

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ [See attachment](#)

Blank lined area for listing applicable Internal Revenue Code sections and subsections.

18 Can any resulting loss be recognized? ▶ [See attachment](#)

Blank lined area for indicating if any resulting loss can be recognized.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ [See attachment](#)

Blank lined area for providing other information necessary to implement the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ *Denis Le Vasseur* Date ▶ March 9 - 2020

Print your name ▶ Denis Le Vasseur Title ▶ Vice President and Controller

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.

Power Corporation of Canada
EIN 98-0432644
Attachment to Form 8937
Date of Organizational Action: February 13, 2020

THE INFORMATION CONTAINED HEREIN DOES NOT CONSTITUTE TAX ADVICE AND DOES NOT PURPORT TO BE COMPLETE OR TO DESCRIBE THE CONSEQUENCES THAT MAY APPLY TO PARTICULAR CATEGORIES OF PFC MINORITY SHAREHOLDERS (AS DEFINED BELOW). EACH PFC MINORITY SHAREHOLDER IS ADVISED TO CONSULT THEIR TAX ADVISOR REGARDING THE TAX TREATMENT OF THE REORGANIZATION (AS DEFINED BELOW) IN THEIR PARTICULAR CIRCUMSTANCES.

PROTECTIVE FILING – ISSUER UNCERTAIN WHETHER THE REORGANIZATION “AFFECTS” HOLDERS’ BASIS SINCE THE REORGANIZATION IS A FULLY TAXABLE EXCHANGE FOR U.S. FEDERAL INCOME TAX PURPOSES.

The discussion herein is based on the Internal Revenue Code of 1986, as amended (the “Code”), the Treasury Regulations promulgated thereunder and judicial and administrative interpretations thereof, in each case as in effect on the date hereof. Each of the foregoing is subject to change, potentially with retroactive effect, and any such change could affect the U.S. federal income tax considerations described herein. No ruling from the U.S. Internal Revenue Service (“IRS”) has been requested or is intended to be obtained as to the U.S. federal income tax consequences of the Reorganization. Accordingly, there can be no assurance that the IRS will not challenge the U.S. federal income tax treatment described herein or that, if challenged, such treatment will be sustained by a court.

Further discussion of the U.S. federal income tax consequences of the Reorganization can be found in Power Financial Corporation’s Management Proxy Circular dated January 10, 2020, under the heading “Certain U.S. Federal Income Tax Consequences” (available at: https://www.powerfinancial.com/media/filer_public/b2/23/b223c098-cdc2-4195-b93d-8467b73c83f9/pfc-management-proxy-circular-eng-final.pdf) (the “Circular”).

Form 8937 Part I, Boxes 10 & 12 – CUSIP number & Ticker symbol:

Common shares of Power Financial Corporation (“PFC Common Shares”):

CUSIP:	73927C100
ISIN:	CA73927C1005
Ticker Symbol:	PWF (TSX)

Subordinate voting shares of Power Corporation of Canada (“PCC Subordinate Voting Shares”):

CUSIP:	739239101
ISIN:	CA7392391016
Ticker Symbol:	POW (TSX)

Form 8937 Part II, Box 14 – Describe the organizational action and, if applicable, the date of the action or the date against which shareholders’ ownership is measured for the action:

On February 13, 2020, Power Corporation of Canada (“PCC”) and Power Financial Corporation (“PFC”) completed a previously announced reorganization transaction (the “Reorganization”) pursuant to which, among other things, PCC acquired all of the issued and outstanding PFC Common Shares held by holders of PFC Common Shares other than PCC and its wholly owned subsidiaries (such holders, the “PFC Minority Shareholders”).

