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CORRESPONDENCE MEMORANDUM

DATE: February 15, 2011
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: M&I Bank Purchased by Bank of Montreal Financial Group (Harris Bank)

This memo is for informational purposes only. No Board action is required at this time.


In late December 2010, the Bank of Montreal Financial (BMO) and Marshall & Ilsley Corporation (M&I) announced an agreement under which BMO will acquire M&I. The Bank of Montreal, which is based in Toronto, Canada, was established in 1817 and has \$238 billion in assets. In the United States, BMO has operated Harris Bank for 26 years. Harris Bank is headquartered in Chicago and has assets of \$71 billion and 312 branches. The merger and all transition activities are expected to be completed by July 31, 2011.

M&I Bank currently provides the Wisconsin Deferred Compensation Program (WDC) FDIC option. As of December 31, 2010, 3,700 WDC participants held approximately \$74,319,174 in the FDIC option.

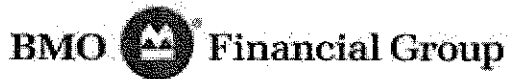
Staff from M&I Bank will attend the March 1, 2011, Board meeting to provide an update on the transition and answer any questions you may have regarding the impact this merger may have on the WDC's FDIC option.

Attachments: December 17, 2010 M&I News Release
"M&I sale drew competition" *JOnline* February 2, 2011

Reviewed and approved by Anne Boudreau, Deputy Division Administrator,
Division of Retirement Services


Signature _____ Date 02-16-2011

| Board | Mtg Date | Item # |
|-------|----------|--------|
| DC | 03.01.11 | 8 |



News

FOR IMMEDIATE RELEASE

BMO Financial Group to acquire Marshall & Ilsley Corporation (M&I)

M&I an excellent strategic, financial, and cultural fit with BMO

- Consistent with BMO's stated objective of expanding its North American banking business in the U.S.
- Transforms and strengthens BMO's U.S. businesses by increasing scale and providing strong entry into new and attractive markets
- Transaction provides attractive financial returns for BMO
- BMO's capital ratios to remain strong
- Customers and communities will benefit from combination of two organizations with complementary capabilities and a long history of supporting their interests

TORONTO and MILWAUKEE, December 17, 2010 – BMO Financial Group (TSX NYSE: BMO) and Marshall & Ilsley Corporation (NYSE:MI) today announced that they have entered into a definitive agreement under which BMO will acquire all outstanding shares of common stock of M&I in a stock-for-stock transaction.

Under the terms of the agreement, each outstanding share of M&I will be exchanged for 0.1257 shares of Bank of Montreal upon closing. Based on the closing share price of Bank of Montreal on the TSX of C\$62.05 on December 16, 2010, the transaction values each share of M&I at US\$ 7.75, or an aggregate

amount of approximately US\$4.1 billion in Bank of Montreal common shares. The closing share price of M&I on NYSE on December 16 was US\$5.79.

BMO expects to maintain strong capital ratios after the acquisition; BMO intends to raise approximately C\$800 million in additional common equity prior to closing of the acquisition. On a Basel II basis, before considering growth in capital from the business prior to closing, BMO's Tier 1 Capital Ratio as at October 31, 2010, pro forma for the acquisition and equity offering, would be approximately 11.7%.

The transaction has an estimated internal rate of return to BMO of more than 15% and is expected to be accretive to BMO's earnings in 2013, excluding one-time merger and integration costs of approximately C\$540 million. The transaction is expected to generate annual run-rate synergies of approximately C\$250 million which will be fully phased in by the end of fiscal 2013.

As part of the agreement, BMO will purchase M&I's TARP preferred shares at par plus accrued interest – with full repayment to the U.S. Treasury immediately prior to closing. M&I's existing warrants held by the U.S. Treasury will also be purchased by BMO.

The transaction, which has been approved by the BMO and M&I Boards of Directors, is expected to close prior to July 31, 2011.

