

WISCONSIN ENERGY CORP
Form DEF 14A
March 22, 2013
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 (S) 240.14a-11(c) or (S) 240.14a-12

Wisconsin Energy Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(1) Title of each class of securities to which transaction applies:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Table of Contents

TABLE OF CONTENTS

| | Page |
|--|-------------|
| <u>Notice of Annual Meeting of Stockholders</u> | P-3 |
| <u>Proxy Summary</u> | P-5 |
| <u>Proxy Statement</u> | P-9 |
| <u>Annual Meeting Business</u> | P-9 |
| <u>Voting Information and Annual Meeting Attendance</u> | P-9 |
| <u>Corporate Governance Frequently Asked Questions</u> | P-13 |
| <u>Proposal 1: Election of Directors Terms Expiring in 2014</u> | P-19 |
| <u>Director Nominees</u> | P-19 |
| <u>Committees of the Board of Directors</u> | P-23 |
| <u>Director Compensation</u> | P-24 |
| <u>Independent Auditors Fees and Services</u> | P-26 |
| <u>Audit and Oversight Committee Report</u> | P-27 |
| <u>Proposal 2: Ratification of Deloitte & Touche LLP as Independent Auditors for 2013</u> | P-28 |
| <u>Compensation Discussion and Analysis</u> | P-29 |
| <u>Compensation Committee Report</u> | P-40 |
| <u>Executive Compensation</u> | P-41 |
| <u>Summary Compensation Table</u> | P-41 |
| <u>Grants of Plan-Based Awards for Fiscal Year 2012</u> | P-45 |
| <u>Outstanding Equity Awards at Fiscal Year-End 2012</u> | P-46 |
| <u>Option Exercises and Stock Vested for Fiscal Year 2012</u> | P-48 |
| <u>Pension Benefits at Fiscal Year-End 2012</u> | P-49 |
| <u>Retirement Plans</u> | P-50 |
| <u>Nonqualified Deferred Compensation For Fiscal Year 2012</u> | P-52 |
| <u>Executive Deferred Compensation Plan</u> | P-52 |
| <u>Potential Payments Upon Termination or Change in Control</u> | P-54 |
| <u>Risk Analysis of Compensation Policies and Practices</u> | P-60 |
| <u>Proposal 3: Advisory Vote on Compensation of the Named Executive Officers</u> | P-61 |
| <u>WEC Common Stock Ownership</u> | P-62 |
| <u>Section 16(a) Beneficial Ownership Reporting Compliance</u> | P-63 |
| <u>Certain Relationships and Related Transactions</u> | P-63 |
| <u>Availability of Form 10-K</u> | P-63 |
| <u>Information about the Annual Meeting</u> | P-64 |
| <u>Driving Directions</u> | P-64 |
| <u>Attendance Guidelines</u> | P-64 |

Table of Contents

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

March 22, 2013

To the Stockholders of Wisconsin Energy Corporation:

On behalf of the Board of Directors, you are cordially invited to attend Wisconsin Energy Corporation's 2013 Annual Meeting of Stockholders to be held in Rothschild, just south of Wausau, in north central Wisconsin. To attend, you must pre-register and present photo identification at the door. Instructions on how to pre-register are provided on page P-10. Directions to the meeting location are included on page P-64. Interested stockholders may take a shuttle bus tour of our Biomass Cogeneration Plant construction site in Rothschild following the Meeting. If you are not able to attend, you may listen to a live webcast available on our Website at: www.wisconsinenergy.com/invest/annualmtg.htm. An archive of the webcast will be available on the site for approximately 12 months following the meeting. **Regardless of whether you plan to attend, please take a moment to vote your proxy.**

Wisconsin Energy's Annual Meeting will be held as follows:

WHEN: Thursday, May 2, 2013

10:00 a.m., Central time

WHERE: Stoney Creek Inn

Northwoods Conference Center

1100 Imperial Avenue

Rothschild, WI 54474

ITEMS OF BUSINESS: Elect nine directors for terms expiring in 2014.

Ratify Deloitte & Touche LLP as independent auditors for 2013.

Advisory vote on compensation of the named executive officers.

Consider any other matters that may properly come before the meeting.

RECORD DATE: February 21, 2013

VOTING BY PROXY: Your vote is important. You may vote:

using the Internet;

by telephone; or

by returning the proxy card in the envelope provided.

