

MARSHALL & ILSLEY CORP  
Form DEFM14A  
April 12, 2011  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Marshall & Ilsley Corporation**

(Name of Registrant as Specified In Its Charter)

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

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**Table of Contents**

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**Table of Contents**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

To the Shareholders of Marshall & Ilsley Corporation:

On December 16, 2010, the board of directors of Marshall & Ilsley Corporation unanimously approved a merger agreement with Bank of Montreal pursuant to which M&I will merge with a subsidiary of BMO. If the merger is completed, holders of M&I common stock will receive 0.1257 of a share of BMO common stock for each share of M&I common stock held immediately prior to the merger. The maximum number of shares of BMO common stock to be delivered to holders of M&I common stock in connection with the merger is 71,452,215.

Based on the closing price of BMO common stock on the NYSE on December 16, 2010, the last trading day before public announcement of the merger, the 0.1257 exchange ratio represented approximately \$7.75 in value for each share of M&I common stock. Based on the closing price of BMO common stock on April 11, 2011 of \$64.93, the 0.1257 exchange ratio represented approximately \$8.16 in value for each share of M&I common stock. **We urge you to obtain current market quotations for BMO and M&I.**

The merger is intended to be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and holders of M&I common stock are generally not expected to recognize any gain or loss for United States federal income tax purposes on the exchange of shares of M&I common stock for shares of BMO common stock in the merger, except with respect to any cash received instead of fractional shares of BMO common stock (which is described in more detail in this proxy statement/prospectus).

The market prices of both BMO common stock and M&I common stock will fluctuate before the completion of the merger. You should obtain current stock price quotations for BMO common stock and M&I common stock before you vote. BMO common stock is quoted on the New York Stock Exchange and the Toronto Stock Exchange under the symbol BMO. M&I common stock is quoted on the New York Stock Exchange under the symbol MI.

At a special meeting of M&I shareholders, holders of M&I common stock will be asked to vote on the approval of the merger agreement. Approval of the merger agreement requires the affirmative vote of a majority of all the votes entitled to be cast by the holders of M&I common stock. A special meeting of shareholders is different from an annual meeting of shareholders. A special meeting is called and held for the sole purpose of taking action on the proposals brought before the meeting. At the upcoming M&I special meeting, shareholders will be asked to vote upon the specific proposals described in this proxy statement/prospectus, and no general business presentation or report is planned. In addition, it is anticipated that almost all shareholders will submit their voting instructions in advance of the special meeting and, as a result, the meeting is expected to be very brief.

**M&I's board of directors unanimously recommends that holders of M&I common stock vote FOR the approval of the merger agreement and the transactions it contemplates.**

This proxy statement/prospectus describes the M&I special meeting, the merger agreement, the documents related to the merger agreement and other related matters. **Please carefully read this entire document, including Risk Factors beginning on page 35 for a discussion of the risks relating to the proposed merger and owning BMO common stock after the merger.**

Sincerely,

Mark F. Furlong

Chairman, President and Chief Executive Officer

**NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION, NOR ANY U.S. STATE OR CANADIAN PROVINCIAL OR TERRITORIAL SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE MERGER OR DETERMINED IF THIS PROXY STATEMENT/PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**The securities to be issued in the merger are not savings or deposit accounts and are not insured by the Federal Deposit Insurance Corporation, the Canada Deposit Insurance Corporation or any other governmental agency.**

The date of this proxy statement/prospectus is April 12, 2011, and it is first being mailed or otherwise delivered to M&I shareholders on or about April 14, 2011.

**Table of Contents**

**REFERENCES TO ADDITIONAL INFORMATION**

**This proxy statement/prospectus incorporates important business and financial information about BMO and M&I from documents filed with or furnished to the U.S. Securities and Exchange Commission, or SEC, that is not included in or delivered with this proxy statement/prospectus.**

**You can obtain any of the documents filed with or furnished to the SEC by BMO or M&I, as the case may be, at no cost from the SEC's website at <http://www.sec.gov>. You may also request copies of these documents, including documents incorporated by reference in this proxy statement/prospectus, at no cost by contacting either BMO or M&I, as the case may be, at the following addresses:**

**BANK OF MONTREAL**

**100 King Street West  
1 First Canadian Place, 21st Floor  
Toronto, Ontario  
Canada, M5X 1A1  
Attention: Corporate Secretary  
Telephone: (416) 867-6785**

**MARSHALL & ILSLEY CORPORATION**

**770 North Water Street  
Milwaukee, Wisconsin 53202  
Attention: Corporate Secretary  
Telephone: (414) 765-7700**

In addition, if you have questions about the merger or the M&I special meeting, need additional copies of this document or need to obtain proxy cards or other information related to the proxy solicitation, you may contact Morrow & Co., LLC, M&I's proxy solicitor, at the following address and telephone numbers:

470 West Avenue

Stamford, CT 06902

Toll free telephone: (800) 566-9061

Brokers and banks, please call: (203) 658-9400

**You will not be charged for any of these documents that you request. In order to receive timely delivery of the documents in advance of the M&I special meeting, you should make your request to BMO or M&I, as the case may be, no later than May 10, 2011, or five trading days prior to the M&I special meeting.**

**See [Where You Can Find More Information](#) beginning on page 117 of this proxy statement/prospectus for more details.**

Table of Contents

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 17, 2011**

To the Shareholders of Marshall & Ilsley Corporation:

You are invited to attend the special meeting of shareholders of Marshall & Ilsley Corporation, a Wisconsin corporation, which will be held at the New York Marriott Marquis, located at 1535 Broadway, New York, New York 10036, on May 17, 2011 at 1:00 p.m., local time, for the following purposes:

1. to approve the Agreement and Plan of Merger, dated as of December 17, 2010, by and between Bank of Montreal and Marshall & Ilsley Corporation, a copy of which is attached as Appendix A to the proxy statement/prospectus accompanying this notice, and the transactions it contemplates; and
2. to approve the adjournment of the M&I special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the merger agreement.

M&I's board of directors has fixed the close of business on April 11, 2011 as the record date for determination of the M&I shareholders entitled to receive notice of, and to vote at, the M&I special meeting or any adjournments or postponements thereof. Only holders of record of shares of M&I stock at the close of business on April 11, 2011 will be entitled to notice of and to vote at the M&I special meeting and any adjournments or postponements thereof. Approval of the proposal to approve the merger agreement requires the affirmative vote of a majority of all the votes entitled to be cast by the holders of M&I common stock.

**Your vote is very important. To ensure your representation at the M&I special meeting, please complete and return the enclosed proxy card or submit your proxy by telephone or through the Internet.** Please vote promptly whether or not you expect to attend the M&I special meeting. Submitting a proxy now will not prevent you from being able to vote in person at the M&I special meeting. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions on the voting instruction card furnished by the record holder.

**M&I's board of directors recommends that M&I shareholders vote FOR the proposal to approve the merger agreement and the transactions it contemplates, and FOR the proposal to adjourn the M&I special meeting, if necessary or appropriate, to solicit additional proxies in favor of such approval.**

By Order of the Board of Directors,

Gina M. McBride

Vice President and Secretary

April 12, 2011

**PLEASE VOTE YOUR SHARES PROMPTLY. YOU CAN FIND INSTRUCTIONS FOR VOTING ON THE ENCLOSED PROXY CARD. IF YOU HAVE QUESTIONS ABOUT THE PROPOSALS OR ABOUT VOTING YOUR SHARES, PLEASE CALL MORROW & CO., LLC TOLL-FREE AT (800) 566-9061 (BANKS AND BROKERS CALL COLLECT AT (203) 658-9400).**



**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE M&amp;I SPECIAL MEETING</u>	iv
<u>SUMMARY</u>	1
<u>Information about the Companies</u>	1
<u>Risk Factors</u>	2
<u>In the Merger, M&amp;I Shareholders Will Have the Right to Receive 0.1257 Shares of BMO Common Stock for Each Share of M&amp;I Common Stock</u>	2
<u>M&amp;I's Board of Directors Unanimously Recommends that You Vote FOR the Merger Agreement Proposal and FOR the Adjournment Proposal</u>	3
<u>Comparative Per Share Market Price and Dividend Information</u>	3
<u>Opinion of M&amp;I's Financial Advisor</u>	3
<u>The M&amp;I Special Meeting</u>	3
<u>No BMO Shareholder Approval</u>	4
<u>Material United States Federal Income Tax Consequences</u>	4
<u>Material Canadian Federal Income Tax Consequences</u>	4
<u>Accounting Treatment</u>	5
<u>Treatment of M&amp;I Options and Other Equity Based Awards</u>	5
<u>Regulatory Approvals Required for the Completion of the Merger</u>	5
<u>Holders of M&amp;I Common Stock are not Entitled to Dissenters' Rights of Appraisal</u>	6
<u>Your Rights as a Holder of M&amp;I Common Stock Will Be Different from Your Rights as a Holder of BMO Common Stock</u>	6
<u>M&amp;I's Directors and Executive Officers Have Certain Interest in the Merger</u>	6
<u>Conditions That Must Be Satisfied or Waived for the Merger to Occur</u>	8
<u>The Merger Agreement May be Terminated Under Some Circumstances</u>	8
<u>BMO Plans to Purchase the TARP Preferred Stock and a Warrant for M&amp;I Common Stock from the U.S. Treasury in Connection with the Merger</u>	9
<u>BMO and M&amp;I Entered into a Stock Option Agreement in Connection with the Merger Agreement</u>	9
<u>Litigation Related to the Merger</u>	10
<u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF BMO</u>	11
<u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF M&amp;I</u>	13
<u>UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION</u>	17
<u>UNAUDITED COMPARATIVE PER COMMON SHARE DATA</u>	29
<u>COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION</u>	31
<u>CURRENCY EXCHANGE RATE DATA</u>	33
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	34
<u>RISK FACTORS</u>	35
<u>THE M&amp;I SPECIAL MEETING</u>	42
<u>Date, Time and Place</u>	42
<u>Matters to be Considered</u>	42
<u>Recommendation of M&amp;I's Board of Directors</u>	42
<u>Record Date and Quorum</u>	42
<u>Vote Required</u>	43
<u>Treatment of Abstentions; Failure to Vote</u>	43
<u>Voting of Proxies; Incomplete Proxies</u>	43
<u>Shares Held in Street Name; Broker Non-Votes</u>	44
<u>Revocability of Proxies and Changes to an M&amp;I Shareholder's Vote</u>	44
<u>Participants in M&amp;I Employee Plans</u>	44
<u>Solicitation of Proxies</u>	45
<u>Delivery of Proxy Materials To Shareholders Sharing an Address</u>	45

**Table of Contents**

	<b>Page</b>
<u>Attending the M&amp;I Special Meeting</u>	45
<u>INFORMATION ABOUT THE COMPANIES</u>	46
<u>Bank of Montreal</u>	46
<u>Mike Merger Sub, LLC</u>	47
<u>Marshall &amp; Iisley Corporation</u>	47
<u>THE MERGER</u>	48
<u>Terms of the Merger</u>	48
<u>Background of the Merger</u>	48
<u>M&amp;I s Board Recommendation and Reasons for the Merger</u>	51
<u>Opinion of M&amp;I s Financial Advisor</u>	53
<u>BMO s Reasons for the Merger</u>	59
<u>Management and Board of Directors of BMO After the Merger</u>	59
<u>Interests of M&amp;I s Directors and Executive Officers in the Merger</u>	59
<u>Material United States Federal Income Tax Consequences</u>	64
<u>Material Canadian Federal Income Tax Consequences</u>	71
<u>Accounting Treatment</u>	72
<u>Stock Exchange Listings</u>	73
<u>Regulatory Matters Related to the Merger</u>	73
<u>No Dissenters Rights of Appraisal</u>	75
<u>Resale of BMO Common Stock</u>	76
<u>Litigation Related to the Merger</u>	76
<u>BMO s Purchase of the TARP Preferred Stock and Warrant from the U.S. Treasury</u>	77
<u>THE MERGER AGREEMENT</u>	78
<u>Structure of the Merger</u>	78
<u>Merger Consideration</u>	78
<u>Closing</u>	78
<u>Effective Time of the Merger</u>	79
<u>Treatment of M&amp;I Options and Other Equity Based Awards</u>	79
<u>Treatment of TARP Preferred Stock and Warrant</u>	79
<u>Conversion of Shares: Exchange of Certificates</u>	80
<u>Representations and Warranties</u>	80
<u>Covenants and Agreements</u>	83
<u>Conditions to the Merger</u>	87
<u>Termination</u>	88
<u>Effect of Termination</u>	89
<u>Fees and Expenses</u>	89
<u>Amendments, Extensions and Waivers</u>	89
<u>THE STOCK OPTION AGREEMENT</u>	90
<u>The Stock Option</u>	90
<u>Effect of the Stock Option Agreement</u>	90
<u>Exercise: Expiration</u>	90
<u>Rights under the Stock Option Agreement</u>	92
<u>BENEFICIAL OWNERSHIP OF M&amp;I COMMON STOCK</u>	94
<u>DESCRIPTION OF BMO SHARE CAPITAL</u>	95
<u>BMO Capital Stock</u>	95
<u>BMO Common Stock</u>	95
<u>BMO Preferred Shares</u>	96
<u>Limitations Affecting Holders of BMO Common Stock</u>	100
<u>Amendments to the Rights, Privileges, Restrictions and Conditions of BMO s Share Capital</u>	101
<u>COMPARISON OF RIGHTS OF BMO AND M&amp;I SHAREHOLDERS</u>	102
<u>Authorized Capital Stock</u>	102

**Table of Contents**

	<b>Page</b>
<u>Number, Classification, and Election of Directors</u>	102
<u>Filling Vacancies on the Board of Directors and Removing Directors</u>	103
<u>Voting Rights Generally; Voting on Mergers, Share Exchanges, Conversions, and Sales of Assets</u>	104
<u>Exculpation of Liability</u>	105
<u>Director and Officer Indemnification</u>	105
<u>Special Meetings of Shareholders</u>	106
<u>Quorum Requirements</u>	107
<u>Shareholder Proposals and Director Nominations</u>	107
<u>Shareholder Action Without a Meeting</u>	108
<u>Amendments of Governing Instruments</u>	108
<u>Anti-Takeover and Ownership Provisions</u>	109
<u>Appraisal and Dissent Rights</u>	111
<u>Rights of Inspection</u>	112
<u>Dividends and Other Distributions and Liquidation</u>	112
<u>Shareholder Suits</u>	113
<u>ABOUT THIS PROXY STATEMENT/PROSPECTUS</u>	114
<u>BMO MARKET ACTIVITIES INVOLVING BMO COMMON STOCK</u>	114
<u>LEGAL MATTERS</u>	115
<u>EXPERTS</u>	115
<u>OTHER MATTERS</u>	115
<u>SHAREHOLDER PROPOSALS FOR NEXT ANNUAL MEETING</u>	116
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	117
<u>Incorporation of Certain Documents by Reference</u>	117
Appendix A <u>Merger Agreement</u>	A-1
Appendix B <u>Stock Option Agreement</u>	B-1
Appendix C <u>Opinion of Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated</u>	C-1

**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE M&I SPECIAL MEETING**

*The following are some questions that you may have regarding the merger and the M&I special meeting, and brief answers to those questions. We urge you to read carefully the remainder of this document because the information in this section does not provide all the information that might be important to you with respect to the merger and the M&I special meeting. Additional important information is also contained in the documents incorporated by reference into this proxy statement/prospectus. See *Where You Can Find More Information* beginning on page 117 and *Where You Can Find More Information Incorporation of Certain Documents by Reference* beginning on page 117.*

*References in this proxy statement/prospectus to *M&I* refer to Marshall & Ilsley Corporation, a Wisconsin corporation, and, unless the context otherwise requires, to its affiliates (other than BMO). References in this proxy statement/prospectus to *BMO* refer to Bank of Montreal, a Schedule I Bank under the Bank Act (Canada), and, unless the context otherwise requires, to its affiliates (other than M&I).*

**Q: What am I being asked to vote on at the M&I special meeting?**

A: BMO and M&I have entered into an Agreement and Plan of Merger, dated as of December 17, 2010, which is referred to as the merger agreement, pursuant to which BMO has agreed to acquire M&I. Under the terms of the merger agreement, M&I will merge with and into Mike Merger Sub, LLC, or Merger Sub, an indirect wholly-owned United States subsidiary of BMO, with Merger Sub continuing as the surviving entity, which is referred to as the merger. M&I shareholders are being asked to approve the merger agreement and the transactions it contemplates, which is referred to as the merger agreement proposal.

M&I shareholders also are being asked to approve the adjournment of the M&I special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the merger agreement proposal, which is referred to as the adjournment proposal.

**Q: How does M&I's board of directors recommend that I vote on the two proposals?**

A: M&I's board of directors unanimously recommends that you vote **FOR** the merger agreement proposal and **FOR** the adjournment proposal.

**Q: What will I receive if the merger is completed?**

A: In the merger, each M&I shareholder of record will receive, in exchange for each share of M&I common stock owned by such shareholder immediately prior to the merger, 0.1257 shares (which is referred to as the merger consideration) of BMO common stock. The merger consideration is fixed and will not be adjusted to reflect changes in the stock price of either company before the merger is completed. Therefore, the market value of the BMO common stock you will receive in the merger will depend on the price of BMO common stock at the time the shares are issued. No fractional shares of BMO common stock will be issued in connection with the merger, and holders of M&I common stock will receive cash in lieu thereof. BMO shareholders will continue to own their existing shares, which will not be affected by the merger.

**Q: When do you expect the merger to be completed?**

A: We expect the merger will be completed when all of the conditions to completion contained in the merger agreement are satisfied or waived, including the receipt of required regulatory approvals and the approval of the merger agreement proposal at the M&I special meeting. We currently expect to complete the merger prior to July 31, 2011. However, because fulfillment of some of the conditions to completion of the merger, such as the receipt of required regulatory approvals, are not entirely within our control, we cannot predict the actual timing. See the section entitled *The Merger Agreement Conditions to the Merger* beginning on page 87.



## **Table of Contents**

### **Q: What happens if the merger is not completed?**

A: If the merger is not completed, holders of M&I common stock will not receive any consideration for their shares in connection with the merger. Instead, M&I will remain an independent public company and its common stock will continue to be listed and traded on the New York Stock Exchange, which is referred to as the NYSE. Under specified circumstances in connection with the termination of the merger agreement, BMO may be permitted to exercise an option to purchase up to 104,096,963 shares of M&I common stock at a price per share of \$5.79, which was granted to BMO to induce it to enter into the merger agreement, as described under The Stock Option Agreement beginning on page 90.

### **Q: When and where is the M&I special meeting?**

A: The M&I special meeting will be held at the New York Marriott Marquis, located at 1535 Broadway, New York, New York 10036, on May 17, 2011 at 1:00 p.m., local time.

### **Q: Who can vote at the M&I special meeting?**

A: Holders of M&I common stock as of the close of business on April 11, 2011, which is referred to as the record date, are entitled to vote at the M&I special meeting. Beneficial owners of shares of M&I common stock as of the record date should receive instructions from their bank, broker or other nominee describing how to vote their shares. Under M&I's charter, holders of M&I's Senior Preferred Stock, Series B, which are referred to as the TARP Preferred Stock, that were issued to the U.S. Department of the Treasury, which is referred to as the U.S. Treasury, under the Capital Purchase Program of the Troubled Asset Relief Program, which is referred to as the TARP, have voting rights on merger transactions under certain circumstances, including with respect to the merger.

### **Q: What is the quorum requirement for the M&I special meeting?**

A: The representation of holders of at least a majority of the votes entitled to be cast on the matters to be voted on at the M&I special meeting constitutes a quorum for transacting business at the M&I special meeting. All shares of M&I common stock that are present in person or represented by proxy, including abstentions and broker non-votes, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the M&I special meeting.

### **Q: What vote is required to approve each proposal at the M&I special meeting?**

A: Approval of the merger agreement proposal requires the affirmative vote of a majority of the votes entitled to be cast by holders of outstanding M&I common stock and the affirmative vote or consent of holders of at least 66<sup>2</sup>/<sub>3</sub>% of the shares of the TARP Preferred Stock. Approval of the adjournment proposal requires the affirmative vote of a majority of the votes cast by the holders of M&I common stock at the M&I special meeting.

### **Q: What do I need to do now?**

A: After carefully reading and considering the information contained in this proxy statement/prospectus, please vote your shares of M&I common stock as soon as possible so that your shares will be represented at the M&I special meeting. Please follow the instructions set forth on the proxy card or on the voting instruction provided by the record holder if your shares are held in the name of your broker, bank or other nominee.



**Table of Contents**

**Q: How do I vote?**

A: If you are a shareholder of record of M&I as of the record date, you may submit your proxy before the M&I special meeting in one of the following ways:

use the toll-free number shown on your proxy card;

visit the website shown on your proxy card to vote via the Internet; or

complete, sign, date and return the enclosed proxy card in the enclosed postage-paid envelope.

You may also cast your vote in person at the M&I special meeting.

If your shares of M&I common stock are held in street name, through a broker, bank or other nominee, that institution will send you separate instructions describing the procedure for voting your shares. Street name shareholders who wish to vote at the meeting will need to obtain a proxy form from their broker, bank or other nominee.

**Q: What does it mean if I get more than one proxy card?**

A: It means you have multiple accounts at the transfer agent and/or with brokers. Please sign and return all proxy cards or vote all your shares online or by telephone to ensure that all your shares are voted.

**Q: If my shares of M&I common stock are held in street name by my bank, broker or other nominee, will my bank, broker or other nominee vote my shares for me?**

A: You should instruct your bank, broker or other nominee to vote your shares of M&I common stock. If you do not instruct your bank, broker or other nominee, your bank, broker or other nominee will not be able to vote your shares. Please check with your bank, broker or other nominee and follow the voting procedures your bank, broker or other nominee provides.

Under the rules of the NYSE, banks, brokers and other nominees who hold shares of M&I common stock in street name for a beneficial owner of those shares typically have the authority to vote in their discretion on routine proposals when they have not received instructions from beneficial owners. However, banks, brokers and other nominees are not allowed to exercise their voting discretion with respect to the approval of matters that the NYSE determines to be non-routine, such as approval of the merger agreement proposal, without specific instructions from the beneficial owner. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the M&I special meeting, but with respect to which the broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker does not have discretionary voting power on such proposal. It is expected that brokers, banks and other nominees will not have discretionary authority to vote on either proposal and, as a result, M&I anticipates that there will not be any broker non-votes cast in connection with either proposal.

**Q: How do I vote the shares of common stock that I hold through the M&I Retirement Program (or any 401(k) plan of any M&I subsidiary)?**

A:



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If you are a participant in the M&I Retirement Program (or any 401(k) plan of any M&I subsidiary that permits investment in M&I common stock), which are referred to collectively as the 401(k) plan, and you have contributions invested in M&I common stock, you may give voting instructions by completing and returning the enclosed proxy card as instructed on the card. Signing and returning the proxy card, or voting by telephone or through the Internet as explained above, will enable voting of all shares held for your account in the 401(k) plan. If your proxy card is not received by May 12, 2011 or if you sign and return your proxy card without instructions marked in the boxes, the M&I Retirement Investment Committee may, in the exercise of its fiduciary discretion, direct Marshall & Ilesley Trust Company to vote such shares. Participants in the 401(k) plan must vote through the 401(k) trustee and may not vote in person at the M&I special meeting.

## **Table of Contents**

### **Q: How do I vote the shares of common stock that I hold through the M&I Employee Stock Purchase Plan?**

A: If you are a participant in the M&I Employee Stock Purchase Plan, which is referred to as the ESPP, to the extent you have purchased any shares of M&I common stock under the ESPP and hold those shares under the ESPP, you may give voting instructions by completing and returning the enclosed proxy card as instructed. Signing and returning the proxy card, or voting by telephone or through the Internet as explained above, will enable voting of all shares held by you in the ESPP.

### **Q: Can I vote any shares of common stock with respect to any notional investment in M&I common stock through M&I Deferred Compensation Plans?**

A: If you are a participant in the M&I Executive Deferred Compensation Plan, 2005 Executive Deferred Compensation Plan, M&I Director Deferred Compensation Plan or 2005 Director Deferred Compensation Plan, you will not be entitled to vote with respect to any notional investment in M&I common stock under such plans.

### **Q: What happens if I submit my proxy or voting instruction card without indicating how to vote?**

A: If you sign and return your proxy or voting instruction card without indicating how to vote on any particular proposal, the shares of M&I common stock represented by your proxy will be voted as recommended by M&I's board of directors with respect to that proposal. Unless you check the box on your proxy card to withhold discretionary authority, the proxyholders may use their discretion to vote on other matters relating to the M&I special meeting.

### **Q: What happens if I abstain from voting or do not vote at all?**

A: For purposes of the M&I special meeting, an abstention occurs when an M&I shareholder attends the M&I special meeting in person and does not vote or returns a proxy with an abstain vote. If you respond with an abstain vote on either of the proposals to be considered at the M&I special meeting, your proxy will have the same effect as a vote cast **AGAINST** the merger agreement proposal and will have no effect on the outcome of the adjournment proposal.

If you fail to vote or fail to instruct your broker, bank or other nominee how to vote on the proposals to be considered at the M&I special meeting, it will have the same effect as a vote cast **AGAINST** the approval of the merger agreement proposal and will have no effect on the outcome of the adjournment proposal, assuming a quorum is present.

### **Q: May I change my vote after I have submitted a proxy?**

A: Yes. If you have not voted through your bank, broker or other nominee, there are four ways you can change your vote after you have submitted your proxy (whether by mail, telephone or the Internet):

by sending a notice of revocation to M&I's corporate secretary at 770 North Water Street, Milwaukee, Wisconsin 53202 stating that you would like to revoke your proxy;

by logging onto the Internet website specified on your proxy card in the same manner you would to submit your proxy electronically or by calling the telephone number specified on your proxy card, in each case if you are eligible to do so and following the

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instructions on the proxy card;

by sending a completed proxy card bearing a later date than your original proxy card; or

by attending the M&I special meeting and voting in person.

If you choose either of the first two methods, you must take the described action no later than the beginning of the M&I special meeting. If you choose to send a completed proxy card bearing a later date than your original proxy card, the new proxy card must be received before the beginning of the M&I special meeting. If you have

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**Table of Contents**

instructed a bank, broker or other nominee to vote your shares of M&I common stock, you must follow the directions you receive from your bank, broker or other nominee in order to change or revoke your vote.

**Q: If I want to attend the M&I special meeting, what do I do?**

A: You should come to the New York Marriott Marquis, located at 1535 Broadway, New York, New York 10036, at 12:30 p.m., local time, on May 17, 2011 to register for the meeting, which begins at 1:00 p.m. local time. If you hold your shares of M&I common stock in street name, you will need to bring proof of ownership (by means of a recent brokerage statement, letter from your bank, broker or other nominee) to be admitted to the M&I special meeting. Shareholders of record as of the record date can vote in person at the M&I special meeting. If your shares of M&I common stock are held in street name, then you are not the shareholder of record and you must ask your bank, broker or other nominee how you can vote at the M&I special meeting.

**Q: What are the material U.S. federal and Canadian income tax consequences of the merger to holders of M&I common stock?**

A: The merger has been structured to qualify as a reorganization for U.S. federal income tax purposes. It is a condition to M&I's and BMO's respective obligations to complete the merger that each of BMO and M&I receive a legal opinion from Sullivan & Cromwell LLP and Wachtell, Lipton, Rosen & Katz, respectively, to the effect that (i) the merger, together with the purchase by a subsidiary of BMO from the U.S. Treasury of all of the issued and outstanding shares of the TARP Preferred Stock will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which is referred to as the Code, and that each of BMO, a BMO subsidiary and M&I will be a party to that reorganization within the meaning of Section 368(b) of the Code and (ii) the merger will not result in gain recognition to the holders of M&I common stock pursuant to Section 367(a) of the Code (assuming that, in the case of any such holder who would be treated as a five-percent transferee shareholder within the meaning of Treasury Regulations Section 1.367(a)-3(c)(5)(ii), such holder enters into a five-year gain recognition agreement in the form provided in Treasury Regulations Section 1.367(a)-8, as provided for in Treasury Regulations Section 1.367(a)-3(c)(1)(iii)(B), and complies with the requirements of that agreement and Treasury Regulations Section 1.367(a)-8 for avoiding the recognition of gain). Accordingly, holders of M&I common stock generally will not recognize any gain or loss for U.S. federal income tax purposes on the exchange of their shares of M&I common stock for shares of BMO common stock pursuant to the merger, except for any gain or loss that may result from the receipt by such holders of cash instead of fractional shares of BMO common stock.

It is important to note that the U.S. federal income tax consequences described above may not apply to some holders of M&I common stock, including certain holders specifically referred to under *The Merger Material United States Federal Income Tax Consequences* beginning on page 64. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the tax consequences of the merger in your particular circumstances, as well as any tax consequences that may arise from the laws of any other taxing jurisdiction.

The exchange of M&I common stock for BMO common stock pursuant to the merger will not, in general, give rise to Canadian tax for holders of M&I common stock who are not, and who are not deemed to be, resident in Canada. See *The Merger Material Canadian Federal Income Tax Consequences* beginning on page 71.

**Q: Do I have appraisal rights in connection with the merger?**

A: No. Under Wisconsin law, holders of M&I common stock are not entitled to any dissenters' rights of appraisal in connection with the merger. See the section entitled *The Merger No Dissenters' Rights of Appraisal* beginning on page 75.

**Table of Contents**

**Q: Should I send in my stock certificates now?**

A: No. After completion of the merger, you will receive a letter of transmittal and instructions for you to use in surrendering any M&I stock certificates or book-entry shares you have at the time of completion of the merger. Please DO NOT send your M&I stock certificates with your proxy card.

**Q: What if I cannot find my stock certificates?**

A: There will be a procedure for you to receive the merger consideration in the merger, even if you have lost one or more of your M&I stock certificates. This procedure, however, may take time to complete. In order to ensure that you will be able to receive the merger consideration promptly after the merger is completed, if you cannot locate your M&I stock certificates after looking for them carefully, we urge you to contact M&I's transfer agent, Continental Stock Transfer & Trust Company, as soon as possible and follow the procedure they explain to you for replacing your M&I stock certificates. Continental Stock Transfer & Trust Company can be reached at (800) 529-3163, or on their website at <http://www.continentalstock.com>, or you can write to them at 17 Battery Place, 8th Floor, New York, NY 10004.

**Q: Who can help answer my additional questions about the M&I special meeting or the merger?**

A: If you have questions about the M&I special meeting or the merger, you should contact Morrow & Co., LLC, M&I's proxy solicitor, toll-free at (800) 566-9061 (banks and brokers call collect at (203) 658-9400).

**Table of Contents**

**SUMMARY**

*This summary highlights selected information from this proxy statement/prospectus and may not contain all the information that is important to you. You should carefully read this entire document, including the appendices and the other documents to which this document refers you, for a more complete understanding of the matters being considered at the M&I special meeting. In addition, we incorporate by reference into this document important business and financial information about BMO and M&I. You may obtain the information incorporated by reference into this document without charge by following the instructions in the section entitled "Where You Can Find More Information" beginning on page 117. Where applicable, each item in this summary includes a page reference directing you to a more complete description of that item.*

**Information about the Companies (page 46)**

***Bank of Montreal***

*Head office*

129 rue Saint Jacques

Montreal, Quebec, H2Y 1L6

Telephone: (514) 877-7373

*Executive offices*

100 King Street West, 1 First Canadian Place

Toronto, Ontario, M5X 1A1

Telephone: (416) 867-6785

Bank of Montreal, or BMO, commenced business in Montreal in 1817 and was incorporated in 1821 by an Act of Lower Canada as the first Canadian chartered bank. Since 1871, the Bank has been a chartered bank under the Bank Act (Canada), or the Bank Act, and is named in Schedule I of the Bank Act. The Bank Act is the charter of the Bank and governs its operations. BMO is a registered bank holding company under the Bank Holding Company Act of 1956, as amended, which is referred to as the BHC Act, and is certified as a financial holding company under the Gramm-Leach-Bliley Act. As of January 31, 2011, BMO had consolidated total assets of approximately C\$413 billion and consolidated total deposits of approximately C\$252 billion.