Expanding Scale

| | US Assets \$B | Deposits \$B | No. of branches |
|--------------------------|----------------------|---------------------|------------------------|
| BMO U.S. | 110 | 54 | 321 |
| M&I | 52 | 38 | 374 |
| BMO U.S.- M&I | 162 | 92 | 695 |

"The acquisition is consistent with our strategy to strengthen our North American businesses. It transforms BMO's competitive position in the U.S. Midwest by bringing together highly complementary businesses that align well with BMO's retail, commercial, and asset/wealth management businesses in the U.S. It also increases scale and provides strong entry into other attractive markets, including Minnesota, Missouri, and Kansas, and expansion in Indiana and Wisconsin," said Bill Downe, President and Chief Executive Officer, BMO Financial Group. "For customers, shareholders and employees, the combined bank group will be a stronger entity. This acquisition gives us the opportunity to leverage the greatest strength of both organizations: our brands and reputations.

"We are very pleased to announce this transaction with M&I. We are committed to ensuring an excellent transition and to maintaining M&I's strong presence and community leadership in Milwaukee and other M&I markets. Making each M&I customer feel welcome will be a high priority for us. Harris and M&I set the standard in the Midwest for exemplary customer experience and commitment to

communities, and we will build upon this reputation," added Mr. Downe. "We have a brand promise common to each of our businesses. It speaks directly to customers and reinforces our focus on personal and commercial banking in North America."

Upon closing, Mark Furlong, who is currently Chairman, President and CEO of M&I, will become CEO of the combined U.S. Personal and Commercial banking business, based in Chicago. He will report to Mr. Downe and will join BMO's Management Committee. Also, upon closing, Ellen Costello will be CEO of Harris Financial Corp. and U.S. Country Head for BMO with governance oversight for all U.S. operations. She will report to Mr. Downe and will be a member of BMO's Management Committee.

Mr. Furlong said: "This transaction is good news for M&I's shareholders, customers, employees and the communities we serve. It will position us with the capital strength and scale to enhance our commitment to customers and communities. This combination is about two companies that share a vision of building strong long-term customer relationships. BMO has a diversified business mix with a strong reputation for being a consistent lender."

Both companies have proven execution capabilities and have strong management and deep customer relationships. The combined U.S. banking operations will bring together the best people and resources to create a strong team to lead the business forward. Mr. Furlong, in partnership with Ms. Costello, will lead the integration effort of merging the companies, with focus on disciplined execution of the companies' plans. Both companies have significant experience at completing numerous transactions successfully.

Under the terms of the merger agreement announced today, M&I will merge with a BMO subsidiary, and existing M&I shareholders will become entitled to receive common shares of Bank of Montreal. In connection with the merger agreement, M&I issued to BMO an option, exercisable under certain circumstances, to purchase up to 19.7% of M&I's common stock. The transaction is subject to customary closing conditions, including regulatory approvals and approval from shareholders of M&I.

Investor information and call

A conference call is scheduled to take place on Friday, December 17, 2010, at 8:00 a.m. (ET) and will feature a presentation followed by a brief question and answer period with analysts. Interested parties can access this call live on a listen-only basis via telephone at: (416) 695-7806 or 1 (888) 789-9572, passcode No. 7214261# (please call between 7:45 a.m. and 7:55 a.m. ET) and via the internet at: www.bmo.com/investorrelations.

Presentation material referenced during the conference call will be available at www.bmo.com/investorrelations.

A rebroadcast of this presentation will be available until midnight ET, Thursday, February 17, 2011, by calling 1 (800) 408-3053 or (905) 694-9451 and entering passcode No. 2446165#.

Advisors

BMO Capital Markets and JPMorgan Securities LLC acted as financial advisers to BMO, and Sullivan and Cromwell LLP and Osler Hoskin & Harcourt LLP acted as its legal advisers. BofA Merrill Lynch acted as financial advisor to M&I. Wachtell, Lipton, Rosen & Katz and Godfrey & Kahn acted as legal advisors to the Board of Directors of M&I.