This year we are pleased to take advantage of Securities and Exchange Commission rules that allow companies to deliver proxy materials to their stockholders through the Internet. On or about March 22, 2013, we began mailing to many of our stockholders a notice instead of a paper copy of the proxy statement and 2012 Annual Report. The notice contains instructions on how to access our proxy materials and vote online. If you receive the notice or paper copies of the materials, consider signing up to receive them electronically in the future by following the instructions contained on page P-11. By delivering our proxy materials electronically, we can provide our stockholders with the information they need in a cost effective manner.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 2, 2013 The Proxy Statement and 2012 Annual Report are available at:

www.envisionreports.com/wec

By Order of the Board of Directors,

Susan H. Martin

Executive Vice President, General Counsel and Corporate Secretary

Table of Contents

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P-4

WEC 2013 Annual Meeting Proxy Statement

Table of Contents

PROXY SUMMARY

This summary highlights the information contained elsewhere in these proxy materials. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.

Company Profile

Wisconsin Energy Corporation (WEC or the Company) is one of the nation’s premier energy companies with more than \$14 billion of assets and a diversified portfolio of businesses engaged in electric generation and the distribution of electricity, natural gas and steam. Wisconsin Energy’s principal utilities, Wisconsin Electric Power Company and Wisconsin Gas LLC, serve more than 1.1 million electric customers in Wisconsin and Michigan’s Upper Peninsula and approximately 1.1 million natural gas customers in Wisconsin. These utilities operate under the trade name We Energies. The Company’s other major subsidiary, We Power, designs, builds and owns electric generating plants. Headquartered in Milwaukee, WEC is a component of the S&P 500 with approximately 4,500 employees and more than 41,000 registered stockholders.

Annual Meeting of Stockholders

Provided below are important details regarding the Company’s upcoming Annual Meeting.

Date and Time: Thursday, May 2, 2013; Check-in begins at 8:30 a.m., Central time; meeting begins at 10:00 a.m., Central time.

Place: Stoney Creek Inn/Northwoods Conference Center
1100 Imperial Avenue, Rothschild, WI 54474
www.stoneycreekinn.com/hotel/travel/wausau/home.do

Live Webcast: Listen to a live webcast at: www.wisconsinenergy.com/invest/annualmtg.htm

Record Date: February 21, 2013

Identification: Pre-registration is required. For entry into the meeting, each stockholder will be required to present a government-issued photo identification, such as a driver’s license, state identification card or passport. Information on how to pre-register can be found on page P-10.

Voting: Stockholders of record as of the record date are entitled to vote using one of the options below. Stockholders who hold shares in street name through an intermediary must obtain a legal proxy from their broker, bank or other nominee granting the right to vote.

Call toll-free

Internet at

at 800-652-8683

Mail

In person at

www.investorvote.com/wec

signed proxy card

the Annual Meeting

Voting Matters

There are three items of business for which the Company is soliciting a stockholder vote in conjunction with the Annual Meeting:

| Proposal Item | Board Vote Recommendation | Page |
|---|--------------------------------------|-------------|
| 1. Election of Directors – Terms Expiring in 2014 | FOR each Nominee | P-19 |

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| | | |
|---|-----|------|
| 2. Ratification of Deloitte & Touche LLP as Independent Auditors for 2013 | FOR | P-28 |
| 3. Advisory Vote on Compensation of the Named Executive Officers | FOR | P-61 |

P-5

WEC 2013 Annual Meeting Proxy Statement

Table of Contents

2012 Business Highlights

Despite a challenging economic environment, 2012 was an exceptional year for WEC. Financially, WEC delivered solid earnings growth, generated strong cash flow and made significant progress toward a dividend payout that is more competitive with its peers. The Company also achieved milestones in customer satisfaction, employee safety and reliability. More specifically, the Company's achievements in 2012 included:

Earnings per share of \$2.35, the highest in the Company's history.

Increasing the dividend by 15.4% effective with the first quarter payment in 2012.

Returning almost \$300 million to stockholders during 2012 through dividends and repurchases under the share repurchase program approved by the Board of Directors in 2011.

WEC common stock trading at an all-time high of \$41.48 per share on August 1, 2012.

Being named the most reliable utility in the Midwest for the eighth time in the past 11 years.

Achieving the best customer satisfaction ratings since the operations of Wisconsin Electric and Wisconsin Gas merged in 2000.

Achieving the best overall safety results in Company history.

Completing the Air Quality Control System at the older Oak Creek generating units, on time and under budget.

