

# Canadian group to acquire 2 banks

## Firms to be run by Harris

By PAUL GORES

[pgores@journalsentinel.com](mailto:pgores@journalsentinel.com)

*Posted: July 10, 2007*

The Canadian parent company of Harris Bank said Tuesday it plans to buy two suburban Milwaukee banking firms, a move one industry observer said will make Harris "instantly competitive" here.

Toronto-based BMO Financial Group has agreed to buy Ozaukee Bank of Cedarburg for \$190 million in stock and Merchants and Manufacturers Bancorporation Inc. of New Berlin for \$137.2 million in cash.

The transactions, which are expected to close later this year, would give Harris Bank about 40 full-service branches and assets of more than \$2 billion in Wisconsin.

BMO intends to become a major Midwestern financial institution and has been hunting for banks to acquire in Wisconsin and other states in the region. Its U.S. subsidiary, Harris Bank, has assets of \$42 billion and 230 branches, most of them in the Chicago area.

Harris opened a loan production office in Brookfield in February, but the purchase of the two Wisconsin banks will give it a branch network here for the first time.

Ellen Costello, chief executive officer of Harris, said the two banks complement each other geographically. Ozaukee Bank has branches in desirable suburbs such as Mequon and Cedarburg, while Merchants and Manufacturers has banks in places ranging from Milwaukee to La Crosse to Oconto Falls. Lincoln State Bank is its biggest subsidiary.

"Having an existing customer base to build from really gives us a great advantage," Costello said.

All of the branches will be re-branded to the Harris Bank name.

"It's going to make Harris instantly competitive here in the Milwaukee area," David L. Donihue, a banking consultant with RSM McGladrey Inc., said of the acquisitions.

BMO, sometimes called Bank of Montreal, tried to enter the Wisconsin market in 2005 by buying State Financial Bank, but was outbid by Green Bay-based Associated Banc-Corp.

"This is a relatively small transaction for the Bank of Montreal," said Brad Smith, an analyst for Blackmont Capital Inc. "It's consistent with their stated strategy of taking bite-sized steps to broadening their regional footprint in the Midwest U.S."

Banks in Canada have been seeking to grow by buying banks in the United States because the Canadian government has discouraged bank consolidation in that country. In the U.S., however, mergers and acquisitions in the still-fragmented banking industry are a frequent occurrence. On Monday, Milwaukee's Marshall & Ilsley Corp. announced that it planned to buy First Indiana Corp. in Indianapolis for \$529 million.

James Rothenbach, president and CEO of Ozaukee Bank, declined to comment on why the privately held bank was sold for stock instead of cash. Ozaukee shareholders will receive about 3 million shares of BMO stock in the deal.

Michael Murry, chairman and CEO of Merchants and Manufacturers, said the decision to sell was made after alternatives to the company's own long-term expansion plans were evaluated.

The deal calls for Harris to pay \$37.30 per share for Merchants and Manufacturers, about a 33% premium over Monday's closing price of \$28. Shares closed up \$8.05 after the announcement at \$36.05.

Jon C. Bruss, CEO of Fortress Partners Capital Management Ltd. in Hartland, said the announcement Tuesday "is certainly a demonstration that there is a lot of value in small banks."