BMO provides a broad range of credit and non-credit products and services directly and through Canadian and non-Canadian subsidiaries, offices and branches. As at October 31, 2010, BMO had approximately 38,000 full-time equivalent employees, maintained approximately 1,230 bank branches in Canada and the United States and operated internationally in major financial markets and trading areas through its offices in eight other countries, including the United States. Harris Financial Corp., based in Chicago and wholly-owned by BMO, operates primarily through its indirect subsidiary Harris N.A., which provides banking, financing, investing and cash management services in select markets in the U.S. Midwest. BMO provides a full range of investment dealer services through the BMO Nesbitt Burns group of companies, including BMO Capital Markets Corp., BMO's wholly-owned registered securities dealer in the United States.

BMO trades under the symbol **BMO** on the Toronto Stock Exchange, which is referred to as the TSX, and on the NYSE. Additional information about BMO can be found on its website at <http://www.bmo.com>. The information provided on BMO's website is not part of this proxy statement/prospectus and is not incorporated herein by reference.

***Mike Merger Sub, LLC***

111 West Monroe Street

Chicago, Illinois 60603

Telephone: (312) 461-7745

## **Table of Contents**

Merger Sub is a Delaware limited liability company and an indirect wholly-owned subsidiary of BMO. Merger Sub was organized solely for the purpose of effecting the merger with M&I described in this proxy statement/prospectus. It has not carried on any activities other than in connection with the merger agreement.

### ***Marshall & Ilsley Corporation***

770 North Water Street

Milwaukee, Wisconsin 53202

Telephone: (414) 765-7700

M&I was incorporated in Wisconsin in 1959 and reincorporated in Wisconsin in 2007 in connection with the separation of its data servicing subsidiary. M&I is a registered bank holding company under the BHC Act and is certified as a financial holding company under the Gramm-Leach-Bliley Act. As of December 31, 2010, M&I had consolidated total assets of approximately \$50.8 billion and consolidated total deposits of approximately \$38.3 billion, making M&I the largest bank holding company headquartered in Wisconsin. M&I's principal assets are the stock of its bank and nonbank subsidiaries, including its principal bank, M&I Marshall & Ilsley Bank.

M&I provides diversified financial services to a wide variety of corporate, institutional, government and individual customers. M&I's largest affiliates and principal operations are in Wisconsin; however, it has activities in other Midwestern states, including Illinois, Indiana, Kansas, Minnesota and Missouri, and in Arizona, Nevada and Florida. Its principal activities consist of banking and wealth management services.

M&I trades under the symbol MI on the NYSE. Additional information about M&I can be found on its website at <http://www.micorp.com>. The information provided on M&I's website is not part of this proxy statement/prospectus and is not incorporated herein by reference.

### **Risk Factors (page 35)**

An investment in shares of BMO common stock involves risks, some of which are related to the merger. In considering the merger, you should carefully consider the information about these risks set forth under "Risk Factors" beginning on page 35, together with the other information included or incorporated by reference or in this proxy statement/prospectus.

### **In the Merger, M&I Shareholders Will Have the Right to Receive 0.1257 Shares of BMO Common Stock for Each Share of M&I Common Stock (page 48)**

In the merger, M&I will merge with and into Merger Sub, with Merger Sub continuing as the surviving entity. Under the terms of the merger agreement, holders of M&I common stock will have the right to receive 0.1257 shares of BMO common stock for each share of M&I common stock held immediately prior to the merger. BMO will not issue any fractional shares of BMO common stock in the merger. Instead, a holder of M&I common stock who otherwise would have received a fraction of a BMO common share will receive an amount in cash rounded to the nearest whole cent. This cash amount will be determined by multiplying the fraction of a BMO common share to which the holder would otherwise be entitled by the average, rounded to the nearest one ten-thousandth, of the closing sale prices of BMO common stock on the TSX for the five trading days immediately prior to the date on which the merger is completed.

*Example: If you hold 1,000 shares of M&I common stock, you will have a right to receive 125 shares of BMO common stock and a cash payment instead of the 0.7 shares of BMO common stock that you otherwise would have received.*



**Table of Contents**

The merger agreement governs the merger. The merger agreement is included in this proxy statement/prospectus as Appendix A. Please read the merger agreement carefully. All descriptions in this summary and elsewhere in this proxy statement/prospectus of the terms and conditions of the merger are qualified by reference to the merger agreement.

**M&I's Board of Directors Unanimously Recommends that You Vote FOR the Merger Agreement Proposal and FOR the Adjournment Proposal (page 51)**

M&I's board of directors determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of M&I and its shareholders, and has unanimously adopted and approved the merger agreement. For the factors considered by M&I's board of directors in reaching its decision to adopt and approve the merger agreement, see the section entitled "The Merger M&I's Board Recommendation and Reasons for the Merger" beginning on page 51. M&I's board of directors unanimously recommends that M&I shareholders vote **FOR** the approval of the merger agreement proposal and **FOR** the adjournment proposal.

**Comparative Per Share Market Price and Dividend Information (page 31)**

The following table presents the last reported closing sale price per share of BMO common stock on the TSX and the NYSE and of M&I common stock on the NYSE on (a) December 16, 2010, the last full trading day prior to the public announcement by BMO and M&I of the transaction and execution of the merger agreement, and (b) April 11, 2011, the last trading day for which this information could be calculated prior to the date of this proxy statement/prospectus. The table also sets forth the equivalent pro forma sale price of M&I common stock on each of these dates, as determined by multiplying the applicable closing sale price of BMO common stock on the NYSE by the merger consideration. We urge you to obtain current market quotations for both BMO common stock and M&I common stock.

	BMO stock TSX (C\$)	BMO stock NYSE (\$)	M&I stock NYSE (\$)	M&I stock Pro Forma Equivalent (\$)
December 16, 2010	62.05	61.66	5.79	7.75
April 11, 2011	62.11	64.93	8.01	8.16

**Opinion of M&I's Financial Advisor (page 53)**

In connection with the merger, M&I's financial advisor, Merrill Lynch, Pierce, Fenner & Smith Incorporated, which is referred to as BofA Merrill Lynch, delivered a written opinion, dated December 16, 2010, to M&I's board of directors as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to holders of M&I common stock. The full text of BofA Merrill Lynch's written opinion, dated December 16, 2010, to M&I's board of directors, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached to this proxy statement/prospectus as Appendix C. **BofA Merrill Lynch delivered its opinion to M&I's board of directors for the benefit and use of M&I's board of directors (in its capacity as such) in connection with and for purposes of its evaluation of the merger consideration from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the merger and no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to M&I or in which M&I might engage or as to the underlying business decision of M&I to proceed with or effect the merger. BofA Merrill Lynch also expressed no opinion or recommendation as to how any M&I shareholder should vote or act in connection with the merger or any related matter.**

**The M&I Special Meeting (page 42)**

The M&I special meeting will be held at 1:00 p.m., local time, on May 17, 2011, at the New York Marriott Marquis, located at 1535 Broadway, New York, New York 10036. At the M&I special meeting, M&I shareholders will be asked to approve the merger agreement proposal and the adjournment proposal.

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**Table of Contents**

M&I's board of directors has fixed the close of business on April 11, 2011 as the record date for determining the holders of M&I common stock entitled to receive notice of and to vote at the M&I special meeting. As of the record date, there were 530,530,495 shares of M&I common stock outstanding and entitled to vote at the M&I special meeting held by 13,390 holders of record. Each share of M&I common stock entitles the holder to one vote on each proposal to be considered at the M&I special meeting. As of the record date, directors and executive officers of M&I and their affiliates owned and were entitled to vote 8,160,515 shares of M&I common stock, representing approximately 1.54% of the shares of M&I common stock outstanding on that date. M&I currently expects that M&I's directors and executive officers will vote their shares in favor of the merger agreement proposal and the adjournment proposal, although none of them has entered into any agreements obligating them to do so. As of the record date, BMO beneficially held 86,501 shares of M&I's common stock.

Approval of the merger agreement proposal requires the affirmative vote of a majority of the votes entitled to be cast by holders of outstanding M&I common stock and the affirmative vote or consent of holders of at least 66 2/3% of the shares of the TARP Preferred Stock. Approval of the adjournment proposal requires the affirmative vote of a majority of the votes cast by the holders of M&I common stock at the M&I special meeting.

**No BMO Shareholder Approval**

BMO shareholders are not required to approve the merger agreement or the issuance of shares of BMO common stock in connection with the merger.

**Material United States Federal Income Tax Consequences (page 64)**

The merger has been structured to qualify as a reorganization for U.S. federal income tax purposes. It is a condition to M&I's and BMO's respective obligations to complete the merger that each of BMO and M&I receive a legal opinion from Sullivan & Cromwell LLP and Wachtell, Lipton, Rosen & Katz, respectively, to the effect that (i) the merger, together with the purchase by a subsidiary of BMO from the U.S. Treasury of all of the issued and outstanding shares of the TARP Preferred Stock, will qualify as a reorganization within the meaning of Section 368(a) of the Code and that each of BMO, a BMO subsidiary and M&I will be a party to that reorganization within the meaning of Section 368(b) of the Code and (ii) the merger will not result in gain recognition to the holders of M&I common stock pursuant to Section 367(a) of the Code (assuming that, in the case of any such holder who would be treated as a five-percent transferee shareholder within the meaning of Treasury Regulations Section 1.367(a)-3(c)(5)(ii), such holder enters into a five-year gain recognition agreement in the form provided in Treasury Regulations Section 1.367(a)-8, as provided for in Treasury Regulations Section 1.367(a)-3(c)(1)(iii)(B), and complies with the requirements of that agreement and Treasury Regulations Section 1.367(a)-8 for avoiding the recognition of gain). Accordingly, holders of M&I common stock generally will not recognize any gain or loss for U.S. federal income tax purposes on the exchange of their shares of common stock for shares of BMO common stock pursuant to the merger, except for any gain or loss that may result from the receipt by such holders of cash instead of fractional shares of BMO common stock.

It is important to note that the U.S. federal income tax consequences described above may not apply to some holders of M&I common stock, including certain holders specifically referred to under *The Merger Material United States Federal Income Tax Consequences* below. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the tax consequences of the merger in your particular circumstances, as well as any tax consequences that may arise from the laws of any other taxing jurisdiction.

**Material Canadian Federal Income Tax Consequences (page 71)**

The exchange of M&I common stock for BMO common stock pursuant to the merger will not, in general, give rise to Canadian tax for holders of M&I common stock who are not, and who are not deemed to be, resident in Canada. See *The Merger Material Canadian Federal Income Tax Consequences* below.

## **Table of Contents**

### **Accounting Treatment (page 72)**

BMO and M&I anticipate that the merger will be accounted for under the purchase method of accounting for both Canadian and U.S. financial reporting purposes.

### **Treatment of M&I Options and Other Equity Based Awards (page 79)**

**Options.** At the effective time of the merger, each outstanding option to acquire a share of M&I common stock will vest and be converted into an option to acquire 0.1257 shares of BMO common stock, which is referred to as a BMO option, and shall continue to be governed by the same terms and conditions as were applicable under such option immediately prior to the effective time. The per share exercise price for each BMO option will equal the quotient of (1) the per share exercise price of the option in effect immediately prior to the effective time and (2) the merger consideration, rounded to the nearest whole cent.

**Restricted Stock.** At the effective time of the merger, each outstanding share of M&I restricted stock will vest and be converted into the right to receive shares of BMO common stock in an amount equal to the merger consideration.

**Performance Units.** At the effective time of the merger, each outstanding M&I performance unit outstanding under M&I's 1994 Long-Term Incentive Plan will vest and be cancelled and converted into the right to receive an amount in cash equal to the product of (1) the number of shares of M&I common stock subject to such performance unit (assuming target levels of performance), and (2) the product of (a) the merger consideration and (b) the average of the closing sale prices of BMO common stock on the NYSE as reported by *The Wall Street Journal* for the five trading days immediately preceding the second trading day prior to the effective time.

**Other Company Awards.** At the effective time of the merger, each M&I equity-based award of any kind (other than options, performance units and restricted stock) will be converted into the right or award with respect to shares of BMO common stock and the number of shares of BMO common stock subject to such right or award will equal the product of (1) the number of shares of the common stock subject to such award (assuming target levels of achievement if applicable), and (2) the merger consideration.

**Certain Awards Granted After December 17, 2010.** The vesting treatment provided in the merger agreement does not apply to certain stock-based awards granted after December 17, 2010, which awards will not vest in connection with the completion of the merger, but could vest upon certain terminations of employment thereafter.

### **Regulatory Approvals Required for the Completion of the Merger (page 73)**

Completion of the merger is subject to the receipt of all regulatory approvals from the Federal Reserve Board, the Office of the Comptroller of the Currency, which is referred to as the OCC, and the Superintendent of Financial Institutions of Canada, which is referred to as OSFI, the receipt of all other required approvals or consents the failure of which to obtain would reasonably be expected to have a material adverse effect on BMO or M&I, and the expiration of any applicable statutory waiting period.

**Federal Reserve Board.** BMO is required to obtain the approval of the Board of Governors of the U.S. Federal Reserve System, which is referred to as the Federal Reserve Board, under the BHC Act for the acquisition of control of M&I as a result of the merger. The U.S. Department of Justice, which is referred to as the DOJ, will have an opportunity to comment during this approval process and is expected to have at least 15 days (but no more than 30 days) following the approval of the Federal Reserve Board to challenge the approval on antitrust grounds.

## **Table of Contents**

*OCC.* Following the consummation of the merger, BMO plans to merge certain of M&I's banking subsidiaries into Harris N.A., BMO's principal U.S. banking subsidiary. Pursuant to the provisions of the National Bank Act and regulations of the OCC, such mergers require the approval of the OCC.

*Bank Act.* Under the Bank Act, the approval of OSFI is required in order for BMO to complete the merger. Approval from OSFI is also required for BMO to issue its common stock for non-cash consideration as part of the consideration to be distributed to holders of M&I common stock in connection with the merger.

*Other Regulatory Approvals.* BMO will make filings with the Wisconsin Department of Financial Institutions, which is referred to as the DFI, in connection with the merger and in connection with the merger of certain banking subsidiaries of M&I with and into a wholly-owned, indirect banking subsidiary of BMO. In addition, BMO will make filings with the Financial Industry Regulatory Authority, the Office of Thrift Supervision and various other state regulatory authorities.

BMO and M&I believe that they will be able to obtain all required regulatory approvals on a timely basis. However, there can be no assurances as to whether or when the required regulatory approvals will be obtained, or whether any such approval will contain a material adverse condition.

### **Holders of M&I Common Stock are not Entitled to Dissenters' Rights of Appraisal (page 111)**

Under applicable Wisconsin law, the holders of M&I common stock are not entitled to any dissenters' rights of appraisal in connection with the merger.

### **Your Rights as a Holder of M&I Common Stock Will Be Different from Your Rights as a Holder of BMO Common Stock (page 102)**

The conversion of your shares of M&I common stock into shares of BMO common stock in the merger will result in changes from your current rights as a holder of M&I common stock, which generally are governed by the Wisconsin Business Corporation Law, which is referred to as the WBCL, and M&I's organizational documents, to your rights as a BMO common shareholder, which generally will be governed by the Bank Act and BMO's organizational documents.

### **M&I's Directors and Executive Officers Have Certain Interests in the Merger (page 59)**

In considering the recommendation of M&I's board of directors that M&I shareholders vote on the approval of the merger agreement, M&I shareholders should be aware that some of M&I's executive officers and directors have financial interests in the merger that are different from, or in addition to, those of M&I's shareholders generally. The M&I board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and making its recommendations that the M&I shareholders approve the merger agreement. For purposes of all of the M&I agreements and plans described below, the completion of the transactions contemplated by the merger agreement will constitute a change of control. These interests include the following:

Assuming completion of the merger on July 1, 2011 and a closing sale price of BMO common stock of \$64.37, the aggregate dollar value of the unvested M&I restricted stock awards held by the seventeen executive officers as a group that will vest as a result of the completion of the merger is approximately \$24.1 million. Five M&I executive officers, none of whom are named executive officers, hold stock options to acquire M&I common stock with an exercise price that is less than the merger consideration (assuming a per share closing sale price of BMO common stock of \$64.37) and the total in-the-money value (assuming the same per share BMO closing price) of the vested and unvested portions of these options is approximately \$168,000 and \$167,000, respectively. All of the stock-based awards held by the non-employee directors were fully vested prior to the entering into of the merger agreement.

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**Table of Contents**

Seventeen M&I executive officers, including each of its named executive officers, are parties to change of control agreements with M&I that provide severance and other benefits if following a change of control of M&I, such as the merger, the executive officer's employment is terminated without cause, by the executive for good reason or in the case of certain executive officers, the executive officer resigns for any reason during the 60-day period immediately following the date that is six months after the change of control. The aggregate cash severance amount that would be payable under all seventeen of these change of control agreements is estimated to total approximately \$65 million.

- i BMO has agreed that, following the merger, \$23.9 million of this amount, which represents the portion attributable to five of M&I's executive officers under their existing change of control agreements, will be funded into vested deferred compensation accounts under an M&I deferred compensation plan, which accounts will be payable upon a termination of employment following the completion of the merger.
- i The portion of the total corresponding to the cash severance amount under Mr. Furlong's existing change of control agreement is approximately \$18 million. BMO has agreed to pay this amount in a lump sum following the completion of the merger.

Mr. Furlong has entered into a new employment agreement with BMO that will become effective upon completion of the merger and provides for benefits in connection with his continued employment, including an annual base salary, a target annual incentive award opportunity and equity award opportunities. Under this agreement, Mr. Furlong will be eligible to receive a transition completion payment of \$6 million, subject to his continued employment for one year following the completion of the merger. If Mr. Furlong's employment is terminated by BMO without cause or by Mr. Furlong for good reason following the merger, he is eligible to receive a cash severance payment equal to no less than \$1.98 million and the transition completion payment to the extent unpaid.

Mr. Furlong is party to a supplemental retirement benefit letter with M&I that provides for the vesting of a portion of his supplemental retirement benefit upon a change of control, such as the merger, having a lump sum present value of approximately \$2.18 million.

In connection with entering into the merger agreement, M&I has established a retention pool in an amount not to exceed \$17.5 million. Two M&I executive officers, neither of whom are named executive officers, were allocated award opportunities in this retention pool in the aggregate amount of \$50,190.

Under M&I's 2005 deferred compensation plans, in the event that a participant's employment or service is terminated on or within a year after a change of control, such as the merger, the participant's account balances will be distributed in a lump-sum. The deferred compensation accounts of the executive officers and directors under the M&I deferred compensation plans were fully vested prior to the entering into of the merger agreement. The aggregate dollar value of the account balances for each of the 17 executive officers, including each of the named executive officers, and the non-employee directors under the four M&I deferred compensation executive and director plans, prior to and immediately following the merger, is approximately \$58.8 million (not taking into account the additional contributions for the five executive officers that are described above).

BMO has agreed to indemnify M&I's executive officers and non-employee directors for an indefinite period from and after the effective time of the merger with respect to proceedings arising out of or pertaining to matters existing or occurring at or prior to the effective time of the merger (including the merger). BMO has also agreed to cover M&I's executive officers and non-employee directors under directors' and officers' liability insurance with respect to claims arising from facts or events occurring prior to the effective time of the merger (including the merger) for a period of six years following the effective time of the merger.

**Table of Contents**

During the past twelve months, the only revisions that M&I has made to its executive officer arrangements relate to Section 409A of the Internal Revenue Code.

**Conditions That Must Be Satisfied or Waived for the Merger to Occur (page 87)**

The respective obligations of each of BMO and M&I to complete the merger are conditioned upon the satisfaction or waiver of the following conditions:

approval of the merger agreement proposal by the M&I shareholders;

approval for the listing on the TSX and the NYSE of the shares of BMO common stock to be issued in the merger;

the effectiveness of the registration statement on Form F-4 of which this proxy statement/prospectus is a part and the absence of a stop order or proceedings initiated or threatened by the SEC for that purpose; and

receipt of required regulatory approvals and the absence of any injunction or other legal prohibition or restraint against the merger. The obligation of BMO to complete the merger is subject to the satisfaction, or waiver by BMO, of the following conditions:

the accuracy of the representations and warranties of M&I as of the closing date of the merger, subject to, in most cases, applicable materiality qualifiers;

performance in all material respects by M&I of the obligations required to be performed by it at or prior to the closing date of the merger;

receipt by BMO of an opinion of Sullivan & Cromwell LLP as to certain tax matters;

the absence of any restriction, requirement or condition imposed on BMO by a governmental or regulatory entity in connection with the required regulatory approvals that, individually or in the aggregate, would after completion of the merger (1) restrict or burden BMO, Merger Sub or their affiliates in connection with the transactions contemplated by the merger agreement or (2) with respect to the business or operations of BMO or Merger Sub have a material adverse effect on BMO, Merger Sub or any of their affiliates (measured on a scale relative to M&I); and

the purchase by a subsidiary of BMO from the U.S. Treasury of all the issued and outstanding shares of the TARP Preferred Stock. The obligation of M&I to complete the merger is also subject to the satisfaction or waiver by M&I of the following conditions:

the accuracy of the representations and warranties of BMO as of the closing date of the merger, subject to applicable materiality qualifiers;

performance in all material respects by BMO of the obligations required to be performed by it at or prior to the closing date of the merger; and

receipt by M&I of an opinion of Wachtell, Lipton, Rosen & Katz as to certain tax matters.

**The Merger Agreement May be Terminated Under Some Circumstances (page 88)**

The merger agreement may be terminated at any time before the completion of the merger, whether before or after approval of the merger agreement proposal by M&I's shareholders, in any of the following circumstances:

by mutual consent of M&I and BMO;

if any of the required regulatory approvals are denied or completion of the merger has been prohibited or made illegal by a governmental entity (and the denial or prohibition is final and nonappealable);

**Table of Contents**

by either M&I or BMO, if the merger has not been completed by December 17, 2011, unless the failure to complete the merger by that date is due to the terminating party's failure to abide by the merger agreement;

by either M&I or BMO, if there is a breach by the other party that would result in the failure of the conditions of the terminating party's obligation to complete the merger, unless the breach is capable of being, and is, cured within 60 days of written notice of the breach (provided that the terminating party is not then in material breach of the merger agreement);

by BMO, if M&I or M&I's board of directors (1) submits the merger agreement to its shareholders without a recommendation for approval, or otherwise withdraws or materially and adversely modifies (or discloses such intention) its recommendation for approval, or recommends to its shareholders certain business combination proposals other than the merger agreement, or (2) materially breaches its obligation to call a shareholder meeting or prepare and mail the proxy statement/prospectus to its shareholders pursuant to the merger agreement;

by BMO, if the M&I shareholders fail to approve the merger agreement proposal;

by BMO, if a tender or exchange offer for 20% or more of the outstanding shares of M&I common stock is commenced (other than by BMO), and M&I's board of directors recommends that the M&I shareholders tender their shares in such tender or exchange offer or otherwise fails to recommend that such shareholders reject such tender or exchange offer within 10 business days; or

by M&I, if M&I's board of directors determines that BMO has substantially engaged in bad faith in breach of its obligations to use its reasonable best efforts to negotiate a restructuring of the merger upon M&I's failure to obtain shareholder approval of the merger agreement proposal.

**BMO Plans to Purchase the TARP Preferred Stock and a Warrant for M&I Common Stock from the U.S. Treasury in Connection with the Merger (page 77)**

BMO has an agreement in principle with the U.S. Treasury pursuant to which, immediately prior to completion of the merger, the U.S. Treasury will sell to a subsidiary of BMO (i) all of the TARP Preferred Stock for an aggregate cash purchase price equal to the sum of (a) the aggregate liquidation amount of such shares and (b) the amount of any accrued and unpaid dividends with respect to such shares, which is referred to as the TARP Purchase, and (ii) the warrant for shares of M&I common stock that was issued to the U.S. Treasury in connection with the issuance of the TARP Preferred Stock for an aggregate cash purchase price of \$3.25 million, which is referred to as the Warrant Purchase. The completion of the TARP Purchase is a condition to the completion of the merger. There is no guarantee that the agreement governing the TARP Purchase and the Warrant Purchase will be entered into or that the conditions to completion of the TARP Purchase or the Warrant Purchase will be satisfied.

**BMO and M&I Entered into a Stock Option Agreement in Connection with the Merger Agreement (page 90)**

When BMO and M&I entered into the merger agreement, the companies also entered into a stock option agreement pursuant to which M&I granted to BMO an option to purchase, under certain circumstances, up to 104,096,963 shares of M&I common stock at a price per share, subject to certain adjustments, of \$5.79. However, the number of shares issuable upon exercise of the option cannot exceed 19.7% of the number of outstanding shares of M&I common stock. BMO cannot exercise the option unless the merger is not completed and specified triggering events occur. These events generally relate to business combinations or acquisition transactions involving M&I and a third party. M&I does not know of any event that has occurred as of the date of this proxy statement/prospectus that would allow BMO to exercise the option. The option will expire upon completion of the merger.



**Table of Contents**

The option could have the effect of discouraging a third party from trying to acquire M&I prior to completion of the merger or termination of the merger agreement. Upon the occurrence of certain triggering events, M&I may be required to repurchase the option and any shares of M&I common stock purchased under the option at a predetermined price, or BMO may choose to surrender the option to M&I for a cash payment of \$125,000,000. In no event will the total profit received by BMO with respect to this option exceed \$205,000,000.

The stock option agreement is described beginning on page 90 and is included as Appendix B to this proxy statement/prospectus. Please read the stock option agreement in its entirety because it is the legal document governing the option granted to BMO. All descriptions in this summary and elsewhere in this document of the terms and conditions of the option are qualified by reference to the stock option agreement.

**Litigation Related to the Merger (page 76)**

Certain litigation is pending in connection with the merger. See [The Merger](#) [Litigation Related to the Merger](#) beginning on page 76.

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF BMO**

The following table sets forth certain selected consolidated financial information of BMO prepared in accordance with generally accepted accounting principles in Canada, which is referred to as Canadian GAAP, except as otherwise indicated. The information as at and for each of the years in the five-year period ended October 31, 2010 has been derived from the consolidated financial statements of BMO as filed with the SEC. The information as at and for the three-month periods ended January 31, 2011 and January 31, 2010 has been derived from the unaudited interim consolidated financial statements of BMO as filed with the SEC, which reflect, in the opinion of BMO's management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of such information. Results for interim periods are not necessarily indicative of results which may be expected for any other interim period or for the fiscal year as a whole. The information presented below is only a summary and should be read in conjunction with the respective audited financial statements of BMO, including the notes thereto, incorporated by reference in this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 117.

Amounts determined under generally accepted accounting principles in the U.S., which is referred to as U.S. GAAP, are different from those determined under Canadian GAAP. For a discussion of the principal differences between Canadian GAAP and U.S. GAAP and a reconciliation to U.S. GAAP of BMO's consolidated financial statements for the year ended October 31, 2010, see Exhibit 99.3 to BMO's Form 40-F for the year ended October 31, 2010, filed with the SEC on December 8, 2010, which Exhibit 99.3 is incorporated by reference in this proxy statement/prospectus. A reconciliation to U.S. GAAP for other annual periods presented is included in the notes to the applicable historical consolidated financial statements of BMO filed by BMO with the SEC. See "Where You Can Find More Information" beginning on page 117.

**BANK OF MONTREAL****SELECTED CONSOLIDATED HISTORICAL INFORMATION**

	Three Months Ended January 31,		Year Ended October 31,				
	2011	2010	2010	2009	2008	2007	2006
	(dollars in millions, except per share information)						
<b>SUMMARY</b>							
<b>CONSOLIDATED</b>							
<b>BALANCE SHEET DATA</b>							
<b>AT PERIOD END</b>							
<b>ASSETS:</b>							
Cash and Cash Equivalents	C\$ 20,717	C\$ 12,341	C\$ 17,368	C\$ 9,955	C\$ 9,134	C\$ 3,650	C\$ 2,458
Interest Bearing Deposits with							
Banks	3,522	3,563	3,186	3,340	11,971	19,240	17,150
Securities	122,881	119,070	123,399	110,813	100,138	98,277	67,411
Securities Borrowed or Purchased Under Resale							
Agreements	35,887	34,498	28,102	36,006	28,033	37,093	31,429
Net Loans	169,776	162,474	169,696	160,248	177,645	151,749	152,378
Net Acceptances	7,138	7,114	6,947	7,581	9,317	12,346	7,187
Other Assets	53,323	59,563	62,942	60,515	79,812	44,169	41,965
<b>Total</b>	<b>C\$ 413,244</b>	<b>C\$ 398,623</b>	<b>C\$ 411,640</b>	<b>C\$ 388,458</b>	<b>C\$ 416,050</b>	<b>C\$ 366,524</b>	<b>C\$ 319,978</b>
<b>LIABILITIES, SHARE</b>							
<b>CAPITAL AND RETAINED</b>							
<b>EARNINGS:</b>							
Deposits	C\$ 251,600	C\$ 240,299	C\$ 249,251	C\$ 236,156	C\$ 257,670	C\$ 232,050	C\$ 203,848
Other Liabilities	135,538	132,807	135,933	126,719	134,761	114,330	96,743
Subordinated Debt	3,713	3,742	3,776	4,236	4,315	3,446	2,726
Preferred Share Liability	0	0	0	0	250	250	450
Capital Trust Securities	400	1,150	800	1,150	1,150	1,150	1,150
Share capital; Preferred	2,571	2,571	2,571	2,571	1,746	1,196	596
Share capital; Common	7,001	6,368	6,927	6,198	4,708	4,411	4,231

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Contributed Surplus	102	89	92	79	69	58	49
Retained Earnings	13,192	11,981	12,848	11,748	11,632	11,166	10,974
Accumulated Other Comprehensive Loss	(873)	(384)	(558)	(399)	(251)	(1,533)	(789)
Total	C\$ 413,244	C\$ 398,623	C\$ 411,640	C\$ 388,458	C\$ 416,050	C\$ 366,524	C\$ 319,978

**Table of Contents**

	Three Months Ended January 31,		Year Ended October 31,					2006
	2011	2010	2010	2009	2008	2007		
<b>SUMMARY</b>								
<b>CONSOLIDATED</b>								
<b>BALANCE SHEET</b>								
<b>DATA AT PERIOD</b>								
<b>END (U.S. GAAP)</b>								
Total Assets	C\$ 382,734	C\$ 377,997	C\$ 388,418	C\$ 363,196	C\$ 422,480	C\$ 375,732	C\$ 330,112	
Deposits	261,069	239,788	247,157	234,858	257,670	232,058	203,910	
Other Liabilities	94,170	114,569	114,326	102,156	140,659	122,814	105,496	
Shareholders' Equity	22,306	19,898	23,159	21,946	19,836	17,414	18,025	
<b>SUMMARY</b>								
<b>CONSOLIDATED</b>								
<b>INCOME STATEMENT</b>								
<b>DATA</b>								
Net interest income	C\$ 1,627	C\$ 1,532	C\$ 6,235	C\$ 5,570	C\$ 5,072	C\$ 4,829	C\$ 4,732	
Other income	1,719	1,493	5,975	5,494	5,133	4,520	5,253	
Total revenue	3,346	3,025	12,210	11,064	10,205	9,349	9,985	
Provision for credit losses	248	333	1,049	1,603	1,330	353	176	
Non-interest expense	2,046	1,839	7,590	7,381	6,894	6,601	6,353	
Income taxes	258	177	687	217	(71)	189	717	
Non-controlling interest in subsidiaries	18	19	74	76	74	75	76	
Net income	776	657	2,810	1,787	1,978	2,131	2,663	
<b>SUMMARY</b>								
<b>CONSOLIDATED</b>								
<b>INCOME STATEMENT</b>								
<b>DATA (U.S. GAAP)</b>								
Net interest income	C\$ 1,566	C\$ 1,552	C\$ 6,306	C\$ 5,650	C\$ 5,163	C\$ 4,928	C\$ 4,831	
Total revenue	3,111	3,037	12,518	11,307	10,111	9,447	10,031	
Net income	598	651	2,965	1,907	1,868	2,115	2,606	
<b>PER SHARE</b>								
<b>INFORMATION</b>								
Common shares								
outstanding at end of								
period (in thousands)								
	567,773	555,395	566,468	551,716	504,575	498,563	500,726	
Basic earnings per share	C\$ 1.31	C\$ 1.12	C\$ 4.78	C\$ 3.09	C\$ 3.79	C\$ 4.18	C\$ 5.25	
Diluted earnings per share	1.30	1.12	4.75	3.08	3.76	4.11	5.15	
Dividends per common share	0.70	0.70	2.80	2.80	2.80	2.71	2.26	
Book value at end of period per common share	34.21	32.51	34.09	31.95	32.02	28.29	28.89	
<b>PER SHARE</b>								
<b>INFORMATION (U.S. GAAP)</b>								
Basic earnings per share	0.99	1.11	5.05	3.31	3.57	4.14	5.14	
Diluted earnings per share	0.99	1.11	5.03	3.30	3.54	4.08	5.04	
Dividends per common share	0.70	0.70	2.80	2.80	2.80	2.71	2.26	
<b>FINANCIAL</b>								
<b>MEASURES</b>								
Return on average								
common shareholders								
equity								
	15.7%	14.3%	14.9%	9.9%	13.0%	14.4%	19.2%	
	0.74	0.66	0.71	0.41	0.50	0.59	0.86	

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Return on average total assets							
Growth in total revenue	10.6	23.9	10.4	8.4	9.2	(6.4)	1.5
Growth in non-interest expense	11.3	(0.1)	2.8	7.1	4.4	3.9	0.3
Productivity							
Non-interest expense to total revenue	61.2	60.8	62.2	66.7	67.6	70.6	63.6
Capital							
Risk-weighted capital ratios <sup>(1)</sup>							
Tier 1	13.02	12.53	13.45	12.24	9.77	9.51	10.22
Total	15.17	14.82	15.91	14.87	12.17	11.74	11.76
Equity-to-assets	5.3	5.2	5.3	5.2	4.3	4.2	4.7
Asset quality							
Provision for credit losses to average loans and acceptances	0.56	0.79	0.61	0.88	0.76	0.21	0.11

(1) Based on Canadian regulatory definitions. Years 2006 & 2007 are under Basel 1 and years 2008 and onwards are under Basel II.