About BMO

Established in 1817 and based in Canada, BMO Financial Group serves more than 10 million personal, commercial, corporate and institutional customers in North America and internationally. Our operating groups – Personal and Commercial Banking, BMO Bank of Montreal in Canada and Harris in the United States; Private Client Group, our wealth management business; and BMO Capital Markets – share one vision: to be the bank that defines great customer experience.

About Marshall & Ilsley

Marshall & Ilsley Corporation (NYSE: MI) is a diversified financial services corporation headquartered in Milwaukee, Wis., with \$51.9 billion in assets. Founded in 1847, M&I Marshall & Ilsley Bank is the largest Wisconsin-based bank, with 192 offices throughout the state. In addition, M&I has 53 locations throughout Arizona; 36 offices along Florida's west coast and in central Florida; 33 offices in Indianapolis and nearby communities; 26 offices in metropolitan Minneapolis/St. Paul, and one in Duluth, Minn.; 17 offices in the greater St. Louis area; 15 offices in Kansas City and nearby communities; and one office in Las Vegas, Nev. M&I also provides trust and investment management, equipment leasing, mortgage banking, asset-based lending, financial planning, investments, and insurance services from offices throughout the country and on the Internet (www.mibank.com or www.micorp.com).

Cautionary statement regarding forward-looking information

Certain statements in this press release are forward-looking statements under the United States Private Securities Litigation Reform Act of 1995 (and are made pursuant to the 'safe harbour' provisions of such Act) and applicable Canadian securities legislation. These forward-looking statements include, but are not limited to, statements with respect to the expected closing of the proposed acquisition of M&I, plans for the acquired business and the financial impact of the acquisition and are typically identified by words such as "believe", "expect",

“anticipate”, “intend”, “estimate”, “plan”, “will”, “should”, “may”, “could” and other similar expressions.

By their nature, forward-looking statements are based on various assumptions and are subject to inherent risks and uncertainties. We caution readers of this press release not to place undue reliance on our forward-looking statements 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: the possibility that the proposed transaction 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; the terms of the proposed transaction may need to be modified to satisfy such approvals or conditions; the anticipated benefits from the proposed transaction such as it being accretive to earnings, expanding our North American presence and cost savings and synergies 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; the ability to promptly and effectively integrate the businesses of M&I and BMO; reputational risks and the reaction of M&I's customers to the transaction; diversion of management time on merger-related issues; increased exposure to exchange rate fluctuations; and those other factors set out on pages 29 and 30 of BMO's 2010 Annual Report. A significant amount of 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 our integrated U.S. operations.

Assumptions about current and expected capital requirements, M&I's revenues and expenses, potential for earnings growth as well as costs associated with the transaction and expected synergies, were material factors we considered in estimating the internal rate of return to BMO and our estimate of the acquired business being accretive to BMO's earnings in 2013.

Assumptions about our integration plan, the efficiency and duration of integration and the alignment of organizational responsibilities, were material factors we considered in estimating transaction and integration costs.

BMO does not undertake to update any forward-looking statement, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law.

Additional information for stockholders

In connection with the proposed merger transaction, BMO will file with the Securities and Exchange Commission a Registration Statement on Form F-4 that will include a Proxy Statement of M&I, and a Prospectus of Bank of Montreal, as well as other relevant documents concerning the proposed transaction. Shareholders are urged to read the Registration Statement and the Proxy Statement/Prospectus regarding the merger when it becomes available and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information. A free copy of the Proxy Statement/Prospectus, as well as other filings containing information about BMO and M&I, may be obtained at the SEC's Internet site (<http://www.sec.gov>). You will also be able to obtain these documents, free of charge, from BMO at www.BMO.com under the tab "About BMO - Investor Relations" and then under the heading "Frequently Accessed Documents" or from M&I by accessing M&I's website at www.MICorp.com under the tab "Investor Relations" and then under the heading "SEC Filings."

