid or earned by the Executive. For the purpose of illustration, attached as Exhibit A to this Agreement is the base salary paid and the dollar value of the Executive's perquisites for the last fiscal year of Wintrust.

(B) For the purposes of this Section 9(e) (but not for the purpose of Section 9(f)), the Executive will not be deemed to have incurred a Constructive Termination under Section 9(e)(ii) if there is a general reduction in base salaries and/or perquisites applicable to the President, Chief Executive Officer and all Vice Presidents of Wintrust.

f. Termination Upon Change In Control. In the event that within twelve (12) months of a Change In Control of Wintrust (as defined below) (i) Executive's employment is terminated without Cause (as such term is defined in Section 9(h) hereof) prior to the expiration of the initial term or the expiration of any succeeding one (1) year term of this Agreement or (ii) Executive suffers a Constructive Termination, Wintrust (or the successor thereto) shall pay Severance Pay to Executive in the amounts described in

Section 9(d) hereof in a lump sum within thirty (30) days following the date of Executive's termination or Constructive Termination. For the purposes of this Agreement, the term "Change in Control" shall have the same meaning as provided in Section 12(b) of the Wintrust 1997 Stock Incentive Plan. Notwithstanding the foregoing, if the payment required to be paid under this Section 9(f), when considered either alone or with other payments paid or imputed to the Executive from Wintrust or an Affiliate that would be deemed "excess parachute payments" under Section 280G(b)(1) of the Internal Revenue Code of 1986, as amended (the "Code"), is deemed by Wintrust to be a "parachute payment" under Section 280G(b)(2) of Code, then the amount of Severance Pay required to be paid under this Section 9(f) shall be automatically reduced to an amount equal to \$1.00 less than three times the "base amount" (as defined in Section 280G(3) of the Code) (the "Reduced Amount"). Provided, however, the preceding sentence shall not apply if the sum of (a) the amount of Severance Pay described in this Section 9(f) less (b) the amount of excise tax payable by the Executive under Section 4999 of the Code with respect to the amount of such Severance Pay and any other payments paid or imputed to the Executive from Wintrust or an Affiliate that would be deemed to be "excess parachute payments" under Section 280G(b)(1) of the Code, is greater than the Reduced Amount. The decision of Wintrust (based upon the recommendations of its tax counsel and accountants) as to the characterization of payments as parachute payments, the value of parachute payments, the amount of excess parachute payments, and the payment of the Reduced Amount shall be final.

g. Voluntary Termination. If Executive voluntarily terminates employment prior to the expiration of the initial term or any succeeding one (1) year term of this Agreement, this Agreement shall terminate forthwith and all obligations of each party to the other shall terminate immediately except for the obligations of the parties contained in Section 9(a) hereof.

h. Termination For Cause. If Executive is terminated for Cause as determined by the written resolution of the Compensation and Nominating Committee or any successor committee of the Wintrust Board of Directors, all obligations of each party to the other shall terminate immediately except the obligations of the parties described in Section 9(a) hereof. For purposes of this Agreement, termination for "Cause" means:

- (i) Executive's failure or refusal, after written notice thereof, to perform specific directives approved by a majority of the Wintrust Board of Directors which are consistent with the scope and nature of Executive's duties and responsibilities as President and Chief Executive Officer of Wintrust;
- (ii) Habitual drunkenness or illegal use of drugs which interferes with the performance of Executive's duties and obligations under this Agreement;
- (iii) Executive's conviction of a felony;

(iv) Any defalcation or acts of gross or willful misconduct of Executive resulting in economic loss to Wintrust or substantial damage to Wintrust's reputation;

(v) Any breach of Executive's covenants contained in Sections 4 through 6 hereof; or

(vi) A written order requiring the termination of Executive from his position with Wintrust or any Affiliate for which Executive is also providing services by any regulatory agency or body.

i. Executive's right to receive Severance Pay per Sections 9(d) through 9(f) hereof is contingent upon Executive not violating any of on-going obligations under this Agreement.

j. The payment of Severance Pay to Executive pursuant to Sections 9(d) through 9(f) hereof shall be liquidated damages for and in full satisfaction of any and all claims Executive may have relating to or arising out of Executive's employment and termination of employment by Wintrust, any and all claims Executive may have relating to or arising out of this Agreement and the termination thereof and any and all claims Executive may have arising under any statute, ordinance or regulation or under common law. Executive expressly acknowledges and agrees that, except for whatever claim Executive may have to Severance Pay, Executive shall not have any claim for damages or other relief of any sort relating to or arising out of Executive's employment or termination of employment by Wintrust or relating to or arising out of this Agreement and the termination thereof.

k. Upon termination of employment with Wintrust for any reason, Executive shall promptly deliver to Wintrust all writings, records, data, memoranda, contracts, orders, sales literature, price lists, client lists, data processing materials, and other documents, whether or not obtained from Wintrust or any Affiliate, which pertain to or were used by Executive in connection with his employment by Wintrust or which pertain to any Affiliate, including, but not limited to, Confidential Information, as well as any automobiles, computers or other equipment which were purchased by Wintrust for Executive.

10 Resolution of Disputes. Except as otherwise provided herein, any disputes arising under or in connection with this Agreement shall be resolved by binding arbitration, to be held in Chicago, Illinois, in accordance with the rules and procedures of the American Arbitration Association (the "AAA") and the parties hereby agree to expedite such arbitration proceedings to the extent permitted by the AAA. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. This requirement to arbitrate any disputes arising under or in

connection with this Agreement shall not apply to claims made by Wintrust for injunctive and/or other equitable relief for Executive's failure to adhere to the covenants set forth in Sections 3, 4, 5 and 6 of this Agreement. Each party shall initially bear their own costs of the arbitration or litigation, except that, if Wintrust is found to have violated any material terms of this Agreement, Wintrust shall reimburse Executive for the entire amount of reasonable attorneys fees incurred by Executive as a result of the dispute hereunder in addition to the payment of any damages awarded to Executive. Notwithstanding the foregoing, any dispute arising under this Agreement as a result of Executive's termination of employment must be raised by Executive within two (2) years after the Executive's termination, provided, however, that the claim must be initiated within thirty (30) days after written notice of the claim has been delivered by the Executive to Wintrust (Attn: President).

11. General Provisions.

a. All provisions of this Agreement are intended to be interpreted and construed in a manner to make such provisions valid, legal, and enforceable. To the extent that any Section of this Agreement or any word, phrase, clause, or sentence hereof shall be deemed by any court to be illegal or unenforceable, such word, clause, phrase, sentence, or Section shall be deemed modified, restricted, or omitted to the extent necessary to make this Agreement enforceable. Without limiting the generality of the foregoing, if the scope of any covenant in this Agreement is too broad to permit enforcement to its full extent, such covenant shall be enforced to the maximum extent provided by law; and Executive agrees that such scope may be judicially modified accordingly.

b. This Agreement may be assigned by Wintrust. This Agreement and the covenants set forth herein shall inure to the benefit of and shall be binding upon the successors and assigns of Wintrust.

c. This Agreement may not be assigned by Executive, but shall be binding upon Executive's executors, administrators, heirs, and legal representatives.

d. No waiver by either party of any breach by the other party of any of the obligations, covenants, or representations under this Agreement shall constitute a waiver by any prior or subsequent breach.

e. Where in this Agreement the masculine gender is used, it shall include the feminine if the sense so requires.

f. The use of any number shall be construed as singular or plural, as the case may require.

g. This instrument constitutes the entire agreement of the parties with respect to its subject matter. This Agreement may not be changed or amended orally but

only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought. Any other understandings and agreements, oral or written, respecting the subject matter hereof are hereby superseded and canceled.

12. Governing Law. The parties agree that this Agreement shall be construed and governed by the laws of the State of Illinois, excepting its conflict of laws principles. Further, the parties acknowledge and specifically agree to the jurisdiction of the courts of the State of Illinois in the event of any dispute regarding this Agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date written opposite their signatures.

WINTRUST FINANCIAL CORPORATION

By: _____
David A. Dykstra
Its: Chief Financial Officer

Dated: _____

Edward J. Wehmer

Dated: _____

SELECTED FINANCIAL HIGHLIGHTS

Years Ended December 31,

	1998	1997	1996	1995	1994
(dollars in thousands, except per share data)					
Selected Financial Condition Data					
(at end of period):					
Total assets	\$ 1,348,048	\$ 1,053,400	\$ 706,037	\$ 470,890	\$ 354,158
Total deposits	1,229,154	917,701	618,029	405,658	221,985
Total net loans	992,062	712,631	492,548	258,231	193,982
Long-term debt and notes payable	31,050	20,402	22,057	10,758	6,905
Total shareholders' equity	75,205	68,790	42,620	40,487	25,366
Selected Statements of Operations Data:					
Net interest income	\$ 36,764	\$ 26,772	\$ 14,882	\$ 9,700	\$ 7,873
Total net revenues	44,839	31,716	22,414	18,244	9,359
Income (loss) before income taxes (1) (2)	4,709	1,058	(2,283)	1,002	(2,000)
Net income (loss) (1) (2)	6,245	4,846	(973)	1,497	(2,236)
Net income (loss) per common share-basic (1) (2)	0.77	0.62	(0.16)	0.27	(0.56)
Net income (loss) per common share-diluted (1) (2)	0.74	0.60	(0.16)	0.24	(0.56)
Selected Financial Ratios and Other Data:					
Performance Ratios:					
Net interest margin	3.43%	3.41%	2.91%	2.96%	3.35%
Net interest spread	3.00%	2.92%	2.40%	2.41%	3.07%
Non-interest income to average assets	0.69%	0.58%	1.34%	2.36%	0.57%
Non-interest expense to average assets (1) (2)	3.04%	3.18%	4.05%	4.37%	4.14%
Net overhead ratio (1) (2)	2.36%	2.60%	2.71%	2.01%	3.57%
Return on average assets (1) (2)	0.53%	0.56%	(0.17)%	0.40%	(0.88)%
Return on average equity (1) (2)	8.68%	7.88%	(2.33)%	4.66%	(12.20)%
Average total assets	\$ 1,177,745	\$ 858,084	\$ 562,244	\$ 362,125	\$ 259,404
Average shareholders' equity	71,906	61,504	41,728	31,173	18,633
Ending loan-to-deposit ratio	80.7%	77.7%	79.7%	63.7%	87.4%
Average loan-to-average deposit ratio	80.1%	80.1%	69.8%	61.3%	100.0%
Average interest-earning assets to average interest-bearing liabilities	108.92%	109.93%	110.73%	111.37%	106.61%
Asset Quality Ratios:					
Non-performing loans to total loans	0.55%	0.59%	0.36%	0.74%	0.01%
Non-performing assets to total assets	0.45%	0.40%	0.25%	0.41%	0.01%
Allowance for possible loan losses to:					
Total loans	0.71%	0.72%	0.74%	1.07%	0.88%
Non-performing loans	129.66%	121.64%	204.15%	143.91%	N/M
Common Share Data at end of period:					
Market price per common share	\$ 19.63	\$ 17.00	\$ 14.75	N/A	N/A
Book value per common share	9.23	8.47	6.45	\$ 6.94	\$ 5.35
Other Data at end of period:					
Number of:					
Bank subsidiaries	6	6	5	4	3
Banking offices	21	17	14	11	5

(1) For the year ended December 31, 1998, the Company recorded a non-recurring \$1.0 million pre-tax charge related to severance amounts due to the Company's former Chairman and Chief Executive Officer and certain related legal fees.

(2) For the year ended December 31, 1996, the Company recorded non-recurring merger-related expenses of \$891,000.

HERE'S OUR STORY. WE THINK YOU'LL FIND IT QUITE REMARKABLE

When we meet with investors, we are usually asked the same question--what's so special about Wintrust? When we explain the Wintrust "story", they tell us it is quite intriguing and that our Company really does appear to be without peer in the industry.

Here's our unique story. Wintrust is a very young company that is focusing on building value from two different perspectives. The first is "franchise value" which is based on building long-term shareholder value by creating de novo community bank franchises, growing them rapidly to achieve critical mass market share and then improving profitability as they mature and growth slows. This franchise value will very likely be supplemented by strategic acquisitions of other financial institutions in the future.

The second type of value we strive for is "earnings value" which is the standard way a company is measured by the investment community. Our earnings value has been diluted by the investments we have made in our early years in building the company. However, we believe Wintrust has hidden "potential energy" (stored earnings potential) due to the earnings burden of our start-up banks. As each of our new locations matures, they should begin producing profitability levels consistent with our more mature banks.

WINTRUST BANKS ARE VERY YOUNG.

Wintrust is unique in the banking industry for a number of reasons.

First, we are a very young organization. In a world where banks typically grow by buying other banks, Wintrust has grown to date only by creating de novo community banks. The first of these (Lake Forest Bank & Trust) was opened in December 1991, the most recent one (Crystal Lake Bank & Trust) was opened in December 1997, and the average age of our six community banks is only a little more than 3 1/2 years. But given our asset size of \$1.35 billion, most individuals assume that Wintrust could only be a mature company. Once our story is learned, the investment community tends to evaluate us on our growth and future earnings potential. We agree.

WINTRUST BANKS ARE ALL HOME GROWN.

Second, as explained above, we have started all these de novo banking franchises ourselves, from scratch, using our own unique recipe. A significant investment in people, facilities, operations and marketing is necessary to get each of these banks off to a good start and to reach critical mass market share. This investment means that each new bank generally takes about 13-24 months to become profitable. That de novo burden reduces the Company's earnings and return on equity in its early years. However, in our short life, we have been able to reach the number two market share in all of our mature banks' primary markets and these banks are beginning to generate good profitability. This strategy quickly grows our customer base and deters other community banks from entering our markets.

As our young bank group continues to mature, the Company's earnings should increase markedly. As an example, our pre-tax earnings increased almost five-fold in 1998 over the prior year. The steady progression of each bank up the earnings curve is impressive and is according to our plan. That's part of the "potential energy" we talked about earlier.

WINTRUST BANKS OPERATE VERY EFFICIENTLY.

Third, we are structured to operate efficiently. This is a result of a number of factors: 1) we currently operate banks in affluent suburban markets where we receive greater impact per dollar spent in marketing and operations; 2) we operate "lean and mean", hiring fewer but more experienced and competent managers; and, 3) our employees are motivated to perform through programs that are designed to align employee's interests with those of the shareholders. We recently instituted an Employee Stock Purchase Plan to make it easy and financially attractive for our employees to own stock in the Company. Also, top management at Wintrust and all of our subsidiaries have significant stock ownership and stock options. These strategies are already paying dividends at our mature banks. Our four oldest banks, for example, already have overhead ratios that are better than their peer groups. All of our banks should experience gains in efficiency as they mature and grow into the overhead associated with the personnel and facilities infrastructure investment.

HAVE REAL ADVANTAGES OVER THE OTHER BANKS IN OUR MARKETS.

Fourth, we have a real advantage over the big banks and other community banks that we compete against. We know what consumers want (don't tell the big banks--it's personal, friendly service from a bank that is locally run!) and have aligned our community bank operations to give customers what they want. As community bankers, we care most about our customers, and it shows. Big banks only seem to care about their profitability, and it shows, with more fees and less personal service. Our decentralized approach and locally run operations gives us significant service and speed

advantages over the centralized branch banking operations of our competitors.

As a locally run bank, we can also customize products and services to meet the needs of the community. A good example of this is our Clarendon Hills Community Account, a package of banking products and services for Clarendon Hills residents that has the added bonus of providing customers additional discounts at participating merchants. And since over three-quarters of Clarendon Hills merchants are participating, this represents a real extra benefit for our customers. Imagine a big bank that is centrally controlled with lots of branches trying to do something like this for one of its communities. Not a chance.

We have a real advantage over most community bank groups. Wintrust has the infrastructure to grow and expand, much more efficiently and more successfully than the typical community bank organization. While we operate each of our community banks as separate and distinct organizations--with its own name, its own management and decision making, its own operations, and its own product mix and pricing--we have put in place a number of functions at the Wintrust level which create operational efficiency. While each bank has its own marketing campaign, we have centralized the marketing function and have brought in expertise that the typical community bank cannot afford. The same can be said for technology, investments, and financial/capital planning, all of which are provided for at the Wintrust level. This will enable us without much difficulty to add additional community banks in the future.

CREATING ASSET NICHE IS OUR KEY TO PROFITABILITY.

Fifth, we have a unique earning asset philosophy and have created a number of asset niches (e.g. premium finance, indirect auto, leasing, homeowner and condominium association lending, etc.) that allow our community banks to maximize their loan-to-deposit ratio, and therefore, earnings potential. We believe most community banks can only secure local loans to cover about one-half of their capacity without compromising credit quality. Our goal is to fill the rest of our loan capacity with niche loans, and as such, maximize our earning potential in a way that most community banks cannot.

IT'S A STORY ABOUT A UNIQUE COMPANY WITH LOTS OF HIDDEN "POTENTIAL ENERGY" (STORED EARNINGS POTENTIAL).

So you see, Wintrust does have a unique story. We have real advantages over the big banks and most community banks as well. Our short-term earnings are held back due to our young age, our de novo start-up strategy and our drive to reach critical mass market share. But we have proven growth and earnings strategies and lots of earnings potential. These will blossom and bear real fruit in the future as our young banks march towards maturity. We have created (and continue to create) strong franchise value--value that will pay out in the long term for our shareholders. Management and directors of Wintrust and its subsidiaries have meaningful ownership of Wintrust common stock so our needs are clearly aligned with those of our shareholders. We believe in our unique recipe for developing long term shareholder value and wholeheartedly expect to be judged by our ability to achieve these goals.

TO OUR FELLOW SHAREHOLDERS

Welcome to our third annual report. 1998 was a good year for Wintrust Financial Corporation. In our second full year of operations, we continue to exhibit strong core growth and earnings improvement.

1998 marked a very successful and very eventful year for our young corporation. Our unique strategy of building long-term shareholder value by creating de novo community bank franchises in affluent markets has moved us closer to our goal of becoming a high performing financial institution.

1998 HIGHLIGHTS

Here are a few of the highlights for the year ended December 31, 1998:

- o Net income grew to \$6.2 million, compared to \$4.8 million in 1997, resulting in a healthy earnings growth of 29%.
- o Pre-tax income increased 4.5 times over a year ago, evidencing the vitality of Wintrust's core earnings.

****** Net Income and Pre-Tax Income Growth Bar Chart OMITTED ******

- o On a per share basis, net income reached \$0.74 per diluted common share versus \$0.60 a year ago.
- o Total assets continue to grow, increasing to \$1.35 billion, a \$295 million or 28% increase over a year ago.

****** Asset Growth Bar Chart OMITTED ******

- o Total deposits rose to \$1.23 billion, up 34% from last year and all due to our internal de novo growth.
- o Net loans showed solid growth, increasing 39% to \$992 million.
- o Loan volume for our First Insurance Funding subsidiary was up 43% to about \$500 million, making this the fifth largest commercial insurance premium finance company in the country.
- o We purchased Medical and Municipal Funding, a leasing operation which is expected to produce a lease portfolio of approximately \$60 million over the next few years.
- o Core and total loan delinquencies were well below peer group averages as were net charge-offs.
- o We successfully raised \$31 million in core capital through the issuance of Trust Preferred securities.
- o We launched Wintrust Asset Management, our newest subsidiary, which is now providing trust and investment services to the valued clients of our communities.
- o We opened six new community banking facilities (two of which replaced temporary facilities), bringing our total to 21.

****** New Bank Facilities and Timing Bar Chart OMITTED ******

- o For the year, the Company's net overhead ratio (a measure of operational efficiency) was reduced 0.24% of total assets to 2.36%--a result of our efforts to

control costs and our younger banks growing into their overhead.

o We opened our wintrust.com investor relations web site for shareholders and interested investors and began publishing an investor relations newsletter.

o We also opened web sites for some of our more mature community banks (lakeforestbank.com and hinsdalebank.com).

o We signed a contract to offer our customers fully functional internet banking capabilities. This will become the portal for many future high tech products and services.

o Our stock price increased 16% during a year when our peer group's stock price averaged a 14% decline.

WHAT IF?

We believe in being very straightforward with our shareholders, telling you the good news and the bad news. While earnings increased to \$6.2 million (versus \$4.8 million in 1997), a respectable 29% growth rate, three one-time events occurred in 1998 that reduced pre-tax earnings by \$2.4 million. These were related to the second quarter departure of the Company's previous Chairman & CEO (\$1.0M), an additional provision for loan losses during the first half of 1998 to provide for the write-off of non-performing loans at one of our subsidiary banks (\$0.8M) and a fourth quarter write-off of an operational loss (\$0.6M). These issues are now behind us. The operational controls and systems of all our subsidiary banks have been strengthened and additional controls and procedures have been put into place to minimize the chance of these problems reoccurring. We have also expanded the independent loan review function. Finally, we have also added a "best practices" officer whose responsibility it is to review and assess controls and procedures at all of our subsidiaries. Without these one-time events:

o earnings would have increased to \$7.7 million, up 59%

o return on assets would have been 0.66%

o return on equity for the year would have been 10.7%.

PERFORMANCE VERSUS GOALS.

At last year's Annual Meeting, we reiterated our goals for Wintrust. Reaching these goals over the next few years will make us a high performing bank relative to our peers:

o Net Interest Margin of 4 - 4 1/2 %

o Net Overhead Ratio of 1 1/2 - 2 %

o Return on Assets of 1 1/2 %

o Return on Equity of 20 - 25 %

In 1998, we have made meaningful strides towards achieving most of these "high performing bank" goals. We want to be held accountable to these goals.

NET INTEREST MARGIN (GOAL: 4 - 4 1/2 %)

In the latter half of 1998 we began focusing on the dual objective, especially at our mature banks, of controlling our cost of funds while still growing assets. We were able to accomplish this objective and maintain an aggressive growth rate. As a result, our net interest margin increased slightly to 3.43%, up from 3.41% a year ago. The net interest margin, excluding the cost of the Trust Preferred Securities, was 3.45% in 1998.

****** Net Interest Margin Bar Chart OMITTED ******

While moving closer to goal, this margin is still below the industry, due in part to these factors: 1) our banks are located in affluent suburban Chicago markets which have higher than average deposit rates due to the increased competition caused by a high per capita number of banks; 2) our newer de novo banks typically use more aggressive deposit rates to grow market share

to a critical mass; and, 3) our newer de novo banks also typically have lower loan-to-deposit ratios than the more established banks as core loan growth is slower to develop in new markets than deposit growth.

We expect to continue to show improvement in our core net interest margin as we grow additional earning asset niches and control our deposit pricing in communities where we have already achieved significant market share.

NET OVERHEAD RATIO (GOAL: 1 1/2 - 2 %)

Notwithstanding the non-recurring charges mentioned earlier, our consolidated net overhead ratio for the year was 2.36%, a meaningful decrease from the year ago level of 2.60%. This is a result of the continuing improvement in the run rate of this key efficiency ratio as our banks fill the capacity of the personnel and facilities infrastructure we create when opening new banks. Given the average age of our six de novo banks is only 3 1/2 years, as our young banks continue to grow into their overhead we should soon begin to approach the top end of our consolidated goal. At our four oldest banks, our run rate is already at or ahead of this goal.

****** Net Overhead Ratio Bar Chart OMITTED ******

RETURN ON ASSETS (GOAL: 1 1/2 %) AND RETURN ON EQUITY (GOAL: 20 - 25 %)

Our returns on average assets and average equity for 1998 were relatively consistent with 1997. As a result of the three events discussed earlier that negatively impacted earnings, net income as a percentage of average assets declined slightly to 0.53%, versus 0.56% for a year ago; however, our return on average equity increased slightly to 8.68%, up from 7.88% for the prior year. Improvement in these ratios should occur in 1999 as our Banks mature. However, they will continue to lag industry standards due to the investment made during 1998 in our newest trust and investment subsidiary, Wintrust Asset Management Company, and the impact of our other recent de novo banks.

****** Return on Equity Bar Chart OMITTED ******

Although the returns on assets and equity were relatively flat from 1997 to 1998, it is important to note that the pre-tax earnings level was up by 345% evidencing the significant growth and vitality of the Company's core earnings. Recognition of income tax benefits in 1997 and 1998 for prior operating losses makes for an unusual comparison of net income amounts. Management looks to the pre-tax amounts as a better barometer of the health of the Company's earnings growth.

ASSET QUALITY

While not one of the goals set out in last year's Annual Meeting, asset quality is clearly an important area to manage. At year-end, our non-performing asset levels were relatively low and very manageable. Non-performing loans as a percentage of total loans declined to 0.55% at year-end 1998 from 0.59% at the end of 1997. Management is pleased with the improvement in the non-performing loan ratio during 1998 and will strive to keep a high quality loan portfolio.

During the year, we increased our allowance for possible loan losses to \$7.0 million from \$5.1 million at the end of 1997. We believe this level is adequate. However, our allowance for possible loan losses as a percent of total loans remained at about 0.71% of total loans. As a young and growing institution, we must continue to build up this allowance toward the level of the more mature banks that comprise our peer group with which we are often compared.

STRATEGIES FOR FUTURE GROWTH.

In our mid-year shareholder letter, we stated our intention to pursue accretive growth, not just growth for growth's sake. We clearly understand that we need to balance the growth in assets with growth in earnings. The good news is that opportunities for this kind of growth are still strong. 1998 was also another year filled with big bank mergers and consolidation, resulting in less service and more fees for many customers. Bank One's merger with First Chicago/NBD, and that institution's absorption of American National Bank, National City Bank's purchase of First of America, and Harris' continuing centralization should generate incremental business and share growth for our community banks.