Being named one of the 100 best corporate citizens in the United States by Corporate Responsibility magazine for the fifth consecutive year.

Five-Year Performance Return

The graph below shows a comparison of the cumulative total return, assuming reinvestment of dividends, over the past five years had \$100 been invested at the close of business on December 31, 2007, in each of Wisconsin Energy common stock, a Custom Peer Group Index, and the Standard & Poor's 500 Index (S&P 500):

Wisconsin Energy Corporation

Five-Year Cumulative Return Chart

Table of Contents**2012 Executive Compensation Highlights**

Compensation awarded to, earned by or paid to the Company's named executives during 2012 is set forth in the Summary Compensation Table on page P-41 and described in the Compensation Discussion and Analysis beginning on page P-29 in this proxy statement. The table below is an overview of total direct compensation received by our named executives in 2012, which indicates the significance of incentive compensation relative to base salary. The table does not include all of the information included in the Summary Compensation Table.

| Name | Salary(\$) | Annual Incentive Awards(\$) | Long-Term Incentive Awards(\$) | Total Direct Compensation(\$) |
|-------------------------------------|------------|-----------------------------|--------------------------------|-------------------------------|
| Gale E. Klappa | 1,209,393 | 2,951,811 | 4,754,312 | 8,915,516 |
| Frederick D. Kuester ⁽¹⁾ | 705,828 | 1,382,830 | 2,299,941 | 4,388,599 |
| Kristine A. Rappé ⁽²⁾ | 420,117 | 587,547 | 620,978 | 1,628,642 |
| Allen L. Leverett | 652,856 | 1,293,839 | 2,199,420 | 4,146,115 |
| James C. Fleming ⁽¹⁾ | 118,101 | 191,157 | 963,539 | 1,272,797 |
| Robert M. Garvin | 363,300 | 466,272 | 376,614 | 1,206,186 |
| J. Patrick Keyes | 345,400 | 413,593 | 204,917 | 963,910 |

⁽¹⁾ Mr. Kuester and Mr. Fleming retired effective January 4, 2013 and April 1, 2012, respectively.

⁽²⁾ Ms. Rappé elected to conclude her employment effective February 28, 2013, in connection with an organizational restructuring.

Proposals to be Voted on by Stockholders**Proposal 1: Election of Directors (page P-19)**

Each Director is elected annually to serve a one-year term. The Board met six times during 2012 with an average board and committee meeting attendance during the year of 94.8%. The Corporate Governance Committee has evaluated each individual director nominee listed below and confirmed that he or she has the skills, education, experience and qualifications required to help further the success of the Company's business and represent stockholder interests.

| Name | Age | Director Since | Occupation | Committee Memberships |
|--|-----|----------------|--|-----------------------|
| John F. Bergstrom* | 66 | 1987 | Chairman and Chief Executive Officer, Bergstrom Corporation | A, C (Chair), E |
| Barbara L. Bowles* | 65 | 1998 | Retired Vice Chair, Profit Investment Management | A, G (Chair), E |
| Patricia W. Chadwick* | 64 | 2006 | President, Ravengate Partners, LLC | A, F |
| Curt S. Culver* | 60 | 2004 | Chairman and Chief Executive Officer, MGIC Investment Corporation | G, F (Chair) |
| Thomas J. Fischer* | 65 | 2005 | Principal, Fischer Financial Consulting LLC | A (Chair), C |
| Gale E. Klappa | 62 | 2003 | Chairman of the Board, Chief Executive Officer and President, Wisconsin Energy Corporation | E (Chair) |
| Henry W. Knueppel* | 64 | 2013 | Retired Chairman and Chief Executive Officer, Regal Beloit Corporation | A, G |
| Ulice Payne, Jr.* | 57 | 2003 | Managing Member, Addison-Clifton, LLC | C, F, E |
| Mary Ellen Stanek* Independent Director * | 56 | 2012 | Managing Director and Director of Asset Management, Baird Financial Group | F |

Board Committees: A = Audit and Oversight Committee; C = Compensation Committee; G = Corporate Governance Committee; E = Executive Committee; F = Finance Committee.