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF M&I**

The following table sets forth certain selected consolidated financial information of M&I prepared in accordance with U.S. GAAP. This information as at and for each of the years in the five year period ended December 31, 2010 has been derived from the consolidated financial statements of M&I and notes to the consolidated financial statements as filed with the SEC. The information presented below is only a summary and should be read in conjunction with the audited financial statements of M&I, including the notes thereto, incorporated by reference in this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 117.

**Consolidated Summary of Earnings**

(US\$ in millions except share data)

	2010	For the Years Ended December 31,			2006
		2009	2008	2007	
<b>Interest and Fee Income</b>					
Loans and leases	\$ 1,959	\$ 2,208	\$ 2,926	\$ 3,243	\$ 2,856
Investment securities:					
Taxable	168	207	286	312	278
Exempt from federal income taxes	35	45	54	59	62
Trading securities	1	4	3	1	
Short-term investments	5	4	9	18	15
Loan to Metavante				36	43
<b>Total interest and fee income</b>	<b>2,168</b>	<b>2,468</b>	<b>3,278</b>	<b>3,669</b>	<b>3,254</b>
<b>Interest Expense</b>					
Deposits	406	535	903	1,231	1,083
Short-term borrowings	6	10	140	237	187
Long-term borrowings	199	340	454	585	477
<b>Total interest expense</b>	<b>611</b>	<b>885</b>	<b>1,497</b>	<b>2,053</b>	<b>1,747</b>
<b>Net interest income</b>	<b>1,557</b>	<b>1,583</b>	<b>1,781</b>	<b>1,616</b>	<b>1,507</b>
Provision for loan and lease losses	1,759	2,315	2,038	320	50
<b>Net interest income (loss) after provision for loan and lease losses</b>	<b>(202)</b>	<b>(732)</b>	<b>(257)</b>	<b>1,296</b>	<b>1,457</b>
<b>Other Income</b>					
Wealth management	280	265	282	263	221
Net investment securities gains	100	122	17	35	10
Other	495	516	441	430	349
<b>Total other income</b>	<b>875</b>	<b>903</b>	<b>740</b>	<b>728</b>	<b>580</b>
<b>Other Expense</b>					
Salaries and employee benefits	714	691	723	660	614
Goodwill impairment			1,535		
Other	859	874	727	651	463
<b>Total other expense</b>	<b>1,573</b>	<b>1,565</b>	<b>2,985</b>	<b>1,311</b>	<b>1,077</b>
<b>Income (loss) before income taxes</b>	<b>(900)</b>	<b>(1,394)</b>	<b>(2,502)</b>	<b>713</b>	<b>960</b>
Provision (benefit) for income taxes	(385)	(637)	(460)	213	307
<b>Income (loss) from continuing operations including noncontrolling interests</b>	<b>(515)</b>	<b>(757)</b>	<b>(2,042)</b>	<b>500</b>	<b>653</b>
Less: Net income attributable to noncontrolling interests	(1)	(2)	(1)	(3)	(5)

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<b>Income (loss) from continuing operations</b>	(516)	(759)	(2,043)	497	648
Income from discontinued operations, net of tax				654	160
<b>Net Income (Loss) Attributable to Marshall &amp; Ilsley Corporation</b>	\$ (516)	\$ (759)	\$ (2,043)	\$ 1,151	\$ 808
Preferred dividends	(101)	(100)	(13)		
<b>Net Income (Loss) Attributable to Marshall &amp; Ilsley Corporation Common Shareholders</b>	\$ (617)	\$ (859)	\$ (2,056)	\$ 1,151	\$ 808

**Table of Contents**

	2010	For the Years Ended December 31,			2006
	2009	2008	2007		
<b>Per Share Attributable to Marshall &amp; Ilsley Corporation Common Shareholders</b>					
<b>Basic:</b>					
Continuing Operations	\$ (1.18)	\$ (2.46)	\$ (7.92)	\$ 1.91	\$ 2.60
Discontinued operations				2.51	0.64
Net Income (Loss)	\$ (1.18)	\$ (2.46)	\$ (7.92)	\$ 4.42	\$ 3.24
<b>Diluted:</b>					
Continuing Operations	\$ (1.18)	\$ (2.46)	\$ (7.92)	\$ 1.87	\$ 2.54
Discontinued operations				2.47	0.63
Net Income (Loss)	\$ (1.18)	\$ (2.46)	\$ (7.92)	\$ 4.34	\$ 3.17
<b>Other Significant Data:</b>					
Return on Average Marshall & Ilsley Corporation Shareholders Equity	n.m.	n.m.	n.m.	17.23%	14.42%
Return on Average Assets	n.m.	n.m.	n.m.	1.98	1.53
Common Dividend Declared	\$ 0.04	\$ 0.04	\$ 1.27	\$ 1.20	\$ 1.05
Dividend Payout Ratio	n.m.	n.m.	n.m.	27.65%	33.12%
Average Equity* to Average Assets Ratio	12.51%	10.96%	11.03	11.55	10.76
Ratio of Earnings to Fixed Charges					
Excluding Interest on Deposits	n.m.	n.m.	n.m.	1.85x	2.42x
Including Interest on Deposits	n.m.	n.m.	n.m.	1.34x	1.54x

\* Includes preferred equity and noncontrolling interest in subsidiaries.



**Table of Contents****Consolidated Balance Sheets**

(US\$ in millions except share data)

	2010	2009	December 31, 2008	2007	2006
<b>Assets:</b>					
Cash and cash equivalents	\$ 601	\$ 832	\$ 1,072	\$ 1,823	\$ 1,439
Interest bearing deposits at other banks	2,374	1,129	10	8	16
Trading assets, at fair value	258	256	518	125	36
Investment securities:					
Available for sale, at fair value	6,505	6,678	7,090	7,172	6,662
FRB stock and FHLB stock, at cost	380	395	340	271	247
Held to maturity, at amortized cost	72	104	238	375	496
Total investment securities	6,957	7,177	7,668	7,818	7,405
Loan to Metavante					982
Loans held for sale	138	214	221	132	301
Loans and leases	36,861	44,004	49,764	46,164	41,634
Allowance for loan and lease losses	(1,388)	(1,481)	(1,202)	(496)	(421)
Net loans and leases	35,473	42,523	48,562	45,668	41,213
Premises and equipment, net	528	566	565	470	436
Goodwill and other intangible assets	724	744	763	1,808	1,573
Bank-owned life insurance	1,234	1,189	1,158	1,115	775
Other real estate owned (OREO)	340	431	321	115	26
Accrued interest and other assets	2,205	2,149	1,478	767	710
Total assets of continuing operations	50,832	57,210	62,336	59,849	54,912
Assets of discontinued operations					1,318
<b>Total Assets</b>	<b>\$ 50,832</b>	<b>\$ 57,210</b>	<b>\$ 62,336</b>	<b>\$ 59,849</b>	<b>\$ 56,230</b>
<b>Liabilities and Equity:</b>					
Deposits:					
Noninterest bearing	\$ 8,079	\$ 7,833	\$ 6,880	\$ 6,174	\$ 6,144
Interest bearing	30,180	33,805	34,143	29,017	28,483
Total deposits	38,259	41,638	41,023	35,191	34,627
Short-term borrowings	228	1,120	4,058	6,811	3,609
Long-term borrowings	5,029	6,426	9,614	9,873	10,842
Accrued expenses and other liabilities	977	1,040	1,370	931	889
Liabilities of discontinued operations					43
<b>Total Liabilities</b>	<b>44,493</b>	<b>50,224</b>	<b>56,065</b>	<b>52,806</b>	<b>50,010</b>
<b>Equity</b>					
Preferred stock	2	2	2		
Common stock	530	530	272	267	262
Additional paid in capital	4,948	4,998	3,839	2,059	1,770
Retained earnings	1,028	1,666	2,539	4,923	4,383
Treasury stock, at cost	(34)	(132)	(193)	(118)	(206)
Deferred compensation	(39)	(38)	(41)	(45)	(41)
Accumulated other comprehensive income, net of related taxes	(107)	(51)	(158)	(53)	(17)
Total Marshall & Ilsley Corporation shareholders' equity	6,328	6,975	6,260	7,033	6,151
Noncontrolling interest in subsidiaries	11	11	11	10	69

<b>Total Equity</b>	6,339	6,986	6,271	7,043	6,220
<b>Total Liabilities and Equity</b>	\$ 50,832	\$ 57,210	\$ 62,336	\$ 59,849	\$ 56,230

**Table of Contents****Consolidated Balance Sheets**

(US\$ in millions except share data) (Continued)

	2010	2009	December 31, 2008	2007	2006
<b>Other Significant Data:</b>					
Preferred shares outstanding	1,715,000	1,715,000	1,715,000		
Common Shares outstanding	528,677,001	525,370,196	265,341,181	263,486,743	255,469,692
Book Value per Common Share	\$ 8.89	\$ 10.21	\$ 17.58	\$ 26.86	\$ 24.24
Net Loan and Lease Charge-offs to Average Loans and Leases	4.49%	4.26%	2.74%	0.59%	0.10%
Total Nonperforming Loans and Leases and OREO to End of Period Loans and Leases and OREO	5.11	5.54	3.67	1.73	0.69
Allowance for Loan and Lease Losses to End of Period Loans and Leases	3.75	3.35	2.41	1.07	1.00
Allowance for Loan and Lease Losses to Total Nonperforming Loans and Leases*	90	75	82	72	159

\* Excludes nonaccrual loans held for sale.

**Table of Contents**

**UNAUDITED PRO FORMA CONDENSED COMBINED  
CONSOLIDATED FINANCIAL INFORMATION**

The following tables present, as at the dates and for the periods indicated, selected unaudited pro forma condensed combined consolidated financial information and explanatory notes, and include the impact of the merger on BMO and M&I's respective historical financial positions and results of operations. The unaudited pro forma condensed combined consolidated balance sheet at January 31, 2011 assumes the merger was completed on that date. The unaudited pro forma condensed combined consolidated statements of income for the year ended October 31, 2010 and the three months ended January 31, 2011 give effect to the merger as if it had been completed on November 1, 2009. This unaudited pro forma condensed combined consolidated financial information has been prepared in accordance with Canadian GAAP and includes M&I's financial information prepared on a Canadian GAAP basis. A reconciliation of Canadian GAAP to U.S. GAAP has been provided in Note 5 to the unaudited pro forma condensed combined consolidated financial information. Regarding the merger, BMO is treated as the acquirer and the acquired assets and liabilities are recorded by BMO at their estimated fair values as of the date the merger was assumed to be completed.

The unaudited pro forma condensed combined consolidated financial information has been derived from and should be read in conjunction with BMO's audited consolidated financial statements for the year ended October 31, 2010, BMO's unaudited consolidated financial statements as at and for the three months ended January 31, 2011, and M&I's audited consolidated financial statements at and for the year ended December 31, 2010.

The unaudited pro forma condensed combined consolidated financial information is presented for illustrative purposes only and does not purport to indicate the financial results of the combined company had the companies actually been combined at the beginning of the period presented. It does not represent the impact of possible business model changes or potential changes to asset valuations due to changes in market conditions. The unaudited pro forma condensed combined consolidated financial information also does not consider any potential impacts of changes in market conditions on revenues, expense efficiencies, asset dispositions, and share repurchases, among other factors. The unaudited pro forma condensed combined consolidated income statement does not consider any changes to the provision for credit losses resulting from recording loan assets at fair value. As a result, actual results will differ from the unaudited pro forma condensed combined consolidated financial information presented.

**Bank of Montreal**

**Pro Forma Condensed Combined Consolidated Balance Sheet**

(unaudited)

January 31, 2011

	BMO as at January 31, 2011  (in \$ millions CDN)	M&I as at December 31, 2010 (in \$ millions USD)	M&I converted to CDN *  (in \$ millions CDN)	Reporting Reclassifications and Other Adjustments			Pro forma Adjustments			Pro forma Balance Sheet
Assets										
Cash and cash equivalents	24,239	2,975	2,981	(25)	2	(1,722)		F	25,473	
Securities - Trading	74,377	243	244	(242)	1				74,379	
Securities - Available for Sale	47,367	6,505	6,519						53,886	
Securities - Other	37,024	452	453	25	2	3		A	37,505	
Loans and customers liability under acceptances, net of the allowance for credit losses	176,914	35,612	35,690			(3,395)		C	209,209	
Derivative Instruments	39,354			277	1				39,631	
Goodwill	1,598	610	611			1,617		B	3,826	
Intangible Assets	822	115	115			266		I	1,203	
Other Assets	11,549	4,358	4,369			1,405		H	17,323	
	413,244	50,870	50,982	35		(1,826)			462,435	

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**Liabilities**

Deposits	251,600	38,259	38,343	(28)	1	256	D	290,171
Derivative Instruments	37,393			273	1			37,666
Securities sold but not yet purchased	22,152							22,152
Securities lent or sold under repurchase agreements	52,143							52,143
Subordinated debt and other borrowings	3,713	5,029	5,040	8	1	(29)	E	8,732
Other liabilities	24,250	1,255	1,258	(218)	1	336	H,J,K	25,626
Shareholders' Equity	21,993	6,327	6,341			(2,389)	F,G	25,945
	413,244	50,870	50,982	35		(1,826)		462,435

The accompanying notes should be read in conjunction with the pro forma condensed combined consolidated financial information.

\*The pro forma condensed consolidated balance sheet of M&I has been converted from USD to CDN using an exchange rate of 1.0022. The pro forma condensed consolidated income statement of M&I for the year ended December 31, 2010 has been converted from USD to CDN using an average annual rate of 1.0260. The pro forma condensed consolidated income statement of M&I for the three months ended December 31, 2010 has been converted from USD to CDN using an average rate of 1.0050.

**Table of Contents****Bank of Montreal****Pro Forma Condensed Combined Consolidated Income Statement**

(unaudited)

For the year ended October 31, 2010

	BMO Year Ended October 31, 2010  (in \$ millions CDN)	M&I Year Ended December 31, 2010  (in \$ millions USD)	M&I converted to CDN *  (in \$ millions CDN)	Reporting Reclassifications and Other Adjustments	Pro forma Adjustments	Pro forma Income Statement
<b>Interest, Dividend and Fee Income</b>						
Loans	7,270	1,959	2,010		(389) L	8,891
Securities	2,134	204	209			2,343
Other	74	5	5			79
	9,478	2,168	2,224		(389)	11,313
<b>Interest Expense</b>						
Deposits	2,362	406	417		(140) Q	2,639
Other liabilities	881	205	210			1,091
	3,243	611	627		(140)	3,730
<b>Net Interest Income</b>	6,235	1,557	1,597		(249)	7,583
Provision for Credit Losses	1,049	1,759	1,805		P	2,854
<b>Net Interest Income after Provision for Credit Losses</b>	5,186	(202)	(208)		(249)	4,729
<b>Non Interest Revenue</b>						
Securities commissions and fees	1,048					1,048
Deposit and payment service charges	802	127	130			932
Trading revenues	504			7 3		511
Securities gains (losses), other than trading	150	100	103			253
Lending fees	572					572
Investment Management, custodial revenues and mutual fund revenues	905	280	287			1,192
Securitization Revenues	678					678
Underwriting and advisory fees	445					445
Other	871	368	378	(7) 3		1,242
	5,975	875	898			6,873
<b>Net Interest Income and Non Interest Revenue</b>	11,161	673	690		(249)	11,602
<b>Non-Interest Expense</b>						
Employee Compensation	4,364	714	733			5,097
Premises and Equipment	1,343	167	171			1,514
Travel and Business Development	343					343
Amortization of Intangible Assets	203	20	21		48 M	272
Professional Fees	372	116	119			491
Other	965	556	570			1,535
	7,590	1,573	1,614		48	9,252
<b>Income Before Provision for (Recovery of) Income Taxes and Non-Controlling Interest in Subsidiaries</b>	3,571	(900)	(924)		(297)	2,350

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Provision for (recovery of) income taxes	687	(385)	(395)	(116)	N	176
	2,884	(515)	(529)	(181)		2,174
Non-controlling interest in subsidiaries	74	1	1			75
<b>Net Income</b>	2,810	(516)	(530)	(181)		2,099
Preferred share dividends	136	101	104	(104)	O	136
Net income available to common shareholders	2,674	(617)	(634)	(77)		1,963
Average common shares (in thousands)	559,822	524,628	524,628	66,455		626,277
Average diluted common shares (in thousands)	563,125	524,628	524,628	66,878		630,003
<b>Earnings Per Share</b>						
Basic	4.78	(1.18)	(1.21)			3.13
Diluted	4.75	(1.18)	(1.21)			3.12
Dividends Declared Per Common Share	2.80	0.04	0.04			2.80

**The accompanying notes should be read in conjunction with the pro forma condensed combined consolidated financial information.**

\*The pro forma condensed consolidated balance sheet of M&I has been converted from USD to CDN using an exchange rate of 1.0022. The pro forma condensed consolidated income statement of M&I for the year ended December 31, 2010 has been converted from USD to CDN using an average annual rate of 1.0260. The pro forma condensed consolidated income statement of M&I for the three months ended December 31, 2010 has been converted from USD to CDN using an average rate of 1.0050.

**Table of Contents****Bank of Montreal****Pro Forma Condensed Combined Consolidated Income Statement****(unaudited)****For the three months ended January 31, 2011**

	<b>BMO Quarter Ended January 31, 2011</b>	<b>M&amp;I Quarter Ended December 31, 2010</b>	<b>M&amp;I converted to CDN *</b>	<b>Reporting Reclassifications and Other Adjustments</b>	<b>Pro forma Adjustments</b>	<b>Pro forma Income Statement</b>
	<b>(in \$ millions CDN)</b>	<b>(in \$ millions USD)</b>	<b>(in \$ millions CDN)</b>		<b>(in \$ millions CDN)</b>	
<b>Interest, Dividend and Fee Income</b>						
Loans	1,932	464	466		(66) L	2,332
Securities	634	40	40			674
Other	21	2	2			23
	2,587	506	508		(66)	3,029
<b>Interest Expense</b>						
Deposits	679	86	86		(35) Q	730
Other liabilities	281	49	49			330
	960	135	135		(35)	1,060
<b>Net Interest Income</b>	1,627	371	373		(31)	1,969
Provision for Credit Losses	248	429	431		P	679
<b>Net Interest Income after Provision for Credit Losses</b>	1,379	(58)	(58)		(31)	1,290
<b>Non Interest Revenue</b>						
Securities commissions and fees	302					302
Deposit and payment service charges	195	30	30			225
Trading revenues	208			3 3		211
Securities gains (losses), other than trading	32	54	54			86
Lending fees	149					149
Investment Management, custodial revenues and mutual fund revenues	246	73	73			319
Securitization Revenues	167					167
Underwriting and advisory fees	152					152
Other	268	99	99	(3) 3		364
	1,719	256	256			1,975
<b>Net Interest Income and Non Interest Revenue</b>	3,098	198	198		(31)	3,265
<b>Non-Interest Expense</b>						
Employee Compensation	1,210	176	177			1,387
Premises and Equipment	343	43	43			386
Travel and Business Development	86					86
Amortization of Intangible Assets	50	5	5		10 M	65
Professional Fees	99	41	41			140
Other	258	136	136			394
	2,046	401	402		10	2,458



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<b>Income Before Provision for (Recovery of) Income Taxes and Non-Controlling Interest in Subsidiaries</b>	1,052	(203)	(204)	(41)		807
Provision for (recovery of) income taxes	258	(95)	(95)	(16)	N	147
	794	(108)	(109)	(25)		660
Non-controlling interest in subsidiaries	18					18
<b>Net Income</b>	776	(108)	(109)	(25)		642
Preferred share dividends	34	25	25	(25)	O	34
Net income available to common shareholders	742	(133)	(134)	0		608
Average common shares (in thousands)	567,301	525,300	525,300	66,455		633,756
Average diluted common shares (in thousands)	569,938	525,300	525,300	66,878		636,816
<b>Earnings Per Share</b>						
Basic	1.31	(0.25)	(0.26)			0.96
Diluted	1.30	(0.25)	(0.26)			0.95
Dividends Declared Per Common Share	0.70	0.01	0.01			0.70

The accompanying notes should be read in conjunction with the pro forma condensed combined consolidated financial information.

\*The pro forma condensed consolidated balance sheet of M&I has been converted from USD to CDN using an exchange rate of 1.0022. The pro forma condensed consolidated income statement of M&I for the year ended December 31, 2010 has been converted from USD to CDN using an average annual rate of 1.0260. The pro forma condensed consolidated income statement of M&I for the three months ended December 31, 2010 has been converted from USD to CDN using an average rate of 1.0050.

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**Table of Contents**

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION**

**Note 1 Basis of Pro Forma Presentation**

The unaudited pro forma condensed combined consolidated financial information related to the merger is included for the year ended October 31, 2010, and as at and for the three months ended January 31, 2011. The merger is being accounted for under the purchase method of accounting under Canadian GAAP and BMO has been identified as the acquirer. Under Canadian GAAP, the purchase price will be determined based on the average price of BMO common stock prevailing over the 5 day period around the announcement date of the merger.

M&I's results for the three months ended December 31, 2010 have been included in the unaudited pro forma condensed combined consolidated income statement for the three months ended January 31, 2011, as there have been no interim financial statements filed by M&I subsequent to the filing of their annual report for the year ended December 31, 2010. These results have been derived from M&I's audited consolidated statement of income for the year ended December 31, 2010 and M&I's unaudited consolidated statement of income for the nine months ended September 30, 2010. M&I's results for the year ended December 31, 2010 have been included in the unaudited pro forma condensed combined consolidated income statement for the year ended October 31, 2010.

The unaudited pro forma condensed combined consolidated financial information includes preliminary estimated adjustments to record the assets and liabilities of M&I at their respective estimated fair values and represents management's estimates based on available information. Assumptions and estimates underlying the unaudited pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited condensed combined consolidated pro forma financial information. Since the pro forma condensed combined consolidated financial information has been prepared based on preliminary estimates, the final amounts recorded at the date of the merger will differ from the information presented. These estimates are subject to change pending further review of the assets acquired and liabilities assumed and the final purchase price. The pro forma adjustments included herein may be revised as additional information becomes available and as additional analyses are performed. The final allocation of the purchase price will be determined after completion of a final analysis to determine the fair values of M&I's tangible and identifiable intangible assets and liabilities and will be based on the fair value of assets and liabilities on the closing date of the transaction. Actual results will differ from these estimates.

The unaudited pro forma condensed combined consolidated financial information does not reflect any costs savings (or associated costs to achieve such savings) from operating efficiencies or synergies that could result from the merger.

As the parties anticipate that the merger will be accounted for using the purchase method of accounting, all acquired loans are recorded at fair value, including adjustments for credit, and no allowance for credit losses is carried over to BMO's balance sheet.

While the recording of the acquired loans at their fair value will impact the prospective determination of the provision for credit losses and the allowance for credit losses, for the purposes of the unaudited pro forma condensed combined consolidated income statement for the year ended October 31, 2010, and the three months ended January 31, 2011, no adjustments to the historical amount of M&I's provision for credit losses were assumed. If the adjustments were estimated based on information currently available, there would be a substantial reduction in the provision for credit losses compared with the amounts reported by M&I in its historical results.

Certain amounts in the historical consolidated financial statements of BMO and M&I have been reclassified to conform to the combined company's classification.

The unaudited pro forma condensed combined consolidated financial information is presented in this document for illustrative purposes only and does not indicate the results of operations or the combined financial

## **Table of Contents**

position that would have resulted had the merger been completed at the beginning of the applicable period presented, nor the impact of possible business model changes as a result of changes in market conditions which would impact revenues, expense efficiencies, asset dispositions, share repurchases and other factors. Additionally, the unaudited pro forma condensed combined financial information is not indicative of the results of operations in future periods or the future financial position of the combined company.

### **Note 2 Reporting Reclassifications and Other Adjustments for the Merger**

- 1 Adjustments to reclassify M&I's trading derivative assets (included in Securities Trading on M&I's balance sheet), trading derivative liabilities (included in Other liabilities on M&I's balance sheet) and hedging derivatives (included in the same line item as the hedged item on M&I's balance sheet) to Derivative Instruments to conform to BMO's presentation.
- 2 Adjustments to reclassify M&I's federal funds sold and security resale agreements (classified as Cash and Cash Equivalents on M&I's balance sheet) to Securities Other to conform to BMO's presentation.
- 3 Adjustments to reclassify M&I's gains and losses associated with certain trading derivatives in Other non-interest revenue to Trading revenues to conform with BMO's presentation.

### **Note 3 Preliminary Purchase Price Allocation for the Merger and Pro Forma Adjustments**

BMO will exchange all of the outstanding M&I common stock for BMO common stock at the fixed exchange ratio of 0.1257 shares of BMO common stock for each outstanding share of M&I common stock. The preliminary purchase price was computed using the number of M&I common shares outstanding as of December 31, 2010, adjusted for the fixed exchange ratio. The preliminary purchase price reflects the average price of BMO's common stock prevailing during the 5 day period around the announcement date of the merger.

The allocation of the purchase price will be based on the fair value of the assets acquired and the liabilities assumed at the effective date of the transaction and other information available at that date. The allocation of the purchase price of each asset acquired and liability assumed is not yet finalized and may vary from the amounts below.

**Table of Contents**

The purchase price for the merger is estimated as follows:

<b>M&amp;I Preliminary Purchase Price Allocation</b>	
(Dollars in millions, except per share amounts)	
M&I Common Shares exchanged (in millions)	529
Exchange Ratio	0.1257
BMO common shares to be issued (in millions)	66.45
Purchase Price per share of BMO common stock <sup>(1)</sup>	59.32
Total Value of Common Stock and cash exchanged for fractional shares	3,942
Fair Value of M&I Options outstanding converted to BMO Options	10
Estimated Acquisition Related Costs	227
Total Purchase Price	4,179
<b>Preliminary allocation of purchase price</b>	
M&I Common stockholders' equity	4,619
M&I Goodwill and Intangible Assets	(726)
Writeoff of deferred tax liability associated with M&I's intangible assets	35
Pre-tax adjustments to reflect acquired assets and liabilities at fair value	
Securities	3
Pension Liability	5
Deposits	(256)
Loans	(3,395)
Intangible Assets	381
Long term borrowings	29
Pre-tax total adjustments	(3,233)
Future Tax Liability	(149)
Future Tax Asset	1,405
After tax adjustments	(1,977)
Fair Value of net assets acquired	1,951
Preliminary Goodwill	2,228

(1) The value of BMO common stock was arrived at using the average of BMO's common stock price prevailing during the five day period around the announcement date of the merger.

The following pro forma adjustments were made to account for the merger in the consolidated pro forma balance sheet and income statement:

- A Adjustments to record M&I's held to maturity investment portfolio at its estimated fair value, which is carried at amortized cost on M&I's balance sheet.
- B Adjustment to write off the existing goodwill on M&I's balance sheet of \$611 million, and record the goodwill associated with the merger of M&I of \$2,228 million.

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- C Adjustment to record M&I's loan portfolio at its estimated fair value which is carried at amortized cost on M&I's balance sheet.
- D Adjustment to record M&I's deposits at their estimated fair value which are carried at amortized cost on M&I's balance sheet.
- E Adjustment to record the value of subordinated debt outstanding at its estimated fair value which is recorded on M&I's balance sheet at amortized cost.
- F Adjustment to reflect the purchase by a subsidiary of BMO from the U.S. Treasury of the TARP Preferred Stock outstanding as well as the purchase of a warrant to acquire M&I common stock followed by the cancellation of such stock and warrant.

**Table of Contents**

- G Adjustment to eliminate M&I's historical common stockholders' equity and reflect BMO's capitalization of M&I through the issuance of common shares. In addition, an adjustment to eliminate M&I's existing stock options outstanding and reflect the replacement of the M&I stock options with options to purchase BMO shares.
- H Adjustment to record additional future tax assets approximating \$1,405 million as a result of pro forma adjustments to mark assets and liabilities at fair value. The adjustment to Other Liabilities is to record a future tax liability relating to the new intangible assets of \$149 million.
- I Adjustment to write down M&I's intangible assets of \$115 million and to record an intangible asset relating to core deposits upon completion of the merger of \$381 million.
- J Adjustment to reflect pension liability associated with M&I's post-retirement health benefit plan.
- K Adjustment to record the estimated liability for merger related costs which will be capitalized as part of the purchase price equation.
- L Adjustment to reflect the decrease in interest income resulting from the write down of M&I's loan portfolio to fair value.
- M Adjustment to reflect the increase in amortization expense associated with the core deposit intangibles identified as part of the business combination over the amortization previously recorded by M&I on their existing intangible assets.
- N Adjustments to reflect the tax impact of the adjustments to interest income from loans, interest expense on deposits and amortization of intangible assets.
- O Adjustment to dividends to reflect the purchase and cancellation of the TARP Preferred Stock.
- P While the recording of the acquired loans at their fair value will impact the prospective determination of the provision for credit losses and the allowance for credit losses, for the purposes of the unaudited pro forma condensed combined consolidated income statement for the year ended October 31, 2010 and the three months ended January 31, 2011, no adjustments to the historical amount of M&I's provision for credit losses were assumed. If the adjustments were estimated based on information currently available, there would be a substantial reduction in the provision for credit losses compared with the amounts reported by M&I in its historical results.
- Q Adjustment to reflect the reduction in interest expense on deposits resulting from an increase in the estimated fair value of deposits.

**Note 4 Merger Related Charges for the Merger**

In connection with the merger, costs to integrate BMO's and M&I's operations are estimated to be approximately \$540 million. These costs are associated with integrating information systems, renegotiation of supplier contracts, transaction-related fees, and termination of personnel. The integration of the two companies is estimated to continue through 2013. No amount has been accrued for integration charges in the unaudited pro forma financial information. For financial statement reporting purposes, certain merger related costs will be capitalized under Canadian GAAP.

**Table of Contents****Note 5 Reconciliation of Canadian and United States Generally Accepted Accounting Principles**

The pro forma condensed combined consolidated balance sheet and pro forma condensed combined consolidated income statements included are prepared in accordance with Canadian GAAP. The following table includes the significant differences that would result if U.S. GAAP were applied in the preparation of the pro forma condensed combined consolidated balance sheet and pro forma condensed combined consolidated income statement.