****** Graphic Advertisement OMITTED ******

NEW DE NOVO BANKS AND POSSIBLE ACQUISITIONS.

We have identified new markets for additional de novo banks and continue to open new facilities so that we might serve a broader market and establish our kind of community banking before competitors do.

We have also made some initial contacts with other Chicagoland community banks that are already in attractive local markets, who may not have adequate resources to continue their growth, and who may have shareholders who would like to have a publicly traded investment. Merging or being acquired by Wintrust might be attractive to their bank management and shareholders because they could continue to operate under their current name and significantly improve shareholder liquidity and future growth potential. This acquisition strategy, along with our historically successful de novo bank and branch expansion, represent sizable future growth opportunities for Wintrust. As such, over the long-term, acquisitions represent another part of our arsenal for growth.

WINTRUST ASSET MANAGEMENT. EXPANDING OUR TRUST AND INVESTMENT SERVICES.

With the creation of Wintrust Asset Management and the hiring of a number of experienced trust and investment professionals, we are now positioned to take advantage of the huge potential that our affluent markets have to offer. We believe our market areas represent some of the highest potential trust and investment markets, not just in Chicagoland, but the entire Midwest.

In September 1998, we received regulatory approval for this new trust subsidiary. In the fourth quarter we introduced trust and investment services to Hinsdale Bank & Trust, North Shore Community Bank & Trust, and Barrington Bank & Trust, while continuing to service Lake Forest Bank & Trust. Wintrust Asset Management will act as the trust department for each of these banks, providing integrated trust and investment products and services for consumers and businesses in our markets. We will roll out these services to our remaining banks in the next year or so. While this new "trust department" is the most efficient way to provide outstanding trust and investment services to each of our banks, the upfront cost of personnel and marketing does represent a sizable investment that, like a new de novo bank, takes a few years to pay out. In many respects, Wintrust Asset Management was our de novo institution launch for 1998. If any of our shareholders are getting tired of the "take a number" approach of the big bank trust departments, you know who to call--us!

****** Graphic Advertisement OMITTED ******

ASSET NICHES. THE SECRET OF GREATER COMMUNITY BANK EARNINGS.

We also are aggressively expanding our asset niches which provide the additional loan volume a community bank needs to optimize our loan-to-deposit ratio and earnings capacity. In addition to premium finance lending and high-quality indirect auto lending, we have recently added a couple of other asset generators:

o In 1998, Lake Forest Bank & Trust purchased the leasing operations of Medical and Municipal Funding, which should generate a lease portfolio of approximately \$60 million over the next few years.

o Barrington Bank & Trust recently hired the leading expert in Midwest condo and community association lending. This is a potentially sizable local (and possibly national) new business for us.

****** Loan Growth Bar Chart OMITTED ******

HIGH TECH STUFF FROM THE OLD FASHIONED BANK!

While we have invested in the brick and mortar facilities that our traditional ("banking the way it used to be") community bank customers demand, we also realize the importance of providing new, more convenient distribution systems for our more technologically demanding customers. While our mature banks currently operate informational web sites on the internet, we have signed a contract and are about to introduce an integrated electronic banking system which includes fully functional internet bank sites and improved PC banking and tele-banking for each bank. This technology is state-of-the-art, with all of the basics (access to account balances and transfer of funds) and advanced features which include bill-pay (that integrates with leading bill pay processors) and interfaces with popular personal finance management software.

In 1998 we purchased an MCIF (Marketing Customer Information File) system to further improve our marketing by allowing us to effectively segment our customer base for each product we are promoting. In 1999, we are now beginning to use that system which will be beneficial in a number of ways:

- o More efficient marketing spending via segmentation and mailing to most likely candidates
- o Better cross-selling of current customers
- o Better acquisition of new customers
- o Detailed analysis and reports for strategic planning and internal management reporting
- o Analysis of potential bank acquisitions

BRING IT ON. WE'RE READY FOR Y2K.

Wintrust is ready for Y2K, perhaps more so than most banks in our markets. That's because we have two Y2K advantages that most big banks don't have: 1) being a relatively young organization means that we have more up to date networks, servers and PCs than the older banks, and 2) given that all of our banks are de novo organizations, we have not had to merge any computer systems. Imagine the problems that some big banks are having trying to bring all of their disparate computer systems into Y2K compliance. The banks and First Insurance Funding have been getting ready for Y2K for some time now, have performed extensive testing and we are confident that we will be ready for the year 2000.

****** Shareholder EPS Growth Bar Chart OMITTED ******

NON-DILUTIVE CAPITAL GROWTH

. . . TRUST PREFERRED SECURITIES

In October of 1998, we completed our offering of \$31.05 million of 9.00% Cumulative Trust Preferred Securities. The capital treatment and tax-deductible nature of the Trust Preferred Securities make this type of security a popular capital instrument for bank holding companies.

This capital has an after-tax cost to the company of about 5.5% and, as such, is financially

accretive to our common shareholders versus having issued additional common equity. Proceeds from the offering are being used to expand our banking operations as discussed above and, in the short-term, retired outstanding debt. Our Trust Preferred Securities trade on The Nasdaq Stock Market(R) under the symbol "WTFCP".

PROTECTING OUR SHAREHOLDERS' INTERESTS.

In August, we communicated that the Board of Directors had adopted a Shareholder Rights Plan to protect shareholder interests in case Wintrust Financial Corporation is confronted with a third party acquisition proposal at an unfair price. With this Rights Plan in place, the Board will have greater leverage in the event we are required to negotiate on behalf of shareholders.

****** Deposit Growth Bar Chart OMITTED ******

ALIGNING EMPLOYEE GOALS WITH THOSE OF SHAREHOLDERS.

In 1998, we put in place a number of programs to make sure that employee goals were aligned with those of shareholders--continued growth and increased earnings. An Employee Stock Purchase Plan was implemented that gave most non-executive employees an opportunity to purchase common stock of the Company at a slight discount to the market price. More than 100 employees enrolled in the first offering of this program during the fourth quarter. We continue to utilize the Stock Incentive Plan to motivate management to perform.

****** Total Shareholders' Equity Bar Chart OMITTED ******

DON'T HIDE THE LIGHT UNDER THE BUSHEL BASKET.

In 1998, we implemented a number of shareholder and investor relations programs designed to better communicate our special story. Up until that time we had done very little investor relations work. In 1998, we built an investor relations web site on the internet which contains information about Wintrust, all press releases and recent news for the Company, hot links to Nasdaq's web site for current price quotes, and hot links to Wintrust's SEC filings. We also began publishing a newsletter called Wintrust Update that contains news and information for our shareholders and investors. In addition, the following three market makers have now published research reports on and are actively following our Company:

- o EVEREN Securities, Inc.
- o U.S. Bancorp Piper Jaffray
- o ABN AMRO Incorporated

We continue to communicate with these and other investment firms and expect additional companies to initiate coverage of our Company's story during 1999.

CREATING SHAREHOLDER VALUE IS OUR TOP PRIORITY.

In closing, we thought it important to reiterate that your management team's goals are aligned with shareholders. All the senior officers of Wintrust and our subsidiaries have invested significant amounts of their personal resources in the Company in addition to having stock options. In total, senior management and the directors of the corporation and its subsidiaries own in excess of 25% of the common shares outstanding. We are in this for the long haul, looking to maximize long-term shareholder value.

We encourage all of you to maintain that same long-term outlook when reviewing Wintrust as an investment. We are a very young company that is without peer in the industry. We will continue to aggressively build shareholder value through our dual strategy of continued growth and earnings improvement by moving the company towards our stated goals and objectives.

Thank you for being a shareholder.

Sincerely,

John S. Lillard
Chairman

Edward J. Wehmer
President & CEO

1998 WAS QUITE A YEAR FOR OUR BANKS.

COMMUNITY BANKING--WINTRUST STYLE.

In 1998, we provided community banking service, Wintrust style, to over 100,000 customers in our markets. Our customers heartily consumed over 60,000 cups of hot coffee and more than 200,000 not-so-low-calorie cookies, donuts and other pastry treats. We also gave away over thousand of pounds of chocolate eggs, chocolate hearts, chocolate Santa's, lollipops, and even dog biscuits for our four legged children.

****** Community Event Picture OMITTED ******

As locally run community banks, we continue to market banking products and services that are customized to meet local needs and designed to serve a customer throughout their life. From Junior Savers Accounts for kids to investment services for young growing families to specialized accounts like PlatinumPreferred for seniors, we strive to provide products and services that will meet the changing financial needs of our customers.

Our Junior Savers enjoyed marching in and riding on bank floats in our community parades. For their enthusiastic savings and loyal support, we awarded them bubble gum banks, Beanie Babies, basket balls, cool T-shirts, sunglasses, key chains, yo-yo's, sleds, ice cream sundaes, pizza, snow cones, popcorn, glow buttons for Halloween, and pictures with the Easter Bunny and Santa.

For the whole family and the community we conducted free community cookouts, educational seminars, produced community calendars and hosted many community gatherings in our meeting rooms and bank facilities. We even put on a full-blown community carnival where thousands of friends and neighbors got to dunk the banker, ride the rides, slurp the snow cones and have their face painted for free. On Mother's Day we gave away flowers and potted plants. On Father's Day we gave away golf balls and Swiss-Army knives. On Halloween we gave away pumpkins and for the Holidays we gave away brass ornaments. Our seniors enjoyed bank sponsored day trips to downtown Chicago to see terrific plays like Phantom of the Opera and Forever Plaid. And yes, we gave away a lot of those invaluable bank pens too.

WE DO COMMERCIAL BANKING TOO!

We also serve many, many businesses and organizations, disproving the misconception that community banks only serve "retail" (consumer) banking customers. With a legal lending limit in excess of \$20 million, we are capable of serving the credit needs of a wide variety of commercial customers. We also provide a wide variety of highly competitive banking services to our commercial, professional and merchant customers, including:

- o Corporate Line of Credit
- o Corporate Retail Lockbox Service
- o Automated Cash Manager (Automatic "Sweep") Service
- o Controlled Disbursement (if Automated "Sweep" is not used)
- o Accounts Payable (automated check issuance) Service
- o Account Reconciliation Services (Full Reconciliation and/or Positive Pay)
- o On-Line (PC) Banking which will provide Balance and Transaction inquiries Electronic file transmission capabilities
- o Visa/MasterCard Merchant Processing
- o Custodial Services

****** Graphic Advertisement OMITTED ******

Technology is a great equalizer in the world of banking. Our community banks can provide all of the sophisticated services of a big bank, but with a lot more: 1) our banks are locally controlled and managed, which means that decisions affecting your business are made quickly by that bank's management, not by some downtown or out-of-town committee that does not even know you; 2) our commercial bankers are experienced professionals, not "trainees" as you may experience at the big banks; and, 3) we strive for a level of personal service that far surpasses that of any bank in town. That, after all, is the essence of our community banks.

GROWING OUR DE NOVO FRANCHISES.

Consistent with our past record of expansion, Wintrust opened six new banking facilities in 1998 (two of which replaced temporary facilities in Crystal Lake and Western Springs):

- o A drive-through/walk-up in Glencoe for North Shore Community Bank & Trust
- o A new branch for North Shore Community Bank & Trust located at the historic "L" station in southern Wilmette
- o A south Libertyville branch for Libertyville Bank & Trust Company
- o A branch of Lake Forest Bank & Trust Company located in a newly constructed, upscale senior housing development known as Lake Forest Place
- o A permanent main bank facility in downtown Crystal Lake for Crystal Lake Bank & Trust Company
- o A permanent main bank facility in downtown Western Springs for The Community Bank of Western Springs

****** Bank Facility Picture OMITTED ******

We currently have two additional facilities that will be opened in the first half of 1999: 1) Lake Forest Bank and Trust's new Market North addition which creates much needed space for our oldest bank and for Wintrust's corporate offices; and 2) a new drive-through/walk-up in downtown Crystal Lake for Crystal Lake Bank & Trust. We now operate 21 banking offices in eleven high-income Chicagoland suburban markets. In addition to these facilities, four to six new branch facilities and one new bank opening are being evaluated for later this year.

NEW CONVERTS (EMPLOYEES) TO COMMUNITY BANKING, WINTRUST-STYLE.

Every bank has added staff as growth has accelerated the need for additional service. We are very selective in who we hire to continue our special way of doing business. Interestingly, a new trend is developing. We are seeing more and more very experienced bankers, loan officers and trust/investment professionals desiring to leave their big bank job and return to their entrepreneurial roots and the fast pace of community banking, Wintrust-style. We have plucked a few of these plums and have added them to our team.

WHAT'S HAPPENING AT THE BANKS.

As the eldest Wintrust bank, Lake Forest Bank & Trust celebrated its seventh birthday in 1998. Total assets reached \$441M, up 16% versus year ago. This strengthens its position as the number two bank in the market, serving more than half of all households. LFB&T now operates six facilities, including the new walk-in facility at Lake Forest Place, an upscale senior housing community which opened in the fourth quarter.

****** Bank Facility Picture OMITTED ******

1998 was an eventful year for Hinsdale Bank & Trust. Total assets increased 26% to \$281 million. While HB&T enjoyed its fifth year of operation, its Clarendon Hills branch (Clarendon Hills Bank) celebrated its second birthday and its Western Springs branch (The Community Bank of Western Springs) turned one year old. In total, the bank operates four facilities including a drive-through/walk-up in downtown Hinsdale. In December, the Western Springs facility moved out of its temporary location and into its beautiful new main bank facility in the downtown area. The architecture of this impressive brick and stone building fits in well with the historic Water Tower that is located just to the east.

North Shore Community Bank & Trust reached \$294 million in total assets, up 10% from last year, while it celebrated its fourth birthday. The bank operates six facilities in the affluent north shore markets of Wilmette, Winnetka and Glencoe. Two new facilities were opened in 1998--a new drive-through/walk-up in Glencoe and a walk-in facility in the newly refurbished historic 4th & Linden "L" station in southern Wilmette. Glencoe's new drive-through is unique because it offers the ultimate in convenience--the only gas station/convenience store in town is located adjacent to the bank on the same property.

****** Bank Facility Picture OMITTED ******

Libertyville Bank & Trust, our fourth community bank in its third year of operation, increased its assets by 50% to \$186 million. LB&T added its third facility in October when it opened its new walk-in office in southern Libertyville. This will serve the established southern section of Libertyville and growing Cuneo Estate area of Libertyville and Vernon Hills.

Barrington Bank & Trust experienced terrific growth in only its second full year of operation. Total assets reached \$120 million, an increase of 67% versus a year ago. The bank and its customers are enjoying the new main bank/drive-through facility that was opened in December 1997.

****** Bank Facility Picture OMITTED ******

Crystal Lake Bank & Trust, our youngest bank which opened in a temporary facility in December 1997, moved into its new main bank facility in downtown Crystal Lake in September 1998. For a bank that operated almost the entire year in a cramped 1,200 square foot facility, it is proud to announce that its assets reached \$53 million in 1998. Crystal Lake Bank continues with momentum in 1999 as it opened its drive-through facility in March and has acquired a facility in the southern section of Crystal Lake that is anticipated to be ready to serve customers in the second quarter of 1999.

FIRST INSURANCE FUNDING HAS A RECORD YEAR.

While not one of our banks, we wanted to give you an update on First Insurance Funding. First Insurance Funding generated financing loans of \$494 million in 1998, a 43% increase over the previous year. This came with very little increase in overhead costs. This was made possible through a series of system enhancements that allowed First Insurance Funding to do more business, more quickly and efficiently.

First Insurance Funding should maintain its growth in the coming years thanks to continued investments in technology and aggressive sales and marketing programs. It has a goal of attaining another year of record growth in receivables in 1999 as it pursues alternative distribution channels and national endorsements.

***** Map of Company Locations OMITTED *****

CONSOLIDATED FINANCIAL STATEMENTS

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION
(In thousands, except share data)

	December 31,	
	1998	1997
ASSETS		
Cash and due from banks - non-interest bearing	\$ 33,924	32,158
Federal funds sold	18,539	60,836
Interest bearing deposits with banks	7,863	85,100
Available-for-Sale securities, at fair value	209,119	101,934
Held-to-Maturity securities, at amortized cost, fair value of \$5,001 and \$4,964 in 1998 and 1997, respectively	5,000	5,001
Loans, net of unearned income	992,062	712,631
Less: Allowance for possible loan losses	7,034	5,116
Net loans	985,028	707,515
Premises and equipment, net	56,964	44,206
Accrued interest receivable and other assets	30,082	14,894
Goodwill and organizational costs	1,529	1,756
Total assets	\$ 1,348,048	1,053,400
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	\$ 131,309	92,840
Interest bearing	1,097,845	824,861
Total deposits	1,229,154	917,701
Short-term borrowings	-	35,493
Notes payable	-	20,402
Long-term debt - trust preferred securities	31,050	-
Accrued interest payable and other liabilities	12,639	11,014
Total liabilities	1,272,843	984,610
Shareholders' equity		
Preferred stock, no par value; 20,000,000 shares authorized, of which 100,000 shares are designated as Junior Serial Preferred Stock A; no shares issued and outstanding at December 31, 1998 and 1997	-	-
Common stock, no par value; \$1.00 stated value; 30,000,000 shares authorized; 8,149,946 and 8,118,523 issued and outstanding at December 31, 1998 and 1997, respectively	8,150	8,118
Surplus	72,878	72,646
Common stock warrants	100	100
Retained deficit	(5,872)	(12,117)
Accumulated other comprehensive income (loss)	(51)	43
Total shareholders' equity	75,205	68,790
Total liabilities and shareholders' equity	\$ 1,348,048	1,053,400

See accompanying notes to consolidated financial statements

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Years ended December 31,		
	1998	1997	1996
INTEREST INCOME			
Interest and fees on loans	\$ 75,369	56,066	30,631
Interest bearing deposits with banks	2,283	1,764	1,588
Federal funds sold	2,327	3,493	2,491
Securities	8,000	3,788	4,327
Total interest income	87,979	65,111	39,037
INTEREST EXPENSE			
Interest on deposits	49,069	37,375	22,760
Interest on short-term borrowings and notes payable	1,399	964	1,395
Interest on long-term debt - trust preferred securities	747	-	-
Total interest expense	51,215	38,339	24,155
NET INTEREST INCOME	36,764	26,772	14,882
Provision for possible loan losses	4,297	3,404	1,935
Net interest income after provision for possible loan losses	32,467	23,368	12,947
NON-INTEREST INCOME			
Fees on mortgage loans sold	5,569	2,341	1,393
Service charges on deposit accounts	1,065	724	468
Trust fees	788	626	522
Loan servicing fees - mortgage loans	163	101	114
Loan servicing fees - securitization facility	-	147	1,328
Securities gains, net	-	111	18
Gain on sale of premium finance receivables	-	-	3,078
Other	490	894	611
Total non-interest income	8,075	4,944	7,532
NON-INTEREST EXPENSE			
Salaries and employee benefits	18,944	14,204	11,551
Occupancy, net	2,435	1,896	1,649
Equipment expense	2,221	1,713	1,313
Data processing expense	1,676	1,337	1,014
Professional fees	1,654	1,343	906
Advertising and marketing	1,612	1,309	1,102
Merger related expenses	-	-	891
Other	7,291	5,452	4,336
Total non-interest expense	35,833	27,254	22,762
Income (loss) before income taxes	4,709	1,058	(2,283)
Income tax benefit	(1,536)	(3,788)	(1,310)
NET INCOME (LOSS)	\$ 6,245	4,846	(973)
NET INCOME (LOSS) PER COMMON SHARE - BASIC	\$ 0.77	0.62	(0.16)
NET INCOME (LOSS) PER COMMON SHARE - DILUTED	\$ 0.74	0.60	(0.16)

See accompanying notes to consolidated financial statements

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)

	Compre- hensive income (loss)	Preferred stock	Common stock	Surplus	Common stock warrants	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 1995		\$ 503	5,831	50,053	75	(15,990)	15	40,487
Comprehensive Loss:								
Net loss	\$ (973)	-	-	-	-	(973)	-	(973)
Other comprehensive loss, net of tax:								
Unrealized losses on securities, net of reclassification adjustment	(6)	-	-	-	-	-	(6)	(6)
Comprehensive Loss	(979)							
Common stock issuance, net of fractional shares	-		567	1,291	-	-	-	1,858
Conversion of preferred stock		(503)	122	381	-	-	-	-
Repurchase of common stock		-	(4)	(44)	-	-	-	(48)
Purchase of Wolfhoya Investments, Inc.		-	87	1,190	25	-	-	1,302
Balance at December 31, 1996		-	6,603	52,871	100	(16,963)	9	42,620
Comprehensive Income:								
Net income	4,846	-	-	-	-	4,846	-	4,846
Other comprehensive income, net of tax:								
Unrealized gains on securities, net of reclassification adjustment	34	-	-	-	-	-	34	34
Comprehensive Income	4,880							
Common stock issued upon exercise of stock options		-	118	846	-	-	-	964
Common stock offering		-	1,397	18,929	-	-	-	20,326
Balance at December 31, 1997		-	8,118	72,646	100	(12,117)	43	68,790
Comprehensive Income:								
Net income	6,245	-	-	-	-	6,245	-	6,245
Other comprehensive loss, net of tax:								
Unrealized losses on securities, net of reclassification adjustment	(94)	-	-	-	-	-	(94)	(94)
Comprehensive Income	6,151							
Common stock issued upon exercise of stock options		-	32	232	-	-	-	264
Balance at December 31, 1998		\$ -	8,150	72,878	100	(5,872)	(51)	75,205

Disclosure of reclassification amount and income tax impact:	Years Ended December 31,		
	1998	1997	1996
Unrealized holding gains (losses) on securities arising during the year	\$ (153)	166	8
Less: Reclassification adjustment for gains included in net income	-	111	18
Less: Income tax expense (benefit)	(59)	21	(4)
Net unrealized gains (losses)	\$ (94)	34	(6)

See accompanying notes to consolidated financial statements

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years ended December 31,		
	1998	1997	1996
OPERATING ACTIVITIES:			
Net income (loss)	\$ 6,245	4,846	(973)
Adjustments to reconcile net income (loss) to net cash used for, or provided by, operating activities:			
Provision for possible loan losses	4,297	3,404	1,935
Depreciation and amortization	2,952	2,394	2,104
Deferred income tax benefit	(1,961)	(3,788)	(1,455)
Gain on sale of Available-for-Sale securities	-	(111)	(18)
Net accretion/amortization of securities	(340)	(670)	(1,924)
Originations of mortgage loans held for sale	(399,007)	(171,960)	(132,233)
Proceeds from sales of mortgage loans held for sale	390,528	171,192	123,818
(Increase) decrease in other assets, net	(12,603)	5,189	(5,273)
Increase (decrease) in other liabilities, net	1,625	(5,224)	2,285
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(8,264)	5,272	(11,734)
INVESTING ACTIVITIES:			
Proceeds from maturities of Available-for-Sale securities	481,297	92,336	308,424
Proceeds from sales of Available-for-Sale securities	-	420	498
Purchases of Available-for-Sale securities	(588,296)	(124,522)	(318,497)
Net decrease (increase) in interest bearing deposits with banks	77,237	(66,368)	31,868
Net increase in loans	(273,918)	(221,239)	(227,005)
Purchases of premises and equipment, net	(15,459)	(16,063)	(7,925)
Purchase of Wolfhoya Investments, Inc., net of cash acquired	-	-	(318)
NET CASH USED FOR INVESTING ACTIVITIES	(319,139)	(335,436)	(212,955)
FINANCING ACTIVITIES:			
Increase in deposit accounts	311,453	299,672	212,371
Increase (decrease) in short-term borrowings and notes payable, net	(55,895)	26,780	17,490
Proceeds from trust preferred securities offering	31,050	-	-
Issuance of common stock, net of issuance costs and fractional shares	-	20,326	1,858
Common stock issued upon exercise of stock options	264	964	-
Repurchase of common stock	-	-	(48)
NET CASH PROVIDED BY FINANCING ACTIVITIES	286,872	347,742	231,671
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(40,531)	17,578	6,982
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	92,994	75,416	68,434
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 52,463	92,994	75,416
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 51,158	37,499	23,874
Income taxes	787	-	138
Transfer to other real estate owned from loans	587	-	-

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The accounting and reporting policies of Wintrust Financial Corporation and subsidiaries ("Wintrust" or "Company") conform to generally accepted accounting principles. In the preparation of the consolidated financial statements, management is required to make certain estimates and assumptions that affect the reported amounts contained in the consolidated financial statements. Management believes that the estimates made are reasonable; however, changes in estimates may be required if economic or other conditions change beyond management's expectations. Reclassifications of certain prior year amounts have been made to conform with the current year presentation. The following is a summary of the more significant accounting policies of the Company.

DESCRIPTION OF THE BUSINESS

Wintrust is a financial services holding company currently engaged in the business of providing community banking services through its banking subsidiaries to customers in the Chicago metropolitan area and financing for the payment of commercial insurance premiums ("premium finance receivables"), on a national basis, through its subsidiary, First Insurance Funding Corporation ("FIFC") (formally known as First Premium Services, Inc.). As of December 31, 1998, Wintrust had six wholly-owned bank subsidiaries (collectively, "Banks"), all of which started as de novo institutions, including Lake Forest Bank & Trust Company ("Lake Forest Bank"), Hinsdale Bank & Trust Company ("Hinsdale Bank"), North Shore Community Bank & Trust Company ("North Shore Bank"), Libertyville Bank & Trust Company ("Libertyville Bank"), Barrington Bank & Trust Company, N.A. ("Barrington Bank") and Crystal Lake Bank & Trust Company, N.A. ("Crystal Lake Bank"). FIFC is a wholly-owned subsidiary of Crabtree Capital Corporation ("Crabtree") which is a wholly-owned subsidiary of Lake Forest Bank. On September 30, 1998, Wintrust began operating a new trust subsidiary, Wintrust Asset Management Company, N.A. ("WAMC"). This new wholly-owned subsidiary will provide trust and investment services at each of the Wintrust banks. Previously, the Company provided trust services through the trust department of Lake Forest Bank.