Table of Contents**Proposal 2: Ratification of Deloitte & Touche LLP as Independent Auditors (page P-28)**

The Audit and Oversight Committee believes it is important for stockholders to ratify the selection of the independent auditing firm Deloitte & Touche LLP to remain as the Company's independent auditors for 2013. The following table shows the fees paid to Deloitte & Touche LLP for services provided for fiscal years 2012 and 2011.

| | 2012 | 2011 |
|--------------------|---------------------|---------------------|
| Audit Fees | \$ 1,766,200 | \$ 1,702,600 |
| Audit-Related Fees | 36,000 | |
| Tax Fees | | 9,400 |
| All Other Fees | | 4,668 |
| Total | \$ 1,802,200 | \$ 1,716,668 |

Proposal 3: Advisory Vote on Executive Compensation (page P-61)

Stockholders are again being asked to cast a non-binding advisory vote on the Company's named executives' compensation. At the 2012 Annual Meeting of Stockholders, the Company's stockholders approved the compensation of the named executive officers with 90.1% of the votes cast. In evaluating this proposal, we recommend that you review the Compensation Discussion and Analysis beginning on page P-29, which describes in greater detail the Company's compensation philosophy and programs, and describes how and why the Compensation Committee arrived at the 2012 executive compensation levels.

The primary objective of the executive compensation program is to provide a competitive, performance-based plan that enables the Company to attract and retain key individuals and to reward them for achieving both the Company's long-term and short-term goals. The program has been designed to provide a level of compensation that is strongly dependent upon the achievement of short-term and long-term goals that are aligned with the interests of the Company's stockholders and customers. To that end, a substantial portion of pay is at risk and generally, the value will only be realized upon strong corporate performance.

The Company generally compensates named executive officers through a mix of compensation elements, which primarily include the following compensation:

| Component | Form | Terms | Page |
|----------------------------|--------|--|------|
| Base Salary | Cash | Established annually and based upon level of experience, performance, responsibility and contribution to the results of the Company's operations. | P-31 |
| Annual Incentive Awards | Cash | Short-Term Performance Plan: Annual award based upon the achievement of pre-established stockholder, customer and employee-focused objectives. | P-32 |
| | | Short-Term Dividend Equivalents: Annual award approved by the Compensation Committee and tied to company performance. | P-34 |
| Long-Term Incentive Awards | Equity | Annual awards approved by the Compensation Committee and tied to Company performance and stockholder value. For 2012, included: 70% performance units | P-34 |

15% stock options

15% restricted stock

P-8

WEC 2013 Annual Meeting Proxy Statement

Table of Contents

PROXY STATEMENT

This proxy statement is being furnished to stockholders beginning on or about March 22, 2013, in connection with the solicitation of proxies by the Wisconsin Energy Corporation (WEC or the Company) Board of Directors (the Board) to be used at the Annual Meeting of Stockholders on Thursday, May 2, 2013 (the Meeting) at 10:00 a.m., Central time, at the Stoney Creek Inn in the Northwoods Conference Center located at 1100 Imperial Avenue, Rothschild, WI 54474, and at all adjournments or postponements of the Meeting, for the purposes listed in the Notice of Annual Meeting of Stockholders.

ANNUAL MEETING BUSINESS

On what Proposals am I voting?

Proposal 1: Election of nine directors for terms expiring in 2014. The Board recommends a vote **FOR** each of the nominees. The nine individuals will be elected as directors if the number of votes cast in person or by proxy at the Meeting favoring such nominee s election exceeds the number of votes cast opposing that nominee s election.

Proposal 2: Ratification of Deloitte & Touche LLP as independent auditors for 2013. The Board recommends a vote **FOR** this proposal. Ratification of the independent auditors requires the affirmative vote of a majority of the votes cast in person or by proxy at the Meeting.

Proposal 3: Advisory vote on compensation of the named executive officers, commonly referred to as a Say on Pay vote. The Board recommends a vote **FOR** this proposal. Approval, on a non-binding, advisory basis, of the compensation of the named executive officers requires the affirmative vote of a majority of the votes cast in person or by proxy at the Meeting. Because your vote is advisory, it will not be binding on the Board or the Company. However, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

The Company is not aware of any other matters that will be voted on. If a matter does properly come before the Meeting, the persons named as the proxies in the form of proxy will vote the proxy at their discretion.

VOTING INFORMATION AND ANNUAL MEETING ATTENDANCE

Who can vote?

Common stockholders as of the close of business on the Record Date, February 21, 2013, can vote. Each outstanding share of WEC common stock is entitled to one vote upon each matter presented. A list of stockholders entitled to vote will be available for inspection by stockholders at WEC s principal business office, 231 West Michigan Street, Milwaukee, Wisconsin 53203, prior to the Meeting. The list also will be available at the Meeting.