<b>Condensed Consolidated Balance Sheet at January 31, 2011</b>	<b>Pro forma Balance Sheet in CDN GAAP (in millions CDN)</b>	<b>U.S. GAAP Adjustments (in millions CDN)</b>	<b>Pro forma Balance Sheet in U.S. GAAP (in millions CDN)</b>
<b>Assets</b>			
Cash and cash equivalents (a,k)	25,473	(1,818)	23,655
Securities Trading (b,d,k)	74,379	(8,393)	65,986
Securities Available for Sale (b,d,e,k,o)	53,886	7,788	61,674
Securities Other (f)	37,505	(73)	37,432
Loans and customers liability under acceptances, net of the allowance for credit losses (a,c,g,k)	209,209	9,468	218,677
Derivative Instruments (g,k)	39,631	(26,509)	13,122
Goodwill (i,p)	3,826	(106)	3,720
Intangible Assets (i)	1,203		1,203
Other Assets (b,c,d,f,i,j,k,m,o,p)	17,323	(10,968)	6,355
	462,435	(30,611)	431,824
<b>Liabilities</b>			
Deposits (g,k)	290,171	9,469	299,640
Derivative Instruments (g,k)	37,666	(25,450)	12,216
Securities sold but not yet purchased	22,152		22,152
Securities lent or sold under repurchase agreements	52,143		52,143
Subordinated debt and other borrowings (k)	8,732	797	9,529
Other liabilities (b,d,e,j,k,l,m,n,p)	25,626	(15,916)	9,710
Shareholders Equity (c,d,f,h,i,j,k,l,n,o,p)	25,945	489	26,434
	462,435	(30,611)	431,824

**Table of Contents****Reconciliation of Income**

(Canadian \$ in millions, except per share amounts)		Quarter ended January 31, 2011	Year Ended October 31, 2010
Net income before non-controlling interest, under Canadian GAAP		660	2,174
Adjustments to arrive at U.S. GAAP:			
Net Interest Income	Consolidation of VIEs including QSPEs (k)	(73)	
	Liabilities and equity (l)	12	71
	Provision for credit losses (c)	(6)	
Non-Interest Revenue	Consolidation of VIEs including QSPEs (k)	33	
	Merchant banking (f)	7	(73)
	Reclassification from trading securities to available-for-sale securities (q)		92
	Insurance (d)	(27)	13
	Derivatives (h)	(181)	211
	Other-than-temporary impairment (o)		(6)
Non-Interest Expense	Consolidation of VIEs including QSPEs (k)	(2)	
	Pension and other employee future benefits (j)	1	(9)
	Business combination (p)		(8)
Income taxes and net change in income taxes (m) (including adjustments due to items listed above)		72	(65)
Net income before non-controlling interest, based on U.S. GAAP		496	2,400
Non-controlling interest in subsidiaries, as reported under Canadian GAAP		18	75
Adjustment to non-controlling interest to arrive at U.S. GAAP		12	71
Non-controlling interest in subsidiaries, based on U.S. GAAP		30	146
Net income based on U.S. GAAP		466	2,254
Earnings per share: basic	Canadian GAAP net income	0.96	3.13
	U.S. GAAP net income	0.68	3.38
Earnings per share: diluted	Canadian GAAP net income	0.95	3.12
	U.S. GAAP net income	0.68	3.36

*(a) Bankers' Acceptances*

Under U.S. GAAP, bankers' acceptances purchased from other banks are classified as loans. Under Canadian GAAP, bankers' acceptances purchased from other banks are recorded as interest bearing deposits with banks in BMO's pro forma condensed combined consolidated balance sheet.

*(b) Accounting for Securities Transactions*

Under U.S. GAAP, securities transactions are recognized in BMO's pro forma condensed combined consolidated balance sheet when we enter into the transaction. Under Canadian GAAP, securities transactions are recognized in BMO's pro forma condensed combined consolidated balance sheet when the transaction is settled.

*(c) Accounting of Acquired Loans*



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Under U.S. GAAP, any increase of expected undiscounted cash flows from acquired loans over their fair value at the date of acquisition is adjusted to the yield of the loan over its term. Under Canadian GAAP, any increase in expected undiscounted cash flow from acquired loans over their fair value at the date of acquisition is recorded as a recovery.

## **Table of Contents**

### *(d) Insurance Accounting*

Under U.S. GAAP, fixed income and equity investments supporting the policy benefit liabilities of life and health insurance contracts are classified as available-for-sale securities. Under Canadian GAAP, fixed income and equity investments supporting the policy benefit liabilities of life and health insurance contracts are designated as held-for-trading securities using the fair value option.

Under U.S. GAAP, liabilities for life insurance contracts, except universal life and other investment-type contracts are determined using the net level premium method. For universal life and other investment-type contracts, liabilities represent policyholder account balances and include a reserve calculated using the net level premium method for some contracts. Under Canadian GAAP, liabilities for life insurance contracts are determined using the Canadian asset liability method.

Under U.S. GAAP, premiums received for universal life and other investment-type contracts are recorded as a liability. Under Canadian GAAP, these premiums are recorded in income and a liability for future policy benefits is established that is an offsetting charge to income.

Under both U.S. and Canadian GAAP, premiums from long-duration contracts are recognized in income when due and premiums, net of reinsurance, for short-duration contracts are recorded in income over the related contract period.

Under U.S. GAAP, reinsurance recoverables, deferred acquisition costs for life insurance and annuity contracts and the value of in-force life insurance business acquired ( VOBA ) are recorded as assets. Deferred acquisition costs and VOBA are then amortized. Under Canadian GAAP, these items are included in the insurance-related liability balance.

### *(e) Non-Cash Collateral*

Under U.S. GAAP, non-cash collateral received in securities lending transactions that we are permitted by contract to sell or repledge is recorded as an asset in BMO s pro forma condensed combined consolidated balance sheet and a corresponding liability is recorded for the obligation to return the collateral. Under Canadian GAAP, such collateral and the related obligation are not recorded in our pro forma condensed combined consolidated balance sheet.

### *(f) Merchant Banking Investments*

Under U.S. GAAP, BMO s merchant banking subsidiaries account for their investments at cost or under the equity method. Under Canadian GAAP, these subsidiaries account for their investments at fair value, with changes in fair value recorded in income as they occur.

### *(g) Offsetting of Amounts Related to Certain Contracts*

Under U.S. GAAP, BMO s right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments are netted against the derivative instruments if they are executed with the same counterparty under a master netting agreement. Under Canadian GAAP, these amounts are not presented net. Cash collateral posted is recorded as a loan and cash collateral received is recorded as a deposit liability. Also under U.S. GAAP, derivative assets and liabilities having valid rights of set-off are reported on a net basis. Under Canadian GAAP, these derivative assets and liabilities are reported on a gross basis.

### *(h) Derivatives*

Certain of BMO s interest rate swaps designated as cash flow hedges under Canadian GAAP must be marked to market through income under U.S. GAAP as they do not qualify for hedge accounting. Under Canadian GAAP, they qualify for hedge accounting and are measured at fair value through other comprehensive income.

**Table of Contents**

*(i) Goodwill and Other Assets*

Under U.S. GAAP, BMO's acquisition of Suburban Bancorp, Inc. in 1994 was accounted for using the pooling of interests method. Under Canadian GAAP, we accounted for this acquisition using the purchase method, which resulted in the recognition and amortization of fair value increments on buildings, goodwill and intangible assets associated with the acquisition. Effective November 1, 2001, goodwill is no longer amortized to income under either U.S. GAAP or Canadian GAAP. The remaining difference relates to the amortization of the fair value increments on buildings and intangible assets under Canadian GAAP.

*(j) Pension and Other Employee Future Benefits*

U.S. GAAP requires BMO to recognize the excess of the fair value of BMO's pension and other employee future benefit plan assets over the corresponding benefit obligation as an asset and the shortfall of the fair value of BMO's plan assets compared to the corresponding benefit obligation as a liability. This is done on a plan-by-plan basis. The unamortized actuarial gains (losses) and the cost (benefit) of plan amendments are recorded in Accumulated Other Comprehensive (Income) Loss. Under Canadian GAAP, these amounts are recorded in BMO's pro forma condensed combined consolidated balance sheet in other assets or other liabilities. There is no change in the calculation of the pension and other employee future benefits expense.

Effective November 1, 2000, BMO adopted a new Canadian accounting standard on pension and employee future benefits that eliminated the then existing differences between Canadian and U.S. GAAP. When BMO adopted this new standard, BMO accounted for the change in accounting as a charge to retained earnings. As a result, there will continue to be an adjustment to the pro forma condensed combined consolidated income statement until amounts previously deferred under U.S. GAAP have been fully amortized.

*(k) Consolidation of Variable Interest Entities including QSPEs*

During the quarter ended January 31, 2011, BMO adopted new U.S. GAAP on consolidation of variable interest entities and accounting for transfers of financial assets. Under U.S. GAAP, an enterprise is required to consolidate a variable interest entity ( VIE ) if it has both the power to direct the activities that most significantly affect the VIE's economic performance and the obligation to absorb losses or the right to receive benefits that are significant from the VIE. In addition, U.S. GAAP requires an enterprise to assess if VIEs that were previously qualifying special-purpose entities ( QSPEs ) must be consolidated by the enterprise and has more stringent conditions for reporting the transfer of a portion of a financial asset for sale. Canadian GAAP requires an enterprise to consolidate a VIE if it absorbs a majority of the expected losses or residual returns, or both and qualifying special-purposes entities are exempted from the consolidation rules. As a result of the adoption of these new standards, certain of our VIEs and securitization programs have been consolidated for U.S. GAAP reporting purposes.

*(l) Liabilities and Equity*

Under U.S. GAAP, certain of BMO's capital trust securities that are ultimately convertible into a variable number of BMO's common stock at the holder's option are classified as non-controlling interest, with payments recognized as minority interest. Under Canadian GAAP, capital trust securities with this conversion feature are classified as liabilities, with payments recognized as interest expense.

*(m) Income Taxes*

In addition to the tax impact of other differences between Canadian GAAP and U.S. GAAP, under U.S. GAAP, tax rate changes do not have any impact on the measurement of BMO's future income tax balances until they are passed into law. Under Canadian GAAP, tax rate changes are recorded in income in the period the tax rate change is substantively enacted.

**Table of Contents**

*(n) Non-controlling Interests in Consolidated Financial Statements*

Effective November 1, 2009, BMO adopted the new U.S. guidance on non-controlling interests in subsidiaries issued by the Financial Accounting Standards Board ( FASB ). Under this new standard, all non-controlling interests held by parties other than the parent entity are reported as equity for U.S. GAAP reporting purposes. Under Canadian GAAP, all non-controlling interests are reported as other liabilities.

*(o) Other-than-Temporary Impairment*

Under U.S. GAAP, if a debt security is determined to be other-than-temporarily impaired, the amount of the impairment charge equal to the credit loss will be recorded in income and the remaining impairment charge will be recorded in accumulated other comprehensive income. Under Canadian GAAP, all impairment is recorded in income.

Under Canadian GAAP, impairment losses recorded against net income relating to an available-for-sale debt security may be reversed through net income if the fair value of the security increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized in net income. This is not permitted under U.S. GAAP.

*(p) Business Combinations*

Under U.S. GAAP, acquisition-related costs, except costs to issue debt or equity securities, are recorded as expenses in the period in which the costs are incurred. Under Canadian GAAP, acquisition-related costs are included in the cost of the purchase.

Under U.S. GAAP, the purchase price for business combinations involving share issuances is based on the share price on the day the transaction closes. Under Canadian GAAP, the share price used is the determination of the purchase price is the share price prevailing over a reasonable period before and after the date the terms of the business combination are agreed to and announced. In the determination of the purchase price under U.S. GAAP for the purposes of the Reconciliation of Canadian GAAP and U.S. GAAP, we have used BMO's closing stock price on the TSX on March 3, 2011 of \$61.78 per share.

*(q) Reclassification from Trading Securities to Available-for-Sale Securities*

During the year ended October 31, 2008, BMO adopted new Canadian accounting guidance which allows, in rare circumstances, certain reclassifications of non-derivative financial assets from trading category to either the available-for-sale or held-to-maturity categories. This new guidance is consistent with U.S. GAAP, except that U.S. GAAP requires that the reclassification be recorded on the date the transfer is completed. BMO elected to transfer from trading to available-for-sale those securities for which BMO had a change in intent caused by market circumstances at that time to hold the securities for the foreseeable future rather than to exit or trade them in the short term. The Canadian accounting guidance was applicable on a retroactive basis to August 1, 2008 and the transfers took place at the fair value of the securities on August 1, 2008. BMO reclassified these securities under U.S. GAAP effective October 31, 2008 at their fair value at that date. This difference will reverse as these securities are sold.

**Table of Contents****UNAUDITED COMPARATIVE PER COMMON SHARE DATA**

The following tables present, as at the dates and for the periods indicated, selected historical unaudited and pro forma unaudited consolidated financial information per share of BMO common stock and M&I common stock. It has been assumed for purposes of the pro forma financial information provided below that the merger was completed on November 1, 2009 for income statement purposes, and on October 31, 2010 for balance sheet purposes. The following information should be read in conjunction with the audited consolidated financial statements of BMO as of and for the year ended October 31, 2010, the unaudited interim consolidated financial statements of BMO as of and for the three months ended January 31, 2011 and the audited consolidated financial statements of M&I as of and for the year ended December 31, 2010, which are incorporated by reference into this proxy statement/prospectus. The following pro forma information has been prepared in accordance with the rules and regulations of the SEC and accordingly includes the effects of purchase accounting. Under Canadian GAAP, the purchase price is based on BMO's share price prevailing at the time the acquisition was announced and merger and acquisition related costs are capitalized. Under U.S. GAAP, the purchase price will be based on BMO's share price at the time the transaction closes and merger and acquisition related costs are expensed. It does not reflect cost savings, synergies or certain other adjustments that may result from the merger. This information is presented for illustrative purposes only. You should not rely on the pro forma combined or pro forma equivalent amounts as they are not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed as of the dates indicated, nor are they necessarily indicative of the future operating results or financial position of the combined company. The pro forma information, although helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings, opportunities to earn additional revenue, the impact of restructuring and merger-related costs, or other factors that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results.

The historical book value per share is computed by dividing common shareholders' equity (shareholders' equity less preferred share equity) by the number of shares of BMO common stock outstanding at the end of the period. The pro forma income per share of the combined company is computed by dividing the pro forma net income available to holders of the combined company's common stock by the pro forma weighted average number of shares outstanding for the periods presented. The pro forma combined book value per share is computed by dividing total pro forma shareholders' equity by the pro forma number of shares of common outstanding at the end of the period presented. The following tables assume the issuance of 66,641,625 shares of BMO common stock in connection with the merger as of October 31, 2010.

	<b>Three Months Ended January 31, 2011 (C\$)</b>	<b>Year Ended October 31, 2010 (C\$)</b>
<b>BMO COMMON SHARES</b>		
<b>Basic earnings per common share:</b>		
Historical (Canadian GAAP)	1.31	4.78
Historical (U.S. GAAP)	0.99	5.05
Pro forma combined (Canadian GAAP)	0.96	3.13
Pro forma combined (U.S. GAAP)	0.68	3.38
<b>Diluted earnings per common share:</b>		
Historical (Canadian GAAP)	1.30	4.75
Historical (U.S. GAAP)	0.99	5.03
Pro forma combined (Canadian GAAP)	0.95	3.12
Pro forma combined (U.S. GAAP)	0.68	3.36

**Table of Contents**

	<b>Three Months Ended January 31, 2011 (C\$)</b>	<b>Year Ended October 31, 2010 (C\$)</b>
<b>Dividends per common share:</b>		
Historical	0.70	2.80
Pro forma combined	0.70	2.80
<b>Book value per common share at period end:</b>		
Historical (Canadian GAAP)	34.21	34.09
Historical (U.S. GAAP)	34.76	36.34
Pro forma combined (Canadian GAAP)	36.85	36.75
Pro forma combined (U.S. GAAP)	37.62	39.05

With respect to the tables above:

BMO pro forma combined amounts were calculated by combining the BMO historical amounts as at and for the year ended October 31, 2010 with the M&I historical amounts for the year ended December 31, 2010 and the BMO historical amounts as at and for the three months ended January 31, 2011 with the M&I historical amounts as at and for the three months ended December 31, 2010.

	<b>Year Ended December 31, 2010 (US dollars)</b>
<b>MARSHALL &amp; ILSLEY COMMON SHARES</b>	
<b>Basic earnings per common share:</b>	
Historical	(1.18)
Equivalent Pro forma	0.41
<b>Diluted earnings per common share:</b>	
Historical	(1.18)
Equivalent Pro forma	0.41
<b>Dividends per common share:</b>	
Historical	0.04
Equivalent Pro forma	0.34
<b>Book value per common share at period end:</b>	
Historical	8.89
Equivalent Pro forma	4.72

With respect to the table above:

Equivalent Pro Forma amounts were derived by multiplying the US dollar equivalent of the pro forma combined (U.S. GAAP) amounts by the merger consideration.

**Table of Contents****COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION**

Shares of BMO common stock are listed on the TSX and the NYSE under the trading symbol BMO . Shares of M&I common stock are currently listed on the NYSE under the trading symbol MI .

The table below sets forth, for the periods indicated, the per share high and low closing sales prices for BMO common stock and M&I common stock as reported on the NYSE and, with respect to BMO common stock, the TSX. TSX closing prices of BMO common stock are presented in Canadian dollars, and the NYSE closing prices of BMO common stock and M&I common stock are presented in US dollars. For comparison purposes, the following table uses calendar year end and calendar quarters, but it should be noted that BMO 's fiscal year end is October 31 and M&I 's fiscal year end is December 31.

	BMO TSX (in C\$)		BMO shares NYSE (in \$)		M&I shares NYSE (in \$)	
	High	Low	High	Low	High	Low
	<b>Annual information for the past five calendar years</b>					
2006	71.71	58.90	63.35	52.46	49.10*	40.83*
2007	72.75	55.04	67.32	55.46	51.48*	26.04*
2008	58.15	29.51	58.46	24.22	29.50	11.50
2009	55.85	24.51	53.08	19.51	13.78	3.11
2010	65.41	51.80	65.30	48.10	10.19	4.66
<b>Quarterly information for the past two years and subsequent quarters:</b>						
<b>2009, quarter ended</b>						
March 31	34.66	24.51	29.28	19.51	13.78	3.11
June 30	49.98	33.92	43.20	26.83	10.10	4.74
September 30	54.55	45.95	50.93	39.30	8.93	4.20
December 31	55.85	49.95	53.08	46.37	7.94	5.10
<b>2010, quarter ended</b>						
March 31	62.31	51.80	61.23	48.10	8.34	5.75
June 30	65.41	57.35	65.30	54.18	10.19	7.12
September 30	63.62	55.50	61.68	52.48	8.41	6.24
December 31	62.18	56.60	61.92	55.58	7.61	4.66
<b>2011, quarter ended</b>						
March 31	62.98	57.66	64.98	57.66	7.99	6.96
June 30 (through April 11, 2011)	63.67	62.11	66.02	64.93	8.14	8.01
<b>Monthly information for the most recent six months</b>						
October 2010	61.70	59.09	60.43	57.66	7.61	5.83
November 2010	60.74	58.20	60.62	56.88	5.75	4.66
December 2010	62.18	56.60	61.92	55.58	6.94	4.88
January 2011	59.68	57.66	60.22	57.66	7.24	6.96
February 2011	61.96	58.13	63.83	58.60	7.77	7.12
March 2011	62.98	61.36	64.98	61.89	7.99	7.53

\* On November 1, 2007, M&I completed a corporate reorganization in connection with the separation of its data services subsidiary, Metavante Corporation. As part of this transaction, the old Marshall & Ilsley Corporation was separated into two publicly traded companies, M&I and Metavante Technologies, Inc. The closing sale prices of M&I common stock for 2006 and 2007 have not been adjusted to reflect this reorganization and separation.

**Table of Contents**

Fluctuations in the exchange rate between the Canadian dollar and the US dollar will affect any comparisons of shares of BMO common stock traded on the TSX and shares of BMO common stock traded on the NYSE.

The following table presents the last reported closing sale price per share of BMO common stock on the TSX and the NYSE and of M&I common stock on the NYSE on (a) December 16, 2010, the last full trading day prior to the public announcement by BMO and M&I of the transaction and execution of the merger agreement, and (b) April 11, 2011, the last trading day for which this information could be calculated prior to the date of this proxy statement/prospectus. The table also sets forth the equivalent pro forma sale price of M&I common stock on each of these dates, as determined by multiplying the applicable closing sale price of BMO common stock on the NYSE by the merger consideration.

	BMO stock TSX (C\$)	BMO stock NYSE (\$)	M&I stock NYSE (\$)	M&I stock Pro Forma Equivalent (\$)
December 16, 2010	62.05	61.66	5.79	7.75
April 11, 2011	62.11	64.93	8.01	8.16

M&I shareholders will not receive the merger consideration until the merger is completed, which may be a substantial period of time after the M&I special meeting. There can be no assurance as to the trading prices of BMO common stock at the time of the closing of the merger. The market prices of BMO common stock and M&I common stock and the US dollar/Canadian dollar exchange rate are likely to fluctuate prior to consummation of the merger and cannot be predicted. We urge you to obtain current market quotations for both BMO common stock and M&I common stock and the US dollar/Canadian dollar exchange rate.

The table below sets forth the dividends declared per share of BMO common stock and the dividends declared per share of M&I common stock for the fiscal years ended 2006, 2007, 2008, 2009 and 2010. BMO's fiscal year end is October 31 and M&I's fiscal year end is December 31.

Fiscal Year Ended	Declared Dividends		
	BMO (C\$) <sup>(1)</sup>	BMO (US\$) <sup>(2)</sup>	M&I (US\$) <sup>(3)</sup>
2006	2.26	2.01	1.05
2007	2.71	2.56	1.20
2008	2.80	2.65	1.27
2009	2.80	2.45	0.04
2010	2.80	2.72	0.04

- (1) BMO dividends declared during fiscal quarters ended January 31, April 30, July 31 and October 31.
- (2) Actual dividends paid to U.S. shareholders, rounded to the nearest cent.
- (3) M&I dividends declared during fiscal quarters ended March 31, June 30, September 30 and December 31.



**Table of Contents****CURRENCY EXCHANGE RATE DATA**

The following table shows, for the years and dates indicated, certain information regarding the Canadian dollar/US dollar exchange rate, expressed in terms of the Canadian dollar. The information is based on the noon exchange rate as reported by the Bank of Canada. Such exchange rate in effect on April 11, 2011 was \$1.00 = C\$0.9547.

	<b>Period End</b>	<b>Average<sup>(1)</sup></b>	<b>Low</b>	<b>High</b>
<b>Year ended October 31, (C\$ per \$)</b>				
2006	1.1227	1.1330	1.0990	1.1961
2007	0.9499	1.0931	0.9499	1.1853
2008	1.2165	1.0322	0.9170	1.2943
2009	1.0774	1.1673	1.0292	1.3000
2010	1.0188	1.0414	0.9961	1.0778
			<b>Low</b>	<b>High</b>
<b>Month end,</b>				
October 2010			1.0030	1.0320
November 2010			1.0013	1.0264
December 2010			0.9946	1.0178
January 2011			0.9862	1.0022
February 2011			0.9739	0.9955
March 2011			0.9686	0.9918

(1) The average of the exchange rates on the last day of each full month during the year.

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**Table of Contents**

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Some of the statements contained or incorporated by reference in this proxy statement/prospectus contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation, including, but not limited to, statements relating to the expected closing of the merger, the plans for the acquired business, the financial impact of the merger, anticipated financial and operating results, the companies' plans, objectives, expectations and intentions, cost savings and other statements, including words such as anticipate, believe, plan, estimate, expect, intend, will, should, may, could, and other similar expressions. Without limitation, of the preceding sentence, statements contained in the sections "The Merger," "M&I's Board Recommendation and Reasons for the Merger," and "The Merger," "BMO's Reasons for the Merger" include forward-looking statements. These statements are not historical facts but instead represent only BMO's and/or M&I's expectations, estimates and projections regarding future events.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. The forward-looking statements contained or incorporated by reference in this proxy statement/prospectus are based upon the current beliefs and expectations of management of BMO and M&I, as applicable, and involve a number of significant risks and uncertainties. Actual results may differ materially from the results anticipated in these forward-looking statements. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this proxy statement/prospectus, in the case of forward-looking statements contained in this proxy statement/prospectus, or the dates of the documents incorporated by reference into this proxy statement/prospectus, in the case of forward-looking statements made in those incorporated documents, as the assumptions underlying such statements may not turn out to be correct and a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Such factors include, but are not limited to: (1) the matters set forth under "Risk Factors" beginning on page 35; (2) the possibility that the merger does not close when expected or at all because required regulatory, shareholder or other approvals and other conditions to closing are not received or satisfied on a timely basis or at all; (3) the terms of the merger may need to be modified to satisfy such approvals or conditions; (4) the anticipated benefits from the merger are not realized in the time frame anticipated or at all as a result of changes in general economic and market conditions, interest and exchange rates, monetary policy, laws and regulations (including changes to capital requirements) and their enforcement, and the degree of competition in the geographic and business areas in which M&I operates; (5) the ability to promptly and effectively integrate the businesses of M&I and BMO; (6) reputational risks and the reaction of M&I's customers to the merger; (7) diversion of management time on merger-related issues; (8) increased exposure to interest rate and exchange rate fluctuations; and (9) those other factors set out on pages 29, 30, 61 and 62 of BMO's 2010 Annual Report. A significant amount of BMO's and M&I's business involves making loans or otherwise committing resources to specific companies, industries or geographic areas. Unforeseen events affecting such borrowers, industries or geographic areas could have a material adverse effect on the performance of either of BMO's or M&I's operations.

Additional factors that could cause BMO's and M&I's results to differ materially from those described in the forward-looking statements can be found in the reports that BMO and M&I have filed with the SEC, described under the section entitled "Where You Can Find More Information" beginning on page 117, including BMO's 2010 Annual Report on Form 40-F and its Reports of Foreign Private Issuer on Form 6-K and M&I's Annual Report for the year ended December 31, 2010 and its Current Reports on Form 8-K, which are available at the SEC's Internet site (<http://www.sec.gov>).

All subsequent written or oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to BMO, M&I or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

Neither BMO nor M&I undertakes any obligation to update or release any revisions to these forward-looking statements, whether written or oral, to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events, except as required by law.

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**Table of Contents**

**RISK FACTORS**

*Investing in BMO common stock involves risks, some of which are related to the merger. In addition to the other information included or incorporated by reference in this proxy statement/prospectus, you should carefully consider the matters described below relating to the merger in deciding whether to vote for the approval of the merger agreement proposal. Although BMO and M&I believe that the matters described below cover the material risks related to the merger, they may not contain all of the information that is important to you in evaluating the merger. Accordingly, we urge you to read this entire proxy statement/prospectus, including the appendices and the information included or incorporated by reference in this document. Please also refer to the additional risk factors identified in the periodic reports and other documents of BMO and M&I incorporated by reference into this proxy statement/prospectus and listed in the section entitled *Where You Can Find More Information* beginning on page 117.*

**Because the merger consideration is fixed and the market price of shares of BMO common stock may fluctuate, you cannot be certain of the dollar value of the consideration that you will receive upon completion of the merger.**

Upon completion of the merger, each M&I shareholder of record will receive, in exchange for each share of M&I common stock owned by such shareholder immediately prior to the merger, 0.1257 shares of BMO common stock, plus cash in lieu of any fractional shares. Because the merger consideration is fixed, the value of the shares of BMO common stock that will be issued to you in the merger will depend on the market price of shares of BMO common stock at the time they are issued. There will be no adjustment to the fixed number of shares of BMO common stock that will be issued to you based upon changes in the market price of shares of BMO common stock or M&I common stock prior to the closing.

The market price of shares of BMO common stock at the time the merger is completed may vary from the price of shares of BMO common stock on the date the merger agreement was executed, on the date of this proxy statement/prospectus and on the date of the M&I special meeting as a result of various factors that are beyond the control of BMO and M&I, including but not limited to the following:

changes in the business, operations or prospects of BMO or M&I, including securities offerings by BMO;

governmental or regulatory developments, including any limitations on or conditions to consummation of the merger;

changes in the interest rate environment;

changes in general economic conditions and the outlook for economic conditions and real estate markets;

changes in securities markets, including changes due to terrorist activities, other world events or other factors;

changes in currency exchange rates including changes in US dollar/Canadian dollar exchange rates which may affect the trading prices of BMO's common stock as reported in US dollars; and

the timing of the completion of the merger.

In addition to the approval of the merger agreement proposal by M&I shareholders, completion of the merger is subject to receipt of required regulatory approvals and satisfaction of other conditions that may not occur until after the M&I special meeting. Therefore, at the time of the M&I special meeting you will not know the precise US dollar value of the consideration you will receive at the effective time of the merger. You are urged to obtain current market quotations for shares of BMO common stock and for shares of M&I common stock.



## **Table of Contents**

### **Upon completion of the merger, holders of M&I common stock will become holders of BMO common stock and the market price for BMO common stock may be affected by factors different from those that historically have affected M&I.**

Upon completion of the merger, holders of M&I common stock will become holders of BMO common stock. BMO's businesses differ from those of M&I, and accordingly the results of operations of BMO will be affected by some factors that are different from those currently affecting the results of operations of M&I. For a discussion of the businesses of M&I and BMO and of some important factors to consider in connection with those businesses, see the documents incorporated by reference in this proxy statement/prospectus and referred to under "Where You Can Find More Information" beginning on page 117.

### **Combining the two companies may be more difficult, costly or time-consuming than expected.**

The success of the merger will depend, in part, on BMO's ability to realize the anticipated benefits from combining the businesses of BMO and M&I. However, to realize these anticipated benefits, BMO and M&I must successfully combine their businesses. If BMO and M&I take longer, or are not able, to achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all, may take longer to realize than expected, or may not result in combined financial performance that is better than what each company would have achieved independently if the merger had not occurred. If BMO is not able to integrate M&I's operations successfully and in a timely fashion, the expected benefits of the merger may not be realized.

### **Some directors and executive officers of M&I have interests in the merger that may differ from the interests of shareholders generally, including, if the merger is completed, the receipt of financial and other benefits.**

In considering the recommendation of M&I's board of directors, you should be aware that some of its directors and executive officers may have interests in the merger that are different from, or in addition to, those of M&I shareholders generally. These interests are described in more detail in the section entitled "The Merger: Interests of M&I's Directors and Executive Officers in the Merger" beginning on page 59.

### **The merger agreement and the stock option agreement contain provisions that may discourage other companies from trying to acquire M&I for greater merger consideration.**

The merger agreement contains provisions that may discourage a third party from submitting a business combination proposal to M&I that might result in greater value to M&I's shareholders than the merger. These provisions include a general prohibition on M&I from soliciting, or, subject to certain exceptions, entering into discussions with any third party regarding any acquisition proposal or offers for competing transactions. Additionally, the stock option agreement grants to BMO an irrevocable option to purchase up to 19.7% of M&I's common stock in specified circumstances, including the acquisition by any other person of 20% or more of the outstanding shares of M&I common stock. The stock option agreement may result in a potential competing acquirer proposing to pay a lower per share price to acquire M&I than it might otherwise have proposed to pay. For further information, please see the section entitled "The Stock Option Agreement" beginning on page 90.

### **If the merger is not consummated by December 17, 2011, either BMO or M&I may choose not to proceed with the merger.**

Either BMO or M&I may terminate the merger agreement if the merger has not been completed by December 17, 2011, unless the failure of the merger to be completed has resulted from the material failure of the party seeking to terminate the merger agreement to perform its obligations.

### **Termination of the merger agreement could negatively impact M&I.**

If the merger agreement is terminated, there may be various consequences. For example, M&I's businesses may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of

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**Table of Contents**

management on the merger, without realizing any of the anticipated benefits of completing the merger, or the market price of M&I's common stock could decline to the extent that the current market price reflects a market assumption that the merger will be completed. In addition, termination of the merger agreement would increase the possibility of downgrades by M&I's credit rating agencies or adverse regulatory actions which could adversely affect M&I's businesses. If the merger agreement is terminated and M&I's board of directors seeks another merger or business combination, M&I shareholders cannot be certain that M&I will be able to find a party willing to pay the equivalent or greater consideration than that which BMO has agreed to pay in the merger.