BMO and M&I and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of M&I in connection with the proposed merger. Information about the directors and executive officers of BMO is set forth in the proxy statement for BMO's 2010 annual meeting of shareholders, as filed with the SEC on Form 6-K on February 26, 2010. Information about the directors and executive officers of M&I is set forth in the proxy statement for M&I's 2010 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 12, 2010. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statement/Prospectus regarding the proposed merger when it becomes available. Free copies of this document may be obtained as described in the preceding paragraph.

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Details revealed on bank deal

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M&I sale drew competition

CEO Furlong to receive \$18 million payout

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By [Paul Gores](#) of the Journal Sentinel

Feb. 2, 2011 | [\(56\) Comments](#)

The Canadian parent company of Harris Bank outbid another financial institution to acquire Milwaukee's Marshall & Ilsley Corp. in December, a regulatory document filed Wednesday shows.

The document also discloses that top M&I executives will receive millions of dollars in connection with the transaction, including an \$18 million payout to Mark F. Furlong, who is M&I's chairman and chief executive.

The document doesn't identify Toronto-based BMO Financial Group's competition for M&I, but says the competitor's proposal was "substantially lower" than BMO's, even though both had raised their offers to buy Wisconsin's largest bank.

BMO announced Dec. 17 that it was acquiring M&I for about \$4.1 billion in an all-stock deal.

Shortly before the merger, bank analysts had speculated that M&I, in a weakened condition because of continuing losses on loans, was vulnerable to a takeover and that BMO, Toronto's TD Bank, Pittsburgh's PNC Bank and San Francisco-based Wells Fargo were among large banks that might be interested. Spokesmen for TD Bank, PNC and Wells Fargo all said Wednesday they do not comment on rumors or speculation.

The document filed Wednesday by BMO says M&I's board of directors and management discussed throughout the summer and fall ways to cut expenses and to raise more capital. It paints a picture of M&I facing tenacious financial challenges after two years of quarterly losses.

M&I's board asked management on Nov. 23 to consider whether a merger with another bank would be in the best interests of shareholders. M&I then hired an investment bank and legal advisers to seek potential acquirers.

BMO and the other contender, referred to in the document only as "Party A," previously had indicated to M&I that they would be interested in merging. The two were invited to begin negotiations with M&I.

Both BMO and the competitor were willing to pay back M&I's \$1.7 billion Troubled Asset Relief Program, or TARP, investment from the U.S. Treasury as part of the deal.

The boards of M&I and BMO approved the merger agreement Dec. 16 and announced it early the next day. The acquisition is scheduled to close by July 31.

The document, filed with the Securities and Exchange Commission, says that M&I's previously approved "change of control agreements" - payments due to certain top executives when a company is acquired - will be honored because BMO will be repaying TARP as part of the deal. Banks with TARP money are prohibited from paying out such "golden parachutes" to executives.

"These previously disclosed M&I contractual obligations have been in place since 2008," BMO Financial vice president and spokesman Paul Deegan said. "They are being triggered by this transaction and repayment of TARP to the U.S. Treasury."

Furlong, who is being retained by BMO as president and chief executive of Harris Bank, also will receive a \$6 million "transition completion payment" on the first anniversary of the merger if he still is with the company. Under a three-year contract with BMO, Furlong will receive a base salary of \$600,000, be eligible for an incentive payment of up to \$800,000 and be in line for stock awards.

According to the document, M&I executives to receive "deferred compensation" after the merger is complete are: Gregory A. Smith, chief financial officer, \$5.5 million; Thomas R. Ellis, senior vice president, \$4.1 million; Kenneth C. Krei, chairman and CEO of M&I Trust Co., \$5.5 million; and Thomas J. O'Neill, senior vice president, \$5.1 million. Another \$26.7 million will be distributed among 12 other executive officers.

M&I spokeswoman Patty Cadorn said M&I will not be commenting beyond the information in BMO's document.

The document states that 10 lawsuits by shareholders seeking to stop the transaction have been filed. The lawsuits allege M&I's board breached its fiduciary duty by agreeing to sell the company to BMO.

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