The consolidated Wintrust entity was formed on September 1, 1996 through a merger transaction (the "Reorganization") whereby the holding companies of Lake Forest Bank, Hinsdale Bank, Libertyville Bank and FIFC were merged with newly formed wholly-owned subsidiaries of North Shore Community Bancorp, Inc. (which changed its name to Wintrust Financial Corporation concurrent with the merger). The merger transaction was accounted for in accordance with the pooling-of-interests method of accounting for a business combination. Accordingly, the consolidated financial statements included herein reflect the combination of the historical financial results of the five entities and the recorded assets and liabilities have been carried forward to the consolidated Company at their historical cost.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of Wintrust have been prepared in conformity with generally accepted accounting principles and prevailing practices of the banking industry. Intercompany accounts and transactions have been eliminated in the consolidated financial statements.

SECURITIES

The Company classifies securities in one of three categories: trading, held-to-maturity, or available-for-sale. Trading securities are bought principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which the Company has the ability and positive intent to hold the security until maturity. All other securities are classified as available-for-sale as they may be sold prior to maturity.

Held-to-maturity securities are stated at amortized cost which represents actual cost adjusted for premium amortization and discount accretion using methods that approximate the effective interest method. Available-for-sale securities are stated at fair value. Unrealized gains and losses on available-for-sale securities, net of related taxes, are excluded from earnings until realized, however, included as other comprehensive income and reported as a separate component of shareholders' equity.

Trading account securities are stated at fair value; however, the Company did not maintain any trading account securities in 1998, 1997, or 1996.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary is charged to earnings, resulting in the establishment of a new cost basis for the security. Dividend and interest income are recognized when earned. Realized gains and losses for securities classified as available-for-sale and held-to-maturity are included in non-interest income and are derived using the specific identification method for determining the cost of securities sold.

LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES

Loans, which include lease financing and premium finance receivables, are recorded at the principal amount outstanding. Interest income is recognized when earned. Loan origination fees and certain direct origination costs associated with loans retained in the portfolio are deferred and amortized over the expected life of the loan as an adjustment of yield using methods that approximate the effective interest method. Finance charges on premium finance receivables are earned over the term of the loan based on actual funds outstanding, beginning with the funding date, using a method which approximates the effective yield method.

Mortgage loans held for sale are carried at the lower of aggregate cost or market, after consideration of related loan sale commitments, if any. Fees received from the sale of these loans into the secondary market are included in non-interest income.

Interest income is not accrued on loans where management has determined that the borrowers may be unable to meet contractual principal and/or interest obligations, or where interest or principal is 90 days or more past due, unless the loans are adequately secured and in the process of collection. Cash receipts on non-accrual loans are generally applied to the principal balance until the remaining balance is considered collectible, at which time interest income may be recognized when received.

The allowance for possible loan losses is maintained at a level adequate to provide for possible loan losses. In estimating possible losses, the Company evaluates loans for impairment. A loan is considered impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due. Impaired loans are generally considered by the Company to be commercial and commercial real estate loans that are non-accrual loans, restructured loans and loans with principal and/or interest at risk, even if the loan is current with all payments of principal and interest. Impairment is measured by estimating the fair value of the loan based on the present value of expected cash flows, the market price of the loan, or the fair value of the underlying collateral. If the estimated fair value of the loan is less than the recorded book value, a valuation allowance is established as a component of the allowance for possible loan losses.

MORTGAGE SERVICING RIGHTS

The Company originates mortgage loans for sale to the secondary market, the majority of which are sold without retaining servicing rights. There are certain loans, however, that are originated and sold to a governmental agency, with servicing rights retained. The Company capitalizes the rights to service these originated mortgage loans at the time of sale. The capitalized cost of loan servicing rights is amortized in proportion to, and over the period of, estimated net future servicing revenue. Mortgage servicing rights are periodically evaluated for impairment. For purposes of measuring impairment, the servicing rights are stratified into pools based on one or more predominant risk characteristics of the underlying loans including loan type, interest rate, term and geographic location, if applicable. Impairment represents the excess of the remaining capitalized cost of a stratified pool over its fair value, and is recorded through a valuation allowance. The fair value of each servicing rights pool is evaluated based on the present value of estimated future cash flows using a discount rate commensurate with the risk associated with that pool, given current market conditions. Estimates of fair value include assumptions about prepayment speeds, interest rates and other factors which are subject to change over time. Changes in these underlying assumptions could cause the fair value of mortgage servicing rights, and the related valuation allowance, if any, to change significantly in the future.

SERVICED PREMIUM FINANCE RECEIVABLES

From February, 1995 to the fourth quarter of 1996, FIFC sold its premium finance receivables to a wholly owned subsidiary, First Premium Financing Corporation ("FPFIN") which in turn sold the receivables to an independent third party who issued commercial paper to fund the purchase ("Commercial Paper Issuer"). FPFIN was a bankruptcy remote subsidiary established to facilitate the sale to the independent third party. FIFC retained servicing rights in connection with the sales of receivables. FIFC recognized the contractual servicing and management fee income over the term of the receivables as it was earned. In addition, any excess income earned by the Commercial Paper Issuer above that which was required to fund interest on its outstanding commercial paper and provide for normal servicing to FIFC was payable as additional servicing ("Excess Servicing"). Excess Servicing income over the expected life of the receivables sold was estimated by FIFC at the time of each sale and recorded as a sales gain receivable on the financial statements of FIFC.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation and amortization. For financial reporting purposes depreciation and amortization are computed using the straight-line method over the

estimated useful lives of the related assets ranging from three to ten years for equipment, forty to fifty years for premises, and the related lease terms for leasehold improvements. Additions to premises are capitalized. Maintenance and repairs are charged to expense as incurred.

In 1998, the Company made a change in its accounting estimate for the estimated useful lives of certain premises by increasing these lives from forty years to either forty-five or fifty years. This change in estimate was made as a result of management's assessment of the actual lives of similar structures in and around the communities served by the Banks. The effect of this change in estimate for the year ended December 31, 1998 was an increase in income before income taxes and net income of approximately \$155,000 and \$95,000, respectively. The effect of this change in estimate on both basic and diluted earnings per share for the same period was an increase of approximately \$0.01 per share.

OTHER REAL ESTATE OWNED

Other real estate owned is comprised of real estate acquired in partial or full satisfaction of loans and is included in other assets at the lower of cost or fair market value less estimated selling costs. When the property is acquired through foreclosure, any excess of the related loan balance over the adjusted fair market value less expected selling costs, is charged against the allowance for possible loan losses. Subsequent write-downs or gains and losses upon sale, if any, are charged to other non-interest expense.

INTANGIBLE ASSETS

Goodwill, representing the cost in excess of the fair value of net assets acquired, is primarily amortized on a straight-line basis over a period of fifteen years. The Company periodically evaluates the carrying value and remaining amortization period of intangible assets and other long-lived assets for impairment, and adjusts the carrying amounts, as appropriate. Deferred organizational costs consist primarily of professional fees and other start-up costs and are being amortized over five years.

TRUST PREFERRED SECURITIES OFFERING COSTS

In connection with the Company's offering of 9.00% Cumulative Trust Preferred Securities ("Trust Preferred Securities"), approximately \$1.4 million of offering costs were incurred, including underwriting fees, legal and professional fees, and other costs. These costs are included in other assets and are being amortized over a ten year period as an adjustment of interest expense using a method that approximates the effective interest method. See Note 10 for further information about the Trust Preferred Securities.

TRUST ASSETS

Assets held in fiduciary or agency capacity for customers are not included in the consolidated financial statements as they are not assets of Wintrust or its subsidiaries. Fee income is recognized on an accrual basis for financial reporting purposes.

INCOME TAXES

Beginning September 1, 1996, Wintrust became eligible to file consolidated Federal and state income tax returns. The subsidiaries provide for income taxes on a separate return basis and remit to Wintrust amounts determined to be currently payable.

Prior to the Reorganization on September 1, 1996, Lake Forest Bank, Hinsdale Bank, Libertyville Bank, North Shore Bank, and FIFC and their respective holding companies each filed separate consolidated Federal and state income tax returns. Tax benefits attributable to losses are recognized and allocated to the extent that such losses can be utilized in the consolidated return.

Wintrust and subsidiaries record income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, Wintrust considers all cash on hand, cash items in the process of collection, non-interest bearing amounts due from correspondent banks and federal funds sold to be cash equivalents.

EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"). SFAS No. 128 supersedes APB Opinion 15, "Earnings Per Share," and specifies the computation, presentation and disclosure requirements for earnings per share ("EPS") for entities with publicly held common stock or potential common stock. Basic EPS excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects

the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of this entity.

STOCK OPTION PLANS

The Company follows the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), rather than the recognition provisions of SFAS No. 123, as allowed by the statement. The Company will continue to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") and related interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized by the Company for its stock option plans. Further disclosures are presented in Note 13.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income", to address concerns over the practice of reporting elements of comprehensive income directly in equity. SFAS No. 130 requires all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed in equal prominence with the other financial statements. The statement does not require a specific format for that financial statement but requires a company to display an amount representing total comprehensive income for the period in that financial statement. SFAS No. 130 is effective for both interim and annual financial statements for periods beginning after December 15, 1997 and comparative financial statements for earlier periods must be reclassified to reflect the provisions of this statement. The Company is disclosing comprehensive income in the Consolidated Statements of Changes in Shareholders' Equity.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". SFAS No. 131 was issued in response to requests from financial statement users for additional and improved segment information. The statement requires a variety of disclosures to better explain and reconcile segment data so that a user of the financial statements can better understand the information and its limitations within the context of the consolidated financial statements. SFAS No. 131 is effective for financial statements for periods beginning after December 15, 1997. In 1998, the initial year of application, comparable information for earlier years will be restated, unless it is impracticable to do so. SFAS No. 131 need not be applied to interim financial statements in the initial year of its application, but comparative information for interim periods in the initial year of application shall be reported in financial statements for interim periods in the second year of application. See Note 21 for segment information disclosures.

In March 1998, the Accounting Standards Executive Committee ("AcSEC") issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". The SOP requires companies to capitalize certain costs incurred in connection with internal-use software projects. The SOP is effective for fiscal years beginning after December 15, 1998, with early adoption permitted. The Company elected early adoption of this new SOP as of January 1, 1998 and capitalized certain salary costs related to the configuration and installation of new software and the modification of existing software that provided additional functionality. These costs will be amortized over a three year period.

In April 1998, AcSEC issued SOP 98-5, "Reporting on the Costs of Start-up Activities", which requires that the unamortized portion of previously capitalized start-up costs be written-off as a cumulative effect of a change in accounting principle. Subsequent to adoption of SOP 98-5, start-up and organization costs must be expensed as incurred. In the first quarter of 1999, in accordance with SOP 98-5, the Company will expense the remaining unamortized portion of previously capitalized deferred organizational costs, which totaled \$199,000 as of December 31, 1998, and expense future start-up costs as incurred.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes, for the first time, comprehensive accounting and reporting standards for derivative instruments and hedging activities. This new standard requires that all derivative instruments be recorded in the statement of condition at fair value. The recording of the gain or loss due to changes in fair value could either be reported in earnings or as other comprehensive income in the statement of shareholders' equity, depending on the type of instrument and whether or not it is considered a hedge. This standard is effective for the Company as of January 1, 2000. The Company has not yet determined the impact this new statement may have on its future financial condition, its results of operations, or its liquidity.

(2) SECURITIES The following tables present carrying amounts and gross unrealized gains and losses for the securities held-to-maturity and available-for-sale at December 31, 1998 and 1997 (in thousands). These tables are by contractual maturity which may differ from actual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

DECEMBER 31, 1998

**GROSS GROSS
AMORTIZED UNREALIZED UNREALIZED FAIR
COST GAINS LOSSES VALUE**

Held-to-maturity:				
U.S. Treasury - due in one year or less	\$ 5,000	1	-	5,001

Available-for-sale:				
U.S. Treasury - due in one year or less	5,650	14	-	5,664
Federal agencies - due in one year or less	48,375	3	(9)	48,369
Federal agencies - due in five to ten years	6,321	-	-	6,321
Municipal securities - due in one year or less	309	-	-	309
Municipal securities - due in one to five years	195	-	-	195
Corporate notes and other - due in one year or less	135,667	1	(33)	135,635
Corporate notes and other - due in one to five years	6,498	8	(39)	6,467
Federal Reserve Bank and Federal Home Loan Bank stock	6,159	-	-	6,159

Total securities available-for-sale	209,174	26	(81)	209,119

Total securities	\$ 214,174	27	(81)	214,120
=====				

DECEMBER 31, 1997

**GROSS GROSS
AMORTIZED UNREALIZED UNREALIZED FAIR
COST GAINS LOSSES VALUE**

Held-to-maturity:				
U.S. Treasury - due in one to five years	\$ 5,001	-	(37)	4,964

Available-for-sale:				
U.S. Treasury - due in one year or less	2,988	30	-	3,018
U.S. Treasury - due in one to five years	1,001	9	-	1,010
Federal agencies - due in one year or less	11,156	47	(2)	11,201
Corporate notes - due in one year or less	78,707	-	(1)	78,706
Corporate notes - due in one to five years	4,046	17	(17)	4,046
Federal Reserve Bank and Federal Home Loan Bank stock	3,953	-	-	3,953

Total securities available-for-sale	101,851	103	(20)	101,934

Total securities	\$ 106,852	103	(57)	106,898
=====				

During 1998, there were no sales of available-for-sale securities. In 1997 and 1996, Wintrust had gross realized gains on sales of available-for-

sale securities of \$111,000 and \$18,000, respectively. Wintrust had no realized losses on sales of securities in 1997 or 1996. Proceeds from sales of available-for-sale securities during 1997 and 1996 were \$420,000 and \$498,000, respectively. At December 31, 1998 and 1997, securities having a carrying value of \$104,874,000 and \$77,983,000, respectively, were pledged as collateral for public deposits and trust deposits.

(3) LOANS A summary of the loan portfolio, including commercial lease financing receivables, at December 31, 1998 and 1997 is as follows (in thousands):

	1998	1997
Commercial and commercial real estate	\$ 366,229	235,483
Premium finance	183,165	131,952
Indirect auto	210,137	139,296
Home equity	111,537	116,147
Residential real estate	91,525	61,611
Installment and other	34,650	32,153
Total loans	997,243	716,642
Less: Unearned income	5,181	4,011
Total loans, net of unearned income	\$ 992,062	712,631

Residential mortgage loans held for sale totaled \$18,031,000 and \$9,552,000 at December 31, 1998 and 1997, respectively.

Certain officers and directors of Wintrust and its subsidiaries and certain corporations and individuals related to such persons borrowed funds from the Banks. These loans, totaling \$19,791,000 and \$9,213,000 at December 31, 1998 and 1997, respectively, were made at substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other borrowers.

(4) ALLOWANCE FOR POSSIBLE LOAN LOSSES A summary of the allowance for possible loan losses for years ending December 31, 1998, 1997 and 1996 is as follows (in thousands):

	1998	1997	1996
Allowance at beginning of year	\$ 5,116	3,636	2,763
Provision	4,297	3,404	1,935
Charge-offs-continuing operations	(2,737)	(1,874)	(520)
Charge-offs-discontinued operations	-	(241)	(583)
Recoveries	358	191	41
Allowance at end of year	\$ 7,034	5,116	3,636

The provision for possible loan losses is charged to operations, and recognized loan losses (recoveries) are charged (credited) to the allowance. At December 31, 1998, 1997 and 1996, non-accrual loans totaled \$3,137,000, \$2,440,000 and \$1,686,000, respectively.

At December 31, 1998, 1997, and 1996 loans that were considered to be impaired totaled \$1,714,000, \$1,139,000 and \$1,444,000, respectively. At December 31, 1998, one impaired loan totaling \$285,000 had an allocated specific allowance for loan losses of approximately \$125,000. There was no specific allowance for loan losses allocated for impaired loans as of December 31, 1997 or 1996. The average balance of impaired loans during 1998, 1997 and 1996 was approximately \$4,167,000, \$990,000 and \$1,322,000, respectively. During 1998, interest income recognized on impaired loans totaled approximately \$155,000. In 1997 and 1996, this amount was insignificant. Management evaluated the value of the impaired loans primarily by using the fair value of the collateral. During 1998, the effect of non-performing loans reduced interest income by approximately \$197,000. During 1997 and 1996, this effect was insignificant.

(5) MORTGAGE SERVICING RIGHTS The remaining principal balance of mortgage loans serviced for others, which are not included in the Consolidated Statements of Condition, totaled \$82.1 million and \$53.2 million at December 31, 1998 and 1997, respectively. The following is a summary of the changes in mortgage servicing rights (in thousands):

	Year ended December 31,	
	1998	1997
Balance at beginning of year	\$ 313	123
Servicing rights capitalized	577	226
Amortization of servicing rights	(175)	(36)
Valuation allowance	-	-
Balance at end of year	\$ 715	313

(6) SERVICED RECEIVABLES AND SECURITIZATION FACILITY Prior to the Reorganization on September 1, 1996, FIFC premium finance loan originations were sold and serviced pursuant to a securitization facility established in February 1995. During 1997, this

securitization facility was discontinued and all remaining deferred costs associated with the facility were expensed. Accordingly, the Company had no loans serviced for others by FIFC at December 31, 1998 or 1997. Subsequent to the Reorganization, FIFC loan originations began to be sold to the

Banks and consequently remain as an asset of the Company.

(7) PREMISES AND EQUIPMENT, NET A summary of premises and equipment at December 31, 1998 and 1997 is as follows (in thousands):

	1998	1997
Land	\$ 9,607	8,751
Buildings and improvements	35,251	25,570
Furniture and equipment	12,802	10,306
Equipment under leasing contracts	473	-
Construction in progress	6,638	4,784
	64,771	49,411
Less accumulated depreciation and amortization	7,807	5,205
Premises and equipment, net	\$ 56,964	44,206

(8) TIME DEPOSITS Certificates of deposit in amounts of \$100,000 or more approximated \$346,046,000 and \$233,590,000, respectively, at December 31, 1998 and 1997. Interest expense related to these deposits approximated \$13,999,000, \$10,954,000 and \$4,270,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

(9) NOTES PAYABLE The notes payable balance of \$20.4 million at December 31, 1997 represented the balance on a revolving credit line agreement ("Agreement") with an unaffiliated bank. Effective September 1, 1996, the Company entered into the \$25 million Agreement, which charged interest at a floating rate equal to, at the Company's option, either the lender's prime rate or the London Inter-Bank Offered Rate (LIBOR) plus 1.50%. Effective September 1, 1997, this Agreement was increased to \$30 million and the maturity date was extended to September 1, 1998. Additionally, effective September 1, 1997, the interest rate associated with the Agreement was reduced to bear interest at a floating rate equal to, at the Company's option, either the lender's prime rate or LIBOR plus 1.25%. Effective September 1, 1998, this Agreement was increased to \$40 million and the maturity date was extended to September 1, 1999. In October 1998, the Company paid-off the remaining outstanding balance with proceeds from the \$31.05 million Trust Preferred Securities offering, as more fully explained in Note 10. The Agreement is secured by the stock of all Banks, except Crystal Lake Bank, and contains several restrictive covenants, including the maintenance of various capital adequacy levels, asset quality and profitability ratios, and certain restrictions on dividends and other indebtedness. This Agreement may be utilized, as needed, to provide capital to fund continued growth at its existing bank subsidiaries, expansion of its trust and investment activities, possible acquisitions of other financial institutions and other general corporate matters.

(10) LONG-TERM DEBT - TRUST PREFERRED SECURITIES In 1998, the Company raised \$31.05 million of Trust Preferred Securities. These proceeds were used mainly to pay-off the remaining revolving credit line balance, as discussed in Note 9. The Trust Preferred Securities offering has increased the Company's regulatory capital under Federal Reserve guidelines. Interest expense on the Trust Preferred Securities is also deductible for income tax purposes.

Wintrust Capital Trust I ("WCT"), a statutory business trust and wholly-owned subsidiary of the Company that was formed solely for the purpose of the above mentioned offering, issued a total of 1,242,000 Trust Preferred Securities, including the over-allotment, at a price of \$25 per security, which totaled \$31,050,000. These securities represent preferred undivided beneficial interests in the assets of WCT. WCT has also issued \$960,000 of common securities, all of which are owned by the Company. The assets of WCT consist solely of 9.00% Subordinated Debentures issued by the Company to WCT in the aggregate principal amount of \$32,010,000. Holders of the Trust Preferred Securities are entitled to receive preferential cumulative cash distributions at the annual rate of 9.00%, accumulating from September 29, 1998, and payable quarterly in arrears on the last day of each quarter, the first payment of which occurred on December 31, 1998. Subject to certain limitations, the Company has the right to defer payment of interest at any time, or from time to time, for a period not to exceed 20 consecutive quarters. The Trust Preferred Securities are subject to mandatory redemption, in whole or in part, upon repayment of the Subordinated Debentures at maturity or their earlier redemption. The Subordinated Debentures mature on September 30, 2028, which may be shortened at the discretion of the Company to a date not earlier than September 30, 2003, or extended to a date not later than September 30, 2047, in each case if certain conditions are met, and only after the Company has obtained Federal Reserve approval, if then required under applicable guidelines or regulations.

The Company has guaranteed the payment of distributions and payments upon liquidation or redemption of the Trust Preferred Securities, in each case to the extent of funds held by WCT. The Company and WCT believe that,

taken together, the obligations of the Company under the guarantee, the subordinated debentures, and other related agreements provide, in the aggregate, a full, irrevocable and unconditional guarantee, on a subordinated basis, of all of the obligations of WCT under the Trust Preferred Securities.

(11) LEASE EXPENSE AND OBLIGATIONS Gross rental expense for all operating leases was \$922,000, \$798,000 and \$659,000, in 1998, 1997 and 1996, respectively. Gross rental income related to the Company's buildings totaled \$390,000, \$289,000 and \$244,000 in 1998, 1997 and 1996. In 1998, the Company also recorded equipment lease income of approximately \$55,000. Minimum gross rental commitments, primarily for office space, and future minimum gross rental income and equipment lease income as of December 31, 1998 for all noncancelable leases are as follows (in thousands):

	FUTURE MINIMUM GROSS RENTAL COMMITMENTS	FUTURE MINIMUM GROSS RENTAL INCOME	FUTURE MINIMUM EQUIPMENT LEASE INCOME
1999	\$ 740	125	102
2000	627	71	102
2001	511	29	102
2002	518	26	103
2003	455	18	52
2004 and thereafter	3,447	54	-
	-----	-----	-----
Total minimum future amounts	\$ 6,298	323	461
	=====		

(12) INCOME TAXES For the year ended December 31, 1998, Wintrust had \$571,000 of current Federal income tax expense and no current state income tax. For the years ended December 31, 1997 and 1996, Wintrust had no current Federal or state income tax expense. In 1998, 1997 and 1996, the Company recorded net deferred Federal tax benefits of approximately \$2.3 million, \$2.9 million, and \$524,000, respectively, and net deferred state tax (expense) benefits of approximately (\$271,000), \$890,000 and \$786,000, respectively. During 1998 and 1997, such amounts exclude approximately \$78,000 and \$316,000 of Federal tax benefits and \$17,000 and \$67,000 of state tax benefits, respectively, that were recorded directly to shareholder's equity related to the exercise of certain common stock options.

Income taxes for 1998, 1997 and 1996 differ from the expected tax expense for those years (computed by applying the applicable statutory U.S. Federal income tax rate of 34% to income before income taxes) as follows (in thousands):

	<u>YEAR ENDED DECEMBER 31,</u>		
	1998	1997	1996
Computed "expected" income tax expense (benefit)	\$ 1,601	360	(776)
Increase (decrease) in tax resulting from:			
Change in the beginning-of-the-year balance of the valuation allowance for deferred tax assets	(3,357)	(4,204)	(853)
Merger costs	-	-	305
Other, net	220	56	14
	-----	-----	-----
Income tax benefit	\$(1,536)	(3,788)	(1,310)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 1998 and 1997 are presented below (in thousands):

	1998	1997
Deferred tax assets:		
Allowance for possible loan losses	\$ 2,405	1,475
Start-up costs	65	133
Federal net operating loss carryforward	6,985	9,072
State net operating loss carryforward	1,390	1,867
Deferred compensation	170	89
Other, net	169	162
	-----	-----
Total gross deferred tax assets	11,184	12,798

Valuation allowance	806	4,163
	-----	-----
Total deferred tax assets	10,378	8,635
	-----	-----
Deferred tax liabilities:		
Premises and equipment, due to differences in depreciation	125	483
Deferred loan fees	1,034	189
Accrual to cash adjustment	711	1,023
Other, net	640	1,082
	-----	-----
Total gross deferred tax liabilities	2,510	2,777
	-----	-----
Net deferred tax assets	\$ 7,868	5,858
	=====	=====

During 1996, 1997 and 1998, management determined that a valuation allowance should be established for a portion of the deferred tax asset based on management's assessment regarding realization of such deferred tax assets considering the profitability attained by the Company and its operating subsidiaries during each of the years and future earnings estimates. Management believes that realization of the recorded net deferred tax asset is more likely than not.

At December 31, 1998, Wintrust and its subsidiaries had Federal net operating losses of approximately \$20.5 million and state net operating losses of approximately \$19.4 million. Such amounts are available for carryforward to offset future taxable income and expire in 2000-2010. Utilization of the net operating losses are subject to certain statutory limitations. Additionally, the federal net operating losses of the predecessor companies prior to the Reorganization are only available to be utilized by the respective companies that generated the losses.

(13) EMPLOYEE BENEFIT AND STOCK PLANS Prior to May 22, 1997, Wintrust and the holding companies of Lake Forest Bank, Hinsdale Bank, Libertyville Bank and FIFC maintained various stock option and rights plans ("Predecessor Plans") which provided options to purchase shares of Wintrust's common stock at the fair market value of the stock on the date the option was granted. The Predecessor Plans permitted the grant of incentive stock options, nonqualified stock options, rights and restricted stock. Collectively, the Predecessor Plans covered substantially all employees of Wintrust.

Effective May 22, 1997, the Company's shareholders approved the Wintrust Financial Corporation 1997 Stock Incentive Plan ("Plan"). The Plan amended, restated, continued and combined all of the Predecessor Plans implemented previously by the Company or its subsidiaries, including shares covered under the Company's Stock Rights Plan. The Plan provides that the total number of shares of Common Stock as to which awards may be granted may not exceed 1,937,359 shares, which number of shares includes 1,777,359 shares of Common Stock which had already been reserved for issuance under the Predecessor Plans. The incentive and nonqualified options expire at such time as the Compensation Committee shall determine at the time of grant, however, in no case shall they be exercisable later than ten years after the grant.

A summary of the aggregate activity of the Plans for 1998, 1997 and 1996 is as follows:

	Common Shares	Range of Strike Prices	Weighted Average Strike Price
Outstanding at December 31, 1995	906,365	\$ 5.80-\$21.13	\$ 8.85
Granted	309,573	\$ 11.37-\$15.25	\$ 13.75
Exercised	13,690	\$ 6.31-\$ 9.69	\$ 8.27
Forfeited or canceled	52,924	\$ 6.31-\$21.13	\$ 10.81
Outstanding at December 31, 1996	1,149,324	\$ 5.80-\$21.13	\$ 10.10
Granted	350,671	\$18.00	\$ 18.00
Reclassification of stock rights to stock options	103,236	\$ 7.75-\$11.62	\$ 7.84
Exercised	117,575	\$ 5.80-\$16.23	\$ 7.72
Forfeited or canceled	26,568	\$ 5.80-\$21.13	\$ 15.85
Outstanding at December 31, 1997	1,459,088	\$ 5.80-\$21.13	\$ 11.90
Granted	150,400	\$ 17.88-\$21.75	\$ 18.71
Exercised	31,423	\$ 5.80-\$14.53	\$ 8.30
Forfeited or canceled	53,081	\$ 9.30-\$19.86	\$ 16.25
Outstanding at December 31, 1998	1,524,984	\$ 5.80-\$21.75	\$ 12.49

At December 31, 1998, 1997 and 1996, the weighted-average remaining contractual life of outstanding options was 6.6 years, 7.4 years and 7.0 years, respectively. Additionally, at December 31, 1998, 1997 and 1996, the number of options exercisable was 887,514, 809,520 and 659,627, respectively, and the weighted-average per share exercise price of those options was \$9.38, \$9.08 and \$8.62, respectively. Expiration dates for the options range from June 19, 2000 to October 29, 2008.

The following table presents certain information about the outstanding options and the currently exercisable options as of December 31, 1998:

Options Outstanding				Options Currently Exercisable	
Range of Exercise Prices	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Term	Number of Shares	Weighted Average Exercise Price
\$ 5.80-\$ 6.31	213,944	\$ 6.22	2.73 years	213,944	\$ 6.22
\$ 7.24-\$ 8.48	280,595	\$ 7.91	5.29 years	280,595	\$ 7.91
\$ 9.30-\$12.42	306,905	\$10.73	6.38 years	234,624	\$10.54
\$ 12.43-\$17.88	264,939	\$14.37	7.59 years	142,224	\$13.87
\$ 18.00-\$18.00	364,124	\$18.00	8.94 years	3,850	\$18.00
\$ 18.44-\$21.75	94,477	\$19.57	8.39 years	12,277	\$21.13
\$ 5.80-\$21.75	1,524,984	\$12.49	6.61 years	887,514	\$ 9.38

The Company applies APB No. 25, and related Interpretations, in accounting for its stock option plans. Accordingly, no compensation cost has been recognized for its stock option plans. Had compensation cost for the Company's stock option plans been determined based on the fair value at the date of grant for awards under the stock option plans consistent with the method of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (dollars in thousands):

	Year Ended December 31,		
	1998	1997	1996
Net income (loss)			
As reported	\$ 6,245	4,846	(973)
Pro forma	5,295	4,261	(1,455)
Earnings (loss) per share-Basic			
As reported	\$ 0.77	0.62	(0.16)
Pro forma	0.65	0.55	(0.24)
Earnings (loss) per share-Diluted			
As reported	\$ 0.74	0.60	(0.16)
Pro forma	0.62	0.53	(0.24)

The fair value of each option grant was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants during the years ended December 31, 1998, 1997 and 1996, respectively: dividend yield of 0% for each period; expected volatility of 24.2% for 1998, 22.5% for 1997 and 20.0% for 1996; risk free rate of return of 5.3% for 1998, 6.4% for 1997 and 1996; and, expected life of 7.5 years for 1998, 8 years for 1997 and 10 years for 1996. The per share weighted average fair value of stock options granted during 1998, 1997 and 1996 was \$7.54, \$8.10 and \$7.02, respectively.

Wintrust and its subsidiaries also provide 401(k) Retirement Savings Plans ("401(k) Plans"). The 401(k) Plans cover all employees meeting certain eligibility requirements. Contributions by employees are made through salary reductions at their direction, limited to \$10,000 in 1998 and \$9,500 in earlier years. Employer contributions to the 401(k) Plans are made at the employer's discretion. Generally, participants completing 501 hours of service are eligible to share in an allocation of employer contributions. The Company's expense for the employer contributions to the 401(k) Plans was approximately \$52,000, \$41,000 and \$38,000 in 1998, 1997 and 1996, respectively.

Effective May 22, 1997, the Company's shareholders approved the Wintrust Financial Corporation Employee Stock Purchase Plan ("SPP"). The SPP is designed to encourage greater stock ownership among employees thereby enhancing employee commitment to the Company. The SPP gives eligible employees the right to accumulate funds over an offering period to purchase shares of Common Stock. The Company has reserved 250,000 shares of its authorized Common Stock for the SPP. All shares offered under the SPP will be newly issued shares of the Company and, in accordance with the SPP, the purchase price of the shares of Common Stock may not be lower than the lesser of 85% of the fair market value per share of the Common Stock on the first day of the offering period or 85% of the fair market value per share of the Common Stock on the last date for the offering period. For the first offering period, which began during the fourth quarter of 1998, the Company's Board of Directors authorized a purchase price calculation at 90% of fair market value. The first offering period will conclude on March 31, 1999 and, accordingly, no shares were issued to participant accounts during 1998. The Company plans to continue to periodically offer Common Stock through this SPP subsequent to March 31, 1999.

The Company does not currently offer other postretirement benefits such as health care or other pension plans.

(14) REGULATORY MATTERS Banking laws place restrictions upon the amount of dividends which can be paid to Wintrust by the Banks. Based on these laws, the Banks could, subject to minimum capital requirements, declare dividends to Wintrust without obtaining regulatory approval in an amount not exceeding (a) undivided profits, and (b) the amount of net income reduced by dividends paid for the current and prior two years. During 1998, Lake Forest Bank paid cash dividends of \$8.25 million to Wintrust. No cash dividends were paid to Wintrust by the Banks during the years ended December 31, 1997 and 1996. As of January 1, 1999, the Banks had approximately \$3.9 million available to be paid as dividends to Wintrust, subject to certain capital limitations.

The Banks are also required by the Federal Reserve Act to maintain reserves against deposits. Reserves are held either in the form of vault cash or balances maintained with the Federal Reserve Bank and are based on the average daily deposit balances and statutory reserve ratios prescribed by the type of deposit account. At December 31, 1998 and 1997, reserve balances of approximately \$8,171,000 and \$5,765,000, respectively, were required.

The Company and the Banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Banks must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and the Banks' capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Banks to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and Tier 1 leverage capital (as defined) to average quarterly assets (as defined). Management believes, as of December 31, 1998 and 1997, that the Company and the Banks met all minimum capital adequacy requirements.

As of December 31, 1998 and 1997, the most recent notification from the Banks' primary federal regulators categorized the Banks as either well capitalized or adequately capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately capitalized, the Banks must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since the most recent notification that management believes would materially affect the Banks' regulatory capital categories. The Company's and the Banks' actual capital amounts and ratios as of December 31, 1998 and 1997 are presented in the following tables (dollars in thousands).

To Be Adequately Capitalized by Actual Regulatory Definition

Amount Ratio Amount Ratio

DECEMBER 31, 1998:

TOTAL CAPITAL (TO RISK WEIGHTED ASSETS):

Consolidated	\$111,811	9.7%	\$92,390	8.0%
Lake Forest	30,347	8.8	27,575	8.0
Hinsdale	21,163	8.3	20,469	8.0
North Shore	23,760	9.1	20,937	8.0
Libertyville	14,691	8.8	13,295	8.0
Barrington	11,328	10.9	8,343	8.0
Crystal Lake	6,028	12.4	3,882	8.0

TIER 1 CAPITAL (TO RISK WEIGHTED ASSETS):

Consolidated	\$ 98,303	8.5%	\$46,195	4.0%
Lake Forest	28,404	8.2	13,788	4.0
Hinsdale	19,546	7.6	10,234	4.0
North Shore	22,148	8.5	10,469	4.0
Libertyville	13,775	8.3	6,648	4.0
Barrington	10,734	10.3	4,171	4.0
Crystal Lake	5,677	11.7	1,941	4.0

TIER 1 CAPITAL (TO AVERAGE QUARTERLY ASSETS):

Consolidated	\$ 98,303	7.5%	\$52,344	4.0%
Lake Forest	28,404	7.0	16,331	4.0
Hinsdale	19,546	7.2	10,878	4.0
North Shore	22,148	7.6	11,578	4.0
Libertyville	13,775	7.5	7,363	4.0
Barrington	10,734	9.5	4,527	4.0
Crystal Lake	5,677	12.0	1,888	4.0

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DECEMBER 31, 1997:

TOTAL CAPITAL (TO RISK WEIGHTED ASSETS):

Consolidated	\$ 72,107	9.4%	\$61,336	8.0%
Lake Forest	23,098	8.9	20,821	8.0
Hinsdale	16,082	8.2	15,711	8.0
North Shore	20,902	10.3	16,114	8.0
Libertyville	11,668	11.6	8,075	8.0
Barrington	6,587	12.5	4,207	8.0

TIER 1 CAPITAL (TO RISK WEIGHTED ASSETS):

Consolidated	\$ 66,991	8.7%	\$30,668	4.0%
Lake Forest	21,378	8.2	10,411	4.0
Hinsdale	14,784	7.5	7,856	4.0
North Shore	19,822	9.8	8,057	4.0
Libertyville	11,078	11.0	4,038	4.0
Barrington	6,258	11.9	2,104	4.0

Tier 1 Capital (to Average Quarterly Assets):

Consolidated	\$ 66,991	6.6%	\$40,354	4.0%
Lake Forest	21,378	6.2	13,861	4.0

Hinsdale	14,785	6.9	8,585	4.0
North Shore	19,822	7.7	10,287	4.0
Libertyville	11,078	9.3	4,783	4.0
Barrington	6,258	10.0	2,515	4.0
=====				

The ratios required for the Banks to be "well capitalized" by regulatory definition are 10.0%, 6.0%, and 5.0% for the Total Capital-to-Risk Weighted Assets, Tier 1 Capital-to-Risk Weighted Assets and Tier 1 Capital-to-Average Quarterly Assets ratios, respectively.

Crystal Lake Bank, which was "well capitalized" in all capital categories, is not presented above as of December 31, 1997 as that Bank's ratios on that date were not meaningful, as it opened during the last few weeks of 1997.

(15) **COMMITMENTS AND CONTINGENCIES** The Company has outstanding, at any time, a number of commitments to extend credit to its customers. These commitments include revolving home line and other credit agreements, term loan commitments and standby letters of credit. These commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the Consolidated Statements of Condition. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments. Commitments to extend credit at December 31, 1998 and 1997 were \$334.9 million and \$239.1 million, respectively. Standby letters of credit amounts were \$10.0 million and \$5.3 million at December 31, 1998 and 1997, respectively.

In the ordinary course of business, there are legal proceedings pending against the Company and its subsidiaries. Management considers that the aggregate liabilities, if any, resulting from such actions would not have a material adverse effect on the financial position of the Company.

(16) **DERIVATIVE FINANCIAL INSTRUMENT** In August 1998, the Company entered into a \$100 million notional amount interest rate cap agreement that matures on December 3, 1999. As part of the Company's management of interest rate risk, the cap was purchased to hedge the risk of rising interest rates on certain of the Company's floating rate deposit products and fixed rate loan products. This cap provides for the receipt of payments when the 91 day Treasury bill rate exceeds 5.25%, and is determined on a monthly basis. The purchase price of the cap totaled \$220,000 and is being amortized over the term of the agreement as an adjustment to net interest income.

(17) **FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial Accounting Standards Board Statement No. 107, "Disclosures about Fair Value of Financial Instruments", defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The following table presents the carrying amounts and estimated fair values of Wintrust's financial instruments at December 31, 1998 and 1997 (in thousands).

	At December 31, 1998		At December 31, 1997	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and demand balances from banks	\$ 33,924	33,924	32,158	32,158
Federal funds sold	18,539	18,539	60,836	60,836
Interest-bearing deposits with banks	7,863	7,863	85,100	85,100
Held-to-Maturity securities	5,000	5,001	5,001	4,964
Available-for-Sale securities	209,119	209,119	101,934	101,934
Loans, net of unearned income	992,062	999,312	712,631	718,079
Accrued interest receivable	6,989	6,989	4,792	4,792
Financial liabilities:				
Non-maturity deposits	543,524	543,524	392,478	392,478
Deposits with stated maturities	685,630	691,850	525,223	527,263
Short-term borrowings and notes payable	-	-	55,895	55,895
Long-term borrowings-trust preferred securities	31,050	32,059	-	-
Accrued interest payable	1,827	1,827	1,770	1,770
Off-balance sheet derivative contract:				
Interest rate cap agreement-positive value	151	20	-	-

Cash and demand balances from banks and Federal funds sold: The carrying value of cash and demand balances from banks approximates fair value due to the short maturity of those instruments.

Interest-bearing deposits with banks and securities: Fair values of these instruments are based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable assets.

Loans: Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are analyzed by type such as commercial, residential real estate, etc. Each category is further segmented into fixed and variable interest rate terms.

For variable-rate loans that reprice frequently, estimated fair values are based on carrying values. The fair value of residential real estate loans is based on secondary market sources for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value for other loans is estimated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate inherent in the loan.

Accrued interest receivable and accrued interest payable: The carrying value of accrued interest receivable and accrued interest payable approximates market value due to the relatively short period of time to expected realization.

Deposit liabilities: The fair value of deposits with no stated maturity, such as non-interest bearing deposits, savings, NOW accounts and money market accounts, is equal to the amount payable on demand as of year-end (i.e. the carrying value). The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently in effect for deposits of similar remaining maturities.

Short-term borrowings: The carrying value of short-term borrowings approximate fair value due to the relatively short period of time to maturity or repricing.

Long-term borrowings: The fair value of long-term borrowings, which consists entirely of Trust Preferred Securities, was determined based on the quoted market price as of the last business day of the year.

Interest rate cap agreement: The carrying value of the interest rate cap agreement represents the remaining unamortized cost of the contract. The fair value is based on the quoted market price as of the last business day of the year.

Commitments to extend credit and standby letters of credit: The fair value of commitments to extend credit is based on fees currently charged to enter into similar arrangements, the remaining term of the agreement, the present creditworthiness of the counterparty, and the difference between current interest rates and committed interest rates on the commitments. Because most of Wintrust's commitment agreements were recently entered into and/or contain variable interest rates, the carrying value of Wintrust's commitments to extend credit approximates fair value. The fair value of letters of credit is based on fees currently charged for similar arrangements.

(18) WARRANTS TO ACQUIRE COMMON STOCK The Company has issued warrants to acquire common stock. The warrants entitle the holder to purchase one share of the Company's common stock at purchase prices ranging from \$14.85 to \$15.00 per share. There were 155,433 outstanding warrants to acquire common stock at December 31, 1998 and 1997, respectively, with expiration dates ranging from December 2002 through November 2005.

(19) BUSINESS COMBINATION On September 1, 1996, Wintrust Financial Corporation (formerly known as North Shore Community Bancorp, Inc.) issued approximately 5.3 million shares of common stock and approximately 122,000 warrants to acquire common stock in exchange for all outstanding common stock and warrants, if applicable, of Lake Forest Bancorp, Inc., Hinsdale Bancorp, Inc., Libertyville Bancorp, Inc. and Crabtree Capital Corporation based upon exchange ratios approved by shareholders of each of the companies. The combination was accounted for under the pooling of interests method.

The results of operations previously reported by the separate enterprises and the combined amounts presented

in the accompanying consolidated financial statements are summarized below (in thousands).

	Eight Mo. ended Aug. 31, 1996
=====	
Net interest income:	
Lake Forest Bancorp, Inc.	\$ 3,648
Hinsdale Bancorp, Inc.	2,380
North Shore Comm. Bancorp, Inc.	2,140
Libertyville Bancorp, Inc.	875
Crabtree Capital Corporation	366

Consolidated	\$ 9,409

Other non-interest income:	
Lake Forest Bancorp, Inc.	\$ 726
Hinsdale Bancorp, Inc.	507
North Shore Comm. Bancorp, Inc.	429
Libertyville Bancorp, Inc.	132
Crabtree Capital Corporation	3,352

Consolidated	\$ 5,146

Net income (loss):	
Lake Forest Bancorp, Inc.	\$ 545
Hinsdale Bancorp, Inc.	29
North Shore Comm. Bancorp, Inc.	(901)
Libertyville Bancorp, Inc.	(862)
Crabtree Capital Corporation	(727)

Consolidated	\$ (1,916)
=====	

(20) ACQUISITION On October 24, 1996, the Board of Directors approved the acquisition of Wolfhoya Investments, Inc. ("Wolfhoya"), a company organized prior to the reorganization of the Company (see Note 19) by certain directors and executive officers of the Company for purposes of organizing a de novo bank in Barrington, Illinois. Also, on October 24, 1996, an Agreement and Plan of Merger by and between Wintrust Financial Corporation and Wolfhoya Investments, Inc. was executed. The Company issued an aggregate of 87,556 shares of Common Stock to complete the acquisition which was accounted for under the purchase method and, accordingly, the results of operations are included in the Consolidated Statements of Operations from the date of acquisition. In addition, there were outstanding common stock warrants and stock options of Wolfhoya that, as a result of the transaction, converted by their terms into Warrants to purchase 16,838 shares and Options to purchase 68,534 shares of Common Stock of the Company, all at the adjusted exercise price of \$14.85 per share. As part of the transaction, the Company assumed approximately \$502,000 of Wolfhoya's outstanding debt which amount was refinanced under the Company's revolving line of credit. Barrington Bank, the de novo bank which Wolfhoya began organizing, opened for business on December 19, 1996.

(21) SEGMENT INFORMATION The Company's operations consist of four primary segments: banking, premium finance, indirect auto, and trust. Through its six bank subsidiaries located in several affluent suburban Chicago communities, the Company provides traditional community banking products and services to individuals and businesses such as accepting deposits, advancing loans, administering ATMs, maintaining safe deposit boxes, and providing other related services. The premium finance operations consist of financing the payment of commercial insurance premiums, on a national basis, through FIFC. All loans originated by FIFC are currently being sold to the Company's bank subsidiaries and are retained in each of their loan portfolios. The indirect auto segment is operated from one of the Company's bank subsidiaries and is in the business of providing high quality new and used auto loans through a large network of auto dealerships within the Chicago metropolitan area. All loans originated by this segment are currently retained within the Company's bank subsidiary loan portfolios. The trust segment is operated through the Company's newest subsidiary, WAMC, which was formed in September 1998 to offer trust and investment management services at each of the Company's banks. In addition to offering these services to existing customers of the banks, WAMC will be targeting newly affluent individuals and small to mid-size businesses whose needs command personalized attention by experienced trust professionals. Prior to the formation of WAMC, trust services were provided through a department of the Lake Forest Bank.

Each of the four reportable segments are strategic business units that are separately managed as they offer different products and services and have different marketing strategies. In addition, each segment's customer base has varying characteristics. The banking and indirect auto segments also have a different regulatory environment than the premium finance and trust segments. While the Company's chief decision makers monitor each of the six bank subsidiaries' operations and profitability separately, these subsidiaries have been aggregated into one reportable operating segment due to the similarities in products and services, customer base, operations, profitability measures, and economic characteristics.

The segment financial information provided in the following tables has been derived from the internal profitability reporting system used by management and the chief decision makers to monitor and manage the financial performance of the Company. The accounting policies of the segments are generally the same as those described in the Summary of Significant Accounting Policies in Note 1 to the Consolidated Financial Statements. The Company evaluates segment performance based on after-tax profit or loss and other appropriate profitability measures common to each segment. Certain indirect expenses have been allocated based on actual volume measurements and other criteria, as appropriate. Intersegment revenue and transfers are generally accounted for at current market prices. The other category reflects parent company information.

The following is a summary of certain operating information for reportable segments (in thousands):

YEARS ENDED DECEMBER 31,

	1998	1997	1996
NET INTEREST INCOME:			
Banking	\$ 34,245	25,537	14,611
Premium finance	9,714	7,359	554
Indirect auto	5,595	3,610	2,279
Trust	359	182	134
Intersegment eliminations	(11,168)	(8,963)	(2,316)
Other	(1,981)	(953)	(380)
Total	\$ 36,764	26,772	14,882
NON-INTEREST INCOME:			
Banking	\$ 7,700	3,745	2,400
Premium finance	-	147	4,406
Indirect auto	2	1	2
Trust	788	626	522
Intersegment eliminations	(418)	425	202
Other	3	-	-
Total	\$ 8,075	4,944	7,532
PROVISION FOR POSSIBLE LOAN LOSSES (NON-CASH ITEM):			
Banking	\$ 4,403	2,474	1,693
Premium finance	401	1,058	142
Indirect auto	855	446	220
Trust	-	-	-
Intersegment eliminations	(1,362)	(574)	(120)
Total	\$ 4,297	3,404	1,935
DEPRECIATION AND AMORTIZATION (NON-CASH ITEM):			
Banking	\$ 2,457	1,968	1,799
Premium finance	284	288	279
Indirect auto	30	23	18
Trust	48	22	20
Intersegment eliminations	(62)	(45)	(38)
Other	195	138	26
Total	\$ 2,952	2,394	2,104
INCOME TAX EXPENSE (BENEFIT):			
Banking	\$ 3,046	880	(417)
Premium finance	1,276	236	(210)
Indirect auto	1,168	773	481
Trust	(114)	149	110
Intersegment eliminations	(5,424)	(4,912)	(1,018)
Other	(1,488)	(914)	(257)
Total	\$ (1,536)	(3,788)	(1,310)
SEGMENT PROFIT (LOSS):			
Banking	\$ 5,131	4,112	(917)
Premium finance	2,022	373	(332)
Indirect auto	1,850	1,225	762
Trust	(189)	237	175
Intersegment eliminations	(99)	(114)	(19)
Other	(2,470)	(987)	(642)
Total	\$ 6,245	4,846	(973)

EXPENDITURES FOR ADDITIONS TO PREMISES AND EQUIPMENT:			
Banking	\$ 14,644	12,827	7,351
Premium finance	500	3,221	574
Indirect auto	33	28	68
Trust	72	12	80
Intersegment eliminations	(33)	(40)	(148)
Other	243	15	-

Total	\$ 15,459	16,063	7,925

	At December 31,	
	1998	1997

Segment Assets:		
Banking	\$ 1,377,641	1,067,966
Premium finance	234,779	168,986
Indirect auto	219,232	144,265
Trust	2,886	385
Intersegment eliminations	(491,795)	(332,316)
Other	5,305	4,114

Total	\$ 1,348,048	1,053,400

The premium finance and indirect auto segment information shown in the above tables was derived from their internal profitability reports, which assumes that all loans originated and sold to the Banking segment are retained within the segment that originated the loans. All related loan interest income, allocations for interest expense, provisions for possible loan losses and allocations for other expenses are included in the premium finance and indirect auto segments. The banking segment information also includes all amounts related to these loans, as these loans are retained within the Banks' loan portfolios. Accordingly, the intersegment eliminations shown in the above tables includes adjustments necessary for each category to agree with the related consolidated financial amounts. The intersegment eliminations amount reflected in the Income Tax Expense (Benefit) category also includes the recognition of income tax benefits from the realization of previously unvalued tax loss benefits.

(22) CONDENSED PARENT COMPANY FINANCIAL STATEMENTS

=====
Condensed Balance Sheet
(in thousands):

	December 31,	
	1998	1997
ASSETS		
Cash	\$ 2,312	854
Investment in subsidiaries	102,634	85,235
Other assets	2,993	3,259
Total assets	\$ 107,939	89,348
LIABILITIES AND SHAREHOLDERS' EQUITY		
Other liabilities	\$ 724	156
Notes payable	-	20,402
Long-term debt-trust preferred securities	32,010	-
Shareholders' equity	75,205	68,790
Total liabilities and shareholders' equity	\$ 107,939	89,348

CONDENSED STATEMENTS OF OPERATIONS

(in thousands):

	Years Ended December 31,		
	1998	1997	1996
INCOME			
Dividends from subsidiary	\$ 8,250	-	-
Interest income	-	-	3
Other income	3	-	-
Total income	8,253	-	3
EXPENSES			
Interest expense	1,981	953	383
Salaries and employee benefits	1,095	333	107
Merger costs	-	-	173
Other expenses	724	477	213
Amortization of goodwill and organizational costs	161	138	26
Total expenses	3,961	1,901	902
Income (loss) before income taxes and equity in undistributed net income (loss) of subsidiaries	4,292	(1,901)	(899)
Income tax benefit	(1,488)	(914)	(257)
Income (loss) before equity in undistributed net income (loss) of subsidiaries	5,780	(987)	(642)
Equity in undistributed net income (loss) of subsidiaries	465	5,833	(331)
Net income (loss)	\$ 6,245	4,846	(973)

CONDENSED STATEMENTS OF CASH FLOWS

(in thousands):

	Years Ended December 31,		
	1998	1997	1996

OPERATING ACTIVITIES:			
Net income (loss)	\$ 6,245	4,846	(973)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization of goodwill and organizational costs	161	138	26
Deferred income taxes	519	(914)	(257)
(Increase) decrease in other assets	(416)	95	64
Increase (decrease) in other liabilities	568	(111)	267
Equity in undistributed net (income) loss of subsidiaries	(465)	(5,833)	331
Net cash provided by (used for) operating activities	6,612	(1,779)	(542)
INVESTING ACTIVITIES:			
Capital infusions to subsidiaries	(17,026)	(17,850)	(23,272)
Purchase of Wolfhoya Investments, Inc., net of cash acquired	-	-	(318)
Net cash used for investing activities	(17,026)	(17,850)	(23,590)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings, net	(20,402)	(1,655)	22,057
Proceeds from long-term debt	32,010	-	-
Common stock issuance, net	-	20,326	1,858
Common stock issued upon exercise of stock options	264	964	-
Repurchase of common stock	-	-	(48)
Advances from (to) subsidiaries	-	785	(785)
Net cash provided by financing activities	11,872	20,420	23,082
Net increase (decrease) in cash	1,458	791	(1,050)
Cash at beginning of year	854	63	1,113
Cash at end of year	\$ 2,312	854	63

(23) EARNINGS PER SHARE The following table sets forth the computation of basic and diluted earnings per common share for 1998, 1997, and 1996 (in thousands, except per share data):

	1998	1997	1996
Net income (loss)	(A) \$6,245	4,846	(973)
Average common shares outstanding	(B) 8,142	7,755	6,134
Effect of dilutive common shares	353	331	-
Weighted average common shares and effect of dilutive common shares	(C) 8,495	8,086	6,134
Net income (loss) per average common share - Basic	(A/B) \$ 0.77	0.62	(0.16)
Net income (loss) per average common share - Diluted	(A/C) \$ 0.74	0.60	(0.16)

The effect of dilutive common shares outstanding results from stock options and stock warrants being treated as if they had been exercised and are computed by application of the treasury stock method. No dilutive common shares were assumed to be outstanding for the year ended December 31, 1996 as accounting standards require that the computation of earnings per share shall not give effect to dilutive common shares for any period in which their inclusion would have the effect of decreasing the loss per share amount otherwise computed.

(24) QUARTERLY FINANCIAL SUMMARY (UNAUDITED)

The following is a summary in thousands of dollars, except for per common share data, of quarterly financial information for the years ended December 31, 1998 and 1997:

	1998 QUARTERS				1997 QUARTERS			
	FIRST	SECOND	THIRD	FOURTH	FIRST	SECOND	THIRD	FOURTH
Interest income	\$ 19,900	21,447	22,941	23,691	13,078	15,381	17,746	18,906
Interest expense	11,896	12,537	13,068	13,714	7,826	8,592	10,406	11,515
Net interest income	8,004	8,910	9,873	9,977	5,252	6,789	7,340	7,391
Provision for possible loan losses	1,267	1,073	971	986	679	875	958	892
Net interest income after provision for possible loan losses	6,737	7,837	8,902	8,991	4,573	5,914	6,382	6,499
Non-interest income, excluding securities gains, net	1,683	1,989	2,009	2,394	1,592	928	1,102	1,211
Securities gains, net	-	-	-	-	-	-	-	111
Non-interest expense (1)	7,932	9,467	8,639	9,795	6,354	6,424	6,946	7,530
Income (loss) before income taxes	488	359	2,272	1,590	(189)	418	538	291
Income tax expense (benefit)	(554)	(604)	118	(496)	(918)	(708)	(773)	(1,389)
Net income	\$ 1,042	963	2,154	2,086	729	1,126	1,311	1,680
Net income per common share - Basic	\$ 0.13	0.12	0.26	0.26	0.11	0.14	0.16	0.21
Net income per common share - Diluted	\$ 0.12	0.11	0.25	0.25	0.10	0.13	0.15	0.20

(1) During the second quarter of 1998, the Company recorded a non-recurring \$1.0 million pre-tax charge related to severance amounts due to the Company's former Chairman and Chief Executive Officer and certain related legal fees.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Wintrust Financial Corporation:

We have audited the accompanying consolidated statements of condition of Wintrust Financial Corporation and subsidiaries (the "Company") as of December 31, 1998 and 1997, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wintrust Financial Corporation and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

*Chicago, Illinois
March 19, 1999*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto, and Selected Financial Highlights appearing elsewhere within this report. This discussion contains forward-looking statements that involve risks and uncertainties and, as such, future results could differ significantly from management's current expectations. See the last section of this discussion for further information on forward-looking statements.

GENERAL

The Company's operating profitability depends on its net interest income, provision for possible loan losses, non-interest income and non-interest expense. Net interest income is the difference between the income the Company receives on its loan and investment portfolios and its cost of funds, which consists of interest paid on deposits, short-term borrowings, notes payable and trust preferred securities. The provision for possible loan losses reflects the cost of credit risk in the Company's loan portfolio. Non-interest income consists of fees on mortgage loans sold, trust fees, service charges on deposit accounts, loan servicing fees, gains on sales of premium finance receivables and other miscellaneous fees and income. Non-interest expense includes salaries and employee benefits as well as occupancy, equipment, data processing, advertising and marketing, professional fees, other expenses and, in 1996, certain non-recurring merger-related expenses.

Net interest income is dependent on the amounts and yields of interest-earning assets as compared to the amounts and rates on interest-bearing liabilities. Net interest income is sensitive to changes in market rates of interest and the Company's asset/liability management actions. The provision for loan losses is dependent on increases in the loan portfolio, management's assessment of the collectibility of the loan portfolio, net loans charged-off, as well as economic and market factors. Fees on mortgage loans sold relate to the Company's practice of originating long-term fixed-rate mortgage loans for sale into the secondary market in order to satisfy customer demand for such loans while avoiding the interest-rate risk associated with holding long-term fixed-rate mortgage loans in the Banks' portfolios. These fees are highly dependent on the mortgage interest rate environment and the volume of real estate transactions and mortgage refinancing activity. The Company earns trust fees for managing and administering trust and investment accounts for individuals and businesses. Gains on sales of loans and loan servicing fees relate principally to FIFC's past practice of selling its originated commercial insurance premium finance loans into the secondary market through a securitization facility. Since the fourth quarter of 1996, it has been the Company's practice to retain premium finance loans in the Banks' loan portfolios, resulting in higher net interest income, reduced gains on sale of insurance premium finance loans and diminished loan servicing fee income. Miscellaneous fees and income include gains on the sale of securities and income generated from other ancillary banking services. Non-interest expenses are heavily influenced by the growth of operations, with additional employees necessary to staff new banks, branch facilities and trust expansion, higher levels of occupancy and equipment expense, as well as advertising and marketing expenses necessary to promote the growth. The increase in the number of account relationships directly affects such expenses as data processing costs, supplies, postage and other miscellaneous expenses.

OVERVIEW AND STRATEGY Wintrust's operating subsidiaries were organized within the last eight years, with an average life of its six subsidiary banks of less than four years. The Company has grown rapidly during the past few years and its Banks have been among the fastest growing community-oriented de novo banking operations in Illinois and the country. Because of the rapid growth, the historical financial performance of the Banks and FIFC has been affected by costs associated with growing market share in deposits and loans, establishing new de novo banks, opening new branch facilities, and building an experienced management team. The Company's financial performance over the past several years generally reflects improving profitability of the Banks, as they mature, offset by the significant costs of opening new banks and branch facilities. The Company's experience has been that it generally takes 13-24 months for new banking offices to first achieve operational profitability. Similarly, management currently expects a start-up phase for WAMC of a few years before its operations become profitable.

The nature of the Company's de novo bank strategy has led to, and will likely continue to lead to, differences in earnings patterns as compared to other established community banking organizations. The Company's net interest margin is low compared to industry standards for the following reasons. First, as de novo banking institutions, Wintrust's subsidiary banks have been aggressive in providing competitive loan and deposit interest rates to the communities that they serve in order to develop

significant market share. In addition, newer de novo banks typically have lower loan-to-deposit ratios than more established banks, as core loan growth is slower to develop in new markets than deposit growth. Finally, the Company has maintained a relatively shorter term, and therefore lower-yielding, security portfolio, in order to facilitate loan demand as it emerges, maintain excess liquidity in the event deposit levels fluctuate and because the interest rate environment has provided little incentive to invest funds in longer term securities.

Similarly, as the Company has experienced rapid balance sheet growth over the past several years, it has also experienced higher overhead levels in relation to its average assets, when compared to peer industry levels, reflecting the necessary start-up investment in human resources and facilities to organize additional de novo banks and open new branch facilities. The net overhead ratio has improved from 2.60% in 1997 to 2.36% in 1998. While the ratio shows an improving trend, the Company's objective is to ultimately reduce the net overhead ratio to a range of 1.50% to 2.00% of average assets. The Company's more mature banks have met the overhead goals established by the Company. Net overhead ratios by bank subsidiaries are as follows:

BANK	ESTABLISHED	NET OVERHEAD RATIO
Lake Forest Bank	12/91	1.24%
Hinsdale Bank	10/93	1.88%
North Shore Bank	9/94	1.79%
Libertyville Bank	10/95	1.78%
Barrington Bank	12/96	2.72%
Crystal Lake Bank	12/97	5.71%

The Company expects that as its existing Banks continue to mature, the organizational and start-up expenses associated with future de novo banks and new branch facilities will not have as significant an impact on the Company's net overhead ratio.

While committed to a continuing growth strategy, management's current focus is to balance further asset growth with earnings growth by seeking to more fully leverage the existing capacity within each of the Banks and FIFC. One aspect of this strategy is to continue to pursue specialized earning asset niches, and to shift the mix of earning assets to higher-yielding loans. In addition to Lake Forest Bank's July 1998 acquisition of a small business engaged in medical and municipal equipment leasing, the Company may pursue acquisitions of other specialty finance businesses that generate assets that are suitable for bank investment and/or secondary market sales. To further balance growth with increased earnings, management will continue to focus on less aggressive deposit pricing at the more mature Banks that have more established customer bases.

With the formation of WAMC, the Company intends to expand the trust and investment management services that have already been provided during the past several years through the trust department of the Lake Forest Bank. With a separately chartered trust subsidiary, the Company is now able to offer trust and investment management services to all communities served by Wintrust banks, which management believes are some of the best trust markets in Illinois. In addition to offering these services to existing bank customers at each of the Banks, the Company believes WAMC can successfully compete for trust business by targeting small to mid-size businesses and newly affluent individuals whose needs command the personalized attention that will be offered by WAMC's experienced trust professionals. During the fourth quarter of 1998, WAMC added experienced trust professionals at North Shore Bank, Hinsdale Bank and Barrington Bank. As in the past, a full complement of trust professionals will continue to operate from offices at the Lake Forest Bank. Services offered by WAMC typically will include traditional trust products and services, as well as investment management, financial planning and 401(k) management services.

Similar to starting a de novo bank, the introduction of expanded trust services is expected to cause relatively high overhead levels when compared to initial fee income generated by WAMC. The overhead will consist primarily of the salaries and benefits of experienced trust professionals. Management anticipates that WAMC will be successful in attracting trust business over the next few years, to a level that trust fees absorb the overhead of WAMC at that time.

DE NOVO BANK FORMATION AND BRANCH OPENING ACTIVITY

The following table illustrates the progression of Bank and branch openings that have impacted the Company's growth and results of operations since inception.

MONTH	YEAR	BANK	LOCATION	TYPE OF FACILITY
December	1998	Lake Forest Bank	Lake Forest, Illinois	Branch
October	1998	Libertyville Bank	Libertyville, Illinois	Branch
September	1998	Crystal Lake Bank	Crystal Lake, Illinois	New permanent facility
May	1998	North Shore Bank	Glencoe, Illinois	Drive-up/walk-up
April	1998	North Shore Bank	Wilmette, Illinois	Walk-up
December	1997	Crystal Lake Bank	Crystal Lake, Illinois	Bank
November	1997	Hinsdale Bank	Western Springs, Illinois (2)	Branch
February	1997	Lake Forest Bank	Lake Forest, Illinois	Drive-up/walk-up
December	1996	Barrington Bank	Barrington, Illinois	Bank
August	1996	Hinsdale Bank	Clarendon Hills, Illinois (1)	Branch
May	1996	North Shore Bank	Winnetka, Illinois	Branch
November	1995	North Shore Bank	Wilmette, Illinois	Drive-up/walk-up
October	1995	Hinsdale Bank	Hinsdale, Illinois	Drive-up/walk-up
October	1995	Libertyville Bank	Libertyville, Illinois	Bank
October	1995	Libertyville Bank	Libertyville, Illinois	Drive-up/walk-up
October	1995	North Shore Bank	Glencoe, Illinois	Branch
May	1995	Lake Forest Bank	West Lake Forest, Illinois	Branch
December	1994	Lake Forest Bank	Lake Bluff, Illinois	Branch
September	1994	North Shore Bank	Wilmette, Illinois	Bank
April	1994	Lake Forest Bank	Lake Forest, Illinois	New permanent facilities
October	1993	Hinsdale Bank	Hinsdale, Illinois	Bank
April	1993	Lake Forest Bank	Lake Forest, Illinois	Drive-up/walk-up
December	1991	Lake Forest Bank	Lake Forest, Illinois	Bank

(1) Operates in this location as Clarendon Hills Bank, a branch of Hinsdale Bank.

(2) Operates in this location as Community Bank of Western Springs, a branch of Hinsdale Bank.

REORGANIZATION

Effective September 1, 1996, pursuant to the terms of a reorganization agreement dated as of May 28, 1996, which was approved by shareholders of all of the parties, the Company completed a reorganization transaction to combine the separate activities of the holding companies of each of the Company's then existing operating subsidiaries. As a result of the transaction, the Company (formerly known as North Shore Community Bancorp, Inc., the name of which was changed to Wintrust Financial Corporation in connection with the reorganization) became the parent holding company of each of the separate businesses, and the shareholders and warrant holders of each of the separate holding companies exchanged their shares for Common Stock and their warrants for a combination of shares of Common Stock and Warrants of the Company (the "Reorganization"). The Reorganization was accounted for as a pooling-of-interests transaction and, accordingly, the Company's financial statements have been restated on a combined and consolidated basis to give retroactive effect to the combined operations throughout the reported historical periods.

AVERAGE BALANCE SHEETS, INTEREST INCOME AND EXPENSE, AND INTEREST RATE YIELDS AND COSTS

The following table sets forth the average balances, the interest earned or paid thereon, and the effective interest rate yield or cost for each major category of interest-earning assets and interest-bearing liabilities for the years ended December 31, 1998, 1997, and 1996. The yields and costs include loan origination fees and certain direct origination costs which are considered adjustments to yields. Interest income on non-accruing loans is reflected in the year that it is collected, to the extent it is not applied to principal. Such amounts are not material to net interest income or net change in net interest income in any year. Non-accrual loans are included in the average balances and do not have a material effect on the average yield. Net interest income and the related net interest margin have been adjusted to reflect tax-exempt income, such as interest on municipal securities and loans, on a taxable equivalent basis. This table should be referred to in conjunction with this analysis and discussion of the financial condition and results of operations (dollars in thousands).

	1998			1997			1996		
	AVERAGE BALANCE(1)	INTEREST	AVERAGE YIELD/ COST	AVERAGE BALANCE(1)	INTEREST	AVERAGE YIELD/ COST	AVERAGE BALANCE(1)	INTEREST	AVERAGE YIELD/ COST
ASSETS									
Interest bearing deposits with banks	\$ 40,094	\$ 2,283	5.69%	\$ 32,319	\$ 1,764	5.46%	\$ 28,382	\$ 1,588	5.60%
Federal funds sold	43,784	2,327	5.31	63,889	3,493	5.47	47,199	2,491	5.28
Securities (2)	142,770	8,000	5.60	69,887	3,793	5.43	88,762	4,327	4.87
Loans, net of unearned income (2)	848,344	75,464	8.90	620,801	56,134	9.04	347,076	30,631	8.83
Total earning assets	1,074,992	88,074	8.19	786,896	65,184	8.28	511,419	39,037	7.63
Cash and due from									
banks - non-interest bearing	26,585			17,966			13,911		
Allowance for possible loan losses	(5,983)			(4,522)			(3,247)		
Premises and equipment, net	50,681			35,634			26,586		
Other assets	31,470			22,110			13,575		
Total assets	\$ 1,177,745			\$858,084			\$562,244		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits - interest bearing:									
NOW accounts	\$ 89,963	\$ 2,849	3.17%	\$ 66,221	\$ 2,535	3.83%	\$ 45,144	\$ 1,713	3.79%
Savings and money market deposits	256,644	10,480	4.08	191,317	8,220	4.30	139,150	5,659	4.07
Time deposits	611,199	35,740	5.85	444,587	26,620	5.99	261,502	15,388	5.88
Total interest bearing deposits	957,806	49,069	5.12	702,125	37,375	5.32	445,796	22,760	5.11
Short-term borrowings and notes payable	21,249	1,399	6.58	13,694	964	7.04	16,051	1,395	8.69
Long-term debt-trust preferred securities (3)	7,915	747	9.44	-	-	-	-	-	-
Total interest bearing liabilities	986,970	51,215	5.19	715,819	38,339	5.36	461,847	24,155	5.23
Non-interest bearing deposits	100,712			73,280			51,249		
Other liabilities	18,157			7,481			7,420		
Shareholders' equity	71,906			61,504			41,728		
Total liabilities and shareholders' equity	\$ 1,177,745			\$858,084			\$562,244		
Net interest income/spread		\$ 36,859	3.00%		\$ 26,845	2.92%		\$14,882	2.40%
Net interest margin			3.43%			3.41%			2.91%

(1) Average balances were generally computed using daily balances.

(2) Interest income on tax advantaged securities and loans reflect a taxable equivalent adjustment based on a marginal federal tax rate of 34%. The total taxable equivalent adjustment reflected in the above table is \$95 and \$73 in 1998 and 1997, respectively.

(3) This category relates to the \$31.05 million 9.00% Cumulative Trust Preferred Securities offering that was completed in October 1998. The rate of 9.44% is higher than the coupon rate of 9.00% as it reflects the amortization of offering costs, including underwriting fees, legal and professional fees, and other related costs. See Note 10 to the Consolidated Financial Statements for further information about the Trust Preferred Securities.

CHANGES IN INTEREST INCOME AND EXPENSE

The following table shows the dollar amount of changes in interest income and expense by major categories of interest-earning assets and interest-bearing liabilities attributable to changes in volume or rate or both, for the periods indicated (in thousands):

	YEAR ENDED DECEMBER 31,					
	1998 COMPARED TO 1997			1997 COMPARED TO 1996		
	CHANGE DUE TO RATE	CHANGE DUE TO VOLUME	TOTAL CHANGE	CHANGE DUE TO RATE	CHANGE DUE TO VOLUME	TOTAL CHANGE
INTEREST INCOME:						
Interest bearing deposits with banks	\$ 79	440	519	(40)	216	176
Federal funds sold	(95)	(1,071)	(1,166)	92	910	1,002
Securities	127	4,080	4,207	454	(988)	(534)
Loans	(925)	20,255	19,330	771	24,732	25,503
Total interest income	(814)	23,704	22,890	1,277	24,870	26,147
INTEREST EXPENSE:						
NOW accounts	(489)	803	314	16	806	822
Savings and money market deposits	(426)	2,686	2,260	336	2,225	2,561
Time deposits	(637)	9,757	9,120	275	10,957	11,232
Short-term borrowings and notes payable	(66)	501	435	(259)	(172)	(431)
Long-term debt-trust preferred securities	-	747	747	-	-	-
Total interest expense	(1,618)	14,494	12,876	368	13,816	14,184
Net interest income	\$ 804	9,210	10,014	909	11,054	11,963

The changes in net interest income are complicated to assess and require significant analysis to fully understand. However, it is clear that the change in the Company's net interest income for the periods under review was predominantly impacted by the growth in the volume of the overall interest-earning assets (specifically loans) and interest-bearing deposit liabilities. In the table above, volume variances are computed using the change in volume multiplied by the previous year's rate. Rate variances are computed using the change in rate multiplied by the previous year's volume. The change in interest due to both rate and volume has been allocated between factors in proportion to the relationship of the absolute dollar amounts of the change in each.

ANALYSIS OF FINANCIAL CONDITION

The dynamics of community bank balance sheets is generally dependent upon the ability of management to attract additional deposit accounts to fund the growth of the institution. As several of the Company's banks are still less than four years old, the generation of new deposit relationships to gain market share and establish themselves in the community as the bank of choice is particularly important. When determining a community to establish a de novo bank, the Company generally will only enter a community where it believes the bank can gain the number one or two position in deposit market share. This is usually accomplished by initially paying higher deposit rates to gain the relationship and then by introducing the customer to the Company's unique way of providing local banking services.

Deposits. Over the past three years, the Company has experienced significant growth in both the number of accounts and the balance of deposits primarily as a result of de novo bank formations, new branch openings and strong marketing efforts. Total deposit balances increased 33.9% to \$1.23 billion at December 31, 1998 as compared to \$917.7 million at December 31, 1997, which increased 48.5% when compared to the balance of \$618.0 million at December 31, 1996.

The following table presents deposit balances by the Banks and the relative percentage of total deposits held by each Bank at December 31 during the past three years (dollars in thousands):

	1998		1997		1996	
	DEPOSIT BALANCES	PERCENT OF TOTAL	DEPOSIT BALANCES	PERCENT OF TOTAL	DEPOSIT BALANCES	PERCENT OF TOTAL
Lake Forest Bank	\$ 371,900	30%	\$ 287,765	31%	\$ 251,906	40%
Hinsdale Bank	259,333	21	206,197	22	140,873	23
North Shore Bank	270,030	22	245,184	27	153,878	25
Libertyville Bank	171,735	14	112,658	12	67,490	11
Barrington Bank	109,130	9	64,803	7	3,882	1
Crystal Lake Bank	47,026	4	1,094	1	-	-
Total Deposits	\$ 1,229,154	100%	\$ 917,701	100%	\$ 618,029	100%
Percentage increase from prior year-end	33.9%		48.5%		52.4%	

Short-term borrowings and notes payable. Short-term borrowings fluctuate based on daily liquidity needs of the Banks and FIFC. In addition, prior to the October 1998 completion of the \$31.05 million Trust Preferred Securities offering, as discussed in the section below, this category included the outstanding notes payable balance on a revolving credit line with an unaffiliated bank. The proceeds from the Trust Preferred Securities offering were used to pay-off the outstanding balance on this line. Accordingly, there were no notes payable as of December 31, 1998. The Company continues to maintain the \$40 million revolving credit line, which is available for corporate purposes such as to provide capital to fund continued growth at existing bank subsidiaries, expansion of the new trust business, possible future acquisitions and for other general corporate matters. See Note 9 to the Consolidated Financial Statements for further discussion of the terms of this revolving credit line. At December 31, 1997, notes payable totaled \$20.4 million and short-term borrowings totaled \$35.5 million.

Trust preferred securities. As of December 31, 1998, this category totaled \$31.05 million of 9.00% Cumulative Trust Preferred Securities, which were publicly sold in an offering that was completed on October 9, 1998. The proceeds were used to pay-off the outstanding balance on the revolving credit line, as mentioned above. The Trust Preferred Securities offering has increased the Company's regulatory capital, and will provide for the continued growth of its banking and trust franchise and for possible future acquisitions of other banks or finance related companies. The ability to treat these Trust Preferred Securities as regulatory capital under Federal Reserve guidelines, coupled with the Federal income tax deductibility of the related interest expense, provides the Company with a cost-effective form of capital. See Note 10 to the Consolidated Financial Statements for further discussion of these Trust Preferred Securities.

Total assets and earning assets. The Company's total assets were \$1.35 billion at December 31, 1998, an increase of \$294.6 million, or 28.0%, when compared to \$1.05 billion a year earlier. Earning assets totaled \$1.23 billion at December 31, 1998, an increase of \$267.1 million, or 27.7%, from the balance of \$965.5 million at December 31, 1997. Earning assets as a percentage of total assets dropped slightly to 91.4% as of December 31, 1998 when compared to 91.7% as of December 31, 1997. This small decline was mainly due to the unusually high prior year-end level of federal funds sold, which were funded from the increase of year-end customer repurchase agreements. The increases in total assets and earning assets since December 31, 1997 were attributable to the 33.9% increase in the Banks' deposit balances during 1998, and resulted primarily from continued market share growth at the more established banks and higher balances at the newer de novo banks. The Company had a total of 21 banking facilities at the end of 1998 compared to 17 at the end of 1997.

Loans. Strong loan growth in 1998 and an unusually high level federal funds purchased at the end of 1997, as noted earlier, resulted in loans comprising a higher proportion of earning assets at December 31, 1998 when compared to the end of 1997. Total loans, net of unearned income, comprised 80.5% of total earning assets at December 31, 1998 as compared to 73.8% at December 31, 1997. Loans, net of unearned income, totaled \$992.1 million at December 31, 1998, an increase of \$279.4 million, or 39.2%, since the December 31, 1997 balance of \$712.6 million. The following table presents loan balances, net of unearned income, by category as of December 31, 1998 and 1997 (dollars in thousands).

	1998	Percent of Total	1997	Percent of Total
Commercial and commercial real estate	\$ 366,229	37%	\$ 235,483	33%
Indirect auto, net	209,983	21	138,784	19
Premium finance, net	178,138	18	128,453	18
Home equity	111,537	11	116,147	16
Residential real estate	91,525	9	61,611	9
Other loans	34,650	4	32,153	5
Total loans, net	\$ 992,062	100%	\$ 712,631	100%

Specialty Loan Categories In order to minimize the time lag typically experienced by de novo banks in redeploying deposits into higher yielding earning assets, the Company has developed lending programs focused on specialized earning asset niches having large volumes of homogeneous assets that can be acquired for the Banks' portfolios and possibly sold in the secondary market to generate fee income. Currently, the Company's two largest loan niches function as separate operating segments and consist of the indirect auto segment and the premium finance segment. Also, in July 1998, Lake Forest Bank acquired a small operation engaged in medical and municipal equipment leasing, which is also expected to generate higher yielding assets to maintain within the bank's loan portfolio. Management continues to evaluate other specialized types of earning assets to assist in the deployment of deposit funds and to diversify the earning asset portfolio.

Indirect auto loans. The Company finances fixed rate automobile loans sourced indirectly through an established network of unaffiliated automobile dealers located throughout the Chicago metropolitan area. These indirect auto loans are secured by new and used automobiles and generally have an original maturity of 36 to 60 months with the average actual maturity estimated to be approximately 35 to 40 months. The risk associated with this portfolio is diversified amongst many individual borrowers. The Company utilizes credit underwriting standards that management believes results in a high quality portfolio. The Company does not currently originate any significant level of sub-prime loans, which are made to individuals with impaired credit histories at generally higher interest rates, and accordingly, with higher levels of credit risk. Management continually monitors the dealer relationships and the Banks are not dependent on any one dealer as a source of such loans. The Company began to originate these loans in mid-1995 and has consistently increased the level of outstanding loans. As of December 31, 1998, net indirect auto loans were the second largest loan category and totaled \$210.0 million, an increase of \$71.2 million, or 51.3%, over the prior year-end balance. The mix increase to 21% as of December 31, 1998 as compared to 19% at the end of 1997, as well as the strong growth in balances, were primarily the result of business development efforts that added new dealers to the network of auto dealer relationships.

Premium finance receivables. The Company originates commercial premium finance receivables through FIFC, who currently sell them to the Banks; however, these receivables could be funded in the future through an asset securitization facility. All premium finance receivables, however financed, are subject to the Company's stringent credit standards, and substantially all such loans are made to commercial customers. The Company rarely finances consumer insurance premiums. Prior to the September 1, 1996 Reorganization, substantially all loans were sold through an asset securitization facility. Subsequent to this date, originated premium finance loans have generally been sold to the Banks and consequently remain as an asset of the Company. For that reason and because the securitization facility was eliminated during 1997, the net balance increased from \$57.5 million at the end of 1996 to \$128.5 million as of December 31, 1997. As of December 31, 1998, net premium finance loans totaled \$178.1 million and increased \$49.7 million, or 38.7%, over the December 31, 1997 balance. This increase was mainly due to increased market penetration from new product offerings and targeted marketing programs.

Core Loan Categories

Commercial and commercial real estate loans, the largest loan category, totaled \$366.2 million at December 31, 1998 and increased \$130.7 million, or 55.5%, from the December 31, 1997 balance. This increase, and the higher mix to 37%, resulted mainly from the low interest rate environment, healthy economy and the hiring of additional experienced lending officers.

Total home equity loans declined slightly when comparing the December 31, 1998 balance of \$111.5 million to the \$116.1 million balance a year earlier, due to the large volume of home equity loans that have been refinanced into first mortgage loans over the past year as a result of low mortgage loan interest rates. Unused commitments on home equity lines of credit, however, have increased \$48.3 million, or 40.2%, over the balance at December 31, 1997 and totaled \$168.3 million at December 31, 1998.

Residential real estate loans totaled \$91.5 million at December 31, 1998, an increase of \$29.9 million, or

48.6%, from the \$61.6 million balance at the end of 1997. Mortgage loans held for sale are included in this category and totaled \$18.0 million and \$9.6 million at December 31, 1998 and 1997, respectively. The Company collects a fee on the sale of these loans into the secondary market to avoid the interest-rate risk associated with these loans, as they are predominantly long-term fixed rate loans. The \$8.4 million increase in these loans was due mainly to the low mortgage interest rate environment and the related high levels of refinancing activity. The remaining \$21.5 million increase in residential real estate loans is also predominantly due the low interest rate environment and mostly comprises adjustable rate mortgage loans and shorter-term fixed rate mortgage loans that are retained within the Banks' loan portfolios.

Liquidity Management Assets. Funds that are not utilized for loan originations are used to purchase short-term investment securities and money market investments, to sell as federal funds and to maintain in interest bearing deposits with banks. The balances of these assets fluctuate frequently based on deposit inflows and loan demand. As a result of anticipated significant growth in the development of de novo banks, it has been Wintrust's policy to maintain its securities portfolio in short-term, liquid, and diversified high credit quality securities at the Banks in order to facilitate the funding of quality loan demand as it emerges and to keep the Banks in a liquid condition in the event that deposit levels fluctuate. Furthermore, since short-term investment yields are generally comparable to long-term investment yields in the current interest rate environment, there is little incentive to invest in securities with extended maturities. The aggregate carrying value of these investments declined to \$240.5 million at December 31, 1998 from \$252.9 million at December 31, 1997, primarily due to the unusually high level of federal funds sold at the end of 1997, as discussed earlier in the Total Assets and Earning Assets section. A detail of the carrying value of the individual categories as of December 31 is set forth in the table below (in thousands).

	1998	1997
Federal funds sold	\$ 18,539	60,836
Interest bearing deposits with banks	7,863	85,100
Securities	214,119	106,935
Total liquidity management assets	\$ 240,521	252,871

CONSOLIDATED RESULTS OF OPERATIONS Comparison of Results of Operations for the Years Ended December 31, 1998 and December 31, 1997 Overview of the Company's profitability characteristics. The following discussion of Wintrust's results of operations requires an understanding that the Company's bank subsidiaries have all been started as new banks since December 1991 and have an average life of less than four years. The Company's premium finance company, FIFC, began limited operations in 1991 as a start-up company. The Company's new trust and investment company, WAMC, began operations in September 1998. Previously, the Company's Lake Forest Bank operated a trust department on a much smaller scale than what is anticipated for WAMC. Accordingly, Wintrust is still a young Company that has a strategy of continuing to build its customer base and securing broad product penetration in each market place that it serves. The Company has expanded its banking offices from 5 in 1994 to 21 at the end of 1998, adding four new offices in 1998 and three new offices in 1997. In addition, WAMC has hired experienced trust professionals in the last half of 1998, who are located within the banking offices of four of the six subsidiary banks. These expansion activities have understandably suppressed faster, opportunistic earnings. However, as the Company matures and existing banks become more profitable, the start-up costs associated with future bank and branch openings and other new financial services ventures will not have as significant an impact on earnings. Additionally, the Company's more mature banks have several operating ratios that are either comparable or better than peer group data, suggesting that as the banks become more established, the overall earnings level will accelerate.

Earnings summary. Net income for the year ended December 31, 1998 totaled \$6.2 million and increased \$1.4 million, or 28.9%, over the prior year. Net income per basic common share totaled \$0.77 in 1998 versus \$0.62 in 1997, an increase of \$0.15 per share, or 24.2%. On a diluted basis, net income per common share totaled \$0.74 in 1998 as compared to \$0.60 in 1997, an increase of \$0.14 per share, or 23.3%.

In the second quarter of 1998, net income was unfavorably impacted by the previously reported non-recurring \$1.0 million pre-tax charge related to severance amounts due to the Company's former Chairman and Chief Executive Officer and certain related legal fees. Excluding this charge, on an after-tax basis, net income for the year ended December 31, 1998 would have been \$6.9 million, or \$0.81 per diluted common share, an increase of \$2.0 million, or 41.5%, over 1997.

Net income for 1998 was favorably impacted by a higher earning asset base and resulted in net interest income increasing by \$10.0 million over the 1997 total. Fees recognized on mortgage loans sold into the secondary market, primarily on a servicing released basis, also was a key factor for the earnings growth during 1998. These fees increased \$3.2 million in 1998 when compared to the 1997 level and were mainly the result of the low mortgage interest rate environment that has created a high level of refinancing activity and fueled a healthy residential real estate market. A \$8.6 million increase in total non-interest expense during 1998 as compared to 1997 offset a portion of this income growth, and was due primarily to the growth and expansion experienced by the Company during 1998, as noted earlier in this discussion.

Another significant factor that contributed to net income for both 1998 and 1997 was the recognition of income tax benefits from the realization of previously unvalued tax loss benefits. For the year ended December 31, 1998 and 1997, the Company recorded income tax benefits of \$1.5 million and \$3.8 million, respectively. These income tax benefits reflect management's determination that certain of the Company's subsidiaries' earnings histories and projected future earnings were sufficient to make a judgment that the realization of a portion of the net deferred tax assets not previously recognized was more likely than not to occur. See the Income Taxes section later in this discussion for further information.

Excluding the impact of income tax benefits and the second quarter 1998 \$1.0 million non-recurring pre-tax charge, the Company recorded operating income of \$5.7 million and \$1.1 million in 1998 and 1997, respectively. This significant improvement in operating results was due to the enhanced performance of the Company's more established subsidiaries.

Net interest income. Net interest income totaled \$36.8 million for the year ended December 31, 1998, an increase of \$10.0, or 37.3%, when compared to 1997. This increase was primarily attributable to a 36.6% increase in average earning assets, including a 36.7% increase in average loans and a 36.5% increase in average securities and other liquidity management assets. Total average loans as a percentage of total average earning assets remained constant at 78.9% in both 1998 and 1997. The average loan to average deposit ratio also remained constant at 80.1% for both 1998 and 1997. The net interest margin slightly increased during 1998 to 3.43% as compared to 3.41% in 1997. The average earning asset yield declined to 8.19% in 1998 as compared to 8.28% in 1997, due mostly to the 14 basis point decline in the average loan yield to 8.90% in 1998. This decline was due primarily to the reductions in the prime lending rate during the last half of 1998 in addition to competitive pressures on commercial loan rates. The average prime rate during 1997 was 8.48% compared to 8.36% during 1998 and was 7.75% as of December 31, 1998. A 20 basis point decline in the cost of average interest bearing deposits to 5.12% in 1998 helped to offset the lower loan yield. This improvement was due to a general decline in rates and less aggressive deposit pricing in the markets of the more mature banks that have already established significant market share. Management's continued focus on deposit pricing at the more mature banks may result in further improvements in the net interest margin. Please refer to the previous sections of this discussion entitled "Average Balance Sheets, Interest Income and Expense, and Interest Rate Yields and Costs" and "Changes in Interest Income and Expense" for detailed tables of information and further discussion of the components of net interest income and the impact of rate and volume changes.

Provision for possible loan losses. The provision for possible loan losses increased by \$893,000 in 1998 when compared to the prior year, and totaled \$4.3 million. This increase was necessary to cover higher loan charge-offs and also to maintain the allowance for possible loan losses at an appropriate level, considering the growth experienced in the loan portfolio. Management believes the allowance for possible loan losses is adequate to cover potential losses in the portfolio. There can be no assurance, however, that future losses will not exceed the amounts provided for, thereby affecting future results of operations. The amount of future additions to the allowance for possible loan losses will be dependent upon the economy, changes in real estate values, interest rates, the view of regulatory agencies toward adequate reserve levels, and past due and non-performing loan levels.

Non-interest income. Total non-interest income increased \$3.1 million, or 63.3%, to \$8.1 million for the year ended December 31, 1998, when compared to \$4.9 million in 1997.

Fees on mortgage loans sold, the largest category of non-interest income, includes income from originating and selling residential real estate loans into the secondary market. For the year ended December 31, 1998, these fees rose \$3.2 million, or 137.9%, in comparison to 1997, and totaled \$5.6 million. Historically low mortgage interest rates and the related high levels of refinancing activity have been the major reasons for these significant revenue increases. There can be no assurances a

favorable mortgage rate environment will continue. Accordingly, future fee income on mortgage loans sold may not be at the levels experienced during 1998.

Service charges on deposit accounts continued to increase throughout 1998 when compared to the previous year, predominantly as a result of higher deposit balances and a larger number of accounts. Service charges totaled \$1.1 million for the year ended December 31, 1998, an increase of \$341,000, or 47.1%, over 1997. The majority of deposit service charges relate to customary fees on overdrawn accounts and returned items. The level of service charges received is substantially below peer group levels as management believes in the philosophy of providing high quality service without encumbering that service with numerous activity charges.

Trust fees totaled \$788,000 for the year ended December 31, 1998, an increase of \$162,000, or 25.9%, over 1997 due primarily to new business development efforts. With the September 30, 1998 start-up of WAMC, it is anticipated that additional fee income will be generated in the future from the expansion of personalized trust and investment services to each bank subsidiary. The introduction of expanded trust and investment services, however, is expected to cause relatively high overhead levels when compared to the initial fee income generated by WAMC. This overhead will consist primarily of the salaries and benefits of experienced trust professionals. It is anticipated that WAMC will be successful in attracting new business such that trust fees will increase to a level sufficient to absorb the overhead of WAMC within a few years.

Non-interest expense. For the year ended December 31, 1998, total non-interest expense was \$35.8 million and increased \$8.6 million, or 31.5%, over 1997. Excluding the non-recurring \$1.0 million pre-tax charge recorded in the second quarter of 1998, as discussed earlier, total non-interest expense would have increased \$7.6 million, or 27.8%, over 1997. The increases in non-interest expense were predominantly caused by the continued growth of the Company, as discussed in earlier sections of this analysis. For example, the late 1997 start-up of the Crystal Lake Bank added \$1.7 million to total 1998 non-interest expense, and the 1998 incremental increase of non-interest expense at Barrington Bank, which began operating in December 1996, was \$728,000. Since December 31, 1997, total deposits have grown 33.9% and total loan balances have risen 39.2%, requiring higher levels of staffing and other operating costs, such as occupancy, advertising and data processing, to both attract and service the larger customer base.

Despite increases in many of the non-interest expense categories, Wintrust's ratio of non-interest expense to total average assets declined from 3.18% in 1997 to 2.99% in 1998, exclusive of the previously mentioned second quarter non-recurring charge, and is comparable to the Company's peer group ratio.

Salaries and employee benefits for the year ended December 31, 1998 totaled \$18.9 million, an increase of \$4.7 million, or 33.4%, from the same period in 1997. Approximately \$900,000 of the \$1.0 million non-recurring charge mentioned earlier relates to a severance accrual and, excluding this charge, the increase over 1997 would have been \$3.8 million, or 27.0%. The increase was directly caused by higher staffing levels necessary to support the growth of the Company including 1) the Crystal Lake Bank that was opened in December 1997, 2) a new full-service facility located in Western Springs that opened in November 1997, 3) two branch facilities, in Wilmette and Glencoe, that began operations in early 1998, 4) the formation of WAMC as a separate trust company, 5) the addition of the new medical and municipal equipment leasing division in July 1998, 6) additional staffing to service the larger deposit and loan portfolios and 7) normal salary increases. For the year ended December 31, 1998, salaries and employee benefits, exclusive of the non-recurring charge, as a percent of average assets was 1.53% versus 1.66% in 1997, ratios that are comparable to the Company's peer group. This ratio is better than the relevant peer group for the Company's more established banks.

Net occupancy expenses for the year ended December 31, 1998 increased \$539,000, or 28.4%, to \$2.4 million as compared to \$1.9 million for the prior year. This increase was due primarily to the December 1997 start-up of the Crystal Lake Bank and the opening of three additional facilities, as noted earlier, during 1998.

Equipment expense, which comprises depreciation and repairs and maintenance, totaled \$2.2 million for year ended December 31, 1998, a \$508,000, or 29.7%, increase over the 1997 amount. This increase was mainly due to higher levels of depreciation expense related to the opening of additional facilities and other growth as discussed earlier.

Data processing expenses totaled \$1.7 million for the year ended December 31, 1998, an increase of \$339,000, or 25.4%, when compared to the prior year period. The increase was mainly due to the Crystal Lake Bank opening and additional transactional charges related to the larger deposit and loan portfolios, which increased, on an average basis, 36.5% and 36.7%, respectively, in 1998 when compared to the prior year.

Professional fees, which includes legal, audit and tax fees, external loan review costs and normal regulatory exam assessments, totaled \$1.7 million for the year ended December 31, 1998, an increase of \$311,000, or 23.2%, over 1997. This increase was primarily due to growth in the Company, legal fees related to certain non-performing loan work-outs, and approximately \$100,000 in legal fees related to the non-recurring severance charge mentioned earlier.

Advertising and marketing expenses totaled \$1.6 million for the year ended December 31, 1998, an increase of \$303,000, or 23.1%, over 1997. Higher levels of marketing costs were necessary during 1998 to attract loans and deposits at the Crystal Lake Bank, Barrington Bank and other new branch facilities, to introduce new loan promotions at FIFC, and to announce the expansion of trust and investment services through WAMC. Management anticipates continued increases in this expense category as the Company continues to expand its customer base and market additional products and services.

Other non-interest expenses for the year ended December 31, 1998 totaled \$7.3 million and increased \$1.8 million, or 33.7%, over the prior year. This category includes the amortization of organizational costs and other intangible assets, loan expenses, correspondent bank service charges, insurance, postage, stationery and supplies and other sundry expenses. Included in the increase was a \$600,000 operations loss at one subsidiary bank. The operational controls and systems of this bank and all other Banks have been reviewed and additional controls and procedures have been put into place, where considered necessary. Management is aggressively pursuing the recovery of this loss, however, there can be no assurances that any of this loss will be recovered. The remaining increase in this category of expenses was generally caused by the Company's expansion activities, as discussed earlier, including increased costs from the origination and servicing of a larger base of deposit and loan accounts.

Total non-interest expense as a percent of total average assets was 3.04% in 1998, an improvement from 3.18% in 1997. Controlling overhead costs is a basic philosophy of management and is closely evaluated. Management is committed to continually evaluating its operations to determine whether additional expense savings are possible without impairing the goal of providing superior customer service.

Income taxes. The Company recorded income tax benefits of \$1.5 million and \$3.8 million for the years ended December 31, 1998 and 1997, respectively. Prior to the September 1, 1996 merger transaction that formed Wintrust, each of the merging companies, except Lake Forest Bank, had net operating losses and, based upon the start-up nature of the organization, there was not sufficient evidence to justify the full realization of the net deferred tax assets generated by those losses. Accordingly, during 1996, certain valuation allowances were established against deferred tax assets with the combined result being that a minimal amount of Federal tax expense or benefit was recorded. As the separate entities become profitable, the recognition of previously unvalued tax loss benefits become available, subject to certain limitations, to offset tax expense generated from profitable operations. The income tax benefit recorded in 1998 and 1997 reflected management's determination that certain of the subsidiaries' earnings history and projected future earnings were sufficient to make a judgment that the realization of a portion of the net deferred tax assets not previously valued was more likely than not to occur. Full recognition of the net operating losses, for financial reporting purposes, was completed in 1998 and, as such, the Company will be fully-taxable for Federal and state income tax purposes in 1999. Please refer to Note 12 of the Consolidated Financial Statements for further discussion and analysis of the Company's tax position.

CONSOLIDATED RESULTS OF OPERATIONS

Comparison of Results of Operations for the Years Ended December 31, 1997 and December 31, 1996

Earnings Summary. For the year ended December 31, 1997, the Company's net income increased \$5.8 million over the prior year. Specifically, the Company recorded net income of \$4.8 million in 1997 compared to a net loss of \$973,000 for the year ended December 31, 1996. The 1997 net income represents diluted earnings per share of \$0.60 for the year compared to a loss per share of \$0.16 for 1996.

The three primary positive factors that added to the increase in earnings were

(1) a greater earning asset base coupled with an improved net interest margin resulted in an increase in net interest income of \$11.9 million; (2) the increase in the realization of certain income tax net operating losses produced net tax benefits of \$2.5 million in excess of tax benefits recognized during 1996; and (3) the 1996 results of operations contained \$891,000 of expenses from the Company's September 1996 reorganization transaction whereas 1997 contained no such expenses. The negative factors affecting earnings were (1) an increased provision for possible loan losses primarily due to the growth in the loan portfolio; (2) a decrease in the level of non-interest income of approximately \$2.6 million as the Company discontinued the sale of

premium finance loans through a securitization facility in favor of maintaining the loans in its own portfolio as a means to increase interest income; and (3) an increase of approximately 25% in non-interest expenses, excluding the merger related costs, to support the 49.2% increase in the asset size of the Company.

Net interest income. Net interest income increased to \$26.8 million for the year ended December 31, 1997, from \$14.9 million for the comparable period of 1996. This increase in net interest income of \$11.9 million, or 79.9%, was primarily attributable to a 53.9% increase in average earning assets in 1997 compared to 1996. The portion of the earning asset portfolio that exhibited the strongest growth was in the loan portfolio where the average yield on such loans increased to 9.04% in 1997 from 8.83% in 1996. Offsetting the beneficial impact of the increased earning asset base was an increase in interest bearing liabilities and the rate paid thereon from 5.23% in 1996 to 5.36% in 1997. The net impact of the rate and volume changes was an increase in the net interest margin to 3.41% for 1997 from 2.91% in 1996. Please refer to the previous sections of this report titled "Average Balance Sheets, Interest Income and Expense, and Interest Rate Yields and Costs" and "Changes in Interest Income and Expense" for detailed tables of information and further discussion of the components of net interest income.

Provision for possible loan losses. The provision for possible loan losses increased to \$3.4 million in 1997, from \$1.9 million in the prior year due to the increases in the loan portfolio and to replenish the allowance for possible loan losses for the \$1.9 million of net loan charge-offs during 1997.

Non-interest income. Total non-interest income decreased approximately \$2.6 million, or 34.4%, to \$4.9 million for the year ended December 31, 1997, as compared to \$7.5 million in 1996.

The Company recorded no gains on the sale of premium finance receivables during 1997 compared to approximately \$3.1 million for the year ended December 31, 1996. The elimination of gains on the sale of premium finance receivables occurred because all receivables originated were retained by the Company during 1997; thereby eliminating any gain from sales to the previously maintained securitization facility. By retaining all premium finance receivables, the Company was able to eliminate borrowing expense associated with the commercial paper issued to fund the securitization facility and increase interest income by maintaining the receivables on the balance sheet of the Company. Thus, despite a \$3.1 million decline in this income category, the Company's net interest income improved during 1997.

Loan servicing fees decreased from \$1.4 million for the year ended December 31, 1996 to \$248,000 for the year ended December 31, 1997, primarily due to a decrease in the amount of average managed insurance premium finance receivables in the 1997 period. During the fourth quarter of 1996, subsequent to the merger of FIFC and the Banks, the majority of insurance premium finance receivables originated were retained by the Company; thereby eliminating any servicing revenue on newly originated loans. Because the term of premium finance loans is usually less than one year, the average managed insurance premium loans declined rapidly and related servicing fees similarly declined. Early in the third quarter of 1997, the Company no longer serviced premium finance receivables for others; however, the Company continues to service a residential real estate portfolio for the Federal National Mortgage Association.

Fees on mortgage loans sold relate to income derived by the Banks for services rendered in originating and selling residential mortgages into the secondary market. Such fees increased to \$2.3 million in 1997 from \$1.4 million in 1996 primarily due to new facilities and increased volume. The increased volume was a result of a favorable interest rate environment and effective product features, such as low or no cost processing in certain circumstances, that allowed the banks to differentiate themselves from the competition. Also contributing to the increase was a full year of loan sales at Barrington Bank that opened during the last month of 1996.

Service charges on deposit accounts increased 54.7% to \$724,000 for the year ended December 31, 1997, from \$468,000 for the year ended December 31, 1996. The increase is a direct result of the 48.5% increase in deposit balances from December 31, 1996 to December 31, 1997.

Trust fees increased to \$626,000 from \$522,000 for the years ended December 31, 1997 and 1996, respectively, due primarily to increased trust business. The general increase in the value of the equities market also contributed to the increase in fees because certain assets under management are charged fees based on a percentage of the market value of the accounts.

Non-interest expense. Total non-interest expense increased approximately \$4.5 million, or 19.7%, to \$27.3 million for the year ended December 31, 1997, as compared to \$22.8 million in the same period of 1996.

Excluding the merger-related costs of \$891,000 in 1996, the increase in non-interest expenses from 1996 to 1997 was approximately 24.6% despite the increase in total average assets of 52.6% during the same time period.

Salaries and employee benefits increased 23.0% in 1997 to \$14.2 million from \$11.6 million for the same period of the prior year. The increase of \$2.6 million is principally due to (1) the increase in the number of banking facilities to 17 at December 31, 1997, from 14 at December 31, 1996; (2) an increase of approximately \$1.1 million related to Barrington Bank, which only opened and became fully staffed in December, 1996 but which had a fully operational staff during 1997; (3) additional staffing levels at other existing facilities to support the increased customer base; and (4) normal salary increases.

Net occupancy expenses increased to \$1.9 million for the year ended December 31, 1997, from \$1.6 million for the year ended December 31, 1996, due primarily to the addition of three additional facilities during 1997 and the inclusion of occupancy costs for Barrington Bank for a full year.

Equipment expense totaled \$1.7 million for the year ended December 31, 1997, an increase of \$400,000, or 30.5%, as compared to the same period in 1996. This increase was primarily due to higher levels of depreciation expense related to the increased number of facilities and general growth of the Company.

For the year ended December 31, 1997, data processing expenses increased by \$323,000, or 31.9%, compared to the same period of 1996, as a result of the increase of average outstanding deposit and loan balances of approximately 48.5% and 44.7%, respectively.

Professional fees totaled \$1.3 million for the year ended December 31, 1997 as compared to \$906,000 in the prior year period, an increase of \$437,000, or 48.2%. This increase was mainly due to a higher level of non-performing loans in 1997 and general growth of the Company.

Advertising and marketing expenses increased to \$1.3 million for the year ended December 31, 1997, compared to \$1.1 million for the same period of 1996, primarily due to increased marketing costs to promote the Company's additional banking locations.

Non-recurring merger-related expenses were \$891,000 during 1996. The Reorganization resulted in various legal expenses, accounting and tax related expenses, printing, Securities and Exchange Commission filing expenses, and other applicable expenses. No such expenses were incurred during 1997 because the merger was consummated in 1996.

Other non-interest expenses increased by \$1.1 million, or 25.7%, to \$5.5 million for the year ended December 31, 1997, from \$4.3 million for the year ended December 31, 1996, primarily due to the higher volume of accounts outstanding at the Banks. Despite the increases in the various non-interest expense categories during 1997, the Company was successful in reducing its ratio of total non-interest expenses to total average assets to 3.18% in 1997, compared to 3.89% in 1996, excluding the non-recurring merger-related expenses.

Income taxes. The Company recorded an income tax benefit of \$3.8 million during 1997, whereas an income tax benefit of approximately \$1.3 million was recorded in 1996. Prior to completion of the Reorganization on September 1, 1996, each of the merging companies except Lake Forest Bank had net operating losses and, based upon the start-up nature of the organization, there was not sufficient evidence to justify the full realization of the net deferred tax assets generated by those losses. Accordingly, a valuation allowance was established against a portion of the deferred tax assets with the combined result being that some Federal tax benefit was recorded.

OPERATING SEGMENT RESULTS

As described in Note 21 to the Consolidated Financial Statements, the Company's operations consist of four primary segments: banking, premium finance, indirect auto, and trust. The Company's profitability is primarily dependent on the net interest income, provision for possible loan losses, non-interest income and operating expenses of its banking segment. The net interest income of the banking segment includes income and related interest costs from portfolio loans that were purchased from the premium finance and indirect auto segments. For purposes of internal segment profitability analysis, management reviews the results of its premium finance and indirect auto segments as if all loans originated and sold to the banking segment were retained within that segment's operations.

The banking segment's net interest income for the year ended December 31, 1998 totaled \$34.2 million as compared to \$25.5 million for the same period in 1997, an increase of \$8.7 million, or 34.1%. The increase in net interest income for 1997 when compared to the total of \$14.6 million in 1996 was \$10.9 million, or 74.8%. These increases were the direct result of the growth in earning

assets, as discussed in the Consolidated Results of Operations section. The banking segment's non-interest income totaled \$7.7 million in 1998, an increase of \$4.0 million, or 105.6%, over the total of \$3.7 million in 1997, which increased \$1.3 million, or 56.0%, as compared to the total of \$2.4 million in 1996. These increases were primarily the result of higher levels of fees from the sale of residential mortgage loans and general growth of the Company, as more fully explained in the Consolidated Results of Operations section of this discussion. The banking segment's net after-tax profit totaled \$5.1 million for the year ended December 31, 1998, an increase of \$1.0 million, or 24.8%, as compared to the 1997 total of \$4.1 million. The total segment profit in 1997 increased \$5.0 million over the \$917,000 segment loss that was recorded in 1996. These after-tax segment profit increases were mainly the result of the continued maturation and related profitability improvements of the more established de novo bank subsidiaries.

Net interest income for the premium finance segment totaled \$9.7 million for the year ended December 31, 1998 and increased \$2.4 million, or 32.0%, over the \$7.4 million in 1997 due to higher levels of premium finance receivables as a result of increased market penetration from new product offerings and targeted marketing programs. For the year ended December 31, 1996, the premium finance segment had only \$554,000 of net interest income, as prior to September 30, 1996, all loan originations were sold into the secondary market through a securitization facility, which resulted in non-interest income that totaled \$4.4 million for the year. Net after-tax profit of the premium finance segment totaled \$2.0 million for the year ended December 31, 1998, as compared to \$373,000 in 1997 and a \$332,000 segment loss in 1996. The improvement in profitability during 1998 was due mainly to the combination of higher loan volumes and the implementation of additional collection procedures and upgraded systems.

Net interest income for the indirect auto segment totaled \$5.6 million in 1998, a \$2.0 million, or 55.0%, increase over 1997 as a result of a 49.6% increase in average outstanding loans. Total net interest income of \$3.6 million in 1997 increased \$1.3 million, or 58.4%, over the 1996 total of \$2.3 million, due to higher average outstanding loans. The indirect auto segment after-tax profit totaled \$1.8 million for the year ended December 31, 1998, an increase of \$625,000, or 51.0%, over the 1997 total of \$1.2 million. In 1997, after-tax segment profit increased \$463,000, or 60.8%, over the 1996 total of \$762,000. These increases were due to growth in the Chicago area automobile dealer network, which resulted in a higher level of average outstanding loans.

As mentioned earlier, the trust segment relates to the operations of WAMC, a trust and investment subsidiary that began operations on September 30, 1998. Trust segment results prior to WAMC relate to the operations of the trust department of Lake Forest Bank and, accordingly, certain expenses of the bank were allocated as indirect costs to the trust segment. In addition to trust and investment management fees that are recorded as non-interest income, and in connection with internal profitability analysis, the trust segment includes net interest income related to certain trust account balances that are maintained with the Lake Forest Bank. This net interest income totaled \$359,000 for 1998 as compared to \$182,000 in 1997 and \$134,000 in 1996. Trust fee income totaled \$788,000 in 1998 as compared to \$626,000 in 1997, an increase of \$162,000, or 25.9%, due mainly to new business development efforts. The increase in 1997 when compared to the 1996 total of \$522,000 was \$104,000, or 19.9%. The trust segment after-tax loss totaled \$189,000 for the year ended December 31, 1998 as compared to a profit of \$237,000 and \$175,000 for the same periods in 1997 and 1996, respectively. The loss in 1998 was due to the start-up of WAMC and the related salary and employee benefit costs of hiring experienced trust professionals. See the Overview and Strategy section of this discussion for further explanation of the trust segment expansion through WAMC.

ASSET-LIABILITY MANAGEMENT

As a continuing part of its financial strategy, the Company attempts to manage the impact of fluctuations in market interest rates on net interest income. This effort entails providing a reasonable balance between interest rate risk, credit risk, liquidity risk and maintenance of yield. Asset-liability management policies are established and monitored by management in conjunction with the boards of directors of the Banks, subject to general oversight by the Company's Board of Directors. The policy establishes guidelines for acceptable limits on the sensitivity of the market value of assets and liabilities to changes in interest rates.

Interest rate risk arises when the maturity or repricing periods and interest rate indices of the interest earning assets, interest bearing liabilities, and off-balance sheet financial instruments are different, creating a risk that changes in the level of market interest rates will result in disproportionate changes in the value of, and the net earnings generated from, the Company's interest earning assets, interest bearing liabilities and off-balance sheet financial instruments. The Company continuously monitors not only the organization's current net interest margin, but also the historical trends of these margins. In addition, management attempts to identify potential

adverse swings in net interest income in future years, as a result of interest rate movements, by performing computerized simulation analysis of potential interest rate environments. If a potential adverse swing in net interest margin and/or net income are identified, management then would take appropriate actions with its asset-liability structure to counter these potential adverse situations. Please refer to earlier sections of this discussion and analysis for further discussion of the net interest margin.

As the Company's primary source of interest bearing liabilities is customer deposits, the Company's ability to manage the types and terms of such deposits may be somewhat limited by customer preferences and local competition in the market areas in which the Company operates. The rates, term and interest rate indices of the Company's interest earning assets result primarily from the Company's strategy of investing in loans and short-term securities that permit the Company to limit its exposure to interest rate risk, together with credit risk, while at the same time achieving a positive interest rate spread.

The Company's exposure to interest rate risk is reviewed on a regular basis by management and the boards of directors of the individual subsidiaries and the Company. The objective is to measure the effect on net income and to adjust balance sheet and off-balance sheet instruments to minimize the inherent risk while at the same time maximize income. Tools used by management include a standard gap report and a rate simulation model whereby changes in net income are measured in the event of various changes in interest rate indices. An institution with more assets than liabilities repricing over a given time frame is considered asset sensitive and will generally benefit from rising rates and conversely, a higher level of repricing liabilities versus assets would be beneficial in a declining rate environment. The following table illustrates the Company's estimated interest rate sensitivity and periodic and cumulative gap positions as of December 31, 1998 (dollars in thousands).

	TIME TO MATURITY OR REPRICING				Total
	0-90 Days	91-365 Days	1-5 Years	Over 5 Years	
Rate sensitive assets (RSA)	\$ 677,217	254,522	225,627	190,682	1,348,048
Rate sensitive liabilities (RSL)	749,271	247,634	89,251	261,892	1,348,048
Cumulative gap (GAP = RSA - RSL)	(72,054)	(65,166)	71,210		
Cumulative RSA/RSL	0.90	0.93	1.07		
Cumulative RSA/Total assets	0.50	0.19	0.17		
Cumulative RSL/Total assets	0.56	0.18	0.07		
GAP/Total assets	(5)%	(5)%	5%		
GAP/Cumulative RSA	(11)%	(7)%	6%		

While the gap position illustrated above is a useful tool that management can access for general positioning of the Company's and its subsidiaries' balance sheets, it is only as of a point in time and does not reflect the impact of a \$100 million notional principal amount interest rate cap that was purchased in August 1998 to mitigate the effect of rising rates on certain floating rate deposit products and fixed rate loan products. This interest rate cap agreement reprices on a monthly basis and expires in December 1999.

Management uses an additional measurement tool to evaluate its asset/liability sensitivity which determines exposure to changes in interest rates by measuring the percentage change in net income due to changes in interest rates over a two-year time horizon. Management measures its exposure to changes in interest rates using many different interest rate scenarios. One interest rate scenario utilized is to measure the percentage change in net income assuming an instantaneous permanent parallel shift in the yield curve of 200 basis points, both upward and downward. This analysis includes the impact of the interest rate cap agreement mentioned above. Utilizing this measurement concept, the interest rate risk of the Company, expressed as a percentage change in net income over a two-year time horizon due to changes in interest rates, at December 31, 1998, is as follows:

	+200 Basis Points	-200 Basis Points
Percentage change in net income due to an immediate 200 basis point change in interest rates over a two-year time horizon	2.7%	(2.2)%

LIQUIDITY AND CAPITAL RESOURCES

The following table reflects various measures of the Company's capital at December 31, 1998 and 1997:

	<u>DECEMBER 31,</u>	
	1998	1997
Average equity-to-average asset ratio	6.1%	7.2%
Leverage ratio	7.5	6.6
Tier 1 risk-based capital ratio	8.5	8.7
Total risk-based capital ratio	9.7	9.4
Dividend payout ratio	0.0	0.0

The Company's consolidated leverage ratio (Tier 1 capital/total fourth quarter average assets less intangibles) was 7.5% at December 31, 1998, which is in excess of the "well capitalized" regulatory level. Consolidated Tier 1 and total risk-based capital ratios were 8.5% and 9.7%, respectively. Based on guidelines established by the Federal Reserve Bank, a bank holding company is required to maintain a ratio of Tier 1 capital to risk-based assets of 4.0% and a ratio of total capital to risk-based assets of 8.0% in order to be deemed "adequately capitalized".

The Company's principal funds at the holding company level are dividends from its subsidiaries, borrowings on its revolving credit line with an unaffiliated bank, proceeds from the October 1998 Trust Preferred Securities offering, as previously discussed, or additional equity offerings. Refer to Notes 9 and 10 of the Consolidated Financial Statements for further information on the Company's revolving credit line and Trust Preferred Securities offering, respectively.

Banking laws impose restrictions upon the amount of dividends which can be paid to the holding company by the Banks. Based on these laws, the Banks could, subject to minimum capital requirements, declare dividends to the Company without obtaining regulatory approval in an amount not exceeding (a) undivided profits, and (b) the amount of net income reduced by dividends paid for the current and prior two years. In addition, the payment of dividends may be restricted under certain financial covenants in the Company's revolving credit line agreement. At January 1, 1999, subject to minimum capital requirements at the Banks, approximately \$3.9 million was available as dividends from the Banks without prior regulatory approval. During 1998, Lake Forest Bank paid dividends of \$8.25 million to the holding company.

Liquidity management at the Banks involves planning to meet anticipated funding needs at a reasonable cost. Liquidity management is guided by policies, formulated and monitored by the Company's senior management and each Bank's asset/liability committee, which take into account the marketability of assets, the sources and stability of funding and the level of unfunded commitments. The Banks' principal sources of funds are deposits, short-term borrowings and capital contributions by the Company out of the proceeds from the revolving credit line and the Trust Preferred Securities offering. In addition, each of the Banks, except Barrington Bank and Crystal Lake Bank, are eligible to borrow under Federal Home Loan Bank advances, an additional source of short-term liquidity.

The Banks' core deposits, the most stable source of liquidity for community banks due to the nature of long-term relationships generally established with depositors and the security of deposit insurance provided by the FDIC, are available to provide long-term liquidity. At December 31, 1998, approximately 66% of the Company's total assets were funded by core deposits with balances less than \$100,000, as compared to approximately 62% at the end of 1997. The remaining assets were funded by other funding sources such as core deposits with balances in excess of \$100,000, public funds, purchased funds, and the capital of the Banks.

Liquid assets refers to money market assets such as Federal funds sold and interest bearing deposits with banks, as well as available-for-sale debt securities and held-to-maturity securities with a remaining maturity less than one year. Net liquid assets represent the sum of the liquid asset categories less the amount of assets pledged to secure public funds. At December 31, 1998, net liquid assets totaled approximately \$116.5 million, compared to approximately \$160.9 million at December 31, 1997. The decline in net liquid assets was mainly due to the unusually high balance of federal funds sold as of the end of 1997, as discussed earlier.

The Banks routinely accept deposits from a variety of municipal entities. Typically, these municipal entities require that banks pledge marketable securities to collateralize these public deposits. At December 31, 1998 and 1997, the Banks had approximately \$104.9 million and \$78.0 million, respectively, of securities collateralizing such public deposits. Deposits requiring pledged assets are not considered to be core deposits, and the assets that are pledged as collateral for these deposits are not deemed to be liquid assets.

The Company is not aware of any known trends, commitments, events, regulatory recommendations or uncertainties that would have any adverse effect on the Company's capital resources, operations or liquidity.

CREDIT RISK AND ASSET QUALITY

Management believes that the loan portfolio is well diversified and well secured, without undue concentration in any specific risk area. Control of loan quality is continually monitored by management and is reviewed by the Banks' Board of Directors and their Credit Committees on a monthly basis. Independent external review of the loan portfolio is provided by the examinations conducted by regulatory authorities and an independent loan review performed by an entity engaged by the Board of Directors. The amount of additions to the allowance for possible loan losses, which are charged to earnings through the provision for possible loan losses, are determined based on a variety of factors, including actual charge-offs during the year, historical loss experience, delinquent and other potential problem loans, and an evaluation of economic conditions in the market area.

Summary of Loan Loss Experience. The following table summarizes average loan balances, changes in the allowance for possible loan losses arising from additions to the allowance which have been charged to earnings, and loans charged-off and recoveries on loans previously charged-off for the periods shown (dollars in thousands).

	1998	1997	1996	1995	1994
Balance at beginning of year	\$ 5,116	3,636	2,763	1,702	1,357
Total loans charged-off:					
Core banking loans	(1,636)	(448)	(190)	(43)	(20)
Premium finance	(455)	(1,126)	(207)	(247)	(40)
Indirect auto	(646)	(300)	(123)	-	-
Discontinued leasing operations	-	(241)	(583)	(109)	(205)
Total loans charged-off	(2,737)	(2,115)	(1,103)	(399)	(265)
Total recoveries	358	191	41	30	3
Net loans charged-off	(2,379)	(1,924)	(1,062)	(369)	(262)
Provision for possible loan losses	4,297	3,404	1,935	1,430	607
Balance at end of year	\$ 7,034	5,116	3,636	2,763	1,702
Average total loans	\$ 848,344	620,801	347,076	183,614	148,209
Allowance as percent of year-end total loans	0.71%	0.72%	0.74%	1.07%	0.88%
Net loans charged-off to average total loans	0.28%	0.31%	0.31%	0.20%	0.18%
Net loans charged-off to the provision for possible loan losses	55.36%	56.52%	54.88%	25.80%	43.16%

Net charge-offs of core banking loans for the year ended December 31, 1998 totaled \$1.4 million, of which approximately \$815,000 was attributable to loans originated at one banking office and reflect what management believes to be an isolated problem that has been resolved through the dismissal of the lending officer involved and a subsequent thorough review of all credits originated under his authority. Company management continues to be actively involved with each of the credits at this office and presently believes that all material losses have been recorded. Core loan net charge-offs as a percentage of average core loans were 0.29% in 1998 as compared to 0.15% in 1997, the increase due to the issue noted above.

Premium finance receivable net charge-offs for the year ended December 31, 1998 totaled \$328,000 as compared to \$1.0 million recorded in 1997. Net charge-offs were 0.18% of average premium finance receivables in 1998 versus 0.88% in 1997. This improvement was the result of an enhanced management team and the implementation of additional collection procedures and system upgrades.

Indirect auto loan net charge-offs totaled \$604,000 for the year ended December 31, 1998 as compared to \$274,000 in 1997. Net charge-offs as a percentage of average indirect auto loans were 0.36% in 1998 in comparison to 0.24% in 1997. Although net-charge-offs have increased over the prior year, the level of net charge-offs

continues to be lower than the normal industry experience levels for these type of loans.

The allowance for possible loan losses as a percentage of total net loans at December 31, 1998 and 1997 was 0.71% and 0.72%, respectively. Management believes that the allowance for possible loan losses is adequate to provide for any potential losses in the portfolio.

Past Due Loans and Non-performing Assets. The following table classifies the Company's non-performing loans as of December 31 for each of last five years (dollars in thousands):

	1998	1997	1996	1995	1994
Past Due greater than 90 days and still accruing:					
Core banking loans	\$ 800	868	75	121	13
Indirect auto loans	274	11	20	-	-
Premium finance receivables	1,214	887	-	21	3
Total	2,288	1,766	95	142	16
Non-accrual loans:					
Core banking loans	1,487	782	448	684	-
Indirect auto loans	195	29	-	-	-
Premium finance receivables	1,455	1,629	1,238	1,094	4
Total non-accrual loans	3,137	2,440	1,686	1,778	4
Total non-performing loans:					
Core banking loans	2,287	1,650	523	805	13
Indirect auto loans	469	40	20	-	-
Premium finance receivables	2,669	2,516	1,238	1,115	7
Total non-performing loans	5,425	4,206	1,781	1,920	20
Other real estate owned	587	-	-	-	-
Total non-performing assets	\$ 6,012	4,206	1,781	1,920	20
Total non-performing loans by category as a percent of its own respective category:					
Core banking loans	0.38%	0.37%	0.15%	0.39%	0.01%
Indirect auto loans	0.22%	0.03%	0.02%	0.00%	0.00%
Premium finance receivables	1.50%	1.96%	2.15%	7.22%	0.01%
Total non-performing loans	0.55%	0.59%	0.36%	0.74%	0.01%
Total non-performing assets to total assets	0.45%	0.40%	0.25%	0.41%	0.01%
Non-accrual loans to total loans	0.32%	0.34%	0.34%	0.69%	0.00%
Allowance for possible loan losses as a percentage of non-performing loans	129.66%	121.64%	204.15%	143.91%	N/M

Non-performing Core Banking Loans and Other Real Estate Owned Total non-performing loans for the Company's core banking business (all loans other than indirect auto loans and premium finance receivables) were \$2.3 million as of December 31, 1998, an increase from the \$1.7 million as of December 31, 1997. As a percentage of total core banking loans, however, non-performing core banking loans remained relatively constant at 0.38% as of the end of 1998 versus 0.37% a year earlier. Non-performing core banking loans consist primarily of a small number of commercial and real estate loans, which management believes are well secured and in the process of collection. The small number of such non-performing loans enables management the opportunity to monitor closely the status of these credits and work with the borrowers to resolve these problems effectively. The other real estate owned balance of \$587,000 consists of one local residential real estate property that is currently listed for sale. Management believes the Company is well secured and does not expect to incur a loss on the property.

NON-PERFORMING PREMIUM FINANCE RECEIVABLES

Another significant category of non-performing loans is premium finance receivables. Due to the nature of the collateral, it customarily takes 60-150 days to convert the collateral into cash collections. Accordingly, the level of non-performing premium finance receivables is not necessarily indicative of the loss inherent in the portfolio. In financing insurance premiums, the Company does not assume the risk of loss normally borne by insurance carriers. Typically the insured buys an insurance policy from an independent insurance agent or broker who offers financing through FIFC. The insured makes a down payment of approximately 15% to 25% of the total premium and signs a premium finance agreement with FIFC for the balance due, which amount FIFC disburses directly to the insurance carrier or its agents to satisfy the unpaid premium amount. As the insurer earns the premium ratably over the life of the policy, the unearned portion of the premium secures payment of the balance due to FIFC by the insured. Under the terms of FIFC's standard form of financing contract, FIFC has the right to cancel the insurance policy if there is a default in the payment on the finance contract and to collect the unearned portion of the premium from the insurance carrier. In the event of cancellation of a policy, the cash returned in payment of the unearned premium by the insurer should generally be sufficient to cover the loan balance, the interest and other charges due as well. In the event an insurer becomes insolvent and unable to pay claims to an insured or refund unearned premiums upon cancellation of a policy to a finance company, each state provides a state guaranty fund that will pay such a refund, less a per claim deductible in certain states. FIFC diversifies its financing activities among a wide range of brokers and insurers. Due to the notification requirements and the time to process the return of the unearned premium by most insurance carriers, many loans will become delinquent beyond 90 days while the processing of the unearned premium refund to the Company occurs. Management continues to accrue interest until maturity as the unearned premium by the insurance carrier is ordinarily sufficient to pay-off the outstanding principal and contractual interest due.

Total non-performing premium finance receivables as of December 31, 1998 were approximately \$2.7 million or 1.50% of total outstanding net premium finance receivables. This compares favorably with 1.96% as of December 31, 1997. The decline since the end of 1997 was primarily the result of management's implementation of additional collection procedures and upgraded systems. This ratio fluctuates throughout the year due to the nature and timing of canceled account collections from insurance carriers.

The amount of non-performing premium finance receivables at and prior to December 31, 1996 were significantly less because, prior to October 1996, the Company had sold its originated receivables to a securitization facility. In October 1996, the Company began retaining all originated receivables, and the Company terminated the securitization facility during the third quarter of 1997, as discussed earlier.

NON-PERFORMING INDIRECT AUTO LOANS.

Total non-performing indirect automobile loans were \$469,000 at December 31, 1998 as compared to \$40,000 as of the end of 1997. Although the total has increased, these loans as a percent of total net indirect automobile loans were only 0.22% at December 31, 1998 as compared to 0.03% at December 31, 1997, well below standard industry ratios for this type of loan category. These individual loans comprise smaller dollar amounts and collection efforts are active.

Potential Problem Loans. In addition to those loans disclosed under "Past Due Loans and Non-performing Assets," there are certain loans in the portfolio which management has identified, through its problem loan identification system which exhibit a higher than normal credit risk. However, these loans are still considered performing and, accordingly, are not included in non-performing loans. Examples of these potential problem loans include certain loans that are in a past-due status, loans with borrowers that have recent adverse operating cash flow or balance sheet trends, or loans with general

risk characteristics that the loan officer feels might jeopardize the future timely collection of principal and interest payments. Management's review of the total loan portfolio to identify loans where there is concern that the borrower will not be able to continue to satisfy present loan repayment terms includes factors such as review of individual loans, recent loss experience and current economic conditions. The principal amount of potential problem loans as of December 31, 1998 and 1997 were approximately \$5.1 million and \$7.2 million, respectively.

Loan Concentrations. Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. The Company had no concentrations of loans exceeding 10% of total loans at December 31, 1998 or December 31, 1997, except for loans included in the indirect auto and premium finance operating segments.