**The merger is subject to the receipt of consents and approvals from government entities that may impose conditions that could have an adverse effect on BMO, or, if not obtained, could prevent completion of the merger.**

The merger cannot be completed unless various consents, orders, approvals and clearances are received from the Federal Reserve Board, the OCC, OSFI and other bank regulatory, antitrust and other authorities in the United States. These authorities may impose conditions on the completion of the merger or require changes to the terms of the merger. Such conditions or changes could have the effect of imposing additional costs on or limiting the revenues of BMO, either of which may have an adverse effect on BMO following the merger. See *The Merger Regulatory Matters Related to the Merger* beginning on page 73 and *The Merger Agreement Conditions to the Merger* beginning on page 87. In addition, BMO may elect not to consummate the merger if, in connection with any regulatory approval required for the merger, any governmental or regulatory entity imposes any restriction, requirement or condition on BMO that, individually or in the aggregate, would after completion of the merger (1) restrict or burden BMO, Merger Sub or their affiliates in connection with the transactions contemplated by the merger agreement or (2) with respect to the business or operations of BMO or Merger Sub have a material adverse effect on BMO, Merger Sub or any of their affiliates (measured on a scale relative to M&I).

**The merger is subject to the purchase by BMO of the TARP Preferred Stock from the U.S. Treasury.**

BMO's obligation to consummate the merger is conditioned upon the purchase by a subsidiary of BMO from the U.S. Treasury of the TARP Preferred Stock. BMO has an agreement in principle with the U.S. Treasury pursuant to which, immediately prior to completion of the merger, the U.S. Treasury will sell to a subsidiary of BMO all of the TARP Preferred Stock for an aggregate cash purchase price equal to the sum of the aggregate liquidation amount of such shares and the amount of any accrued and unpaid dividends with respect to such shares. However, BMO may elect not to consummate the merger if the TARP Preferred Stock is not purchased in accordance with the securities purchase agreement to be entered into in connection with such purchase and the merger agreement. For further information, please see the section entitled *The Merger Agreement Conditions to the Merger* beginning on page 87.

**Certain rights of holders of M&I common stock will change as a result of the merger.**

Following completion of the merger, holders of M&I common stock will no longer be shareholders of M&I, a Wisconsin corporation, but will instead be shareholders of BMO, a Canadian chartered bank. There will be certain differences between your current rights as a shareholder of M&I, on the one hand, and the rights to which you will be entitled as a shareholder of BMO, on the other hand. For a more detailed discussion of the differences in the rights of shareholders of M&I and BMO, see *Comparison of Rights of BMO and M&I Shareholders* beginning on page 102.

**Pending litigation against M&I, current members of M&I's board of directors, certain M&I officers and BMO could result in an injunction preventing completion of the merger, the payment of damages in the event the merger is completed and/or may adversely affect the combined company's business, financial condition or results of operations following the merger.**

In connection with the execution of the merger agreement, purported shareholders of M&I have filed putative shareholder class action lawsuits against M&I, current members of M&I's board of directors, certain

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**Table of Contents**

M&I officers and BMO. Among other remedies, the plaintiffs seek to enjoin the merger. One of the conditions to the completion of the merger is that no judgment, injunction or decree by any court of competent jurisdiction is in effect that prohibits the completion of the merger. If any of the plaintiffs are successful in obtaining an injunction prohibiting the defendants from completing the merger, then such injunction may prevent the merger from becoming effective, or from becoming effective within the expected time frame. If completion of the merger is prevented or delayed, it could result in substantial costs to M&I and BMO. In addition, M&I and BMO could incur costs associated with the indemnification of M&I's directors and officers. See *The Merger Litigation Related to the Merger* beginning on page 76.

**If the merger fails to qualify as a reorganization within the meaning of Section 368(a) of the Code, M&I shareholders may be required to recognize gain or loss on the exchange of their shares of M&I common stock in the merger for U.S. federal income tax purposes.**

BMO and M&I have structured the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. Neither BMO nor M&I intends to request any ruling from the U.S. Internal Revenue Service, which is referred to as the IRS, as to the tax consequences of the exchange of shares of M&I common stock for shares of BMO common stock in the merger. If the merger fails to qualify as a reorganization, an M&I shareholder would generally recognize gain or loss for U.S. federal income tax purposes on each share of M&I common stock exchanged in the merger in an amount equal to the difference between that shareholder's basis in such share and the fair market value of the shares of BMO common stock the M&I shareholder receives or may receive in exchange for each such share of M&I common stock. You are urged to consult with your own tax advisor regarding the proper reporting of the amount and timing of such gain or loss. See *The Merger Material United States Federal Income Tax Consequences* beginning on page 64.

**Holders of M&I common stock will have a reduced ownership and voting interest after the merger and will exercise less influence over management of the combined organization.**

Holders of M&I common stock currently have the right to vote in the election of M&I's board of directors and on other matters affecting M&I. Upon the completion of the merger, each holder of M&I common stock that receives shares of BMO common stock will become a shareholder of BMO with a percentage ownership of the combined organization that is much smaller than the shareholder's percentage ownership of M&I. It is expected that the former holders of M&I common stock as a group will receive shares in the merger constituting less than 12% of the outstanding shares of BMO common stock immediately after the merger. Because of this, holders of M&I common stock will have significantly less influence on the management and policies of BMO than they now have on the management and policies of M&I.

**M&I will be subject to business uncertainties and contractual restrictions while the merger is pending.**

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on M&I and consequently on BMO. These uncertainties may impair M&I's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with M&I to seek to change existing business relationships with M&I. Retention of certain employees may be challenging during the pendency of the merger, as certain employees may experience uncertainty about their future roles. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the business, BMO's business following the merger could be negatively impacted. In addition, the merger agreement restricts M&I from making certain acquisitions and taking other specified actions until the merger occurs without the consent of BMO. These restrictions may prevent M&I from pursuing attractive business opportunities that may arise prior to the completion of the merger. See *The Merger Agreement Covenants and Agreements* beginning on page 83 for a description of the restrictive covenants applicable to M&I.

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**Table of Contents**

**The unaudited pro forma condensed combined consolidated financial information included in this proxy statement/prospectus is preliminary and the actual financial condition and results of operations after the merger may differ materially.**

The unaudited pro forma condensed combined consolidated financial information in this proxy statement/prospectus is presented for illustrative purposes only and is not necessarily indicative of what BMO's actual financial condition or results of operations would have been had the merger been completed on the dates indicated. The pro forma condensed combined consolidated financial information reflects adjustments, which are based upon preliminary estimates, to record the M&I identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation reflected in this proxy statement/prospectus is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of M&I as of the date of completion of the merger. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this proxy statement/prospectus. For more information, see "Unaudited Pro Forma Condensed Combined Consolidated Financial Information" beginning on page 17.

**BMO's consolidated results of operations may be negatively impacted by foreign currency fluctuations.**

A substantial portion of BMO's consolidated revenues following the merger will be earned in non-Canadian currencies, primarily US dollars. The revenues that are earned in currencies other than Canadian dollars are subject to unpredictable fluctuations if the values of non-Canadian currencies change relative to the Canadian dollar. Such fluctuations could decrease BMO's revenues earned in non-Canadian currencies and have a material adverse impact on its business.

**BMO expects to maintain its status as a foreign private issuer in the U.S. and thus will be exempt from a number of rules under the U.S. Securities Exchange Act of 1934, as amended and will be permitted to file less information with the SEC than a company incorporated in the U.S.**

As a foreign private issuer, BMO is exempt from rules under the U.S. Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act, that impose disclosure requirements, as well as procedural requirements, for proxy solicitations under Section 14 of the Exchange Act. In addition, BMO's officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act. In addition, BMO is permitted, under a multi-jurisdictional disclosure system adopted by the United States and Canada, to prepare its disclosure documents filed under the Exchange Act in accordance with Canadian disclosure requirements, including preparing its financial statements in accordance with Canadian GAAP, which differ in some respects from U.S. GAAP.

As a foreign private issuer BMO provides executive compensation disclosure in accordance with Canadian requirements, although the requirements are substantially the same in most respects to US requirements. The most material differences are summarized below:

While BMO is not required to provide shareholders with an advisory say-on pay vote under the Canadian requirements, it does so annually.

While BMO is not required to provide shareholders with a golden parachute advisory vote, it does provide annual detailed disclosure regarding entitlements upon termination and a change of control for its named executive officers in the management proxy circular.

BMO discloses all annual non-equity incentive plan payments, however BMO is not required to separately identify the portion which is a discretionary bonus.

Although not mandated by Canadian securities requirements, BMO is required under the Financial Stability Forum (FSB) Principles, or the FSB Principles, adopted by the G20, to discuss in its compensation discussion and analysis how its compensation program relates to its risk management



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## Table of Contents

practices. Also in compliance with the FSB Principles, BMO provides compensation disclosure for a group of executives and others whose actions could have a material impact on the risk of BMO.

Also, certain incentive plan disclosure information required for named executive officers is different. For example, BMO discloses value realized on vesting of equity awards rather than amounts realized on option exercises. However, pursuant to the FSB Principles, BMO does provide aggregate disclosure of amounts realized on option exercises. BMO is also not required to separately identify which options are exercisable, which are not exercisable and not subject to performance conditions and which are not exercisable and are subject to performance conditions.

BMO is required to disclose the pension compensatory cost for its named executive officer rather than the aggregate change in actuarial present value of the accumulated benefit, and BMO is not required to provide pension disclosure on a plan-by-plan basis.

BMO is required to include a graph comparing its total shareholder return over five years to a broad index and compare the trend in the graph to the trend in compensation to its named executive officers over that period, while U.S. requirements do not require the trend comparison.

**BMO is chartered under the laws of Canada and a substantial portion of its assets are, and many of its directors and officers reside, outside of the United States. As a result, it may not be possible for shareholders to enforce civil liability provisions of the securities laws of the United States in Canada.**

BMO is chartered under the laws of Canada. A substantial portion of BMO's assets are located outside the United States, and many of BMO's directors and officers and some of the experts named in this proxy statement/prospectus are residents outside of the United States. As a result, it may be difficult for investors to effect service within the United States upon BMO and those directors, officers and experts, or to realize in the United States upon judgments of courts of the United States predicated upon civil liability of BMO and such directors, officers or experts under the United States federal securities laws. There is uncertainty as to the enforceability in Canada by a court in original actions, or in actions to enforce judgments of United States courts, of the civil liabilities predicated upon the United States federal securities laws.

### **Legislative, regulatory and administrative changes could negatively impact BMO's results of operations.**

Over the past two years, global regulators have proposed reforms that are intended to strengthen the banking sector regulatory capital and liquidity frameworks and strengthen the resilience of individual banking institutions in periods of stress, which are collectively referred to as Basel III. Based on regulatory guidance provided to date, the key building blocks of Basel III from a regulatory capital perspective include:

raising the quality of capital that banks are required to hold to ensure banks are better able to absorb losses on both a going-concern and liquidation basis;

increasing risk capital requirements, particularly for market risk, securitizations and counterparty credit risk;

introducing new regulatory capital ratios – the Common Equity Ratio and the Leverage Ratio – to complement the existing Tier 1 Capital Ratio and Total Capital Ratio; and

increasing minimum capital requirements.

The Basel III rules are expected to be implemented in a phased approach. The final requirements and transition period applicable to BMO will be established by OSFI. The final requirements are likely to increase the amount of capital that BMO is required to hold, and may have a negative impact on BMO's results of operations.

## Edgar Filing: MARSHALL & ILSLEY CORP - Form DEFM14A

On July 21, 2010, U.S. President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, which is referred to as Dodd-Frank. Dodd-Frank is broad in scope and BMO is currently

**Table of Contents**

assessing the impact of the legislation. The reforms include heightened consumer protection, regulation of the over-the-counter (OTC) derivatives markets, restrictions on proprietary trading by banks, which is referred to as the Volcker Rule, imposition of heightened prudential standards and broader application of leverage and risk-based capital requirements, greater supervision of systemically significant payment, clearing or settlement systems, restrictions on interchange fees, and the creation of a new financial stability oversight council of regulators with the objective of increasing stability by monitoring systemic risks posed by financial services companies and their activities. Many aspects of Dodd-Frank are subject to rulemaking and will take effect over several years, making it difficult to anticipate at this time the overall impact on BMO or the financial services industry more generally. However, Dodd-Frank is likely to result in an increase in compliance costs and regulatory enforcement, particularly on BMO's U.S. business, and could have a negative impact on BMO's results of operations.

**Certain market activities of BMO and its affiliates may affect the value of BMO Stock.**

BMO and its affiliates engage in market making, derivatives hedging, brokerage, asset management and plan-related activities involving BMO common stock both outside and inside the United States. Please read the section entitled "BMO Market Activities Involving BMO Common Stock" beginning on page 114 for more information. Such activities could have the effect of preventing or retarding a decline in the market price of BMO common stock.

## **Table of Contents**

### **THE M&I SPECIAL MEETING**

*This section contains information for holders of M&I common stock about the special meeting that M&I has called to allow its shareholders to consider and approve the merger agreement. M&I is mailing this proxy statement/prospectus to its shareholders on or about April 14, 2011. Together with this proxy statement/prospectus, M&I is sending a notice of the M&I special meeting and a form of proxy that M&I's board of directors is soliciting for use at the M&I special meeting and at any adjournments or postponements of the M&I special meeting.*

This proxy statement/prospectus is also being furnished by BMO to M&I shareholders as a prospectus in connection with the issuance of BMO common stock upon completion of the merger.

#### **Date, Time and Place**

The M&I special meeting will be held on May 17, 2011, at 1:00 p.m., local time, at the New York Marriott Marquis, located at 1535 Broadway, New York, New York 10036.

#### **Matters to be Considered**

At the M&I special meeting, M&I shareholders will be asked to:

approve the merger agreement and the transactions it contemplates, which is referred to as the merger agreement proposal; and

approve the adjournment of the M&I special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the merger agreement proposal, which is referred to as the adjournment proposal.

#### **Recommendation of M&I's Board of Directors**

M&I's board of directors unanimously recommends that you vote **FOR** the merger agreement proposal and **FOR** the adjournment proposal. See The Merger M&I's Board Recommendation and Reasons for the Merger beginning on page 51.

#### **Record Date and Quorum**

M&I's board of directors has fixed the close of business on April 11, 2011 as the record date for determining the holders of M&I common stock entitled to receive notice of and to vote at the M&I special meeting.

As of the record date, there were 530,530,495 shares of M&I common stock outstanding and entitled to vote at the M&I special meeting held by 13,390 holders of record. Each share of M&I common stock entitles the holder to one vote at the M&I special meeting on each proposal to be considered at the M&I special meeting. Under M&I's articles of incorporation, holders of the TARP Preferred Stock have voting rights on merger transactions under certain circumstances, including with respect to the merger. If the TARP Purchase has not been consummated as of the record date, the holders of the TARP Preferred Stock would be entitled to vote.

The representation of holders of at least a majority of the votes entitled to be cast on the matters to be voted on at the M&I special meeting constitutes a quorum for transacting business at the M&I special meeting. All shares of M&I common stock, whether present in person or represented by proxy, including abstentions and broker non-votes, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the M&I special meeting.

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## **Table of Contents**

### **Vote Required**

Approval of the merger agreement proposal requires the affirmative vote of a majority of the votes entitled to be cast by holders of outstanding M&I common stock and the affirmative vote or consent of holders of at least 66<sup>2</sup>/<sub>3</sub>% of the shares of the TARP Preferred Stock. Approval of the adjournment proposal requires the affirmative vote of a majority of the votes cast by the holders of M&I common stock at the M&I special meeting.

As of the record date, directors and executive officers of M&I and their affiliates owned and were entitled to vote 8,160,515 shares of M&I common stock, representing approximately 1.54% of the shares of M&I common stock outstanding on that date. M&I currently expects that M&I's directors and executive officers will vote their shares in favor of the merger agreement proposal and the adjournment proposal, although none of them has entered into any agreements obligating them to do so. As of the record date, BMO beneficially held 86,501 shares of M&I common stock.

### **Treatment of Abstentions; Failure to Vote**

For the merger agreement proposal, an abstention or a failure to vote will have the same effect as a vote **AGAINST** such proposal.

For the adjournment proposal, an abstention will have no effect on the outcome of such proposal. A failure to vote will have no effect on the outcome of such proposal, assuming a quorum is present.

### **Voting of Proxies; Incomplete Proxies**

Giving a proxy means that an M&I shareholder authorizes the persons named in the enclosed proxy card to vote its shares at the M&I special meeting in the manner it directs. An M&I shareholder may vote by proxy or in person at the M&I special meeting. If you hold your shares of M&I common stock in your name as a shareholder of record, to submit a proxy, you, as an M&I shareholder, may use one of the following methods:

**By telephone:** Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week. Have your proxy card handy when you call. You will be prompted to enter your control number(s), which is located on your proxy card, and then follow the directions given.

**Through the Internet:** Use the Internet to vote your proxy 24 hours a day, 7 days a week. Have your proxy card handy when you access the website. You will be prompted to enter your control number(s), which is located on your proxy card, to create and submit an electronic ballot.

**By mail:** Complete and return the proxy card in the enclosed envelope. The envelope requires no additional postage if mailed in the United States.

Please note that although there is no charge to you for voting by telephone or electronically through the Internet, there may be costs associated with electronic access such as usage charges for Internet service providers and telephone companies. M&I does not cover these costs; they are solely your responsibility. The telephone and Internet voting procedures being made available to you are valid forms of granting proxies under the WBCL.

If any proxy is returned without indication as to how to vote, the shares of M&I common stock represented by the proxy will be voted as recommended by M&I's board of directors. Unless an M&I shareholder checks the box on its proxy card to withhold discretionary authority, the proxyholders may use their discretion to vote on other matters relating to the M&I special meeting.

**Every M&I shareholder's vote is important. Accordingly, each M&I shareholder should sign, date and return the enclosed proxy card, or submit a proxy via the Internet or by telephone, whether or not it plans to attend the M&I special meeting in person.**



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## **Table of Contents**

### **Shares Held in Street Name; Broker Non-Votes**

Under the rules of the NYSE, banks, brokers and other nominees who hold shares of M&I common stock in street name for a beneficial owner of those shares typically have the authority to vote in their discretion on routine proposals when they have not received instructions from beneficial owners. However, banks, brokers and other nominees are not allowed to exercise their voting discretion with respect to the approval of matters that the NYSE determines to be non-routine, such as approval of the merger agreement proposal and the adjournment proposal, without specific instructions from the beneficial owner. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the M&I special meeting, but with respect to which the broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker does not have discretionary voting power on such proposal. It is expected that brokers, banks and other nominees will not have discretionary authority to vote on either proposal and, as a result, M&I anticipates that there will not be any broker non-votes cast in connection with either proposal. Therefore, if your broker, bank or other nominee holds your shares of M&I common stock in street name, your broker, bank or other nominee will vote your shares of M&I common stock only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker, bank or other nominee with this proxy statement/prospectus.

### **Revocability of Proxies and Changes to an M&I Shareholder's Vote**

An M&I shareholder has the power to change its vote at any time before its shares of M&I common stock are voted at the M&I special meeting by:

sending a notice of revocation to M&I's corporate secretary at 770 North Water Street, Milwaukee, Wisconsin 53202 stating that you would like to revoke your proxy;

logging onto the Internet website specified on your proxy card in the same manner you would to submit your proxy electronically or by calling the telephone number specified on your proxy card, in each case if you are eligible to do so and following the instructions on the proxy card;

sending a completed proxy card bearing a later date than your original proxy card; or

attending the M&I special meeting and voting in person.

If you choose either of the first two methods, you must take the described action no later than the beginning of the M&I special meeting. If you choose to send a completed proxy card bearing a later date than your original proxy card, the new proxy card must be received before the beginning of the M&I special meeting. If you have instructed a bank, broker or other nominee to vote your shares of M&I common stock, you must follow the directions you receive from your bank, broker or other nominee in order to change or revoke your vote.

### **Participants in M&I Employee Plans**

If you hold shares of M&I common stock through the M&I Retirement Program (or any 401(k) plan of any M&I subsidiary that provides for investment in M&I common stock), which are referred to collectively as the 401(k) plan, you may give voting instructions by completing and returning the enclosed proxy card as instructed. Signing and returning the proxy card, or voting by telephone or through the Internet as explained above, will enable voting of all shares held for your account in the 401(k) plan. If your proxy card is not received by May 12, 2011 or if you sign and return your proxy card without instructions marked in the boxes, the M&I Retirement Investment Committee may, in the exercise of its fiduciary discretion, direct Marshall & Ilsley Trust Company to vote such shares. Plan participants must vote through the 401(k) plan trustee and may not vote in person at the M&I special meeting.

If you are a participant in the M&I Employee Stock Purchase Plan, which is referred to as the ESPP, to the extent you have purchased any shares of M&I common stock under the ESPP and hold those shares under the

## **Table of Contents**

ESPP, you may give voting instructions by completing and returning the enclosed proxy card as instructed. Signing and returning the proxy card, or voting by telephone or through the Internet as explained above, will enable voting of all shares held by you in the ESPP. As a holder of M&I common stock, you are also entitled to vote at the M&I special meeting. You are entitled to one vote for each share of M&I common stock you held under the ESPP as of the record date.

### **Solicitation of Proxies**

M&I will bear the entire cost of soliciting proxies from its shareholders, except that BMO and M&I will share equally the costs of filing, printing and mailing this proxy statement/prospectus. In addition to solicitation of proxies by mail, M&I will request that banks, brokers and other record holders send proxies and proxy material to the beneficial owners of M&I common stock and secure their voting instructions, if necessary. M&I will reimburse such record holders for their reasonable expenses in taking those actions.

M&I has also made arrangements with Morrow & Co., LLC to assist in soliciting proxies in connection with the approval of the merger agreement proposal and in communicating with shareholders and has agreed to pay it up to \$11,000 plus disbursements for these services. Proxies may also be solicited by directors, officers and employees of M&I in person or by telephone or other means, for which such persons will receive no special compensation.

### **Delivery of Proxy Materials To Shareholders Sharing an Address**

As permitted by the Exchange Act, only one copy of this proxy statement/prospectus is being delivered to multiple shareholders of M&I sharing an address unless M&I has previously received contrary instructions from one or more such shareholders. Shareholders who hold shares in street name can request further information on householding through their banks, brokers or other holders of record. On written or oral request to Morrow & Co., LLC, M&I's proxy solicitor, at 470 West Avenue, Stamford, CT 06902, toll-free at (800) 566-9061 (banks and brokers call collect at (203) 658-9400), Morrow will deliver promptly a separate copy of this proxy statement/prospectus to a shareholder at a shared address to which a single copy of the document was delivered.

### **Attending the M&I Special Meeting**

Subject to space availability, all M&I shareholders as of the record date, or their duly appointed proxies, may attend the M&I special meeting. Since seating is limited, admission to the M&I special meeting will be on a first-come, first-served basis. Registration and seating will begin at 12:30 p.m., local time.

If you hold your shares of M&I common stock in your name as a shareholder of record and you wish to attend the M&I special meeting, please bring your proxy and evidence of your stock ownership, such as your most recent account statement, to the M&I special meeting. You should also bring valid picture identification.

If your shares of M&I common stock are held in street name in a stock brokerage account or by a bank or nominee and you wish to attend the M&I special meeting, you need to bring a copy of a bank or brokerage statement to the M&I special meeting reflecting your stock ownership as of the record date. You should also bring valid picture identification.



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**Table of Contents**

**INFORMATION ABOUT THE COMPANIES**

**Bank of Montreal**

*Head office*

129 rue Saint Jacques

Montreal, Quebec, H2Y 1L6

Telephone: (514) 877-7373

*Executive offices*

100 King Street West, 1 First Canadian Place

Toronto, Ontario, M5X 1A1

Telephone: (416) 867-6785

BMO commenced business in Montreal in 1817 and was incorporated in 1821 by an Act of Lower Canada as the first Canadian chartered bank. Since 1871, the Bank has been a chartered bank under the Bank Act, and is named in Schedule I of the Bank Act. The Bank Act is the charter of the Bank and governs its operations. BMO is a registered bank holding company under the BHC Act and is certified as a financial holding company under the Gramm-Leach-Bliley Act. As of January 31, 2011, BMO had consolidated total assets of approximately C\$413 billion and consolidated total deposits of approximately C\$252 billion.

BMO provides a broad range of credit and non-credit products and services directly and through Canadian and non-Canadian subsidiaries, offices and branches. As at October 31, 2010, BMO had approximately 38,000 full-time equivalent employees, maintained approximately 1,230 bank branches in Canada and the United States and operated internationally in major financial markets and trading areas through our offices in eight other countries, including the United States. Harris Financial Corp., based in Chicago and wholly-owned by BMO, operates primarily through its indirect subsidiary Harris N.A., which provides banking, financing, investing and cash management services in select markets in the U.S. Midwest. BMO provides a full range of investment dealer services through the BMO Nesbitt Burns group of companies, including BMO Capital Markets Corp., BMO's wholly-owned registered securities dealer in the United States.

BMO operates through three operating groups: Personal and Commercial Banking comprised of P&C Canada and P&C U.S.; Private Client Group; and BMO Capital Markets. P&C Canada operates across Canada, offering banking, financing, and investing solutions as well as card and payment services. Operating predominately in the greater-Chicago area under the Harris brand, P&C U.S. provides personal and business clients with banking, lending, investing and financial planning services. PCG offers wealth management products and solutions across North America, including full-service investing, private banking, online brokerage and investment management services through BMO Bank of Montreal, BMO Nesbitt Burns, BMO InvestorLine, BMO Guardian, Jones Heward Investment Counsel, HIM Money, BMO Harris Private Banking, Harris Private Bank, Harris Investment Management, and Pyrford International, based in the United Kingdom, as well as insurance products and solutions through BMO Life Insurance and BMO Life Assurance in Canada. BMO Capital Markets, the investment and corporate banking group, provides a broad range of capital markets solutions to corporate, institutional, and government clients in Canada, the United States, Europe, Asia and Australia. The Corporate Services group, which includes Technology and Operations, provides risk management, information technology and other corporate services to the three operating groups.

BMO trades under the symbol **BMO** on the TSX and the NYSE.

Additional information about BMO can be found on its website at <http://www.bmo.com>. The information provided on BMO's website is not part of this proxy statement/prospectus and is not incorporated herein by reference.

Additional information about BMO and its subsidiaries is included in documents incorporated by reference into this document. For more information, see the section entitled **Where You Can Find More Information** beginning on page 117.



## **Table of Contents**

### **Mike Merger Sub, LLC**

111 West Monroe Street

Chicago, Illinois 60603

Telephone: (312) 461-7745

Merger Sub is a Delaware limited liability company and an indirect wholly-owned subsidiary of BMO. Merger Sub was organized solely for the purpose of effecting the merger with M&I described in this proxy statement/prospectus. It has not carried on any activities other than in connection with the merger agreement.

### **Marshall & Ilsley Corporation**

770 North Water Street

Milwaukee, Wisconsin 53202

Telephone: (414) 765-7700

M&I was incorporated in Wisconsin in 1959 and reincorporated in Wisconsin in 2007 in connection with the separation of its data servicing subsidiary. M&I is a registered bank holding company under the BHC Act and is certified as a financial holding company under the Gramm-Leach-Bliley Act. As of December 31, 2010, M&I had consolidated total assets of approximately \$50.8 billion and consolidated total deposits of approximately \$38.3 billion, making M&I the largest bank holding company headquartered in Wisconsin. M&I's principal assets are the stock of its bank and nonbank subsidiaries, which, as of January 31, 2011, consisted of four bank and trust subsidiaries and a number of companies engaged in businesses that the Board of Governors of the Federal Reserve System has determined to be closely-related or incidental to the business of banking. M&I provides its subsidiaries with financial and managerial assistance in such areas as budgeting, tax planning, auditing, compliance, asset and liability management, investment administration and portfolio planning, business development, advertising and human resources management.

M&I provides diversified financial services to a wide variety of corporate, institutional, government and individual customers. M&I's largest affiliates and principal operations are in Wisconsin; however, it has activities in other Midwestern states, including Illinois, Indiana, Kansas, Minnesota and Missouri, and in Arizona, Nevada and Florida. M&I's principal activities consist of banking and wealth management services.

M&I trades under the symbol **MI** on the NYSE.

Additional information about M&I can be found on its website at <http://www.micorp.com>. The information provided on M&I's website is not part of this proxy statement/prospectus and is not incorporated herein by reference.

Additional information about M&I and its subsidiaries is included in documents incorporated by reference into this document. For more information, see the section entitled "Where You Can Find More Information" beginning on page 117.

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**Table of Contents**

**THE MERGER**

*The following discussion contains material information about the merger. The discussion is subject, and qualified in its entirety by reference, to the merger agreement included as Appendix A to this proxy statement/prospectus. We urge you to read carefully this entire proxy statement/prospectus, including the merger agreement, for a more complete understanding of the merger.*

**Terms of the Merger**

BMO's and M&I's boards of directors have approved the merger agreement. The merger agreement provides for the acquisition of M&I by BMO through the merger of M&I with and into Merger Sub, with Merger Sub continuing as the surviving entity. Following the merger, Merger Sub will be merged into its immediate parent, a direct subsidiary of BMO. In addition, following the merger, certain banking subsidiaries of M&I, including M&I Marshall & Ilsley Bank, will merge with and into Harris N.A., a national bank and wholly-owned, indirect subsidiary of BMO, with Harris N.A. surviving the merger.

In the merger, each share of M&I common stock will be converted into the right to receive 0.1257 shares of BMO common stock. No fractional shares of BMO common stock will be issued in connection with the merger, and holders of M&I common stock will be entitled to receive cash in lieu thereof. Shares of BMO common stock issued and outstanding as of the completion of the merger will remain outstanding and will be unaffected by the merger. BMO common stock will continue to trade on the NYSE and the TSX under the symbol BMO following the merger. See the section entitled "The Merger Agreement" for additional and more detailed information regarding the legal documents that govern the merger, including information about the conditions to the completion of the merger and the provisions for terminating or amending the merger agreement.

**Background of the Merger**

M&I has been seriously affected by declining asset quality and economic recession over the past several years. During 2008, economic conditions weakened nationally, including in states where M&I has operations, resulting in, among other things, significant increases in nonperforming assets, net charge-offs and provision for loan and lease losses. M&I experienced a net loss attributable to common shareholders for the 2008 fiscal year of \$2.06 billion. To strengthen its capital position, M&I raised \$1.7 billion by selling the TARP Preferred Stock to the U.S. Treasury on November 14, 2008 under the U.S. Treasury's Capital Purchase Program.

Throughout 2009, M&I continued to be affected by the recessionary economy. Nonperforming loans remained at an elevated level, credit quality-related charges negatively impacted M&I's financial performance and net interest income declined. In response to these challenges and to preserve its capital, M&I reduced the amount of its quarterly cash dividends on M&I common stock from \$0.32 to \$0.01 per share, undertook a series of significant expense-reduction initiatives and implemented risk-management strategies to reduce its exposure to construction and development loans. Nonetheless, during the 2009 fiscal year, M&I experienced a net loss attributable to common shareholders of \$858.8 million. To strengthen its capital position, M&I completed two underwritten common stock offerings—the first in June 2009, in which it issued 100 million shares of M&I common stock and raised net proceeds of approximately \$552 million, and the second in October 2009, in which it issued 156.4 million shares of M&I common stock and raised net proceeds of approximately \$863 million.

The protracted recession and real estate downturn continued to affect M&I throughout its 2010 fiscal year, with M&I reporting a net loss attributable to common shareholders of \$483.5 million through the nine-month period ended September 30, 2010, primarily as a result of credit quality-related charges. In light of the continued challenges affecting M&I's business, operations, financial condition, asset quality, earnings and prospects, and M&I's management's projection that substantial credit losses were likely to continue for some time, M&I's board of directors authorized management to continue to seek and implement further expense-reduction

## Table of Contents

programs and to explore the potential issuance of additional equity securities and/or the sales of certain assets and businesses to preserve and raise capital, reduce problem asset levels and stabilize earnings.

Throughout the summer and fall of 2010, M&I's board of directors met with management to discuss the status of the various capital-raising and cost-cutting initiatives and communications between M&I and its regulators. On November 23, 2010, M&I's board of directors and management discussed current and forecasted economic and market conditions and their impact on M&I's ability to timely and successfully implement the various strategies discussed above. Based on these discussions, in addition to authorizing M&I's management to continue to explore various capital raising initiatives, including the feasibility of an additional equity issuance, M&I's board of directors asked management to consider whether a strategic transaction would be in the best interest of M&I, its shareholders and its other constituencies. Following this meeting, in connection with its consideration of a strategic transaction, M&I retained Wachtell, Lipton, Rosen & Katz, referred to as Wachtell Lipton, and Godfrey & Kahn, S.C. as its legal counsel and BofA Merrill Lynch as its financial advisor.