In accordance with the terms of the Reorganization, each PFC Common Share held by PFC Minority Shareholders was exchanged for: (i) 1.05 PCC Subordinate Voting Shares (the “Share Consideration”) and (ii) C\$0.01 in cash (the “Cash Consideration” and together with the Share Consideration, the “Consideration”).¹

In the event that the aggregate number of PCC Subordinate Voting Shares to be issued to a PFC Minority Shareholder as Share Consideration under or as a result of the Reorganization would have resulted in a fraction of a PCC Subordinate Voting Share being issuable, the number of PCC Subordinate Voting Shares received by such PFC Minority Shareholder was rounded down to the nearest whole PCC Subordinate Voting Share, and in lieu of a fractional PCC Subordinate Voting Share, the PFC Minority Shareholder received a cash payment from PCC equal to (i) the fraction of a PCC Subordinate Voting Share otherwise issuable, multiplied by (ii) the volume weighted average trading price of PCC Subordinate Voting Shares on the Toronto Stock Exchange (“TSX”) for the five trading days on which such shares trade on the TSX immediately preceding the effective date of the Reorganization (the “5-Day VWAP”).

Form 8937 Part II, Box 15 – Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis:

Consistent with the Circular and subject to the qualifications and limitations contained therein (including with respect to PFC Minority Shareholders subject to special rules under U.S. federal income tax laws, as described further in the Circular):

- The Reorganization will be treated as a taxable transaction for U.S. federal income tax purposes.
- Based on such treatment, a U.S. Holder (as defined in the Circular) that exchanges PFC Common Shares pursuant to the Reorganization generally will recognize gain or loss in an amount equal to the difference, if any, between (a) the U.S. dollar value of the Consideration on the date of receipt by the U.S. Holder received in exchange for the PFC Common Shares pursuant to the Reorganization and (b) the U.S. Holder’s adjusted tax basis in the PFC Common Shares exchanged therefor.

¹ Where used herein, “CAD” or “C\$” refer to Canadian dollars, and references herein to “USD” or “US\$” refer to U.S. dollars.

- A U.S. Holder's adjusted tax basis in the PCC Subordinate Voting Shares received as Share Consideration will be equal to the fair market value of such Share Consideration on the date of receipt.

Form 8937 Part II, Box 16 – Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates:

As described in Box 15 above, a U.S. Holder's adjusted tax basis in a PCC Subordinate Voting Share received as Consideration generally will be equal to the fair market value of such share on the date of receipt.

U.S. federal income tax law does not specifically prescribe the method for determining the fair market value of the PCC Subordinate Voting Shares received as Share Consideration. One possible method for determining such fair market value is to utilize the closing price of the PCC Subordinate Voting Shares on the TSX on February 12, 2020 (the day prior to the effective date of the Reorganization), which was C\$34.66. Such closing price is approximately equivalent to US\$26.15 based on the USD/CAD exchange rate of 0.7545 as published by the Bank of Canada on February 12, 2020.

Another possible method for determining the fair market value of the PCC Subordinate Voting Shares received as Share Consideration is to utilize the 5-Day VWAP, which was C\$34.24. Such 5-Day VWAP is approximately equivalent to US\$25.83 based on the USD/CAD exchange rate of 0.7545 as published by the Bank of Canada on February 12, 2020.

Form 8937 Part II, Box 17 – List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based:

Code Sections 1001, 1012.

Form 8937 Part II, Box 18 – Can any resulting loss be recognized?:

In accordance with the treatment of the Reorganization described in Box 15, a U.S. Holder that exchanges PFC Common Shares pursuant to the Reorganization generally will recognize loss in an amount equal to any amount by which the U.S. Holder's adjusted tax basis in the PFC Common Shares exchanged for the Consideration exceeds the U.S. dollar value of such Consideration on the date of receipt by the U.S. Holder.

Form 8937 Part II, Box 19 – Provide any other information necessary to implement the adjustment, such as the reportable tax year:

The Reorganization was consummated on February 13, 2020. Consequently, the reportable taxable year of PFC Minority Shareholders for reporting the tax effect of the Reorganization is the taxable year that includes the February 13, 2020 date.