EFFECTS OF INFLATION

The impact of inflation on a financial institution differs significantly from that of an industrial company in that virtually all assets and liabilities of a bank are monetary in nature. Monetary items, such as cash, loans, and deposits, are those assets and liabilities that are or will be converted into a fixed number of dollars regardless of prices. Management of the Company believes the impact of inflation on financial results depends upon the Company's ability to react to changes in interest rates. Interest rates do not necessarily move in the same direction, or at the same magnitude, as the prices of other goods and services. Management seeks to manage the relationship between interest-sensitive assets and liabilities in order to protect against wide fluctuations in earnings, including those resulting from interest rate changes and from inflation.

YEAR 2000 ISSUE

A critical issue has emerged in the banking industry and generally for all industries that are heavily reliant upon computers regarding how existing software application programs and operating systems can accommodate the date value for the "Year 2000." The Year 2000 issue is the result of computer programs being written using two digits (rather than four) to define the applicable year. As such, certain programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. As a result, the year 1999 (i.e. '99') could be the maximum date value these systems will be able to accurately process. Like most financial service providers, the Company may be significantly affected by the Year 2000 problem due to the nature of financial information. Furthermore, if computer systems are not adequately changed to properly identify the Year 2000, many computer applications could fail or generate erroneous reports.

During 1997, management began the process of working with its two outside data processors and other software vendors to ensure that the Company is prepared for the Year 2000. Management has been in frequent contact with the outside data providers and has developed the Company's testing strategy and Year 2000 plan with the knowledge and understanding of each of the data providers' plans and timetables. Preliminary testing by the Company of its outside data providers' Year 2000 compliance efforts has already taken place and final testwork is anticipated to be completed in the second quarter of 1999. Additionally, critical in-house hardware and related systems are being reviewed and upgraded, if necessary, to be Year 2000 compliant. Testing of these critical hardware systems, such as workstations, file servers, the wide area network and all local area networks, is expected to be completed no later than June 30, 1999. The completion of upgraded software installations, where previous software versions were not Year 2000 compliant, is anticipated to be completed prior to June 30, 1999. The Company has also completed customer assessments to determine whether any significant potential exposure exists.

The Company has not yet completed a contingency plan, however, a plan is in development with applicable testing anticipated to be completed by June 30, 1999. The Company is regulated by the Federal Reserve Bank, the Office of the Comptroller of the Currency and the State of Illinois bank regulatory agency, all of which are active in monitoring preparedness planning for systems-related Year 2000 issues. Total estimated Year 2000 compliance costs are not expected to exceed \$200,000 and, accordingly, are not expected to be material to the Company's financial position or results of operations in either 1998 or 1999. This cost does not include internal salary and employee benefit costs for persons that have responsibilities, or are involved, with the Year 2000 project.

The above estimated dates and costs are based on management's best estimates and include assumptions of future events, including availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that current estimates will be achieved, and actual results could differ significantly from these plans. In the event the Company does experience Year 2000 system failures or malfunctions and despite the testing preparedness efforts, or if the outside data processors prove not to be Year 2000 compliant, the Company's operations would be disrupted until the systems are restored, and the Company's ability to conduct its business may be adversely impacted as it relates to processing customer transactions related to its banking operations. Management anticipates, however, that the contingency plans being developed would enable the Company to continue to conduct transactions on a manual basis, if necessary, for a limited period of time until the Year 2000 problems are rectified. In addition, there can be no

guarantee that the systems of the Company's outside data providers, of which the Company relies upon, will be timely converted, or that failure to convert would have a significant adverse impact to the Company.

EFFECTS OF NEW ACCOUNTING PRINCIPLES

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes, for the first time, comprehensive accounting and reporting standards for derivative instruments and hedging activities. Previous accounting standards and methodologies did not adequately address the many derivative and hedging transactions in the current financial marketplace and, as such, the Securities and Exchange Commission, and other organizations, urged the FASB to deal expeditiously with the related accounting and reporting problems. The accounting and reporting principles prescribed by this standard are complex and will significantly change the way entities account for these activities. This new standard requires that all derivative instruments be recorded in the statement of condition at fair value. The recording of the gain or loss due to changes in fair value could either be reported in earnings or as other comprehensive income in the statements of shareholders' equity, depending on the type of instrument and whether or not it is considered a hedge. This standard is effective for the Company as of January 1, 2000. The Company has not yet determined the impact this new statement may have on its future financial condition or its results of operations.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe harbor provisions. Such forward-looking statements may be deemed to include, among other things, statements relating to anticipated improvements in financial performance and management's long-term performance goals, as well as statements relating to the anticipated effects on financial results of condition from expected development or events, the Company's business and growth strategies, including anticipated internal growth, plans to form additional de novo banks and to open new branch offices, and to pursue additional potential development or acquisition of banks or specialty finance businesses. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors, including the following:

- o The level of reported net income, return on average assets and return on average equity for the Company will in the near term continue to be impacted by start-up costs associated with de novo bank formations, branch openings, and expanded trust operations. De novo banks may typically require 13 to 24 months of operations before becoming profitable, due to the impact of organizational and overhead expenses, the start-up phase of generating deposits and the time lag typically involved in redeploying deposits into attractively priced loans and other higher yielding earning assets. Similarly, the expansion of trust services through the Company's new trust subsidiary, WAMC, is expected to be in a start-up phase for approximately the next few years, before becoming profitable.
- o The Company's success to date has been and will continue to be strongly influenced by its ability to attract and retain senior management experienced in banking and financial services.
- o Although management believes the allowance for possible loan losses is adequate to absorb losses that may develop in the existing portfolio of loans and leases, there can be no assurance that the allowance will prove sufficient to cover actual future loan or lease losses.
- o If market interest rates should move contrary to the Company's gap position on interest earning assets and interest bearing liabilities, the "gap" will work against the Company and its net interest income may be negatively affected.
- o The financial services business is highly competitive which may affect the pricing of the Company's loan and deposit products as well as its services.
- o The Company's ability to adapt successfully to technological changes to compete effectively in the marketplace.
- o The extent of the Company's success, and that of its outside data processing providers, software vendors, and customers, in implementing and testing Year 2000 compliant hardware, software and systems, and the effectiveness of appropriate contingency plans being developed.

o Changes in the economic environment may influence the growth rate of loans and deposits, the quality of the loan portfolio and loan and deposit pricing.

DIRECTORS & OFFICERS

WINTRUST FINANCIAL CORPORATION

DIRECTORS

Joseph Alaimo
Peter Crist
Bruce K. Crowther
Maurice F. Dunne, Jr.
William C. Graft
Kathleen R. Horne
John S. Lillard
James E. Mahoney
James B. McCarthy
Marguerite Savard McKenna
Albin F. Moschner
Thomas J. Neis
Hollis W. Rademacher
J. Christopher Reyes
Peter Rusin
John N. Schaper
John J. Schornack
Ingrid S. Stafford
Jane R. Stein
Katharine V. Sylvester
Lemuel H. Tate
Edward J. Wehmer
Larry V. Wright

OFFICERS

John S. Lillard
Chairman

Edward J. Wehmer
President & Chief Executive Officer

David A. Dykstra
Executive Vice President &
Chief Financial Officer

Lloyd M. Bowden
Executive Vice President/
Technology

Randolph M. Hibben
Executive Vice President/
Investments

Robert F. Key
Executive Vice President/Marketing

Todd A. Gustafson
Vice President/Finance

Richard J. Pasminski
Vice President/Controller

Jay P. Ross
Assistant Vice President/
Database Marketing

LAKE FOREST BANK & TRUST COMPANY

DIRECTORS

Craig E. Arnesen
Maurice F. Dunne, Jr.
Maxine P. Farrell
Francis Farwell
Eugene. Hotchkiss
Moris T. Hoversten
John S. Lillard
Albin F. Moschner
Genevieve Plamondon
Hollis W. Rademacher
J. Christopher Reyes
Babette Rosenthal
Ellen Stirling
Edward J. Wehmer

EXECUTIVE OFFICERS

Edward J. Wehmer
Chairman

Craig E. Arnesen
President and CEO

Randolph M. Hibben
Executive Vice President/
Operations

LOANS

John J. Meierhoff
Executive Vice President/Lending

Frank W. Strainis
Senior Vice President

Rachele L. Wright
Senior Vice President/
Mortgage Loans

Kathryn Walker- Eich
Vice President/Commercial Loans

Mark R. Schubring
Vice President/Lending

Kurt K. Prinz
Vice President/Lending

Janice C. Nelson
Vice President/Loan Administration

Laura Cascarano
Loan Administration Officer

PERSONAL BANKING

Lynn Van Cleave
Vice President/Personal Banking

Twila D. Hungerford
Assistant Vice President/
Personal Banking

Susan G. Mineo
Personal Banking Officer

Piera Dallabattista
Personal Banking Officer

Kathleen E. Eichhorn
Assistant Cashier

FINANCE/OTHER

Mary Ann Gannon
Vice President/Operations

Richard J. Pasminski
Vice President/Controller

Elizabeth K. Pringle
Accounting/Operations Officer

Andrea Levitt
Administration Officer

HINSDALE BANK & TRUST COMPANY

DIRECTORS

Peter Crist
Diane Dean
Donald Gallagher
Elise Grimes
Robert D. Harnach
Dennis J. Jones
Douglas J. Lipke
James B. McCarthy
James P. McMillin
Mary Martha Mooney
Frank J. Murnane, Sr.
Richard B. Murphy
Joel Nelson
Margaret O'Brien Stock
Hollis W. Rademacher
Ralph J. Schindler
Katharine V. Sylvester
Edward J. Wehmer
Lorraine Wolfe

EXECUTIVE OFFICERS

Dennis J. Jones
Chairman & CEO

Richard B. Murphy
President

David LaBrash
President - Clarendon Hills

J. Mark Berry
President - Western Springs

LOANS

Richard Stefanski
Senior Vice President/
Indirect Lending

Eric Westberg
Vice President/Mortgages

Kay Olenec
Vice President/Mortgages

Colleen Ryan
Vice President/Lending

Robert D. Meyrick
Vice President/Indirect Lending

Robert Crisp
Installment Loan Officer

Kathy Oergel
Commercial Lending Officer

Cora Mae Corley
Loan Operations Officer

Pat Gray
Loan Collections Officer

Maria Chialdikis
Loan Processing Officer

PERSONAL BANKING/OPERATIONS

Anne O'Neill
Vice President & Cashier

Heidi Sulaski
Assistant Vice President/
Personal Banking

Natalie Brod
Personal Banking Officer

Margaret A. Madigan
Assistant Vice President/Controller

Michelle Paetsch
Operations Officer

Kim Fernandez
Operations Officer

Patricia Mayo
Operations Officer

NORTH SHORE COMMUNITY BANK & TRUST COMPANY

DIRECTORS

Brian C. Baker (non-voting)
Gilbert W. Bowen
T. Tolbert Chisum
John W. Close
Joseph DeVivo
Maurice F. Dunne, Jr.
James Fox (Director Emeritus)
Gayle Inbinder
Thomas J. McCabe, Jr.
Marguerite Savard McKenna
Robert H. Meeder
Donald L. Olson
Hollis W. Rademacher
John J. Schornack
Ingrid S. Stafford
Curtis R. Tate (non-voting)
Lemuel H. Tate
Elizabeth C. Warren
Edward J. Wehmer
Stanley R. Weinberger

EXECUTIVE OFFICERS

Lemuel H. Tate
Chairman

John W. Close
President & CEO

Robert H. Meeder
Executive Vice President/Lending

LOANS

James L. Sefton
Vice President/Lending

Henry L. Apfelbach
Vice President/Mortgages

Susan J. Weisbond
Vice President/Lending/Manager - Glencoe

Gina Inglese
Vice President/Lending - Winnetka

Frank McCabe
Vice President/Lending - Glencoe

Romelia Brahim
Loan Officer

Patricia M. McNeilly
Mortgage Loan Officer

NORTH SHORE COMMUNITY BANK & TRUST COMPANY

Mark A. Stec
Mortgage Loan Officer

Ann T. Tyler
Loan Administration Officer

PERSONAL BANKING/OPERATIONS

Donald F. Krueger
Senior Vice President/Cashier

James P. Waters
Assistant Vice President/Personal Banking

Jennifer A. Waters
Assistant Cashier

John A. Barnett
Accounting Officer

Leslie A. Neimark
Assistant Vice President/Personal Banking - Glencoe

Eric Jordan
Personal Banking Officer - Glencoe

Catherine W. Biggam
Personal Banking Officer

Debra Miller
Manager - Winnetka

LIBERTYVILLE BANK & TRUST COMPANY

DIRECTORS

J. Albert Carstens
David A. Dykstra
Robert O. Dunn
Bert Getz, Jr.
Donald Gossett
Scott Lucas
James E. Mahoney
Susan Milligan
William Newell
Hollis W. Rademacher
John N. Schaper
Jane R. Stein
Jack Stoneman
Edward J. Wehmer
Edward R. Werdell

EXECUTIVE OFFICERS

J. Albert Carstens
President & CEO

Edward R. Werdell
Executive Vice President

COMMERCIAL BANKING

Brian B. Mikaelian
Senior Vice President/Lending

Betty Berg
Vice President/Commercial
Banking Services

RESIDENTIAL REAL ESTATE

Michael Spies
Vice President/Residential Real Estate

David Luczak
Second Vice President/Residential Real Estate

Rose Marie Garrison
Mortgage Loan Officer

PERSONAL BANKING

Sharon Worlin
Vice President

Ursula Schuebel
Second Vice President

Julie Rolfsen
Personal Banking Officer

Deborah Motzer
Personal Banking Officer

Bobbie Callese
Personal Banking Officer

FINANCE/OPERATIONS

Jolanta Slusarski
Vice President/Operations

Patrice Lima
Vice President/Cashier & Controller

BARRINGTON BANK & TRUST COMPANY

DIRECTORS

James H. Bishop
Raynette Boshell
Edwin C. Bruning
Dr. Joel Cristol
Bruce K. Crowther
Scott A. Gaalaas
William C. Graft
Penny Horne
Peter Hyland
Dr. Lawrence Kerns
Sam Oliver
Mary F. Perot
Betsy Petersen
Hollis W. Rademacher
Peter Rusin
George L. Schueppert
Dr. Richard Smith
Richard P. Spicuzza
W. Bradley Stetson
Dan T. Thomson
Charles VanFossan
Edward J. Wehmer
Tim Wickstrom

EXECUTIVE OFFICERS

James H. Bishop
President

W. Bradley Stetson
Executive Vice President/Lending

LOANS

Barbara E. Ringquist
Mortgage Loan Officer

Christopher P. Marrs
Commercial Loan Officer

Charlotte Neault
Consumer Loan Officer

PERSONAL BANKING/OPERATIONS

Ronald A. Branstrom
Vice President/Operations &
Retail Banking

Helene A. Torrenga
Assistant Vice President/Controller

Gloria B. Andersen
Personal Banking Officer

CRYSTAL LAKE BANK & TRUST COMPANY

DIRECTORS

Charles D. Collier
Henry L. Cowlin
Linda Decker
John W. Fuhler
Diana Kenney
Dorothy Mueller
Thomas Neis

Marshall Pedersen
Hollis W. Rademacher
Candy Reedy
Nancy Riley
Robert Robinson
Robert Staley
Edward J. Wehmer

EXECUTIVE OFFICERS

Charles D. Collier
President & CEO

Pam Umberger
Senior Vice President/Operations

Kurt Parker
Senior Vice President/Loans

MORTGAGE LOANS

Jan Sowers
Vice President/Secondary Market

Mark J. Peteler
Vice President/Construction Loans

PERSONAL BANKING/OPERATIONS

Pamila L. Bialas
Assistant Vice President

Peter Fidler
Controller

WINTRUST ASSET MANAGEMENT COMPANY

DIRECTORS

Joseph Alaimo
Robert Acri
Bert A. Getz, Jr.
Robert Harnach
Randolph M. Hibben
John S. Lillard
Richard P. Spicuzza
Robert Staley
Edward J. Wehmer
Stanley Weinberger

OFFICERS

Edward J. Wehmer
Chairman

Joseph Alaimo
President

Robert C. Acri
Executive Vice President

Jeanette E. Amstutz
Vice President/Lake Forest

Susan Gavinski
Assistant Vice President/
Trust Operations

Anita E. Morris
Vice President/Lake Forest

Laura H. Olson
Vice President/Lake Forest

Sandra L. Shinsky
Vice President/Lake Forest

T. Tolbert Chisum
Managing Director of Marketing

Mary Anne Martin
Vice President/North Shore

Laurie Danly
Vice President/Hinsdale

Edward Edens
Vice President/Hinsdale

Gerard Leenheers
Vice President/Hinsdale

Barbara Miller
Vice President/Barrington

Michael Peifer
Vice President/Barrington

FIRST INSURANCE FUNDING CORP.

DIRECTORS

Frank J. Burke
David A. Dykstra
Hollis W. Rademacher
Edward J. Wehmer

EXECUTIVE OFFICERS

Frank J. Burke
President & CEO

Joseph G. Shockey
Executive Vice President

Robert G. Lindeman
Senior Vice President/Information Technology

MARKETING/OPERATIONS/FINANCE

Michelle H. Perry
Vice President/Controller

Matthew E. Doubleday
Vice President/Marketing

Luther J. Grafe
Vice President/Loan Operations

Mark C. Lucas
Vice President/Asset Management

G. David Wiggins
Vice President/Loan Origination

CORPORATE INFORMATION

PUBLIC LISTING AND MARKET SYMBOL The Company's Common Stock is traded on The Nasdaq Stock Market(R) under the symbol WTFC. The stock abbreviation appears as "WintrstFnl" in the Wall Street Journal.

WEBSITE LOCATION

The Company's maintains an internet website at the following location:

www.wintrust.com

ANNUAL MEETING OF SHAREHOLDERS

May 27, 1999

Drake Oak Brook Hotel

2301 S. York Road

Oak Brook, Illinois

2:30 P.M.

FORM 10-K

The Form 10-K Annual Report to the Securities and Exchange Commission will be available to holders of record upon written request to the Secretary of the Company. The information is also available on the Internet at the Securities and Exchange Commission's website. The address for the web site is:

<http://www.sec.gov>.

TRANSFER AGENT

Illinois Stock Transfer Company

209 West Jackson Boulevard

Suite 903

Chicago, Illinois 60606

Telephone: (312) 427-2953

Facsimile: (312) 427-2879

MARKET MAKERS FOR WINTRUST FINANCIAL CORPORATION COMMON STOCK

ABN AMRO Incorporated

EVEREN Securities, Inc.

Howe Barnes Investments, Inc.

PaineWebber, Inc.

William Blair & Co.

U.S. Bancorp Piper Jaffray

LOCATIONS

WINTRUST FINANCIAL CORPORATION

727 North Bank Lane
Lake Forest, IL 60045
(847) 615-4096

LAKE FOREST BANK & TRUST COMPANY

Lake Forest Locations
Main Bank
727 North Bank Lane
Lake Forest, IL 60045
(847) 234-2882

Drive-thru
780 North Bank Lane
Lake Forest, IL 60045

West Lake Forest
810 South Waukegan Avenue
Lake Forest, IL 60045
(847) 615-4080

West Lake Forest Drive-thru
911 Telegraph Road
Lake Forest, IL 60045
(847) 615-4097

Lake Forest Place Facility
1100 Pembridge Drive
Lake Forest, IL 60045

Lake Bluff Location
103 East Scranton Avenue
Lake Bluff, IL 60044
(847) 615-4060

HINSDALE BANK & TRUST COMPANY

Hinsdale Locations
Main Bank
25 East First Street
Hinsdale, IL 60521
(630) 323-4404

Drive-thru
130 West Chestnut
Hinsdale, IL 60521
(630) 655-8025

Clarendon Hills Location
200 West Burlington Avenue
Clarendon Hills, IL 60514
(630) 323-1240

Western Springs Location
1000 Hillgrove Avenue
Western Springs, IL 60558
(708) 246-7100

NORTH SHORE COMMUNITY BANK & TRUST COMPANY

Wilmette Locations

Main Bank
1145 Wilmette Avenue
Wilmette, IL 60091
(847) 853-1145

Drive-thru
720 12th Street
Wilmette, IL 60091

Glencoe Locations
362 Park Avenue
Glencoe, IL 60022
(847) 835-1700

Drive-thru
633 Vernon Avenue
Glencoe, IL 60022

Winnetka Location
794 Oak Street
Winnetka, IL 60093
(847) 441-2265

LIBERTYVILLE BANK & TRUST COMPANY

Main Bank
507 North Milwaukee Avenue
Libertyville, IL 60048
(847) 367-6800

Drive-thru
201 Hurlburt Court
Libertyville, IL 60048
(847) 247-4045

South Libertyville Location
1167 South Milwaukee Avenue
Libertyville, IL 60048

BARRINGTON BANK & TRUST COMPANY

Main Bank
201 S. Hough Street
Barrington, IL 60010
(847) 842-4500

CRYSTAL LAKE BANK & TRUST COMPANY

Main Bank
70 N. Williams Street
Crystal Lake, IL 60014
(815) 479-5200

Drive-thru
27 N. Main Street
Crystal Lake, IL 60014

WINTRUST ASSET MANAGEMENT COMPANY

727 North Bank Lane
Lake Forest, IL 60045
(847) 234-2882

25 East First Street
Hinsdale, IL 60521
(630) 323-4404

1145 Wilmette Avenue
Wilmette, IL 60091
(847) 853-1145

794 Oak Street
Winnetka, IL 60093
(847) 441-2265

507 North Milwaukee Avenue
Libertyville, IL 60048
(847) 367-6800

201 S. Hough Street
Barrington, IL 60010
(847) 842-4500

FIRST INSURANCE FUNDING CORPORATION

520 Lake Cook Road, Suite 300
Deerfield, IL 60015
(847) 374-3000

EXHIBIT 21.1

Subsidiaries of the Registrant

Subsidiary -----	State of Organization or Incorporation -----
Lake Forest Bank and Trust Company	Illinois
North Shore Community Bank and Trust Company	Illinois
Hinsdale Bank and Trust Company	Illinois
Libertyville Bank and Trust Company	Illinois
Barrington Bank and Trust Company, N.A.	National Banking Association
Crystal Lake Bank and Trust Company, N.A.	National Banking Association
Crabtree Capital Corporation	Delaware
First Insurance Funding Corporation	Illinois
Wintrust Asset Management Company, N.A.	National Banking Association
Wintrust Capital Trust I	Delaware

EXHIBIT 23

The Board of Directors
Wintrust Financial Corporation:

We consent to incorporation by reference in the Registration Statement (No. 333-33459) on Form S-8 of Wintrust Financial Corporation of our report dated March 19, 1999, relating to the consolidated statements of condition of Wintrust Financial Corporation and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998, which report is incorporated by reference in the December 31, 1998 annual report on Form 10-K of Wintrust Financial Corporation.

/s/ KPMG LLP

Chicago, Illinois

March 30, 1999

ARTICLE 9

This schedule contains summary financial information extracted from the annual audited financial statements of Wintrust Financial Corporation for the years ended December 31, 1998 and 1997, and is qualified in its entirety by reference to such consolidated financial statements.

CIK: 0001015328

NAME: WINTRUST FINANCIAL CORPORATION

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS	12 MOS
FISCAL YEAR END	DEC 31 1998	DEC 31 1997
PERIOD START	JAN 01 1998	JAN 01 1997
PERIOD END	DEC 31 1998	DEC 31 1997
CASH	33,924	32,158
INT BEARING DEPOSITS	7,863	85,100
FED FUNDS SOLD	18,539	60,836
TRADING ASSETS	0	0
INVESTMENTS HELD FOR SALE	209,119	101,934
INVESTMENTS CARRYING	5,000	5,001
INVESTMENTS MARKET	5,001	4,964
LOANS	992,062	712,631
ALLOWANCE	7,034	5,116
TOTAL ASSETS	1,348,048	1,053,400
DEPOSITS	1,229,154	917,701
SHORT TERM	0	55,895
LIABILITIES OTHER	12,639	11,014
LONG TERM	31,050	0
PREFERRED MANDATORY	0	0
PREFERRED	0	0
COMMON	8,150	8,118
OTHER SE	67,055	60,672
TOTAL LIABILITIES AND EQUITY	1,348,048	1,053,400
INTEREST LOAN	75,369	56,066
INTEREST INVEST	12,610	9,045
INTEREST OTHER	0	0
INTEREST TOTAL	87,979	65,111
INTEREST DEPOSIT	49,069	37,375
INTEREST EXPENSE	51,215	38,339
INTEREST INCOME NET	36,764	26,772
LOAN LOSSES	4,297	3,404
SECURITIES GAINS	0	111
EXPENSE OTHER	35,833	27,254
INCOME PRETAX	4,709	1,058
INCOME PRE EXTRAORDINARY	6,245	4,846
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	6,245	4,846
EPS PRIMARY	0.77	0.62
EPS DILUTED	0.74	0.60
YIELD ACTUAL	3.43	3.41
LOANS NON	3,137	2,440
LOANS PAST	2,288	1,766
LOANS TROUBLED	0	0
LOANS PROBLEM	5,143	7,200
ALLOWANCE OPEN	5,116	3,636
CHARGE OFFS	(2,737)	(2,115)
RECOVERIES	358	191
ALLOWANCE CLOSE	7,034	5,116
ALLOWANCE DOMESTIC	6,225	3,712
ALLOWANCE FOREIGN	0	0
ALLOWANCE UNALLOCATED	809	1,404