During the last week of November, 2010 and the first week of December, 2010, while continuing to move forward to implement prospective capital-raising initiatives and to consider an additional equity issuance, M&I's management, with the assistance of outside legal and financial advisors, worked to consider possible financial institution counterparties with which M&I could potentially engage and consummate a strategic business combination. After taking into account a range of considerations with respect to potential counterparties, including: (1) the likely interest of various institutions, including prior inbound indications of interest with respect to a potential acquisition received from BMO (in preliminary discussion between the companies' chief executive officers on November 19, 2010) and from another financial institution, referred to as Party A, (2) financial assessment of ability to pay to acquire M&I, (3) likely sufficiency of capital resources to consummate a transaction and absorb embedded credit losses, (4) perceived ability to proceed expeditiously and dedicate substantial resources to completing a transaction, (5) perceived ability to competently assume management of M&I's risk controls and loan portfolio, (6) quality of management, (7) strategic fit and potential synergies, (8) certainty of closing once a deal were announced and (9) the importance under the circumstances of promptly ascertaining whether an appropriate transaction was available and reaching agreement, M&I's management recommended to M&I's board of directors that M&I initiate exploratory discussions with BMO and Party A. Based on the considerations described in the preceding sentence and the heightened risk of premature disclosure that could result from broadening the process to include additional parties, and the adverse impact that such disclosure could have on M&I and its ability to undertake a transaction, M&I's board of directors determined not to expand its exploratory discussions beyond BMO and Party A unless the course of discussions with those potential parties made such action advisable.

During the period leading up to December 8, 2010, with the knowledge of M&I's board of directors, M&I's Chairman of the Board, President and Chief Executive Officer, Mark F. Furlong, spoke with BMO's President and Chief Executive Officer, William Downe, several times about a potential transaction, including in particular with respect to the companies' respective business strategies, market opportunities and complementary cultures, and the prevailing regulatory environment. In order to better evaluate the possible transaction, BMO retained BMO Capital Markets and J.P. Morgan Securities Inc. as its financial advisors and Sullivan & Cromwell LLP and Osler, Hoskin & Harcourt LLP as its legal counsel.

On December 9, 2010, M&I's board of directors met to discuss M&I's strategic alternatives with M&I's management and outside legal and financial advisors. During this meeting, M&I's board of directors discussed and considered various strategic alternatives that might be available to M&I in light of prevailing circumstances, including the continuation of the cost-cutting and asset sale initiatives that had been initiated, a public or private offering of additional shares of M&I common stock and/or a strategic business combination. M&I's management and board of directors considered that in order for M&I to meaningfully reduce problem assets, achieve acceptable capital ratios and stabilize earnings in the absence of a strategic business combination, M&I would likely need to complete a series of divestitures posing, in the aggregate, significant execution risks and strain on M&I's resources. M&I's board of directors also considered the likely terms on which acceptable levels of additional capital could be raised in a public or private offering of additional shares of M&I common stock and

## Table of Contents

the pro forma impact of such an offering on M&I and its shareholders. After further discussions, and based on the factors detailed above, M&I's board of directors authorized management to enter into negotiations with each of BMO and Party A with respect to a potential acquisition. Following the meeting, on December 9, 2010, M&I entered into confidentiality agreements with each of BMO and Party A so that each of these parties could commence its respective due diligence review of M&I. On December 10, 2010, Wachtell Lipton delivered initial drafts of a merger agreement and stock option agreement to BMO's and Party A's respective legal counsel.

On December 9, 2010, a significant team of BMO employees, advisors and consultants began a thorough and comprehensive diligence review of M&I, including remote and on-site documentary due diligence, discussions with M&I management and credit diligence and risk assessments. A significant team of Party A employees, advisors and consultants also began its remote and on-site diligence review of M&I, including discussions with M&I management.

Over the course of the weekend of December 11-12 and continuing during the week of December 13, both BMO and Party A, and their respective outside advisors, continued to perform due diligence on M&I and conducted various meetings with M&I's management to discuss its businesses and financial condition.

By the middle of the following week, Sullivan & Cromwell LLP, counsel to BMO, and Party A's legal counsel each delivered a revised draft of the transaction agreements to Wachtell Lipton. BMO also submitted a proposal to acquire all of the outstanding shares of M&I common stock in a merger transaction, with each outstanding share of M&I common stock receiving a fixed number of shares of BMO common stock with a value of between \$7.25 and \$7.50 per share based on M&I's share price prior to a transaction announcement. BMO also indicated that, in connection with the consummation of any merger transaction, it would purchase from the U.S. Treasury all of M&I's shares of TARP Preferred Stock and also seek to purchase the related warrant that was issued to the U.S. Treasury. Party A also delivered a proposal to M&I in which it proposed to acquire all of the outstanding shares of M&I common stock in a merger transaction, with each outstanding share of M&I common stock receiving a fixed number of shares of Party A common stock with a value less than the value of BMO's proposal, based on Party A's prevailing share price. Party A also indicated that it planned to purchase from the U.S. Treasury all of M&I's shares of TARP Preferred Stock and the related warrant that was issued to the U.S. Treasury.

On the morning of December 16, 2010, M&I's board of directors met with M&I's management and its outside legal and financial advisors to discuss the indications of interest received from BMO and Party A. During the meeting, M&I's management provided M&I's board of directors with an update on M&I's financial performance and outlook, and the status of the various capital-raising initiatives, and Wachtell Lipton reviewed with M&I's board of directors its fiduciary duties in connection with a potential strategic transaction and described the terms of the revised transaction documents that it had received from BMO's and Party A's respective legal counsel. Also at this meeting, BofA Merrill Lynch discussed with M&I's board of directors the financial aspects of the two indications of interest received. After further discussion and review, M&I's board of directors authorized M&I's management and outside legal and financial advisors to continue negotiations of terms, including price, with both BMO and Party A.

Later that day, BMO delivered a revised indication of interest that it characterized as its best and final offer. Under the terms of its proposal, BMO would acquire M&I in a merger transaction with each outstanding share of M&I common stock receiving 0.1257 shares of BMO common stock (valued at approximately \$7.75 per share of M&I common stock based on the closing price of BMO common stock on the NYSE on December 16, 2010). BMO also informed M&I that it believed it had reached an agreement in principle with the U.S. Treasury as to the purchase of all of M&I's TARP Preferred Stock and the related warrant. Party A also delivered a revised indication of interest that it characterized as its best and final offer. Under the terms of its proposal, Party A would acquire M&I in a merger transaction with each outstanding share of M&I common stock receiving a fixed number of shares of Party A's common stock having a value higher than its initial indication of interest but

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## Table of Contents

below the range proposed by BMO, based on the closing price of Party A's common stock on December 16, 2010. During the course of that afternoon and evening, counsel engaged in negotiations regarding the terms of the transaction agreements.

Later on the evening of December 16, M&I's board of directors reconvened to consider the terms of BMO's revised proposal. At that meeting, Wachtell Lipton once again advised M&I's board of directors regarding relevant legal matters related to the proposed transaction. Wachtell Lipton also described to M&I's board of directors the principal terms of the proposed merger agreement and stock option agreement, as well as its understanding of BMO's prior discussions with the U.S. Treasury regarding the purchase of the TARP Preferred Stock and related warrant, and addressed compensation and benefit matters and general timing considerations. Also at this meeting, BofA Merrill Lynch reviewed with M&I's board of directors its financial analysis of the merger consideration and delivered to M&I's board of directors an oral opinion, which was confirmed by delivery of a written opinion dated December 16, 2010, to the effect that, as of such date and based upon and subject to the assumptions and limitations described in its opinion, the merger consideration was fair, from a financial point of view, to the holders of M&I common stock. After considering the foregoing, the proposed terms of the transaction documents, and the various factors described under M&I's Board Recommendation and Reasons for the Merger, including, among other things, the implied offer price and the relative trading price and book value of M&I common stock, M&I's board of directors unanimously determined that the merger, on the terms and conditions set forth in the merger agreement, is in the best interests of M&I and its shareholders, and adopted and approved the merger agreement and the stock option agreement, and the transactions contemplated thereby, and recommended that the M&I shareholders approve the merger agreement.

M&I's board of directors then directed M&I's management and its outside advisors to proceed to finalize and execute a definitive merger agreement and stock option agreement on the terms reviewed at the meeting.

On the evening of December 16, 2010, BMO's board of directors also met in the culmination of a series of meetings concerning the transaction. BMO's board of directors considered numerous facets of the transaction. At the conclusion of the meeting, BMO's board of directors adopted and approved the merger agreement and the stock option agreement, and the transactions contemplated thereby.

Early in the morning of December 17, 2010, the parties executed the merger agreement and the stock option agreement and the transaction was announced prior to the opening of the financial markets in New York City in a joint press release issued by M&I and BMO.

### **M&I's Board Recommendation and Reasons for the Merger**

By a unanimous vote, after careful consideration, M&I's board of directors determined that the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of M&I and its shareholders, and approved and adopted the merger agreement and the transactions contemplated by the merger agreement, including the merger. **Accordingly, M&I's board of directors unanimously recommends that M&I shareholders vote FOR the approval of the merger agreement proposal.**

In evaluating the merger, M&I's board of directors consulted with M&I's management, as well as M&I's legal and financial advisors, and in reaching its conclusion M&I's board of directors considered a number of factors, including the following material factors:

The careful review undertaken by M&I's board of directors and management, with the assistance of M&I's legal and financial advisors, with respect to the strategic alternatives available to M&I, including, without limitation, the proposed acquisition by Party A and the relative terms proposed by BMO and Party A;

Each of M&I's and BMO's business, operations, financial condition, asset quality, earnings, prospects and regulatory status, including the strong balance sheet and prospects of BMO;

**Table of Contents**

Its understanding of the current and prospective environment in which M&I and BMO operate, including international, national and local economic conditions, the competitive environment for financial institutions generally, and the likely effect of these factors on M&I both with and without the proposed transaction;

The conditions affecting M&I at the current time, the need to address M&I's business and capital issues in an expedient and highly certain manner, execution risk associated with the various options and their comparative impact on M&I and its shareholders;

The likelihood that M&I's non-performing, classified and criticized loans would remain elevated and the resulting impact on M&I's business and strategic options and on the views and actions of important constituencies, including bank supervisors and rating agencies;

Its understanding of BMO, and its business, operations, financial performance and management, including its review and discussion with M&I's management concerning the due diligence investigation of BMO;

The financial and other terms and conditions of the merger agreement and stock option agreement, which it reviewed with its legal advisors;

The fact that the implied value of the merger consideration as of December 16, 2010 of \$7.75 for each share of M&I common stock represented a 33.9% premium over the closing price of M&I common stock on December 16, 2010 (the last trading day before public announcement of the merger) and a premium of 26.8% over the average closing prices of M&I common stock for the three-month period ending on December 16, 2010;

The all stock and fixed exchange ratio aspects of the merger consideration, which would allow M&I shareholders to participate in the future performance of the combined BMO and M&I businesses;

BMO's current quarterly dividend rate of \$0.70 per share as compared to M&I's current quarterly dividend rate of \$0.01 per share and the resulting pro forma dividend accretion to M&I shareholders;

The expectation that the merger will be generally tax-free for U.S. federal income tax purposes to M&I's shareholders;

Its understanding of BMO's ability to successfully complete the merger, including its understanding of BMO's capital strength, its regulatory relations and the regulatory and other approvals required in connection with the merger, and the expectation that such regulatory approvals will be received in a timely manner and without the imposition of unacceptable conditions; and

The financial presentation and opinion of BofA Merrill Lynch, dated December 16, 2010, to M&I's board of directors as to the fairness, from a financial point of view and as of such date, of the merger consideration to holders of M&I common stock, which opinion was based upon and subject to the various considerations set forth in its opinion as more fully described under the heading "Opinion of M&I's Financial Advisor" beginning on page 53.

M&I's board of directors also considered potential risks and potentially negative factors concerning the merger in connection with its deliberations of the proposed transaction, including the following factors:



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Costs to be incurred in connection with the merger, including the costs of integrating the businesses of M&I and BMO and the transaction expenses arising from the merger;

Execution risk, including the risk that potential benefits and synergies sought in the merger may not be realized or may not be realized within the expected time period, and the risks associated with the integration of M&I and BMO;

The fact that holders of M&I common stock who do not vote in favor of the merger agreement proposal will not be entitled to exercise any dissenters' rights of appraisal under Wisconsin law; and

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## Table of Contents

That certain members of M&I's board of directors and management have interests in the merger that are in addition to, or different from, the interests of M&I's shareholders generally, which are described in more detail under "Interests of Certain Persons in the Merger."

The foregoing discussion of the information and factors considered by M&I's board of directors is not exhaustive, but includes the material factors considered by M&I's board of directors. In reaching its decision to approve and adopt the merger agreement, M&I's board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. M&I's board of directors considered all these factors as a whole, including discussions with M&I's management and M&I's legal and financial advisors, and overall considered the factors to be favorable to, and to support, its determination.

It should be noted that this explanation of the reasoning of M&I's board of directors and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Cautionary Statement Regarding Forward-Looking Statements" on page 34.

### **Opinion of M&I's Financial Advisor**

M&I has retained BofA Merrill Lynch to act as M&I's financial advisor in connection with the merger. On December 16, 2010, at a meeting of M&I's board of directors held to evaluate the merger, BofA Merrill Lynch delivered to M&I's board of directors an oral opinion, which was confirmed by delivery of a written opinion dated December 16, 2010, to the effect that, as of such date and based on and subject to various assumptions and limitations described in its opinion, the merger consideration was fair, from a financial point of view, to holders of M&I common stock.

**The full text of BofA Merrill Lynch's written opinion, dated December 16, 2010, to M&I's board of directors, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Appendix C to this proxy statement/prospectus and is incorporated by reference herein in its entirety. The following summary of BofA Merrill Lynch's opinion is qualified in its entirety by reference to the full text of the opinion. BofA Merrill Lynch delivered its opinion to M&I's board of directors for the benefit and use of M&I's board of directors (in its capacity as such) in connection with and for purposes of its evaluation of the merger consideration from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the merger and no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to M&I or in which M&I might engage or as to the underlying business decision of M&I to proceed with or effect the merger. BofA Merrill Lynch also expressed no opinion or recommendation as to how any shareholder should vote or act in connection with the merger or any related matter.**

In connection with its opinion, BofA Merrill Lynch, among other things:

reviewed certain publicly available business and financial information relating to M&I and BMO;

reviewed certain internal financial and operating information with respect to the business, operations and prospects of M&I furnished to or discussed with BofA Merrill Lynch by M&I's management, including certain financial forecasts relating to M&I prepared by M&I's management;

reviewed certain publicly available financial forecasts relating to BMO;

discussed the past and current business, operations, financial condition and prospects of M&I with members of M&I's senior management, and discussed the past and current business, operations, financial condition and prospects of BMO with members of senior managements of M&I and BMO;

discussed with members of M&I's senior management certain regulatory and legislative developments affecting banks and other financial institutions and the potential impact of such developments,



**Table of Contents**

including matters relating to certain outstanding obligations of M&I to the United States government under the TARP;

reviewed the trading histories for M&I common stock and BMO common stock and a comparison of such trading histories with each other and with the trading histories of other companies BofA Merrill Lynch deemed relevant;

compared certain financial and stock market information of M&I and BMO with similar information of other companies BofA Merrill Lynch deemed relevant;

reviewed certain financial terms of the merger and certain financial terms, to the extent publicly available, of other transactions;

reviewed the relative financial contributions of M&I and BMO to the current and future financial performance of the combined company on a pro forma basis;

reviewed a draft, dated December 16, 2010, of the merger agreement and certain related documents; and

performed such other analyses and studies and considered such other information and factors as BofA Merrill Lynch deemed appropriate.

In arriving at its opinion, BofA Merrill Lynch assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it and relied upon the assurances of the managements of M&I and BMO that they were not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the forecasts relating to M&I, BofA Merrill Lynch was advised by M&I, and assumed, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of M&I's management as to the future financial performance of M&I. As M&I was aware, BofA Merrill Lynch was not provided with, and did not have access to, any internal financial forecasts relating to BMO prepared by BMO's management. Accordingly, BofA Merrill Lynch was advised by BMO and assumed, with M&I's consent, that publicly available financial forecasts relating to BMO were a reasonable basis upon which to evaluate the future financial performance of BMO and BofA Merrill Lynch used such forecasts in performing its analyses.

At M&I's direction, BofA Merrill Lynch relied upon the assessments of M&I's management as to certain regulatory and legislative developments affecting banks and other financial institutions and the potential impact of such developments and BofA Merrill Lynch assumed that such developments would not be meaningful in any respect to its analyses or opinion. BofA Merrill Lynch is not an expert in the evaluation of loan or lease portfolios or allowances for losses with respect to such portfolios and BofA Merrill Lynch was not requested to, and did not, conduct a review of individual credit files or make an analysis of, nor did BofA Merrill Lynch express any opinion or view as to, the adequacy or sufficiency of M&I's or BMO's allowances for losses or any other matters. BofA Merrill Lynch was advised and therefore assumed that such allowances for losses for M&I and BMO were, and on a pro forma basis would be, in the aggregate appropriate to cover such losses. BofA Merrill Lynch did not make and was not provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise), including loss reserves, of M&I or BMO, nor did BofA Merrill Lynch make any physical inspection of the properties or assets of M&I or BMO. BofA Merrill Lynch did not evaluate the solvency or fair value of M&I or BMO under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. BofA Merrill Lynch assumed, at M&I's direction, that the merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the merger, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, would be imposed that would have an adverse effect on M&I, BMO or the contemplated benefits of the merger. BofA Merrill Lynch also assumed, at M&I's direction, that the merger would qualify for federal income tax purposes as a reorganization under the provisions

**Table of Contents**

of Section 368(a) of the Code and that the final executed merger agreement would not differ in any material respect from the draft merger agreement reviewed by or otherwise discussed with BofA Merrill Lynch.

BofA Merrill Lynch expressed no view or opinion as to any terms or other aspects of the merger (other than the merger consideration to the extent expressly specified in its opinion), including, without limitation, the form or structure of the merger or any terms, aspects or implications of the purchase by BMO or its affiliates of shares of the TARP Preferred Stock or the warrant for shares of M&I common stock that was issued to the U.S. Treasury in connection with the TARP, any stock option agreement or other agreement, arrangement or understanding entered into in connection with or related to the merger or otherwise. BofA Merrill Lynch's opinion was limited to the fairness, from a financial point of view, of the merger consideration to holders of M&I common stock and no opinion or view was expressed with respect to any consideration to be received in connection with the merger by the holders of any class of securities, creditors or other constituencies of any party. In addition, no opinion or view was expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any officers, directors or employees of any party to the merger, or class of such persons, relative to the merger consideration or otherwise. Prior to the date of BofA Merrill Lynch's opinion and at M&I's direction, BofA Merrill Lynch held discussions with certain parties that had approached M&I regarding a possible transaction; however, BofA Merrill Lynch was not requested to, and did not, solicit indications of interest or proposals from third parties regarding a possible acquisition of all or any part of M&I or any alternative transaction. BofA Merrill Lynch did not express any opinion as to what the value of BMO common stock actually would be when issued or the prices at which M&I common stock or BMO common stock would trade at any time, including following announcement or consummation of the merger.

BofA Merrill Lynch's opinion was necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to BofA Merrill Lynch as of, the date of its opinion. As M&I was aware, the credit, financial and stock markets have been experiencing unusual volatility and BofA Merrill Lynch expressed no opinion or view as to any potential effects of such volatility on M&I, BMO or the merger. It should be understood that subsequent developments may affect BofA Merrill Lynch's opinion, and BofA Merrill Lynch does not have any obligation to update, revise or reaffirm its opinion. The issuance of BofA Merrill Lynch's opinion was approved by BofA Merrill Lynch's Americas Fairness Opinion Review Committee. Except as described in this summary, M&I imposed no other limitations on the investigations made or procedures followed by BofA Merrill Lynch in rendering its opinion.

The following represents a brief summary of the material financial analyses and certain other factors presented by BofA Merrill Lynch to M&I's board of directors in connection with its opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by BofA Merrill Lynch, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by BofA Merrill Lynch. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by BofA Merrill Lynch.**

*Selected Publicly Traded Companies Analyses.* BofA Merrill Lynch performed separate selected publicly traded companies analyses of M&I and BMO. Estimated financial data of the selected publicly traded companies were based on public filings, publicly available research analysts estimates and other publicly available information.

*M&I.* In performing a selected publicly traded companies analysis of M&I, BofA Merrill Lynch reviewed financial and stock market information of M&I and the following 15 selected publicly traded regional commercial banks, which are referred to as the M&I selected companies:

Associated Banc-Corp

BB&T Corporation

**Table of Contents**

BOK Financial Corporation

Comerica Incorporated

Commerce Bancshares, Inc.

Fifth Third Bancorp

First Horizon National Corporation

Huntington Bancshares Incorporated

KeyCorp

M&T Bank Corporation

Regions Financial Corporation

SunTrust Banks, Inc.

Synovus Financial Corp.

TCF Financial Corporation

Zions Bancorporation

BofA Merrill Lynch reviewed, among other things, equity values as multiples of calendar year 2012 estimated earnings per share, referred to as EPS, and book value and tangible book value per share as of September 30, 2010. BofA Merrill Lynch then applied ranges of selected multiples of calendar year 2012 estimated EPS and tangible book value and book value per share (as of September 30, 2010) derived from the M&I selected companies to corresponding data of M&I based on publicly available research analysts' estimates relating to M&I and M&I's public filings.

*BMO.* In performing a selected publicly traded companies analysis of BMO, BofA Merrill Lynch reviewed financial and stock market information of BMO and the following five selected publicly traded Canadian commercial banks, which are referred to as the BMO selected companies:

Canadian Imperial Bank of Commerce

National Bank of Canada

Royal Bank of Canada

The Bank of Nova Scotia

The Toronto-Dominion Bank

BofA Merrill Lynch reviewed, among other things, equity values as multiples of calendar year 2012 estimated EPS and book value and tangible book value per share as of October 31, 2010. BofA Merrill Lynch then applied ranges of selected multiples of calendar year 2012 estimated EPS and tangible book value and book value per share (as of October 31, 2010) derived from the BMO selected companies to corresponding data of BMO based on publicly available research analysts' estimates relating to BMO and BMO's public filings.

Based on implied per share equity value reference ranges for M&I and BMO calculated as described above, these analyses indicated the following implied exchange ratio reference ranges, as compared to the merger consideration:

Implied Exchange Ratio						
EPS		Reference Ranges Based on: Tangible Book Value		Book Value		Merger Consideration
0.0805x	0.1107x	0.0678x	0.1339x	0.0619x	0.1574x	0.1257x

**Table of Contents**

No company used in these analyses is identical to M&I or BMO. Accordingly, an evaluation of the results of these analyses is not entirely mathematical. Rather, these analyses involve complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which M&I and BMO were compared.

*Dividend Discount Analyses.* BofA Merrill Lynch performed separate dividend discount analyses of M&I and BMO.

*M&I.* In performing a dividend discount analysis of M&I, BofA Merrill Lynch calculated the estimated present value of distributable cash flow that M&I was forecasted to generate during fiscal years ending December 31, 2011 through December 31, 2015 based on internal estimates of M&I's management. BofA Merrill Lynch then calculated terminal value ranges for M&I by applying a range of terminal value multiples of 9.0x to 11.0x to M&I's fiscal year ending December 31, 2016 estimated net income. The distributable cash flows and terminal values were then discounted to present values using discount rates ranging from 9.5% to 12.5%.

*BMO.* In performing a dividend discount analysis of BMO, BofA Merrill Lynch calculated the estimated present value of distributable cash flow that BMO was forecasted to generate during fiscal years ending October 31, 2011 through October 31, 2016 based on publicly available research analysts' estimates relating to BMO and other publicly available information. BofA Merrill Lynch then calculated terminal value ranges for BMO by applying a range of terminal value multiples of 9.5x to 11.0x to BMO's fiscal year ending October 31, 2017 estimated net income. The distributable cash flows and terminal values were then discounted to present values using discount rates ranging from 7.0% to 9.0%.

Based on implied per share equity value reference ranges for M&I and BMO calculated as described above, these analyses indicated the following implied exchange ratio reference range, as compared to the merger consideration:

**Implied Exchange Ratio**

Reference Range	Merger Consideration
0.0629x - 0.1033x	0.1257x

*Other Factors.* BofA Merrill Lynch also reviewed, for informational purposes, certain other factors, including:

share price targets for M&I and BMO in recently published, publicly available Wall Street research analyst reports, noting that the low and high share price targets for M&I and BMO discounted to present values implied an exchange ratio reference range of 0.0805x to 0.1602x;

historical trading performances of M&I common stock and BMO common stock during the 52-week period ended December 10, 2010, noting that the low and high closing prices of M&I common stock and BMO common stock during such period implied an exchange ratio reference range of 0.0704x to 0.2228x;

implied historical exchange ratios for M&I and BMO derived by dividing the spot prices of M&I common stock and BMO common stock on December 16, 2010 and the 20-day, six-month and 12-month volume-weighted average closing prices of M&I common stock and BMO common stock for the period ended December 16, 2010, noting that implied historical exchange ratios for such periods were 0.0939x, 0.0810x, 0.1293x and 0.1064x, respectively;

relative contributions of M&I and BMO to various current and future financial metrics of the pro forma combined company, without giving effect to purchase accounting adjustments or potential synergies, based on publicly available financial data of M&I as of September 30, 2010 and internal estimates of M&I's management and publicly available financial data of BMO as of October 31, 2010 and research analysts' estimates relating to BMO, noting that the relative contributions indicated a range of aggregate equity ownership percentages for M&I's shareholders in the combined company of approximately 8.0% to 23.0%; and



## Table of Contents

selected precedent transactions announced between January 1, 2004 and December 15, 2010 involving the sale of commercial banks with transaction values of between US\$2.0 billion and US\$6.0 billion and selected precedent transactions announced between January 1, 2008 and December 15, 2010 involving the sale of commercial banks with assets of greater than US\$8 billion.

### *Miscellaneous*

As noted above, the discussion set forth above is a summary of the material financial analyses and certain other factors presented by BofA Merrill Lynch to M&I's board of directors in connection with its opinion and is not a comprehensive description of all analyses undertaken or factors considered by BofA Merrill Lynch in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to partial analysis or summary description. BofA Merrill Lynch believes that the analyses and factors summarized above must be considered as a whole. BofA Merrill Lynch further believes that selecting portions of its analyses and the factors considered or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying BofA Merrill Lynch's analyses and opinion. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that such analysis was given greater weight than any other analysis referred to in the summary.

In performing its analyses, BofA Merrill Lynch considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of M&I and BMO. The estimates of the future performance of M&I and BMO in or underlying BofA Merrill Lynch's analyses are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by BofA Merrill Lynch's analyses. These analyses were prepared solely as part of BofA Merrill Lynch's analysis of the fairness, from a financial point of view, of the merger consideration and were provided to M&I's board of directors in connection with the delivery of BofA Merrill Lynch's opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be BofA Merrill Lynch's view of the actual values of M&I and BMO.

The type and amount of consideration payable in the merger was determined through negotiations between M&I and BMO, rather than by any financial advisor, and was approved by M&I's board of directors. The decision to enter into the merger agreement was solely that of M&I's board of directors. As described above, BofA Merrill Lynch's opinion and analyses were only one of many factors considered by M&I's board of directors in its evaluation of the merger and should not be viewed as determinative of the views of M&I's board of directors or management with respect to the merger or the merger consideration.

In connection with BofA Merrill Lynch's services as M&I's financial advisor, M&I has agreed to pay BofA Merrill Lynch an aggregate fee of US\$20 million, portions of which were payable in connection with BofA Merrill Lynch's engagement and the delivery of BofA Merrill Lynch's opinion and a significant portion of which is contingent on completion of the merger. M&I also has agreed to reimburse BofA Merrill Lynch for its expenses, including fees and disbursements of BofA Merrill Lynch's counsel, incurred in connection with BofA Merrill Lynch's engagement and to indemnify BofA Merrill Lynch, any controlling person of BofA Merrill Lynch and each of their respective directors, officers, employees, agents and affiliates against certain liabilities, including liabilities under the federal securities laws, arising out of BofA Merrill Lynch's engagement.

BofA Merrill Lynch and its affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal

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## **Table of Contents**

investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of their businesses, BofA Merrill Lynch and its affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of M&I, BMO and certain of their respective affiliates.

BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to M&I and has received or in the future may receive compensation for the rendering of these services, including (1) having acted or acting as a book runner in connection with certain equity offerings of M&I; (2) having acted or acting as a lender, or otherwise having extended or extending credit, under a credit facility, letters of credit and other arrangements with M&I; and (3) having provided or providing certain treasury management, foreign exchange, interest rate, equity-based and other derivative and trading products and services to M&I. In addition, certain of BofA Merrill Lynch's affiliates maintain significant commercial relationships with M&I.

In addition, BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to BMO and has received or in the future may receive compensation for the rendering of these services, including (1) having acted or acting as a book runner on a debt offering of BMO; (2) having acted or acting as a lender, or otherwise having extended or extending credit, under a credit facility, letters of credit and other arrangements with BMO; and (3) having provided or providing certain treasury management, foreign exchange, interest rate, equity-based and other derivative and trading products and services to BMO. In addition, certain of BofA Merrill Lynch's affiliates maintain significant commercial relationships with BMO.

### **BMO's Reasons for the Merger**

BMO views the merger as representing a material expansion of its U.S. business. The transaction crystallizes its strategy of expanding its North American footprint and positioning BMO for future growth in the U.S. It provides entry for BMO into new markets it considers attractive, and strengthens its market position in the North American banking industry. BMO also believes it builds critical mass in its U.S. wealth management business. BMO's board of directors approved the merger after discussing it with its senior management and its advisors J.P. Morgan Securities Inc. and BMO Capital Markets, and after considering various factors presented to it relating to M&I and the proposed transaction including, among others, a strategic and market view of the transaction, operational and valuation assessments of M&I, and risk assessments.

### **Management and Board of Directors of BMO After the Merger**

Upon completion of the merger, Mark F. Furlong, who is currently Chairman of the Board, President and Chief Executive Officer of M&I, will become CEO of the combined U.S. Personal and Commercial Banking Business and CEO of Harris N.A. Ellen Costello will remain CEO of Harris Financial Corp. and will become U.S. Country Head for BMO. The remaining current directors and senior officers of BMO are expected to continue in their current positions, other than has been publicly announced by BMO in the normal course. Information about the current BMO directors and executive officers can be found in the documents listed under [Where You Can Find More Information](#) beginning on page 117.

### **Interests of M&I's Directors and Executive Officers in the Merger**

In considering the recommendation of M&I's board of directors that M&I shareholders vote on the approval of the merger agreement, M&I shareholders should be aware that some of M&I's executive officers and directors have financial interests in the merger that are different from, or in addition to, those of M&I's shareholders

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**Table of Contents**

generally. The M&I board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and making its recommendations that the M&I shareholders approve the merger agreement. For purposes of all of the M&I agreements and plans described below, the completion of the transactions contemplated by the merger agreement will constitute a change of control.

*M&I Change of Control Agreements*

M&I previously entered into change of control agreements with several of the executive officers of M&I, including each of Messrs. Mark F. Furlong, Gregory A. Smith, Thomas R. Ellis, Kenneth C. Krei and Thomas J. O'Neill (collectively referred to as the named executive officers). We refer to those change of control agreements with three-year terms as the Tier I Agreements and those change of control agreements with two-year terms as the Tier II Agreements. Each of the named executive officers is party to a Tier I Agreement, with the exception of Mr. Ellis, who is party to a Tier II Agreement. Eleven of the other executive officers are party to Tier II Agreements and one is party to a Tier I Agreement. The two-year and three-year terms of such agreements, collectively referred to as the employment terms, commence upon the date a change of control (as defined under the change of control agreements) occurs and then the employment term automatically renews on a daily basis until M&I or its successor gives notice to terminate the daily renewal.