How do I vote?

There are several ways to vote:

By Internet. The Company encourages you to vote this way.

By toll-free, touch-tone telephone.

By completing and mailing your proxy card.

By written ballot at the Meeting.

If you wish to vote through the Internet or by telephone, please follow the instructions on your Notice, proxy card or the information forwarded to you by your bank or broker, as applicable. The Internet and telephone voting facilities will close at 10:59 p.m., Central time, on Wednesday, May 1, 2013.

If you are a participant in WEC s Stock Plus Investment Plan (Stock Plus) or own shares through investments in the WEC Common Stock Fund or WEC Common Stock ESOP Fund in WEC s 401(k) plan, your proxy will serve as voting instructions for your shares held in those plans. The administrator for Stock Plus and the trustee for the 401(k) plan will vote your shares as you direct. If a proxy is not returned for shares held in Stock Plus, the administrator will not vote those shares. If a proxy is not returned for shares held in the 401(k) plan, the trustee will vote those shares in the same proportion that all shares in the WEC Common Stock Fund or WEC Common Stock ESOP Fund, as the case may be, for which voting instructions have been received, are voted.

Table of Contents

If you are a beneficial owner and your bank or broker holds your shares in its name, they are permitted to vote your shares in the ratification of the independent auditors even if the broker does not receive voting instructions from you. However, for matters considered non-routine, which includes proposals 1 and 3, your broker or other record holder of your shares will not be permitted to vote your shares unless you provide voting instructions. If your shares are held in the name of a broker, bank or other holder of record, you are invited to attend the Meeting, but may not vote at the Meeting unless you have first obtained a proxy executed in your favor from the holder of record.

What does it mean if I get more than one proxy?

It means your shares are held in more than one account. Please vote all proxies to ensure all of your shares are counted.

What constitutes a quorum?

As of the Record Date, there were 228,726,456 shares of WEC common stock outstanding. In order to conduct the Meeting, a majority of the outstanding shares entitled to vote must be represented in person or by proxy. This is known as a quorum. Abstentions and shares which are the subject of broker non-votes will count toward establishing a quorum.

Can I change my vote?

You may change your vote or revoke your proxy at any time prior to the closing of the polls, by:

- entering a new vote by Internet or phone;
- returning a later-dated proxy card;
- voting in person at the Meeting; or
- notifying WEC's Corporate Secretary by written revocation letter.

The Corporate Secretary is Susan H. Martin. Any revocation should be filed with her at WEC's principal business office, 231 West Michigan Street, P. O. Box 1331, Milwaukee, Wisconsin 53201.

Attendance at the Meeting will not, in itself, constitute revocation of a proxy. All shares entitled to vote and represented by properly completed proxies timely received and not revoked will be voted as you direct. If no direction is given in a properly completed proxy, the proxy will be voted as the Board recommends.

Who conducts the proxy solicitation?

The Board is soliciting these proxies. WEC will bear the cost of the solicitation of proxies. WEC contemplates that proxies will be solicited principally through the use of the mail, but employees of WEC or its subsidiaries may solicit proxies by telephone, personally or by other communications, without compensation apart from their normal salaries. It is not anticipated that any other persons will be engaged to solicit proxies or that compensation will be paid for that purpose. However, WEC may seek the services of an outside proxy solicitor in the event that it believes such services would be beneficial.

Who will count the votes?

Computershare, which also will serve as Inspector of Election, will tabulate the vote.

What must I do to attend

| | | | |
|----------|---------|------------|------------|
| | 110.00% | \$1,000.00 | \$1,000.00 |
| \$110.00 | | | |
| \$100.00 | 100.00% | \$1,000.00 | \$1,000.00 |

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| | | | |
|---------|--------|------------|----------|
| \$90.00 | 90.00% | \$1,000.00 | \$900.00 |
| \$85.00 | 85.00% | \$1,000.00 | \$850.00 |
| \$75.00 | 75.00% | \$1,000.00 | \$750.00 |
| \$70.00 | 70.00% | \$1,000.00 | \$700.00 |
| \$65.00 | 65.00% | N/A | \$650.00 |
| \$50.00 | 50.00% | N/A | \$500.00 |
| \$25.00 | 25.00% | N/A | \$250.00 |
| \$0.00 | 0.00% | N/A | \$0.00 |

P-9

U.S. Federal Tax Information

The following table sets forth the amount of stated interest on the notes and the portion that will be treated as an interest payment and as payment for the Put Option for U.S. federal income tax purposes.

| Autocallable RevEx Number | Reference Stock Issuer | Interest Rate per Annum | Treated as an Interest Payment | Treated as Payment for the Put Option |
|------------------------------|--|----------------------------|-----------------------------------|---|
| 0087 | SPDR® S&P® Oil & Gas Exploration and Production ETF | 9.96% | 0.81% | 9.15% |

Please see the discussion (including the opinion of our counsel Morrison & Foerster LLP) in the product supplement dated June 30, 2014 under “Supplemental U.S. Federal Income Tax Considerations,” which applies to the notes.

Supplemental Plan of Distribution (Conflicts of Interest)

BMOCM will purchase the notes from us at a purchase price reflecting the commission set forth on the cover page of this pricing supplement. BMOCM has informed us that, as part of its distribution of the notes, it will reoffer the notes to other dealers who will sell them. Each such dealer, or additional dealer engaged by a dealer to whom BMOCM reoffers the notes, will receive a commission from BMOCM, which will not exceed the commission set forth on the cover page. This commission will include a selling concession paid by BMOCM or one of its affiliates to certain dealers of up to 1.6% of the principal amount in connection with the distribution of the notes.

We own, directly or indirectly, all of the outstanding equity securities of BMOCM, the agent for this offering. In accordance with FINRA Rule 5121, BMOCM may not make sales in this offering to any of its discretionary accounts without the prior written approval of the customer.

You should not construe the offering of the notes as a recommendation of the merits of acquiring an investment linked to the Reference Stock or as to the suitability of an investment in the notes.

BMOCM may, but is not obligated to, make a market in the notes. BMOCM will determine any secondary market prices that it is prepared to offer in its sole discretion.

We may use this pricing supplement in the initial sale of the notes. In addition, BMOCM or another of our affiliates may use this final pricing supplement in market-making transactions in any notes after their initial sale. Unless BMOCM or we inform you otherwise in the confirmation of sale, this pricing supplement is being used by BMOCM in a market-making transaction.

For a period of approximately three months following issuance of the notes, the price, if any, at which we or our affiliates would be willing to buy the notes from investors, and the value that BMOCM may also publish for the notes through one or more financial information vendors and which could be indicated for the notes on any brokerage account statements, will reflect a temporary upward adjustment from our estimated value of the notes that would otherwise be determined and applicable at that time. This temporary upward adjustment represents a portion of (a) the hedging profit that we or our affiliates expect to realize over the term of the notes and (b) the underwriting discount and the selling concessions paid in connection with this offering. The amount of this temporary upward adjustment will decline to zero on a straight-line basis over the three-month period.

Additional Information Relating to the Estimated Initial Value of the Notes

Our estimated initial value of the notes that is set forth on the cover page of this final pricing supplement equals the sum of the values of the following hypothetical components:

- a fixed-income debt component with the same tenor as the notes, valued using our internal funding rate for structured notes; and
- one or more derivative transactions relating to the economic terms of the notes.

The internal funding rate used in the determination of the initial estimated value generally represents a discount from the credit spreads for our conventional fixed-rate debt. The value of these derivative transactions are derived from our internal pricing models. These models are based on factors such as the traded market prices of comparable derivative instruments and on other inputs, which include volatility, dividend rates, interest rates and other factors. As a result, the estimated initial value of the notes on the pricing date was determined based on market conditions on the pricing date.

The Reference Stock

We have derived the following information from publicly available documents. We have not independently verified the accuracy or completeness of the following information. We are not affiliated with the Reference Stock Issuer and the Reference Stock Issuer will have no obligations with respect to the notes. This pricing supplement relates only to the notes and does not relate to the shares of the Reference Stock or any securities included in the Underlying Index. Neither we nor any of our affiliates participates in the preparation of the publicly available documents described below. Neither we nor any of our affiliates has made any due diligence inquiry with respect to the Reference Stock in connection with the offering of the notes. There can be no assurance that all events occurring prior to the date of this pricing supplement, including events that would affect the accuracy or completeness of the publicly available documents described below and that would affect the trading price of the shares of the Reference Stock, have been or will be publicly disclosed. Subsequent disclosure of any events or the disclosure of or failure to disclose material future events concerning the Reference Stock could affect the price of the shares of the Reference Stock during the Monitoring Period and on the Valuation Date, and therefore could affect the payment at maturity.

The selection of the Reference Stock is not a recommendation to buy or sell the shares of the Reference Stock. Neither we nor any of our affiliates make any representation to you as to the performance of the shares of the Reference Stock. Information provided to or filed with the SEC under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 relating to the Reference Stock may be obtained through the SEC's website at <http://www.sec.gov>.

The Reference Stock is an investment portfolio maintained and managed by SSFM. The Reference Stock trades on the NYSE Arca under the ticker symbol "XOP." The inception date of the Reference Stock is June 19, 2006. Prior to January 8, 2007, the Reference Stock was known as the SPDR® Oil & Gas Exploration & Production ETF.

Information provided to or filed with the SEC by the SPDR® Series Trust ("SPDR") under the Securities Exchange Act of 1934 can be located by reference to its Central Index Key, or CIK, 1064642 through the SEC's website at <http://www.sec.gov>. Additional information about SSFM and the Reference Stock may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. We have not made any independent investigation as to the accuracy or completeness of such information.

The Reference Stock seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the Underlying Index. The Underlying Index represents the oil and gas exploration and production sub-industry portion of the S&P Total Market Index (“S&P TMI”), an index that measures the performance of the U.S. equity market. The Reference Stock is composed of companies that are in the oil and gas sector exploration and production.

P-11

The Reference Stock utilizes a “replication” investment approach in attempting to track the performance of the Underlying Index. The Reference Stock typically invests in substantially all of the securities which comprise the Underlying Index in approximately the same proportions as the Underlying Index. Reference Stock will normally invest at least 80% of its total assets in common stocks that comprise the Underlying Index.

The information above was compiled from the SPDR® website. We have not independently investigated the accuracy of that information. Information contained in the SPDR® website is not incorporated by reference in, and should not be considered a part of, this document.

The Underlying Index

We have derived all information contained in this document regarding the Underlying Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, S&P.

The Underlying Index is an equal-weighted index that is designed to measure the performance of the oil and gas exploration and production sub-industry portion of the S&P TMI. The S&P TMI includes all U.S. common equities listed on the NYSE (including NYSE Arca), the NYSE MKT, the NASDAQ Global Select Market, and the NASDAQ Capital Market. Each of the component stocks in the Underlying Index is a constituent company within the oil and gas exploration and production sub-industry portion of the S&P TMI.

To be eligible for inclusion in the Underlying Index, companies must be in the S&P TMI and must be included in the relevant Global Industry Classification Standard (GICS) sub-industry. The GICS was developed to establish a global standard for categorizing companies into sectors and industries. In addition to the above, companies must satisfy one of the two following combined size and liquidity criteria:

- float-adjusted market capitalization above US\$500 million and float-adjusted liquidity ratio above 90%; or
- float-adjusted market capitalization above US\$400 million and float-adjusted liquidity ratio above 150%.

All U.S. companies satisfying these requirements are included in the Underlying Index. The total number of companies in the Underlying Index should be at least 35. If there are fewer than 35 stocks, stocks from a supplementary list of highly correlated sub-industries that meet the market capitalization and liquidity thresholds above are included in order of their float-adjusted market capitalization to reach 35 constituents. Minimum market capitalization requirements may be relaxed to ensure there are at least 22 companies in the Underlying Index as of each rebalancing effective date.

Eligibility factors include:

- **Market Capitalization:** Float-adjusted market capitalization should be at least US\$400 million for inclusion in the Underlying Index. Existing index components must have a float-adjusted market capitalization of US\$300 million to remain in the Underlying Index at each rebalancing.
- **Liquidity:** The liquidity measurement used is a liquidity ratio, defined as dollar value traded over the previous 12-months divided by the float-adjusted market capitalization as of the Underlying Index rebalancing reference date. Stocks having a float-adjusted market capitalization above US\$500 million must have a liquidity ratio greater than 90% to be eligible for addition to the Underlying Index. Stocks having a float-adjusted market capitalization between US\$400 and US\$500 million must have a liquidity ratio greater than 150% to be eligible for addition to the Underlying Index. Existing index constituents must have a liquidity ratio greater than 50% to remain in the

Underlying Index at the quarterly rebalancing. The length of time to evaluate liquidity is reduced to the available trading period for IPOs or spin-offs that do not have 12 months of trading history.

- **Takeover Restrictions:** At the discretion of S&P, constituents with shareholder ownership restrictions defined in company bylaws may be deemed ineligible for inclusion in the Underlying Index. Ownership restrictions preventing entities from replicating the index weight of a company may be excluded from the eligible universe or removed from the Underlying Index.

- Turnover: S&P believes turnover in index membership should be avoided when possible. At times, a company may appear to temporarily violate one or more of the addition criteria. However, the addition criteria are for addition to the Underlying Index, not for continued membership. As a result, an index constituent that appears to violate the criteria for addition to the Underlying Index will not be deleted unless ongoing conditions warrant a change in the composition of the Underlying Index.

Historical Information of the Reference Stock

The following table sets forth the high and low closing prices of the Reference Stock from the first quarter of 2011 through the pricing date.

| | | High (in \$) | Low (in \$) |
|------|---|--------------|-------------|
| 2011 | First Quarter | 64.50 | 52.75 |
| | Second Quarter | 64.97 | 54.71 |
| | Third Quarter | 65.24 | 42.80 |
| | Fourth Quarter | 57.56 | 39.99 |
| 2012 | First Quarter | 61.34 | 52.67 |
| | Second Quarter | 57.85 | 45.20 |
| | Third Quarter | 59.35 | 48.73 |
| | Fourth Quarter | 57.38 | 50.69 |
| 2013 | First Quarter | 62.10 | 55.10 |
| | Second Quarter | 62.61 | 54.71 |
| | Third Quarter | 66.47 | 58.62 |
| | Fourth Quarter | 72.74 | 65.02 |
| 2014 | First Quarter | 71.83 | 64.04 |
| | Second Quarter | 83.45 | 71.19 |
| | Third Quarter | 82.08 | 68.83 |
| | Fourth Quarter | 66.84 | 42.75 |
| 2015 | First Quarter | 53.94 | 42.55 |
| | Second Quarter (through the pricing date) | 55.63 | 49.90 |

Validity of the Notes

In the opinion of Osler, Hoskin & Harcourt LLP, the issue and sale of the notes has been duly authorized by all necessary corporate action of the Bank in conformity with the Senior Indenture, and when this pricing supplement has been attached to, and duly notated on, the master note that represents the notes, the notes will have been validly executed and issued and, to the extent validity of the notes is a matter governed by the laws of the Province of Ontario, or the laws of Canada applicable therein, and will be valid obligations of the Bank, subject to the following limitations (i) the enforceability of the Senior Indenture may be limited by the Canada Deposit Insurance Corporation Act (Canada), the Winding-up and Restructuring Act (Canada) and bankruptcy, insolvency, reorganization, receivership, moratorium, arrangement or winding-up laws or other similar laws affecting the enforcement of creditors' rights generally; (ii) the enforceability of the Senior Indenture may be limited by equitable principles, including the principle that equitable remedies such as specific performance and injunction may only be granted in the discretion of a court of competent jurisdiction; (iii) pursuant to the Currency Act (Canada) a judgment by a Canadian court must be awarded in Canadian currency and that such judgment may be based on a rate of exchange in existence on a day other than the day of payment; and (iv) the enforceability of the Senior Indenture will be subject to the limitations contained in the Limitations Act, 2002 (Ontario), and such counsel expresses no opinion as to whether a court may find any provision of the Senior Debt Indenture to be unenforceable as an attempt to vary or exclude a limitation period under that Act. This opinion is given as of the date hereof and is limited to the laws of the Provinces of Ontario and the federal laws of Canada applicable thereto. In addition, this opinion is subject to customary assumptions about the Trustee's authorization, execution and delivery of the Indenture and the genuineness of signatures and certain factual matters, all as stated in the letter of such counsel dated July 2, 2014, which has been filed as Exhibit 5.1 to Bank of Montreal's Form 6-K filed with the SEC on July 3, 2014.

In the opinion of Morrison & Foerster LLP, when the pricing supplement has been attached to, and duly notated on, the master note that represents the notes, and the notes have been issued and sold as contemplated by the prospectus supplement and the prospectus, the notes will be valid, binding and enforceable obligations of Bank of Montreal, entitled to the benefits of the Indenture, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith). This opinion is given as of the date hereof and is limited to the laws of the State of New York. This opinion is subject to customary assumptions about the Trustee's authorization, execution and delivery of the Indenture and the genuineness of signatures and to such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the legal opinion dated July 2, 2014, which has been filed as Exhibit 5.2 to the Bank's Form 6-K filed on July 3, 2014.