In the event that, during the employment term, the executive officer voluntarily terminates employment for good reason or the executive officer's employment is involuntarily terminated other than for cause (as such terms are defined in the change of control agreements) or, in the case of an executive officer party to a Tier I Agreement, the executive officer resigns for any reason during the 60-day period immediately following the date that is six months after the change of control, then the executive officer is entitled, subject to the executive officer's execution of a general release of claims in favor of M&I and its successors, including BMO and Harris N.A., to (a) a payment equal to three times (in the case of Tier I Agreements) or two times (in the case of Tier II Agreements) the sum of (i) the executive officer's annual base salary plus (ii) the higher of the executive officer's (1) bonus for the most recently completed fiscal year following the change of control or (2) average bonus for the last three completed fiscal years before the change of control date (the higher amount is referred to as the bonus); (b) a pro rata bonus for the year in which the termination occurs; (c) a payment equal to any retirement benefits, including any supplemental and/or excess retirement benefits, that the executive officer would have received under the M&I retirement benefit plans if his or her employment had continued beyond the date of termination for an additional three years (in the case of Tier I Agreements) or two years (in the case of Tier II Agreements), with the executive officer being treated, for purposes of determining this payment, as being fully vested under these plans; (d) a payment equal to three times (in the case of Tier I Agreements) or two times (in the case of Tier II Agreements) the executive officer's taxable employer-provided car-related expenses and club dues; (e) the option to purchase the employer-provided car used by the executive officer at book value thereof as of the date of termination, and, in the case of Tier I Agreements only, the option to purchase any split dollar-life insurance owned by M&I on behalf of the executive officer; and (f) continued medical and dental benefits and life insurance coverage for a period of three years (in the case of Tier I Agreements) or two years (in the case of Tier II Agreements) following the date of termination, or a lesser period if the executive is eligible to obtain coverage that is no less favorable from a subsequent employer, and equivalent credit for purposes of eligibility to participate in employer-provided retiree medical benefits program.

Additionally, these agreements, as contemplated by the terms of the M&I equity incentive plans, provide that upon a change of control, all restrictions on any outstanding equity incentive award held by the executive officer will lapse and such awards will become fully vested, with the exception of certain restricted stock awards held by one executive officer, who is not a named executive officer, that would vest upon a termination without cause or resignation for good reason (each as defined under such executive officer's change of control agreement) following a change of control. Following a qualifying termination, all options outstanding as of the executive officer's date of termination will remain exercisable for the lesser of (a) the remainder of the options' term or (b) one year after the executive officer's death.

**Table of Contents**

In connection with the merger, BMO has agreed to pay, in satisfaction of the cash severance amounts payable under the existing change of control agreements between M&I and each of its seventeen executive officers, the amounts set forth in the table below. These payments will be made upon the individual's applicable payment event. Mr. Furlong will be paid this amount following the completion of the merger, and the amounts for each of Messrs. Smith, Krei and O'Neill and two other M&I executive officers will be credited following the merger to an account for the executive under the M&I 2005 Executive Deferred Compensation Plan (as further described below under *Deferred Compensation Plans*) to be paid upon a subsequent termination of employment. The other obligations to Messrs. Smith, Krei and O'Neill and the two other M&I executive officers upon termination of employment and the rights that survive termination of employment, such as a pro-rata bonus for the year of termination of employment, continued medical and dental benefits and life insurance coverage and the right to an excise tax gross-up, will continue in accordance with the terms of the M&I change of control agreements. The amounts disclosed in the table below do not include a pro-rata bonus amount, which will be determined at the time of termination of employment.

<b>Executive Officer</b>	<b>Cash Severance Payments</b>
Mark F. Furlong	\$ 18,055,452
Gregory A. Smith	\$ 5,528,607
Thomas R. Ellis	\$ 4,128,538
Kenneth C. Krei	\$ 5,528,007
Thomas J. O'Neill	\$ 5,065,214
Other executive officers, as a group	\$ 26,674,173

In the event that any payments or benefits made to an executive officer under his or her change of control agreement is subject to the excise tax imposed by Section 4999 of the Code, the executive officer would be entitled to receive an additional payment such that the executive officer would be placed in the same after-tax position as if no Section 4999 excise tax had been imposed. However, to the extent the payments or benefits to an executive officer with a Tier II Agreement result in a Section 4999 excise tax only because they exceed the specified statutory limit by \$50,000 or less, the payments or benefits provided under the Tier II Agreement will, in lieu of any additional payment contemplated by this paragraph, be reduced below this limit.

*Supplemental Retirement Benefit*

Pursuant to the supplemental executive retirement benefit letter agreement between M&I and Mark Furlong, dated December 31, 2006, as amended, upon a change of control of M&I, Mr. Furlong's supplemental retirement benefit will vest in full or in part on an accelerated basis based on the date of the change of control and Mr. Furlong's age as of that date. At the effective time of the merger, Mr. Furlong will become vested in approximately 66% of the supplemental retirement benefit.

*M&I Deferred Compensation Plans*

M&I currently maintains four deferred compensation plans for its executive officers and non-employee directors: the 2005 Executive Deferred Compensation Plan, the 2005 Directors Deferred Compensation Plan (together with the 2005 Executive Deferred Compensation Plan, referred to as the *2005 Deferred Compensation Plans*), the Amended and Restated Executive Deferred Compensation Plan and the Amended and Restated Directors Deferred Compensation Plan. Under the 2005 Deferred Compensation Plans, in the event that a participant's employment or service is terminated on or within a year after a change of control of M&I, the participant's account will be distributed to the participant in a lump sum. Each of the deferred compensation plans also contains provisions that limit M&I's ability to amend the plans following a change of control without the consent of a majority of the holders of plan account balances, including a restriction on changing the available investment choices. The 2005 Deferred Compensation Plans and the Amended and Restated Executive Deferred Compensation Plan also contain restrictions on M&I's ability to amend a participant's distribution elections from those in effect immediately before the change of control.

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**Table of Contents**

As mentioned above, following the completion of the merger, an account under the 2005 Executive Deferred Compensation Plan in the name of each of Messrs. Smith, Krei, O'Neill and two other M&I executive officers will be credited with the cash severance amounts (other than the pro-rata bonus, which will be determined at the date of termination) payable under the existing M&I change of control agreement with each such executive (as described above in Existing M&I Change of Control Agreements). These credited amounts will be non-forfeitable and payable from these accounts upon any termination of the applicable executive officer's employment following the completion of the merger, whenever that might occur.

*Future Employment Arrangements with BMO and Harris N.A.*

In connection with the execution of the merger agreement, BMO and Harris N.A. entered into an employment agreement with Mr. Furlong that is conditioned upon, and becomes effective as of, the completion of the merger (which we refer to as the New Agreement). Upon the effective date of the New Agreement, the New Agreement will supersede Mr. Furlong's existing change of control agreement with M&I.

The New Agreement with Mr. Furlong has a three-year employment period commencing on the completion of the merger. During the employment period, Mr. Furlong will serve as the President and Chief Executive Officer of Harris N.A., as a member of Harris N.A.'s board of directors and as a member of BMO's Management Committee, and will report directly to BMO's chief executive officer. For each year during the employment period, Mr. Furlong will (a) receive an annual base salary of \$600,000, (b) be eligible to receive a target annual incentive payment of \$800,000 and (c) be eligible to receive an annual mid-term equity award and an annual long-term equity award, each with a target grant date value of \$1,100,000. In addition, during the employment period, Mr. Furlong will be eligible to participate in employee benefit programs maintained by Harris N.A. for its executive officers and will continue to be eligible to receive a supplemental executive retirement benefit on the same terms as the arrangement in existence with M&I prior to the completion of the merger. On the first anniversary of the completion of the merger, Mr. Furlong will receive a \$6,000,000 transition completion payment subject to his continued employment through such anniversary (other than upon a termination of employment due to his death or disability or a termination other than for cause or by Mr. Furlong for good reason (each as defined in the New Agreement)). In addition, the following benefits provided under Mr. Furlong's existing M&I change of control agreement (as described above under M&I Change of Control Agreements) will remain in effect: the extended stock option exercise period for stock options granted prior to the completion of the merger, continued post-termination health and life insurance benefits, the option to purchase the employer-provided car and any split-dollar life insurance, and the right for a make-whole payment with respect to excise tax imposed by Section 4999 of the Code.

The New Agreement provides that, upon the termination of Mr. Furlong's employment other than for cause, death or disability or if Mr. Furlong terminates his employment for good reason (each as defined under the New Agreement), he will receive the following payments and benefits: (a) a payment equal to the greater of (i) the product of \$165,000 multiplied by the remaining number of months (including partial months) in the employment period following the date of his termination of employment and (ii) \$1,980,000; (b) a pro-rata incentive payment for the year of termination of employment; (c) the transition completion payment (as described above), to the extent not already vested and paid; and (d) all equity and long-term incentive awards will continue to vest and any options to acquire BMO stock granted after the completion of the merger will remain exercisable for the lesser of (i) the remainder of the option's term or (ii) five years from the date of termination.

Under the New Agreement, Mr. Furlong will be subject to non-competition and non-solicitation covenants during the period in which he is employed under the New Agreement and for the eighteen-month period following the termination of his employment.

Following the signing of the merger agreement, Mr. Furlong agreed to serve on the board of directors of Harris Financial Corp., a U.S. holding company subsidiary of BMO. Mr. Furlong will not receive additional compensation for his membership on this board.

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**Table of Contents**

*Advisory Agreement with Mr. Thomas R. Ellis*

On March 28, 2011, Mr. Ellis and Harris N.A. entered into an advisory agreement under which Mr. Ellis has agreed that, upon the completion of the merger, Mr. Ellis' employment with M&I will cease and that, for a period of 18 months thereafter, he will provide transitional and advisory services to Harris N.A. During this advisory period, Mr. Ellis will receive an annual retainer of \$600,000, payable in monthly installments, and reimbursement for reasonable out-of-pocket expenses incurred in connection with the advisory services. Under the terms of the advisory agreement, Mr. Ellis is subject to non-competition, client and employee non-solicitation and non-disparagement covenants during the 18-month period following completion of the merger and to standard confidentiality restrictions during the term of the advisory agreement and for the 24-month period following the termination of such agreement. In the event that Mr. Ellis fails to comply with these restrictive covenants, the advisory agreement may be terminated by Harris N.A., and no advisory fees will be payable following such termination. In the event that the advisory agreement is terminated for any other reason prior to the end of the advisory period, Mr. Ellis will continue to receive advisory fees for the remainder of the advisory period.

On or soon after completion of the merger, Harris N.A. will credit to a fully-vested and non-forfeitable account under the M&I 2005 Executive Deferred Compensation Plan an amount equal to \$4,128,538, in full satisfaction of the severance benefits to which Mr. Ellis is entitled under his existing M&I change of control agreement (as described in more detail above under "M&I Change of Control Agreements").

Following the signing of the merger agreement, BMO has engaged in discussions with certain executive officers of M&I other than Mr. Furlong and Mr. Ellis concerning their role with the BMO organization following the closing date and has also engaged in discussions with certain M&I directors about serving as directors in the BMO organization.

*Equity Compensation Awards*

The merger agreement provides that, upon the completion of the merger (a) each outstanding option to purchase M&I common stock will vest and be converted into an option to purchase BMO common stock (with the number of shares and the per share exercise price appropriately adjusted based on the merger exchange ratio) on the same terms and conditions applicable to the corresponding M&I stock option immediately before the merger, (b) each outstanding share of M&I restricted stock will vest, become free of restrictions and be converted into the right to receive BMO common stock in an amount equal to the merger consideration with respect to each such share of M&I restricted stock, (c) other M&I equity-based awards (other than options, performance units and restricted stock) will be converted into a right or award with respect to BMO common stock (with the number of shares appropriately adjusted based on the merger exchange ratio) on the same terms and conditions applicable to the corresponding M&I equity-based award immediately before the merger and (d) each outstanding M&I performance unit will vest and be converted into the right to receive, subject to the maximum amount set forth in the applicable performance unit award terms, a cash payment equal to the number of shares of M&I common stock underlying such M&I performance unit multiplied by the merger consideration cash amount. In addition, in accordance with the terms of the award agreements, the transfer restrictions on stock salary awards received by the named executive officers and other executive officers will lapse upon completion of the merger. The vesting treatment provided in the merger agreement does not apply to certain stock-based awards granted after December 17, 2010, which awards will not vest in connection with the completion of the merger, but could vest upon certain terminations of employment thereafter. For further information about the treatment of M&I equity-based awards, please see the section entitled "Treatment of M&I Options and Other Equity Based Awards" beginning on page 79.

Based on M&I executive officers' equity compensation holdings as of January 28, 2011, and assuming the merger is completed on July 1, 2011, the table set forth below sets forth the number of options to purchase M&I common stock and the M&I restricted shares held by each of the named executive officers and the 12 other M&I executive officers as a group that would vest in connection with the completion of the merger. None of the named executive officers or the other executive officers hold any outstanding performance units. As the equity-based

**Table of Contents**

awards held by the non-employee directors are fully vested, the merger will not result in the vesting of any equity-based awards held by the non-employee directors.

<b>Executive Officer</b>	<b># of Shares Underlying Outstanding Stock Options That Would Vest</b>	<b># of Outstanding M&amp;I Restricted Shares That Would Vest</b>
Mark F. Furlong	86,467	594,744
Gregory A. Smith	23,067	251,765
Thomas R. Ellis	21,800	250,871
Kenneth C. Krei	21,800	233,218
Thomas J. O. Neill	23,067	218,314
Other executive officers, as a group	135,786	1,428,536

One M&I executive officer, who is not a named executive officer, was granted a restricted stock award for 7,238 shares of M&I common stock in February 2011 that is scheduled to vest on the third anniversary of the grant date. This award will not vest in connection with the completion of the merger, but would vest upon a termination of the executive officer's employment by M&I other than for cause or a resignation by the executive officer with good reason (each as defined in the executive's M&I change of control agreement). This award is not included in the table above.

*Retention Awards*

Under the terms of the merger agreement, M&I may grant cash or equity retention awards to eligible employees, including certain of its executive officers. Two of the M&I executive officers, who are not named executive officers, have been granted cash retention award opportunities in an aggregate amount equal to \$50,190. Such retention awards fully vest on December 30, 2012, subject to the executive officer's continued employment through such date, or, if earlier, upon a termination of the executive officer's employment by M&I other than for cause (as defined in M&I's change of control agreements) or a resignation by the executive officer with good reason (generally defined to mean material reductions in the executive officer's annual base salary or target bonus or a relocation of the executive officer's employment by more than 50 miles).

*Protection of M&I Directors and Officers Against Claims.*

From and after the effective time of the merger, each of BMO and the surviving entity will indemnify and hold harmless, to the fullest extent permitted under applicable law, each present and former director, officer, including each of the named executive officers, and employee of M&I and its subsidiaries from liabilities arising out of or pertaining to matters existing or occurring at or before the effective time of the merger, including the transactions contemplated by the merger agreement and the stock option agreement. BMO has agreed to provide directors' and officers' liability insurance that serves to reimburse the present and former officers and directors of M&I or any of its subsidiaries with respect to claims against such directors and officers arising from facts or events occurring before the effective time of the merger for a period of six years following the effective time of the merger. The insurance will contain terms and conditions that are not less advantageous than the current coverage provided by M&I, except that BMO is not required to incur annual premium expense greater than 350% of M&I's current annual directors' and officers' liability insurance premium. Prior to the completion of the merger and in lieu of the foregoing, M&I may purchase and pay for a tail policy for directors' and officers' liability insurance on the terms described in the prior sentence.

**Material United States Federal Income Tax Consequences**

The following is a summary of the material United States federal income tax consequences of the merger to holders of M&I common stock and the ownership of BMO common stock received in the merger. The below discussion applies to you only if you exchange your M&I common stock for BMO common stock in the merger and you hold your M&I common stock and BMO common stock as capital assets for tax purposes. This section does not

**Table of Contents**

address any U.S. federal income tax considerations related to the Canadian tax treatment of a holder in connection with the merger. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

a holder who acquired M&I common stock pursuant to the exercise of employee stock options or otherwise as compensation,

a dealer in securities,

a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,

a tax-exempt organization,

a life insurance company,

a person liable for alternative minimum tax,

a person that actually or constructively owns 5% or more of our voting stock,

a person that holds shares of M&I common stock or BMO common stock as part of a straddle or a hedging or conversion transaction,  
or

a U.S. holder (as defined below) whose functional currency is not the US dollar.

This section is based on the Code, its legislative history, existing and proposed regulations, and published rulings and court decisions, all as currently in effect, as well as the Canada-United States Income Tax Convention (1980) as amended, which is referred to as the Treaty. These laws are subject to change, possibly on a retroactive basis. We have not and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance that the IRS will not take positions concerning the tax consequences of the merger that are different from those discussed below.

If a partnership holds BMO common stock or M&I common stock, the tax treatment of a partner will generally depend on the status of the partners and the tax treatment of the partnership. If you are a partner of a partnership holding BMO common stock or M&I common stock, you should consult your tax advisors.

For purposes of this discussion, we use the term "U.S. holder" to mean a beneficial owner of M&I common stock or BMO common stock, as relevant, that is:

an individual citizen or resident of the United States for United States federal income tax purposes,

a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any U.S. state or the District of Columbia,



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an estate the income of which is subject to United States federal income taxation regardless of its source, or

a trust which either (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

A non-U.S. holder is a beneficial owner of M&I common stock or BMO common stock (other than a partnership), as relevant, that is not a United States person for United States federal income tax purposes.

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**Table of Contents**

***The Merger***

*General Tax Consequences of the Merger*

The merger has been structured to qualify as a reorganization for United States federal income tax purposes, and it is a condition to our respective obligations to complete the merger that each of BMO and M&I receive a legal opinion from Sullivan & Cromwell LLP and Wachtell, Lipton, Rosen & Katz, respectively, to the effect that (i) the merger, together with the purchase by a subsidiary of BMO from the U.S. Treasury of all of the issued and outstanding shares of the TARP Preferred Stock, will qualify as a reorganization within the meaning of Section 368(a) of the Code and that each of BMO, a BMO subsidiary and M&I will be a party to that reorganization within the meaning of Section 368(b) of the Code and (ii) the merger will not result in gain recognition to the holders of M&I common stock pursuant to Section 367(a) of the Code (assuming that, in the case of any such holder who would be treated as a five-percent transferee shareholder within the meaning of Treasury Regulations Section 1.367(a)-3(c)(5)(ii), such holder enters into a five-year gain recognition agreement in the form provided in Treasury Regulations Section 1.367(a)-8, as provided for in Treasury Regulations Section 1.367(a)-3(c)(1)(iii)(B), and complies with the requirements of that agreement and Treasury Regulations Section 1.367(a)-8 for avoiding the recognition of gain). In addition, in connection with the filing of the registration statement of which this document is a part, each of Sullivan & Cromwell LLP and Wachtell, Lipton, Rosen & Katz has delivered an opinion to BMO and M&I, respectively, to the same effect as the opinions described above. These opinions will be based on assumptions, representations, warranties and covenants, including those contained in the merger agreement and in tax representation letters provided by BMO and M&I. The accuracy of such assumptions, representations and warranties, and compliance with such covenants, could affect the conclusions set forth in such opinions.

Accordingly, and as set forth in the opinions delivered in connection herewith:

A U.S. holder will not recognize any gain or loss upon receipt of BMO common stock in exchange for M&I common stock in the merger, except with respect to cash received in lieu of fractional shares of BMO common stock (as discussed below),

A U.S. holder's aggregate basis in the BMO common stock received in the merger (including any fractional shares deemed received and redeemed as described below) will be equal to the U.S. holder's aggregate tax basis in the M&I common stock surrendered; and

A U.S. holder's holding period for the shares of BMO common stock received in the merger (including any fractional shares deemed received and redeemed as described below) will include the U.S. holder's holding period of the M&I common stock surrendered. Where different blocks of M&I common stock were acquired at different times and at different prices, the tax basis and holding period of such shares of common stock may be determined with reference to each block of common stock.

*Cash in Lieu of Fractional Shares*

A U.S. holder of M&I common stock who receives cash in lieu of a fractional share of BMO common stock in the merger generally will be treated as having received such fractional share in the merger and then as having received cash in redemption of such fractional share. Gain or loss generally will be recognized based on the difference between the amount of cash received in lieu of the fractional share and the portion of the U.S. holder's aggregate tax basis in the M&I common stock surrendered which is allocable to the fractional share. This gain or loss generally will be capital gain or loss, and long-term capital gain or loss if the holding period for the M&I common stock is more than one year at the effective time of the merger. Long-term capital gain of non-corporate U.S. holders is generally taxed at preferential rates. The deductibility of capital losses is subject to limitations.

Any gain realized by a non-U.S. holder pursuant to the above paragraph generally will not be subject to U.S. federal income tax unless (i) the gain is effectively connected with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that you maintain in the United States if

## **Table of Contents**

that is required by an applicable income tax treaty as a condition for subjecting you to U.S. taxation on a net income basis, or (ii) you are an individual, you are present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist.

### *No IRS Ruling*

No ruling has been or will be sought from the IRS as to the U.S. federal income tax consequences of the merger, and the opinions of counsel described above are not binding upon the IRS or any court. Accordingly, there can be no assurances that the IRS will not disagree with or challenge any of the conclusions described herein.

### *Backup Withholding and Information Reporting on the Merger*

Payments of cash made to a U.S. holder in connection with the merger may be subject to information reporting and backup withholding at a rate of 28 percent, unless the U.S. holder of M&I common stock:

provides a correct taxpayer identification number and any other required information to the exchange agent, or

is a corporation or comes within certain exempt categories and otherwise complies with applicable requirements of the backup withholding rules.

Backup withholding does not constitute an additional tax, but merely an advance payment of tax, which may be refunded to the extent it results in an overpayment of tax if the required information is supplied to the IRS.

### *Reporting Requirements in Respect of the Merger*

A U.S. holder of M&I common stock who receives BMO common stock as a result of the merger will be required to retain records pertaining to the merger. Each U.S. holder of M&I common stock who is required to file a U.S. tax return and who is a significant holder that receives BMO common stock in the merger will be required to file a statement with the holder's U.S. federal income tax return setting forth such holder's basis in the M&I common stock surrendered and the fair market value of the BMO common stock and cash, if any, received in the merger. A

significant holder is a holder of M&I common stock who, immediately before the merger, owned at least 5 percent of the outstanding shares of M&I or had an aggregate tax basis in securities of M&I of \$1,000,000 or more.

## ***Ownership and Disposition of BMO Common Stock by U.S. Holders***

### *Passive Foreign Investment Company*

BMO does not believe that it is, for U.S. federal income tax purposes, a passive foreign investment company, or PFIC, and expects to operate in such a manner so as not to become a PFIC, but this conclusion is a factual determination that is made annually and thus may be subject to change. If BMO is or becomes a PFIC, you could be subject to additional United States federal income taxes on gains recognized with respect to BMO common stock and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules. The remainder of this discussion assumes that BMO will not be treated as a PFIC for U.S. federal income tax purposes.

### *Taxation of Dividends to U.S. Holders*

Distributions on a U.S. holder's BMO common stock (including amounts withheld to reflect Canadian withholding taxes) will be taxable as dividends to the extent paid out of BMO's current or accumulated earnings and profits, as determined under United States federal income tax principles. If you are a non-corporate U.S.

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**Table of Contents**

holder, dividends paid to you in taxable years beginning before January 1, 2013 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to BMO common stock generally will be qualified dividend income.

A dividend is taxable to you when you receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the US dollar value of the Canadian dollar payments made, determined at the spot Canadian dollar/US dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into US dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into US dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in your BMO common stock and thereafter as capital gain.

Subject to certain limitations, the Canadian tax withheld in accordance with the Treaty and paid over to Canada will be creditable or deductible against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. To the extent a refund of the tax withheld is available to you under Canadian law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your U.S. federal income tax liability.

For foreign tax credit purposes, dividends will generally be income from sources outside the United States and will, depending on your circumstances, be either passive or general income for purposes of computing the foreign tax credit allowable to you.

*Taxation of Dividends to Non-U.S. Holders*

If you are a non-U.S. holder, dividends paid to you in respect of BMO common stock will not be subject to United States federal income tax unless the dividends are effectively connected with your conduct of a trade or business within the United States, and the dividends are attributable to a permanent establishment that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. taxation on a net income basis. In such cases you generally will be taxed in the same manner as a U.S. holder. If you are a corporate non-U.S. holder, effectively connected dividends may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

*Taxation of Capital Gains to U.S. Holders*

If you are a U.S. holder and you sell or otherwise dispose of your BMO common stock, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the US dollar value of the amount that you realize and your tax basis, determined in US dollars, in your shares. Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

## **Table of Contents**

### *Taxation of Capital Gains to Non-U.S. Holders*

If you are a non-U.S. holder, you will not be subject to U.S. federal income tax on gain recognized on the sale or other disposition of your BMO common stock unless (i) the gain is effectively connected with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. taxation on a net income basis, or (ii) you are an individual, you are present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist. If you are a corporate non-U.S. holder, effectively connected gains that you recognize may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

### *Medicare Tax*

For taxable years beginning after December 31, 2012, a U.S. person that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. person's net investment income for the relevant taxable year and (2) the excess of the U.S. person's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's circumstances). A holder's net investment income will generally include its dividend income and its net gains from the disposition of shares of BMO common stock, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in BMO common stock.

### *Backup Withholding and Information Reporting*

If you are a non-corporate U.S. holder, information reporting requirements, on IRS Form 1099, generally will apply to:

dividend payments or other taxable distributions made to you within the United States, and

the payment of proceeds to you from the sale of BMO common stock effected at a U.S. office of a broker.

Additionally, backup withholding may apply to such payments if you are a non-corporate U.S. holder that:

fails to provide an accurate taxpayer identification number,

is notified by the IRS that you have failed to report all interest and dividends required to be shown on your federal income tax returns, or

in certain circumstances, fails to comply with applicable certification requirements.

Pursuant to recently enacted legislation, certain payments in respect of BMO common stock made to corporate U.S. holders after December 31, 2011 may be subject to information reporting and backup withholding.

If you are a non-U.S. holder, you are generally exempt from backup withholding and information reporting requirements with respect to:

dividend payments made to you outside the United States by us or another non-U.S. payor, and

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other dividend payments and the payment of the proceeds from the sale of BMO common stock effected at a U.S. office of a broker, as long as the income associated with such payments is otherwise exempt from United States federal income tax, and:

**Table of Contents**

the payor or broker does not have actual knowledge or reason to know that you are a U.S. person and you have furnished the payor or broker:

an IRS Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person, or

other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or

you otherwise establish an exemption.

Payment of the proceeds from the sale of BMO common stock effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of BMO common stock that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

the proceeds are transferred to an account maintained by you in the United States,

the payment of proceeds or the confirmation of the sale is mailed to you at a U.S. address, or

the sale has some other specified connection with the United States as provided in U.S. Treasury regulations, unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption.

In addition, a sale of BMO common stock effected at a foreign office of a broker will be subject to information reporting if the broker is:

a U.S. person,

a controlled foreign corporation for U.S. tax purposes,

a foreign person 50% or more of whose gross income is effectively connected with the conduct of a U.S. trade or business for a specified three-year period, or

a foreign partnership, if at any time during its tax year:

one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or

such foreign partnership is engaged in the conduct of a U.S. trade or business,

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unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a U.S. person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the IRS.

### ***Information with Respect to Foreign Financial Assets***

Under recently enacted legislation, individuals that own specified foreign financial assets with an aggregate value in excess of \$50,000 in taxable years beginning after March 18, 2010 will generally be required to file an information report with respect to such assets with their tax returns.

Specified foreign financial assets include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by



## Table of Contents

non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties, and (iii) interests in foreign entities. U.S. holders that are individuals are urged to consult their tax advisors regarding the application of this legislation.

**This discussion does not address tax consequences that may vary with, or are contingent on, individual circumstances. Moreover, it only addresses U.S. federal income tax and does not address any non-income tax or any foreign, state or local tax consequences. You should consult your own tax advisors concerning the U.S. federal income tax consequences of the merger and the ownership of BMO common stock in light of your particular situation, as well as any consequences arising under the laws of any other taxing jurisdiction.**

### **Material Canadian Federal Income Tax Consequences**

The following summary describes the material Canadian federal income tax considerations under the *Income Tax Act* (Canada) and the *Income Tax Regulations*, or collectively, the Canadian Tax Act, of the exchange of M&I common stock for BMO common stock (and cash in lieu of a fractional share of BMO common stock) pursuant to the merger and the ownership of BMO common stock received pursuant to the merger, generally applicable to a holder of M&I common stock who, for purposes of the Canadian Tax Act and at all relevant times, (1) is not and is not deemed to be resident in Canada; (2) deals at arm's length with BMO; (3) is not affiliated with BMO; (4) will hold BMO common stock as capital property; and (5) does not use or hold, and is not deemed to use or hold, the M&I common stock or the BMO common stock in a business carried on in Canada, referred to as a non-resident holder. Special rules, which are not discussed in this summary, may apply to certain holders that are insurers carrying on an insurance business in Canada and elsewhere.

Generally, shares of BMO common stock will be capital property to a non-resident holder provided the non-resident holder does not hold those shares in the course of carrying on a business or as part of an adventure or concern in the nature of trade.

This summary is based on the current provisions of the Canadian Tax Act and an understanding of the current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Canadian Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, referred to as the Proposed Amendments, and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This discussion does not address tax consequences that may vary with, or are contingent on, individual circumstances. This summary is not exhaustive of all Canadian federal income tax considerations. You should consult your own tax advisors concerning the Canadian federal income tax consequences of the merger and the ownership of BMO common stock in light of your particular situation, as well as any consequences arising under the laws of any other taxing jurisdiction.

For the purposes of the Canadian Tax Act, all amounts relating to the acquisition, holding or disposition of BMO common stock must be converted into Canadian dollars based on the prevailing exchange rates at the relevant times.

## **Table of Contents**

### *Exchange of M&I Common Stock for BMO Common Stock*

The exchange of M&I common stock for BMO common stock (and cash in lieu of a fractional share of BMO common stock) pursuant to the merger will not give rise to tax for a non-resident holder under the Canadian Tax Act.

### *Dividends on BMO Common Stock*

Dividends paid or credited or deemed to be paid or credited on the BMO common stock to a non-resident holder will be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the non-resident holder is entitled under any applicable income tax convention. Under the *Canada-U.S. Income Tax Convention* (1980), which is referred to as the Treaty, where dividends on the BMO common stock are considered to be paid to or derived by a non-resident holder that is the beneficial owner of the dividends and is a U.S. resident for the purposes of, and is entitled to benefits in accordance with, the provisions of the Treaty, the applicable rate of Canadian withholding tax is generally reduced to 15%.

### *Disposition of BMO Common Stock*

A non-resident holder will not be subject to tax under the Canadian Tax Act on any capital gain realized on a disposition or deemed disposition of shares of BMO common stock, unless the shares of BMO common stock are taxable Canadian property to the non-resident holder for purposes of the Canadian Tax Act at the time of the disposition and the non-resident holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the non-resident holder is resident.

Generally, shares of BMO common stock will not constitute taxable Canadian property to a non-resident holder at a particular time provided that the shares of BMO common stock are listed at that time on a designated stock exchange (which includes the TSX), unless at any particular time during the 60-month period that ends at that time (1) the non-resident holder, persons with whom the non-resident holder does not deal at arm's length, or the non-resident holder together with all such persons, has owned 25% or more of the issued shares of any class or series of the capital stock of BMO, and (2) more than 50% of the fair market value of the shares of BMO common stock was derived directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada, (ii) Canadian resource properties (as defined in the Canadian Tax Act), (iii) timber resource properties (as defined in the Canadian Tax Act), and (iv) options in respect of, or interests in, or for civil law rights in, property in any of the foregoing whether or not the property exists. Notwithstanding the foregoing, in certain circumstances set out in the Canadian Tax Act, shares of BMO common stock could be deemed to be taxable Canadian property. Non-resident holders whose shares of BMO common stock may constitute taxable Canadian property should consult their own tax advisors.

Even if the shares of BMO common stock are taxable Canadian property to a non-resident holder, the Treaty will generally exempt a non-resident holder that is a U.S. resident for the purposes of, and is entitled to benefits in accordance with, the provisions of the Treaty from tax under the Canadian Tax Act on any capital gain arising on the disposition of a share of BMO common stock unless the value of the stock of BMO at the time of disposition is derived principally from real property situated in Canada.

## **Accounting Treatment**

We anticipate that the merger will be accounted for under the purchase method of accounting for both Canadian and U.S. financial reporting purposes. Accordingly, the aggregate fair value of the consideration paid by BMO in connection with the merger will be allocated to M&I's net assets based on their fair values as of the completion of the merger. The excess of the total purchase consideration over the fair value of the identifiable net assets acquired will be allocated to goodwill. The purchase price allocation is subject to refinement as BMO completes the valuation of the assets acquired and liabilities assumed. The results of operations of M&I will be included in BMO's consolidated results of operations only for periods subsequent to the effective time of the merger.

## **Table of Contents**

### **Stock Exchange Listings**

BMO is obligated under the merger agreement to cause the BMO common stock issuable in the merger to be approved for listing on the TSX and the NYSE, subject to official notice of issuance and satisfaction of other standard conditions, prior to and as a condition to the completion of the merger. Shares of M&I common stock will be delisted from the NYSE promptly following consummation of the merger.

### **Regulatory Matters Related to the Merger**

Completion of the merger is subject to the receipt of all required regulatory approvals from the Federal Reserve Board, the OCC and OSFI, the receipt of all other required approvals or consents the failure of which to obtain would reasonably be expected to have a material adverse effect on BMO or M&I, and the expiration of any applicable statutory waiting period. BMO and M&I have agreed to use their reasonable best efforts to obtain all the required regulatory approvals. We have made or will in the near future make filings for such approvals.

We believe that we will be able to obtain all required regulatory approvals on a timely basis. However, we cannot make any assurances as to whether or when the required regulatory approvals will be obtained, or whether any such approval will contain a material adverse condition. The approval of an application means only that the regulatory criteria for approval have been satisfied or waived. It does not mean that the approving authority has determined that the consideration to be received by M&I common shareholders in the merger is fair. Regulatory approval does not constitute an endorsement or recommendation of the merger.

#### ***Federal Reserve Board Approval***

Completion of the merger is subject, among other things, to approval by the Federal Reserve Board pursuant to Section 3 of the BHC Act.

The Federal Reserve Board may not grant that approval if it determines that the merger:

would result in a monopoly or be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the United States; or

would substantially lessen competition in any part of the United States, or tend to create a monopoly or result in a restraint of trade unless the Federal Reserve Board finds that the anti-competitive effects of the merger are clearly outweighed in the public interest by the probable effect of the merger in meeting the convenience and needs of the communities to be served.

Additionally, the Federal Reserve Board may not grant approval if it determines that BMO is not subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in Canada.

In reviewing the merger, the Federal Reserve Board will consider

the financial and managerial resources of both companies and their subsidiary banks both currently and after giving effect to the merger;

the capital adequacy of BMO after the merger;

the convenience and needs of the communities to be served;

applicable overall capital and safety and soundness standards;

the effectiveness of both companies in combating money laundering activities;

each company's regulatory status, including legal and regulatory compliance; and

## **Table of Contents**

if the application is not approved by July 21, 2011, the extent to which the proposed acquisition would result in greater or more concentrated risks to the stability of the United States banking or financial system.

Under the Community Reinvestment Act of 1977, as amended, which is referred to as the CRA, the Federal Reserve Board will take into account BMO's and M&I's records of performance in meeting the credit needs of their respective communities, including low-and moderate-income neighborhoods. All of the insured depository institution subsidiaries of M&I and BMO required to have ratings under the CRA have received either an outstanding or satisfactory CRA rating in their most recent CRA examinations by their respective federal regulators. In considering this criterion, we believe the Federal Reserve Board will consider the fact that BMO's principal U.S. banking subsidiary received a satisfactory regulatory rating, and M&I's principal banking subsidiary received an outstanding regulatory rating, in their most recent respective CRA examinations.

Furthermore, the BHC Act and Federal Reserve Board regulations require published notice of, and the opportunity for public comment on, our application, and authorize the Federal Reserve Board to hold a public hearing or meeting if the Federal Reserve Board determines that a hearing or meeting would be appropriate. Any hearing or meeting or comments provided by third parties could prolong the period during which the application is under review by the Federal Reserve Board.

The BHC Act requires that we wait before completing the merger until 30 days after Federal Reserve Board approval is received, during which time the DOJ may challenge the merger on antitrust grounds. With the approval of the Federal Reserve Board and the concurrence of the DOJ, the waiting period may be reduced to no less than 15 days. The commencement of an antitrust action would stay the effectiveness of such an approval unless a court specifically ordered otherwise. In reviewing the merger, the DOJ could analyze the merger's effect on competition differently than the Federal Reserve Board, and thus it is possible that the DOJ could reach a different conclusion than the Federal Reserve Board does regarding the merger's effects on competition. A determination by the DOJ not to object to the merger may not prevent the filing of antitrust actions by private persons or state attorneys general.

BMO is also seeking the approval of the Federal Reserve Board, pursuant to Sections 4(i) and 4(j) of the BHC Act, to acquire the federal savings association subsidiary of M&I and certain other nonbanking affiliates of M&I. In connection with the approval to acquire the federal savings association, the Federal Reserve Board will solicit comments from the Director of the Office of Thrift Supervision. In connection with the approval to acquire certain other nonbanking affiliates of M&I, the Federal Reserve Board will consider generally whether the conduct of the activities of the nonbanking affiliates by BMO is in the public interest.

### ***OCC Approval***

BMO will make a filing with the OCC in connection with the change of control of one of M&I's trust company subsidiaries. In addition, concurrently with the consummation of the merger, BMO plans to merge certain of M&I's banking subsidiaries into Harris N.A., BMO's principal U.S. banking subsidiary, with Harris N.A. surviving. Pursuant to the provisions of the National Bank Act and regulations of the OCC, such mergers require the approval of the OCC. In evaluating an application filed under the Bank Merger Act, the OCC uses substantially the same criteria as the Federal Reserve as described above.

### ***Canadian Approvals***

Under the Bank Act, the approval of OSFI is required in order for BMO to complete certain aspects of the merger.

The formation of Merger Sub by Harris Financial Corp. is a permitted investment under paragraph 468(2)(b) of the Bank Act. No consent of OSFI is required to form Merger Sub. The merger of M&I with and into Merger

## **Table of Contents**

Sub is a permitted investment under paragraph 468(2)(b) of the Bank Act. No consent of OSFI is required for the merger of M&I with and into Merger Sub. In connection with the subsidiaries of M&I, the Bank Act considers that BMO has acquired an interest in such subsidiaries upon the merger of M&I with and into Merger Sub. Therefore the approval of OSFI may be required depending on the nature of the activities of those subsidiaries.

Under subsection 65(1) of the Bank Act, no share of any class of shares of a bank shall be issued until it is fully paid for in money or, with the approval of OSFI, in property. Pursuant to the merger agreement, if the merger is completed, holders of M&I common stock will have a right to receive the merger consideration for each share of M&I common stock held immediately prior to the merger. The consideration for the issuance by BMO of its common stock as part of the merger consideration will be shares of common stock of a wholly-owned subsidiary of BMO. Approval of OSFI is required for BMO to issue its common stock for common stock of a wholly-owned subsidiary of BMO.

### ***Other Regulatory Approvals***

BMO will make filings with the DFI in connection with the merger and bank mergers. In considering the merger and bank mergers, the DFI will review and consider, among other things, the financial and managerial resources and future prospects of BMO and M&I, whether the transaction would be contrary to the best interests of the shareholders or customers of M&I, whether the action would be detrimental to the safety and soundness of BMO or M&I, or to the safety and soundness of any subsidiary or affiliate of BMO or M&I, whether BMO or its executive officers, directors or principal shareholders have established a record of sound performance, efficient management, financial responsibility and integrity, demonstrating the merger would not be contrary to the best interests of the depositors, other customers, creditors or shareholders of M&I or contrary to the best interests of the public, or has failed meet any other standards established by rule of the DFI. The DFI also will review the records of Harris N.A. and M&I's banking subsidiaries under the CRA.

Applications and notifications are being filed with various other regulatory authorities, including the Financial Industry Regulatory Authority (in connection with acquisitions or changes in control of subsidiaries of M&I that may be deemed to result from the merger), the Office of Thrift Supervision (in connection with the combination of M&I's federal savings association subsidiary and Harris N.A.), certain state insurance authorities (in connection with certain insurance activities of M&I's subsidiaries) and the Illinois Commission of Banks and Real Estate (in connection with the change in control of one of M&I's trust company subsidiaries offering fiduciary services in Illinois).

### **No Dissenters' Rights of Appraisal**

Chapter 13 of the WBCL provides that a shareholder of a corporation is entitled to dissent from, and obtain payment of the fair value of his or her shares in the event of, the consummation of a merger to which the corporation is a party if shareholder approval is required for the merger by Section 180.1103 of the WBCL or the articles of incorporation of the corporation. However, Section 180.1302(4) of the WBCL states that no dissenters' rights are available for shares of any class or series of shares which, at the record date fixed to determine shareholders entitled to receive notice of a vote at the meeting of shareholders to act upon the merger, are listed on a national securities exchange.

As a result of the foregoing, holders of M&I common stock will not be entitled to exercise any dissenters' rights of appraisal in connection with the merger. For more information about voting at the M&I special meeting, see [The M&I Special Meeting](#) beginning on page 42.

**Table of Contents****Resale of BMO Common Stock*****U.S. Resale Restrictions***

The BMO common stock issued under the terms of the merger agreement will not be subject to any restrictions on transfer arising under the Securities Act of 1933, as amended, which is referred to as the Securities Act.

***Canadian Resale Restrictions***

The BMO common stock issued under the terms of the merger agreement will not be subject to any restrictions on transfer under applicable Canadian securities law. To the extent Canadian securities laws apply, however, the first trade in the BMO common stock issued under the terms of the merger agreement must be made in accordance with customary conditions, including that such trade is not a control distribution, that no unusual effort is made to prepare the market or to create a demand for such shares and that no extraordinary commission or consideration is paid in respect of the trade. In addition, when selling the BMO common stock, holders who engage in the business of trading in securities, or hold themselves out as engaging in the business of trading in securities may also be subject to Canadian dealer registration requirements. If a holder requires advice on the application of Canadian securities laws to the trade of BMO common stock, the holder should consult its own legal advisor.

**Litigation Related to the Merger**

Eight putative class action complaints have been filed in the Circuit Court of Milwaukee County, Wisconsin against M&I, its directors, and BMO challenging the merger: *Berens v. Marshall & Ilsley Corp., et al.*, Case No. 10CV021273 (filed Dec. 20, 2010); *Ohlgart v. Marshall & Ilsley Corp., et al.*, Case No. 10CV021485 (filed Dec. 22, 2010); *Sayeg v. Marshall & Ilsley Corp., et al.*, Case No. 10CV021622 (filed Dec. 22, 2010); *Schindler v. Marshall & Ilsley Corp., et al.*, Case No. 10CV021528 (filed Dec. 27, 2010); *Stadler v. Marshall & Ilsley Corp., et al.*, Case No. 10CV021676 (filed Dec. 28, 2010); *Onwudebe v. Marshall & Ilsley Corp., et al.*, Case No. 10CV021742 (filed Dec. 28, 2010); *Anthony v. Marshall & Ilsley Corp., et al.*, Case No. 11CV000338 (filed Jan. 6, 2011); and *Drummond v. Marshall & Ilsley Corp., et al.*, Case No. 11CV000380 (filed Jan. 7, 2011). Each of these complaints names M&I and the members of M&I's board of directors as defendants and alleges that the M&I directors breached their fiduciary duties to M&I shareholders by approving the merger following a flawed process that resulted in an unfair price to M&I shareholders. The complaints also variously allege that the directors approved provisions in the merger agreement and the stock option agreement that constitute impermissible deal protection devices and that certain officers and directors of M&I will receive personal benefits from the merger not shared in by other M&I shareholders. Each of the complaints except the *Onwudebe* action also names BMO as a defendant and alleges that BMO aided and abetted the alleged breach of fiduciary duty. In addition, the *Anthony* action names Gregory A. Smith, M&I's Senior Vice President and Chief Financial Officer, as a defendant and alleges that Mr. Smith breached fiduciary duties to M&I shareholders. On February 10, 2011, the *Schindler* and *Sayeg* plaintiffs filed amended complaints, and on February 14, 2011, the *Berens* plaintiff filed an amended complaint. The amended complaints all add allegations that the registration statement on Form F-4 that was filed by BMO on February 2, 2011 contains materially misleading misrepresentations and/or omissions. The Wisconsin state court consolidated the eight actions on February 11, 2011, and is currently considering pending motions for appointment of lead plaintiff and lead counsel.

Two putative class actions challenging the merger have also been filed in the United States District Court for the Eastern District of Wisconsin: *Fruchter v. Marshall & Ilsley Corp., et al.*, No. 10-cv-01157 (filed Dec. 22, 2010), and *Folisi v. Marshall & Ilsley Corp., et al.*, No. 11-cv-00025 (filed Jan. 11, 2011). These complaints allege that M&I and its directors breached fiduciary duties to M&I shareholders by approving the merger following a flawed process that resulted in an unfair price to M&I shareholders and that the merger will result in personal benefits to certain M&I directors and officers. The complaints further allege that BMO aided and

**Table of Contents**

abetted these alleged breaches. On March 15, 2011, the federal court consolidated the *Fruchter* and *Folisi* actions into a single proceeding.

All ten lawsuits seek, among other things, to enjoin completion of the merger and an award of costs and attorneys' fees. Certain of the actions also seek the imposition of a constructive trust for benefits allegedly improperly received by the defendants and/or an accounting of damages sustained as a result of the alleged breaches of fiduciary duty.

The defendants believe these actions are without merit and intend to defend vigorously against the claims.

**BMO's Purchase of the TARP Preferred Stock and Warrant from the U.S. Treasury**

BMO has an agreement in principle with the U.S. Treasury pursuant to which, immediately prior to completion of the merger, the U.S. Treasury will sell to a subsidiary of BMO (i) all of the TARP Preferred Stock for an aggregate cash purchase price equal to the sum of (a) the aggregate liquidation amount of such shares and (b) the amount of any accrued and unpaid dividends with respect to such shares, which is referred to as the TARP Purchase, and (ii) the warrant for shares of M&I common stock that was issued to the U.S. Treasury in connection with the issuance of the TARP Preferred Stock for an aggregate cash purchase price of \$3.25 million, which is referred to as the Warrant Purchase. There is no guarantee that the agreement governing the TARP Purchase and the Warrant Purchase will be entered into or that the conditions to completion of the TARP Purchase or the Warrant Purchase will be satisfied.



## **Table of Contents**

### **THE MERGER AGREEMENT**

*The following is a summary of the material terms of the merger agreement. The following description of the merger agreement is subject to, and is qualified in its entirety by reference to, the merger agreement, a copy of which is attached as Appendix A to this proxy statement/prospectus and incorporated herein by reference. We urge you to read the merger agreement in its entirety, as it is the legal document governing the merger. In the event of any discrepancy between the terms of the merger agreement and the following summary, the merger agreement will control.*

#### **Structure of the Merger**

Subject to the terms and conditions of the merger agreement, in accordance with the Delaware Limited Liability Company Act and the WBCL, M&I will merge with and into Merger Sub. Merger Sub will be the surviving entity in the merger and will continue its existence under the laws of the State of Delaware. Upon completion of the merger, the separate corporate existence of M&I will cease.

Subject to the consent of M&I, which may not be unreasonably withheld or delayed, BMO may change the method of effecting the merger and/or the method of effecting the TARP Purchase as long the change does not (1) alter or change the amount or kind of the consideration provided for in merger agreement, (2) adversely affect the tax consequences of the merger to shareholders of M&I or the tax treatment of the parties, or (3) materially impede or delay consummation of the merger.

#### **Merger Consideration**

Upon completion of the merger, each share of M&I common stock issued and outstanding immediately prior to the completion of the merger, except for certain specified shares of M&I common stock held by BMO, Merger Sub or M&I, will be converted into the right to receive 0.1257 share of BMO common stock. If the number of shares of common stock of BMO or M&I changes before the merger is completed because of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar event, then an appropriate and proportionate adjustment will be made to the number of shares of BMO common stock into which each share of M&I common stock will be converted.

BMO will not issue any fractional shares of BMO common stock in the merger. Instead, an M&I shareholder who otherwise would have received a fraction of a share of BMO common stock will receive an amount in cash rounded to the nearest whole cent. This cash amount will be determined by multiplying the fraction of a share of BMO common stock to which the holder would otherwise be entitled by the average, rounded to the nearest one ten-thousandth, of the closing sale prices of BMO common stock on the TSX for the five trading days immediately prior to the date on which the merger is completed.

The limited liability company agreement of the surviving entity will be the limited liability company agreement of Merger Sub as in effect immediately prior to the effective time of the merger. The managers and authorized persons of Merger Sub immediately prior to the effective time of the merger will be the managers and authorized persons of the surviving entity and will hold office until their respective successors are duly appointed, or their earlier death, resignation or removal. The officers of M&I immediately prior to the effective time of the merger will be the initial officers of the surviving entity and will hold office until their respective successors are duly appointed and qualified, or their earlier death, resignation or removal.

#### **Closing**

The completion of the merger will occur no later than three business days after the satisfaction or waiver of all closing conditions, unless extended by mutual agreement of the parties.

## **Table of Contents**

### **Effective Time of the Merger**

The merger will become effective as of the date and time specified in the articles of merger to be filed with the DFI and the certificate of merger to be filed with the Secretary of State of the State of Delaware. We will file the articles of merger and certificate of merger as soon as practicable after the satisfaction or waiver of the closing conditions in the merger agreement.

### **Treatment of M&I Options and Other Equity Based Awards**

#### ***Options***

At the effective time of the merger, each outstanding option to acquire a share of M&I common stock will vest and be converted into a BMO option to acquire 0.1257 shares of BMO common stock rounded to the nearest whole share and shall continue to be governed by the same terms and conditions as were applicable under such option immediately prior to the effective time. The per share exercise price for each BMO option will equal the quotient of (1) the per share exercise price of the option in effect immediately prior to the effective time of the merger and (2) the merger consideration, rounded to the nearest whole cent.

#### ***Restricted Stock***

At the effective time of the merger, each outstanding share of M&I restricted stock will vest and be converted into the right to receive shares of BMO common stock and cash (without interest, less any applicable withholding taxes) in lieu of any fractional share interests.

#### ***Performance Units***

At the effective time of the merger, each M&I performance unit outstanding under M&I's 1994 Long-Term Incentive Plan will vest and be cancelled and converted into the right to receive an amount in cash equal to the product of (1) the number of shares of M&I common stock subject to such performance unit (assuming target levels of performance), and (2) the product of (a) the merger consideration and (b) the average of the closing sale prices of BMO common stock on the NYSE as reported by *The Wall Street Journal* for the five trading days immediately preceding the second trading day prior to the effective time of the merger.

#### ***Other Company Awards***

At the effective time of the merger, each M&I equity-based award of any kind (other than options, performance units and restricted stock) will be converted into the right or award with respect to BMO common stock and the number of shares of BMO common stock subject to such right or award will equal the product of (1) the number of shares of M&I common stock subject to such award (assuming target levels of achievement if applicable), and (2) the merger consideration.

#### ***Certain Awards Granted After December 17, 2010***

The vesting treatment provided in the merger agreement does not apply to certain stock-based awards granted after December 17, 2010, which awards will not vest in connection with the completion of the merger, but could vest upon certain terminations of employment thereafter.

### **Treatment of TARP Preferred Stock and Warrant**

Immediately prior to the completion of the merger, a subsidiary of BMO will, subject to the negotiation of a securities purchase agreement to be entered into with the U.S. Treasury, purchase from the U.S. Treasury all of the issued and outstanding TARP Preferred Stock for an aggregate cash purchase price equal to the sum of (a) the aggregate liquidation amount of such shares and (b) the amount of any accrued and unpaid dividends with respect

## **Table of Contents**

to such shares. As a result, each share of TARP Preferred Stock will be cancelled and will cease to exist upon completion of the merger. Furthermore, immediately prior to the completion of the merger, a subsidiary of BMO will, subject to the negotiation of a securities purchase agreement to be entered into with the U.S. Treasury, purchase from the U.S. Treasury the warrant for shares of M&I common stock that was issued to the U.S. Treasury in connection with the issuance of the TARP Preferred Stock for an aggregate purchase price of \$3.25 million. If the Warrant Purchase is consummated prior to completion of the merger, the warrant will be cancelled and will cease to exist upon completion of the merger. If the Warrant Purchase is not consummated prior to completion of the merger, the warrant will be automatically converted into a warrant to purchase BMO common stock, subject to appropriate adjustment. For further information, please see the section entitled "The Merger - BMO's Purchase of the TARP Preferred Stock and Warrant from the U.S. Treasury" beginning on page 77.

## **Conversion of Shares; Exchange of Certificates**

The conversion of M&I common stock into the right to receive the merger consideration will occur automatically upon completion of the merger. As soon as reasonably practicable after completion of the merger, an exchange agent will exchange certificates or book entry shares representing shares of M&I for the merger consideration to be received by holders of M&I common stock in the merger pursuant to the terms of the merger agreement.

*Letter of Transmittal.* As soon as reasonably practicable after the completion of the merger, the exchange agent will mail a letter of transmittal to those persons who were holders of M&I common stock immediately prior to the completion of the merger. This mailing will contain instructions on how to surrender shares of M&I common stock in exchange for the merger consideration the holder is entitled to receive under the merger agreement.

If a certificate representing shares of M&I common stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of an affidavit of that fact by the claimant, and, if reasonably required by BMO or the exchange agent, appropriate and customary indemnification.

*Withholding.* The exchange agent will be entitled to deduct and withhold from any cash in lieu of fractional shares of BMO payable to any holder of M&I common stock such amounts as it is required to deduct and withhold under any federal, state, local or foreign tax law. If any such amounts are withheld, these amounts will be treated for all purposes of the merger as having been paid to the M&I shareholders from whom they were withheld.

*Dividends and Distributions.* Until M&I common stock certificates or book-entry shares are surrendered for exchange, any dividends or other distributions having a record date after the effective time of the merger with respect to the whole number of shares of BMO common stock into which shares of M&I common stock may have been converted will accrue but will not be paid. BMO will pay to former M&I shareholders any unpaid dividends or other distributions, without interest, only after they have duly surrendered their M&I common stock certificates or book-entry shares.

## **Representations and Warranties**

The merger agreement contains representations and warranties made by M&I to BMO relating to a number of matters, including the following:

corporate organization, qualification to do business, standing and power, and subsidiaries;

capitalization;

requisite corporate authority to enter into the merger agreement and stock option agreement and to complete the contemplated transactions;

**Table of Contents**

absence of conflicts with governing documents, applicable laws or certain agreements as a result of entering into the merger agreement or completing the merger;

required regulatory consents necessary in connection with the merger;

proper filing of documents with regulatory agencies and the SEC and the accuracy of information contained in the documents filed with the SEC, and Sarbanes-Oxley certifications;

the conformity with U.S. GAAP and SEC requirements of M&I's financial statements filed with the SEC and the absence of undisclosed liabilities;

broker's and finder's fees related to the merger;

the absence of a material adverse effect since December 31, 2009;

compliance with applicable law;

non-applicability of Wisconsin takeover laws;

employee compensation and benefits matters;

receipt of regulatory approvals;

opinion from financial advisor;

accuracy of M&I information provided in this proxy statement/prospectus;

absence of undisclosed loan put-backs;

legal proceedings;

material contracts;

environmental matters;

tax matters;

absence of action or agreement to impede the merger from qualifying as a reorganization;

intellectual property;

properties;

insurance;

accounting and internal controls;

derivatives; and

labor matters.

The merger agreement also contains representations and warranties made by BMO to M&I relating to a number of matters, including the following:

corporate organization, qualification to do business, standing, power and financial holding company status;

capitalization;

requisite corporate authority to enter into the merger agreement and stock option agreement and to complete the contemplated merger;

absence of conflicts with governing documents, applicable laws or certain agreements as a result of entering into the merger agreement or completing the merger;

required regulatory consents necessary in connection with the merger;

**Table of Contents**

proper filing of documents with regulatory agencies and the SEC and the accuracy of information contained in the documents filed with the SEC, and Sarbanes-Oxley certifications;

the conformity with Canadian GAAP and SEC requirements of BMO's financial statements filed with the SEC;

broker's and finder's fees related to the merger;

compliance with applicable law;

legal proceedings;

tax matters;

the absence of a material adverse effect since October 31, 2010;

receipt of regulatory approvals;

accuracy of BMO information provided in this proxy statement/prospectus; and

absence of action or agreement to impede the merger from qualifying as a reorganization.

This summary, and the copy of the merger agreement attached to this proxy statement/prospectus as Appendix A, are included solely to provide investors with information regarding the terms of the merger agreement. They are not intended to provide any other factual information about M&I or BMO or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the merger agreement were made only for purposes of that agreement and as of specific dates, were solely for the benefit of the parties to the merger agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the merger agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors are not third-party beneficiaries under the merger agreement and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of M&I or BMO, or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in the periodic and current reports and statements M&I and BMO file with the SEC. The representations and warranties, covenants and other provisions of the merger agreement should not be read alone, but instead should be read only in conjunction with the information provided elsewhere in this proxy statement/prospectus and in the documents incorporated by reference into this proxy statement/prospectus. For more information regarding these documents incorporated by reference, see the section entitled "Where You Can Find More Information" on page 117.

Certain of these representations and warranties are qualified as to materiality or material adverse effect. For purposes of the merger agreement, a material adverse effect with respect to BMO or M&I, as the case may be, means (i) a material adverse effect on the financial condition, results of operations or business of that party and its subsidiaries taken as a whole or (ii) a material adverse effect on the ability to consummate the merger on a timely basis, other than, with respect to (i) above, to the extent that effect results from: (A) changes in applicable U.S. GAAP or regulatory accounting requirements, (B) changes in laws, rules or regulations of general applicability to companies in the industries in which a party and its subsidiaries operate, (C) changes in global, national or regional political conditions or general economic or market conditions (including changes in prevailing interest rates, credit availability and liquidity, currency exchange rates, and price levels or trading volumes in the United States or foreign securities markets) affecting other companies in the industries in which a party and its subsidiaries operate, (D) changes in the credit markets, any downgrades in the credit markets, or adverse credit events resulting in deterioration in the credit markets generally and including

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changes to any previously correctly applied asset marks resulting therefrom, (E) failure, in and of itself, to meet earnings projections, but not including any underlying causes thereof, (F) the public disclosure of the merger agreement or

## **Table of Contents**

the transactions contemplated by the merger agreement, (G) any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism or (H) actions or omissions taken with the prior written consent of the other party or expressly required by the merger agreement except, with respect to clauses (A), (B), (C), (D) and (G), to the extent that the effects of such change are disproportionately adverse to the financial condition, results of operations or business of a party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which a party and its subsidiaries operate.

The representations and warranties in the merger agreement do not survive the effective time of the merger and, as described below under Termination , if the merger agreement is validly terminated, there will be no liability under the representations and warranties of the parties, or otherwise under the merger agreement, unless a party knowingly breached the merger agreement.

## **Covenants and Agreements**

*Conduct of Businesses Prior to the Completion of the Merger.* M&I has agreed that, prior to the effective time of the merger, it will conduct its businesses, and cause its subsidiaries to conduct their respective businesses, in the ordinary course consistent with past practice in all material respects and use commercially reasonable efforts to maintain and preserve intact its business organization and advantageous business relationships. M&I and BMO have agreed to take no action that is intended to or would reasonably be expected to adversely affect or materially delay the ability to obtain any necessary approvals required for the completion of the merger or to perform the covenants and agreements in the merger agreement or the stock option agreement or to consummate the merger.

In addition to the general covenants above, M&I has agreed that prior to the effective time of the merger, except as expressly contemplated or permitted by the merger agreement or the stock option agreement, it will not, and will not permit its subsidiaries to, without the prior written consent of BMO:

issue, sell or otherwise permit to become outstanding, or dispose of or encumber or pledge, or authorize or propose the creation of, any additional shares of its stock or permit any additional shares of its stock to become subject to new grants, except for issuances under dividend reinvestment plans and the employee benefit plans, in the ordinary course of business;

make, declare, pay or set aside for payment any dividend or declare or make any distribution on any shares of its stock (other than (A) dividends from its wholly-owned subsidiaries to it or another of its wholly-owned subsidiaries, (B) regular quarterly dividends on M&I common stock at a rate no greater than the rate paid by it during the fiscal quarter immediately preceding the date of the merger agreement, (C) required dividends on any M&I preferred stock or on the preferred stock of its subsidiaries, or (D) required dividends on the common stock of any subsidiary);

directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its stock (other than repurchases of common stock in the ordinary course of business to satisfy obligations under dividend reinvestment plans or the employee benefit plans);

amend the terms of, waive any rights under, terminate, knowingly violate the terms of or enter into (i) any material contract or other binding obligation, (ii) any material restriction on the ability of M&I to conduct its business as it is presently being conducted or (iii) any contract or other binding obligation relating to M&I's common stock or any other outstanding capital stock or any outstanding instrument of indebtedness;

sell, transfer, mortgage, encumber, license, let lapse, cancel, abandon or otherwise dispose of or discontinue any of its assets, deposits, business or properties, except for those in the ordinary course of business and in transactions that are not material;

acquire (other than by way of foreclosures or acquisitions of control in a fiduciary or similar capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of





**Table of Contents**

business) all or any portion of the assets, business, deposits or properties of any other entity except in the ordinary course of business and in transactions that are not material, and does not present a material risk that the completion of the merger will be materially delayed or that the required regulatory approvals will be more difficult to obtain;

amend the M&I Articles of Incorporation or the M&I Bylaws, or similar governing documents of any of its significant subsidiaries;

implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or applicable regulatory accounting requirements;

except as required under the terms of any employee benefit plan existing as of the date of the merger agreement (i) increase the compensation or benefits of any of the current or former directors, officers, employees, consultants, independent contractors or other service providers of M&I, other than increases to such persons who are not directors or executive officers of M&I in the ordinary course consistent with past practice, (ii) become a party to, establish, amend, commence participation in, terminate or commit itself to the adoption of any stock option plan or other stock-based compensation plan, compensation, severance, pension, retirement, profit-sharing, welfare benefit, or other employee benefit plan or agreement or employment agreement, (iii) accelerate the vesting of or lapsing of restrictions with respect to any stock-based compensation or other long-term incentive compensation under any employee benefit plan, (iv) fund any rabbi trust or similar arrangement or take any action to fund or in any other way secure the payment of compensation or benefits under any employee benefit plan, or (v) materially change any actuarial assumptions used to calculate funding obligations with respect to any employee benefit plan that is required by applicable law to be funded or change the manner in which contributions to such plans are made or the basis on which such contributions are determined, except as may be required by GAAP or applicable law;

take, or omit to take, any action that would or is reasonably likely to prevent or impede the merger, together with the TARP Purchase and the Warrant Purchase, from qualifying as a tax-free reorganization or to cause the shareholders of M&I to recognize gain or take any action to prevent, materially impede or materially delay the consummation of the merger, or take, or omit to take, any action that is reasonably likely to result in any of the conditions to the merger not being satisfied;

incur or guarantee any indebtedness for borrowed money other than in the ordinary course of business;

enter into any new line of business or materially change its lending, investment, underwriting, risk and asset liability management and other banking and operating policies;

make any material change to its investment securities portfolio, derivatives portfolio or its interest rate exposure, or the manner in which the portfolio is classified or reported;

settle any legal proceeding in an amount in excess of \$1,000,000 or that would impose any restriction on M&I's business or create a precedent for claims that is reasonably likely to be material;

apply for or open, relocate or close any, branch office, loan production office or other significant office or operations facility;

make or change any material tax elections, change or consent to any change in it or its subsidiaries' method of accounting for tax purposes (except as required by applicable tax law), take any material position on any material tax return filed on or after the date of the merger agreement, settle or compromise any material tax liability, claim or assessment, enter into any closing agreement, waive or extend any statute of limitations with respect to a material amount of taxes, surrender any right to claim a refund for a material

amount of taxes, or file any material amended tax return; or

agree to take, make any commitment to take, or adopt any resolutions of its board of directors in support of, any of the above prohibited actions.

**Table of Contents**

BMO has agreed to a more limited set of restrictions on its business prior to the completion of the merger. Specifically, BMO has agreed that prior to the effective time of the merger, except as expressly permitted by the merger agreement, it will not, without the prior written consent of M&I: