

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or any similar authority in Canada has in any way passed upon the merits of the securities offered hereby and any representation to the contrary is an offence.

This short form prospectus contains information intended to be completed by consulting the Corporation's permanent information record. A copy of the permanent information record may be obtained without charge from your dealer or from the Secretary of the Corporation at 759 Victoria Square, Montreal, Quebec, H2Y 2K4 (telephone (514) 286-7400).

New Issue



POWER CORPORATION OF CANADA

\$100,000,000
(2,000,000 shares)

Cumulative Redeemable First Preferred Shares, 1986 Series

Cumulative preferential cash dividends will be payable quarterly on the First Preferred Shares 1986 Series on the 15th day of each of January, April, July and October in each year in an amount per share determined by applying the Quarterly Dividend Rate to \$50.00. The Quarterly Dividend Rate is (i) 2% in the case of dividends payable on or prior to April 15, 1991, and (ii) one quarter of 70% of the average of the prime rates of two specified major Canadian chartered banks for specified three-month periods in the case of dividends payable after April 15, 1991.

The Montreal, Toronto and Vancouver stock exchanges have conditionally approved the listing of the First Preferred Shares 1986 Series. The listing is conditional upon the Corporation fulfilling all of the requirements of these exchanges no later than April 23, 1986.

In the opinion of counsel, the First Preferred Shares 1986 Series will be eligible for investment under certain statutes as set forth under "Eligibility for Investment".

Price: \$50.00 per share

We, as principals, conditionally offer these First Preferred Shares 1986 Series subject to prior sale if, as and when issued by the Corporation and accepted by us in accordance with the terms and conditions contained in the Underwriting Agreement referred to under "Plan of Distribution", and subject to the approval of certain legal matters on behalf of the Corporation by Clarkson, Tétrault, Montreal, and on our behalf by Doheny Mackenzie, Montreal.

	<u>Price to Public</u>	<u>Underwriters' Fee (1)</u>	<u>Net Proceeds to the Corporation (2)</u>
Per Share	\$50.00	\$1.50	\$48.50
Total	\$100,000,000	\$3,000,000	\$97,000,000

(1) The Underwriters' fee per First Preferred Share 1986 Series is \$0.50 for each share sold to certain specified institutions and \$1.50 per share for all other shares. The per share and total amounts represent the maximum fees assuming no shares are sold to specified institutions.

(2) Before deducting expenses of issue estimated at \$100,000 payable by the Corporation from its general funds.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is intended that the closing of this offering will take place on February 18, 1986, or such other date as may be agreed upon, but not later than March 4, 1986. It is expected that definitive share certificates representing the First Preferred Shares 1986 Series will be available for delivery on February 18, 1986.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the provincial securities commissions or other similar authorities in Canada, are incorporated by reference in, and form an integral part of, this short form prospectus:

- a) the 1985 Annual Information Form of the Corporation dated April 15, 1985;
- b) the Corporation's audited consolidated financial statements for the year ended December 31, 1984, and the report of the auditors thereon, contained in the 1984 Annual Report of the Corporation;
- c) the Corporation's Proxy Circular dated March 29, 1985;
- d) the Corporation's unaudited consolidated financial statements for the quarters ended March 31, June 30 and September 30, 1985.

All documents of the nature referred to above and any material change reports (excluding confidential reports) filed by the Corporation with the provincial securities commissions or other similar authorities in Canada, after the date of this short form prospectus and prior to the termination of the offering made hereby, shall be deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

THE CORPORATION

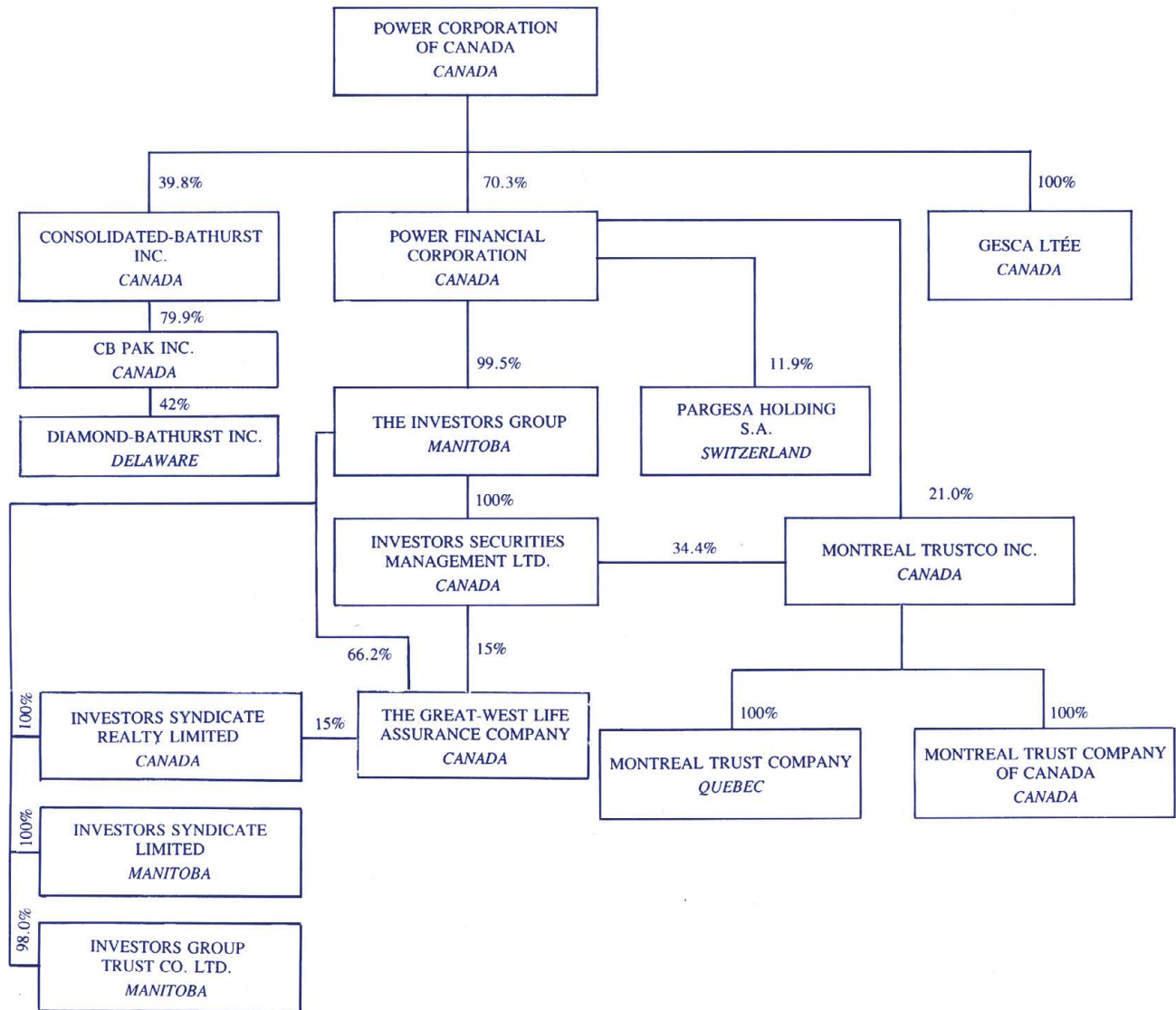
Power Corporation of Canada (herein referred to as the "Corporation") was incorporated on April 18, 1925 under The Companies Act and was continued under the Canada Business Corporations Act on June 13, 1980. The head office and principal place of business of the Corporation is located at 759 Victoria Square, Montreal, Quebec, H2Y 2K4.

The Corporation is a holding and management corporation which, directly or indirectly, owns major interests in companies that are active in the following business sectors, namely: financial services, pulp and paper, packaging, energy resources and newspaper publishing.

The principal subsidiaries and affiliate of the Corporation are Power Financial Corporation ("Power Financial"), Gesca Ltée ("Gesca") and Consolidated-Bathurst Inc. (collectively with its subsidiaries, "Consolidated-Bathurst"). See "Recent Developments".

Corporate Structure

The following chart summarizes the current corporate structure of the Corporation including all significant subsidiaries and its affiliate, their jurisdictions of incorporation and the percentage of voting shares held:



Business of the Subsidiaries and Affiliate

Power Financial offers, through The Investors Group (collectively, with one or more of its subsidiaries, and excluding Great-West Life and Montreal Trustco, "Investors"), The Great-West Life Assurance Company ("Great-West Life") and Montreal Trustco Inc. ("Montreal Trustco", and collectively, with one or more of its subsidiaries, "Montreal Trust"), an extensive range of financial products and services to individuals and corporations in Canada and the United States. In addition, it has a presence in Europe through its investment in Pargesa Holding S.A. ("Pargesa").

Investors provides financial services to individuals and corporations throughout Canada and sells financial products including mutual funds, of which it is the largest distributor in Canada, investment certificates and other products. Investors also offers investment management and administrative services to pension funds and other benefit programs. Investors has approximately 1,300 sales representatives who operate from 52 sales offices across Canada. At September 30, 1985 and 1984, it had assets under administration of \$6.3 billion and \$5.2 billion, respectively.

Great-West Life is the largest shareholder-owned life insurance company in Canada in terms of assets, premium income and life insurance in force. It sells and underwrites life insurance, health coverages and annuities to groups and individuals. Great-West Life operates throughout Canada and in 48 states and the District of Columbia in the United States. At September 30, 1985 and 1984, it had assets of \$10.3 billion and \$8.9 billion, respectively, and had \$96.3 billion and \$88.4 billion, respectively, of life insurance in force with over three million policyholders and group certificate holders.

Montreal Trust is an important provider of personal financial services in Canada and believes it has a leading position in the corporate services sector among Canadian trust companies. It operates throughout Canada from 79 locations with a salaried staff of over 2,200 and more than 1,200 commissioned real estate agents. At September 30, 1985 and 1984, Montreal Trust's total assets administered were \$23.6 billion and \$20.3 billion, respectively.

Pargesa, an investment and holding corporation based in Switzerland, is a major shareholder of Paribas (Suisse) S.A. and is the leading member of a consortium whose members together hold approximately a 36% interest in Groupe Bruxelles Lambert S.A., which has interests in several major financial and industrial enterprises in Europe and the United States.

Consolidated-Bathurst is one of Canada's largest integrated pulp and paper and packaging enterprises. It owns and operates 15 newsprint machines in Quebec, with an aggregate annual capacity of 962,000 tonnes representing approximately 10% of the aggregate annual newsprint capacity in Canada. In addition, the Bridgewater mill in the United Kingdom adds 253,000 tonnes to the annual newsprint capacity. Consolidated-Bathurst manufactures annually approximately 200,000 tonnes of various blends of hardwood and softwood pulp which it sells to producers of fine and specialty papers. In addition a chemi-thermo-mechanical pulp mill with an annual capacity of 152,000 tonnes supplies its Bridgewater newsprint mill in the United Kingdom. Consolidated-Bathurst also manufactures and sells containerboard, kraft paper, boxboard and lumber.

Consolidated-Bathurst's packaging products are produced and sold through CB Pak Inc., MacMillan Bathurst Inc. and Europa Carton AG. CB Pak Inc. is a diversified designer, manufacturer and supplier of glass, plastic, paper, laminated and metallized packaging products and a distributor of packaging machinery systems. Its subsidiary, Domglas Inc., is the largest manufacturer of glass containers in Canada accounting for over 50% of the domestic market. Another subsidiary, Twinpak Inc., is one of Canada's leading producers and marketers of a widely diversified range of plastic packaging products. CB Pak Inc. owns 42% of Diamond-Bathurst Inc., a glass bottle manufacturer in the United States specializing in sales to distilled spirits producers with over 10% of that market in the United States. Its shares are listed on the American Stock Exchange. MacMillan Bathurst Inc., 50% owned with MacMillan Bloedel Limited, is one of the largest national producers of corrugated containers in Canada. Europa Carton AG and its subsidiaries is one of West Germany's largest manufacturers and marketers of corrugated containers and folding cartons as well as a producer and seller of paperboard.

Consolidated-Bathurst has investments in the energy resource sector, principally through shareholdings in Sceptre Resources Limited, Sulpetro Limited and Sulbath Exploration Ltd., the first two of which are publicly-owned Canadian oil and gas exploration and development companies, and also through participation in a joint venture exploration program with Remington Energy Ltd., a privately-owned company in Calgary, Alberta.

Gesca owns and operates publishing, printing and distribution interests. Gesca owns La Presse, Ltée and Les Publications J.T.C. Inc. La Presse, Ltée publishes La Presse daily newspaper with an estimated circulation of 189,000 copies per day on weekdays and 295,000 on Saturday (based on the average daily circulation determined by the Audit Bureau of Circulations for the six-month period ended September 30, 1985). Les Journaux Trans-Canada (1982) Inc., a wholly-owned subsidiary of Les Publications J.T.C. Inc., publishes three regional daily newspapers. Le Nouvelliste of Trois-Rivières is the largest of these newspapers with an average daily circulation of approximately 52,000 copies.

USE OF PROCEEDS

The net proceeds from the sale of the First Preferred Shares 1986 Series offered hereby, estimated to be not less than \$96,900,000, will be used to make corporate investments. Pending such use, such proceeds will be invested in short-term marketable securities.

SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of First Preferred Shares issuable in series, an unlimited number of 7½¢ Participating Preferred Shares and an unlimited number of Subordinate Voting Shares, all without par value, of which 228,460 \$2.375 Cumulative Redeemable First Preferred Shares, 1965 Series, 5,661,902 7½¢ Participating Preferred Shares and 55,174,512 Subordinate Voting Shares were issued and outstanding at December 31, 1985. The share totals for the 7½¢ Participating Preferred Shares and the Subordinate Voting Shares reflect a two-for-one subdivision which became effective June 3, 1985. Included in the totals are 8,000,000 Subordinate Voting Shares issued in February 1985 at \$14.00 per share pursuant to an offering to the public, the concurrent issue of 100,554 7½¢ Participating Preferred Shares at \$14.00 per share, and the issue of 1,700,000 Subordinate Voting Shares at \$10.50 per share on various dates in 1985 pursuant to share subscription rights issued in 1984. In addition to the above, 966,664 Subordinate Voting Shares are reserved for issuance pursuant to share subscription rights exercisable at \$10.50 per share at any time up to April 25, 1987, and 1,600,000 Subordinate Voting Shares are reserved for issuance pursuant to the Executive Stock Option Plan of the Corporation, with respect to which options for 1,050,000 of such shares have been granted and are exercisable at \$16.938 per share until May 9, 1995.

Certain Provisions of the First Preferred Shares as a Class

The following is a brief summary of the material rights, privileges, restrictions and conditions attached to the First Preferred Shares as a class.

Issuable in Series — The First Preferred Shares may be issued from time to time in one or more series and the Board of Directors of the Corporation may determine by resolution the designation, rights, privileges, restrictions and conditions to be attached to each series.

Ranking — The First Preferred Shares of each series rank equally with the First Preferred Shares of every other series, and rank in priority to the 7½¢ Participating Preferred Shares, the Subordinate Voting Shares and any other shares of the Corporation ranking after the First Preferred Shares, with respect to the payment of dividends and the distribution of assets of the Corporation on liquidation, dissolution or winding up.

Voting Rights — The holders of the First Preferred Shares are not entitled as such to any voting rights unless dividends on any one series of First Preferred Shares are in arrears to the extent of one and one-half times the annual rate or amount of dividends carried by the First Preferred Shares of such series. Thereafter, but only so long as any dividends on the First Preferred Shares of any series, if dividends on such First Preferred Shares of any such series be cumulative, remain in arrears or, if dividends on such First Preferred Shares of any such series be non-cumulative, until an amount or amounts equal in the aggregate to one (1) year's dividends at the annual rate or amount of dividends carried by such non-cumulative First Preferred Shares of any such series shall have been paid thereon, the holders of First Preferred Shares as a class will be entitled to receive notice of all general meetings of shareholders of the Corporation and to attend thereat, other than any meetings of the holders of any particular series of First Preferred Shares held separately and as a series, and shall at any such meeting which they shall be entitled to attend, except when the vote of the holders of shares of any other class is to be taken separately and as a class, be entitled to one vote in respect of each First Preferred Share held.

Modification — The class provisions of the First Preferred Shares may be amended with the approval given in writing by the holders of all of the First Preferred Shares then outstanding or by resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of holders of such shares at which not less than a majority of all First Preferred Shares then outstanding is represented or, if no quorum is present at such meeting, at any adjourned meeting at which no quorum requirement would apply.

\$2.375 Cumulative Redeemable First Preferred Shares, 1965 Series

The \$2.375 Cumulative Redeemable First Preferred Shares, 1965 Series, in addition to the provisions attaching to the First Preferred Shares as a class, carry, amongst others, the following provisions:

- a) the holders thereof are entitled to receive fixed cumulative preferential cash dividends of \$2.375 per share per annum payable quarterly;
- b) the holders thereof have the right to receive the sum of \$50 per share plus accrued and unpaid dividends on the involuntary liquidation, dissolution or winding up of the Corporation, or the sum of \$50.50 per share plus accrued and unpaid dividends on the voluntary liquidation, dissolution or winding up of the Corporation.

The Corporation may at any time by resolution of the Board of Directors, redeem the whole or, from time to time, any part of such series of First Preferred Shares then outstanding on payment for each share to be redeemed of the sum of \$50.50, plus accrued and unpaid dividends as at the date fixed for the redemption. The Corporation, through a sinking fund, is committed to retire 26,500 of such shares in each twelve-month period from May 1 to April 30.

DETAILS OF THE OFFERING

The Cumulative Redeemable First Preferred Shares, 1986 Series offered hereby (the "First Preferred Shares 1986 Series") will have attached thereto, among others, provisions to the following effect in addition to the foregoing provisions attached to the First Preferred Shares as a class:

Dividends

An initial dividend on the First Preferred Shares 1986 Series will be payable on April 15, 1986 and, assuming an issue date of February 18, 1986, will be \$0.6137 per share.

After the initial dividend, the holders of the First Preferred Shares 1986 Series will be entitled to receive a cumulative preferential cash dividend, as and when declared by the Board of Directors, on the 15th day of each of January, April, July and October in each year in an amount per share determined by applying the applicable Quarterly Dividend Rate to \$50.00. For the purposes hereof, "Quarterly Dividend Rate" means (i) 2% in the case of dividends payable on or prior to April 15, 1991, and (ii) one quarter of 70% of the average of the Prime Rate in effect on each day during the three calendar months ending immediately prior to the first day of the calendar month preceding the month in which the dividend payment is to be made in the case of dividends payable after April 15, 1991. "Prime Rate" means the average of the prime lending rates of interest established and announced from time to time by two specified major Canadian chartered banks as the reference rates of interest per annum to determine the interest rates they will charge on Canadian dollar commercial loans to their most creditworthy customers in Canada. If neither of such banks has a prime rate in effect on any day, the Prime Rate for that day will be 1.50% per annum above the average yield per annum on 91-day Government of Canada Treasury Bills as reported by the Bank of Canada for the weekly tender immediately preceding that day.

Purchase Obligation

The Corporation will make all reasonable efforts to purchase for cancellation in the open market 20,000 First Preferred Shares 1986 Series per calendar quarter (4% per year) commencing with the calendar quarter beginning April 1, 1991, at a price not exceeding \$50.00 per share plus costs of purchase.

If, notwithstanding the making of all reasonable efforts, the Corporation is unable to fulfill such obligation in any calendar quarter, the obligation will carry over only to the succeeding calendar quarters of the same calendar year and will thereafter be extinguished. The Corporation will not be obligated to purchase any First Preferred Shares 1986 Series pursuant to this provision if and so long as such purchase would be contrary to any applicable

law or the Articles of the Corporation including the provisions described under “Restrictions on Dividends and Retirement of Shares”.

Redemption

The First Preferred Shares 1986 Series will not be redeemable prior to April 15, 1991. Except as noted under “Restrictions on Dividends and Retirement of Shares”, the First Preferred Shares 1986 Series will be redeemable on and after that date at the option of the Corporation in whole at any time or in part from time to time at \$50.00 per share, together with all accrued and unpaid dividends up to the date of redemption, the whole constituting the redemption price.

Notice of any redemption will be given by the Corporation at least 30 days prior to the date fixed for redemption. If less than all of the outstanding First Preferred Shares 1986 Series are at any time to be redeemed, the shares to be redeemed will be selected by lot in units of 10 shares or less in such manner as the Board of Directors shall by resolution determine or pro rata disregarding fractions.

Purchase for Cancellation

Except as noted under “Restrictions on Dividends and Retirement of Shares”, the Corporation will be permitted at any time to purchase for cancellation all or any part of the First Preferred Shares 1986 Series on the open market or by invitation for tenders to all holders of First Preferred Shares 1986 Series or otherwise at a price per share not exceeding \$50.00 plus an amount equal to all accrued and unpaid dividends and costs of purchase.

Restrictions on Dividends and Retirement of Shares

Unless all the outstanding First Preferred Shares 1986 Series have been called for redemption and the redemption price for same has been deposited, the Corporation shall not, without the prior approval given in writing by the holders of all of the First Preferred Shares 1986 Series then outstanding or by resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of the holders of the First Preferred Shares 1986 Series:

- (a) pay any dividends (other than stock dividends) on any shares of the Corporation ranking junior to the First Preferred Shares with respect to payment of dividends or repayment of capital;
- (b) pay any dividends (other than stock dividends) on any shares of another class of the Corporation ranking on a parity with the First Preferred Shares with respect to payment of dividends or repayment of capital, other than rateably on the shares of such other class and on the First Preferred Shares;
- (c) redeem or purchase or make any capital distribution in respect of any shares of the Corporation ranking junior to the First Preferred Shares with respect to repayment of capital or payment of dividends, except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the First Preferred Shares; or
- (d) redeem or purchase less than all the First Preferred Shares 1986 Series;

unless all accrued and unpaid dividends for previous dividend periods on the First Preferred Shares 1986 Series shall have been declared and paid or set apart for payment.

Modification

The provisions attaching to the First Preferred Shares 1986 Series may be amended at any time with the prior approval of the holders of the First Preferred Shares 1986 Series which may be given in writing by the holders of all of the First Preferred Shares 1986 Series then outstanding or by resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of the holders of the First Preferred Shares 1986 Series. The quorum provisions referred to under “Modification” above in respect of the First Preferred Shares as a class, shall apply in connection with such meeting.

CONSOLIDATED CAPITALIZATION

The following table summarizes the consolidated capitalization of the Corporation at December 31, 1984 and September 30, 1985.

	December 31, 1984	September 30, 1985
	(thousands)	
Long-term debt:		
Bank loans	\$135,125	\$ —
Income debentures	72,500	—
Total long-term debt	207,625	—
Shareholders' equity:		
Stated capital		
First preferred shares	12,790	11,427
7½¢ Participating preferred shares	18,074	19,482
Subordinate voting shares	159,865	284,465
Retained earnings	587,289	692,917
Total shareholders' equity	778,018	1,008,291
Total capitalization	\$985,643	\$1,008,291

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information of the Corporation should be read in conjunction with the audited financial statements for the year ended December 31, 1984 and the unaudited interim financial statements for the nine months ended September 30, 1985 and 1984, which are incorporated by reference in this short form prospectus.

	Nine months ended September 30			Year ended December 31 (2)		
	(unaudited) (1) (2) (3)					
	1985	1984	1984	1984	1983	1982
	(millions, except per share amounts)					
Share of earnings of subsidiaries and affiliate.	\$ 84.8	\$ 69.9	\$111.0	\$ 86.1	\$ 65.3	\$104.5
Income from investments	9.1	5.3	6.7	7.1	8.5	10.4
Operating revenue (4)	—	—	—	—	—	233.6
Total revenues	93.9	75.2	117.7	93.2	73.8	348.5
Net earnings before extraordinary and other items	82.4	51.3	86.7	58.9	43.9	88.1
Net earnings	133.1	107.8	128.1	59.2	47.9	98.5
Earnings per 7½¢ participating preferred and subordinate voting share (5):						
Net earnings before extraordinary and other items	1.40	1.00	1.69	1.14	0.84	1.71
Net earnings	2.26	2.10	2.50	1.15	0.92	1.91
Total assets	1,016.1	986.5	994.5	1,004.3	958.2	932.6
Long-term debt	—	204.7	207.6	311.6	307.8	289.5
Shareholders' equity	1,008.3	772.8	778.0	682.9	638.5	614.1

NOTES:

- (1) Consolidated-Bathurst adopted in 1984 a more conservative accounting policy for pre-operating expenses related to major capital projects. Accordingly, the above results have been restated.

- (2) Effective January 1, 1984 Investors and Montreal Trust changed their accounting treatment for net profits and losses on investment transactions, so that such amounts are now included in the determination of net earnings before extraordinary and other items. Previously such amounts were treated as extraordinary items. Accordingly, the above results have been restated.
- (3) Great-West Life changed its accounting practices in the fourth quarter of 1984 to bring the accounting methods of its subsidiaries into conformity with the accounting practices of Great-West Life. The 1984 figures have been restated to include this change.
- (4) Represents revenue from the Corporation's transportation business, which was disposed of in 1981.
- (5) Adjusted for a two-for-one subdivision effective June 3, 1985.

ASSET COVERAGE

Based on the unaudited consolidated balance sheet of the Corporation as at September 30, 1985 and after giving effect to the issue of the First Preferred Shares 1986 Series, the consolidated net tangible assets of the Corporation are as follows:

	(thousands)
Current assets.....	\$ 150,522*
Investments	841,360
Fixed assets (less accumulated depreciation).....	<u>24,168</u>
	1,016,050
Less: Current liabilities.....	\$ 1,881
Deferred income taxes.....	5,878
Excess of carrying value of investments over the share of equity.....	<u>29,232</u>
	979,059
Plus: Estimated net proceeds from this issue	<u>96,900</u>
Consolidated net tangible assets after giving effect to this issue.....	<u>\$1,075,959</u>
Aggregate paid up capital of all First Preferred Shares of the Corporation	<u>\$ 111,427</u>
Net tangible asset coverage of all First Preferred Shares.....	9.7 times

*Includes \$97.8 million on deposit in respect of the proposed purchase by the Corporation of shares of Télé-Métropole Inc., as described under "Recent Developments".

DIVIDEND COVERAGE

The annual dividend requirements on the First Preferred Shares to be outstanding after giving effect to this issue will amount to approximately \$8.5 million per annum. The net earnings (before extraordinary and other items) of the Corporation for the twelve months ended September 30, 1985 amounted to \$117.8 million, being approximately 13.8 times such annual dividend requirements.

RECENT DEVELOPMENTS

On April 23, 1985 the Corporation purchased 2,384,000 common shares of Consolidated-Bathurst Inc. at a price of \$16.75 per share. The shares were issued by Consolidated-Bathurst Inc. and sold to the Corporation concurrently with the issue and sale to the public of 3,616,000 common shares at the same price per share. On May 22, 1985, the Corporation sold 3,000,000 common shares of Power Financial to a group of underwriters at a price of \$27.375 per share, less a fee, for net proceeds to the Corporation of \$78,750,000. On July 5, 1985, the Corporation sold 10,104,600 ordinary shares of Canadian Pacific Limited to underwriters at \$19.25 per share, less a fee, for net proceeds to the Corporation of \$187,946,000.

On September 13, 1985 the Corporation signed an agreement with three major shareholders of Télé-Métropole Inc. of Montreal to acquire 40.8% of the outstanding common shares of that company, representing 99.6% of the voting shares, for an aggregate consideration of \$97.8 million. The acquisition is subject to the approval of the Canadian Radio-Television and Telecommunications Commission (the "CRTC"), to whom an application has been made and is pending. The purchase price and the shares to be acquired have been deposited in escrow pending a decision by the CRTC. If the acquisition is approved by the CRTC, the Corporation is obligated to purchase, at par, from two of the selling shareholders, debentures of Télé-Métropole Inc. having, at the date hereof, an aggregate nominal value of \$7.7 million. Télé-Métropole Inc. owns and operates CFTM-TV in Montreal and, through a wholly-owned subsidiary, CJPM-TV in Chicoutimi, Quebec, is engaged in the production of French language television programs, feature films, commercial and promotional messages and is one of the five shareholders of the TVA Network Inc.

PLAN OF DISTRIBUTION

Under an agreement (the "Underwriting Agreement") dated January 24, 1986 among Nesbitt Thomson Bongard Ltée, Dominion Securities Pitfield Limited, Richardson Greenshields of Canada Limited and Wood Gundy Inc. (the "Underwriters") and the Corporation, the Corporation has agreed to issue and sell, and the Underwriters have agreed to purchase, 2,000,000 First Preferred Shares 1986 Series, subject to compliance with all necessary legal requirements and to the terms and conditions contained therein, on February 18, 1986 or on such other date not later than March 4, 1986 as may be agreed upon, at a price of \$50.00 per share, payable in cash to the Corporation against delivery of the share certificates. The Corporation has agreed to pay the Underwriters a fee as set forth on the cover page of this short form prospectus in consideration of the services performed in connection with the distribution.

The Underwriting Agreement provides that the Underwriters may terminate their obligations thereunder at their discretion upon the occurrence of certain stated events. The Underwriters, however, will take up and pay for all of the First Preferred Shares 1986 Series if any are purchased under the Underwriting Agreement.

In connection with this offering, the Underwriters may overallocate or effect transactions intended to stabilize or maintain the market price of the First Preferred Shares 1986 Series at a level above that which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

CERTAIN CANADIAN INCOME TAX CONSIDERATIONS

In the opinion of Clarkson, Tétrault, counsel to the Corporation, and Doheny Mackenzie, counsel to the Underwriters, the following is a summary of the Canadian federal income tax considerations generally applicable on dividends to prospective purchasers of the First Preferred Shares 1986 Series who are residents of Canada. The summary takes into consideration the current provisions of the Income Tax Act (Canada) (the "Tax Act"), the current regulations to the Tax Act and relevant amendments to the Tax Act proposed in Bill C-84, taking into account the Notice of Ways and Means Motion to amend the Tax Act presented on December 4, 1985 by the Minister of Finance (the "Notice of Ways and Means") to provide for, amongst other matters, a minimum personal income tax, but does not take into account any other changes in law, whether by judicial or legislative action, nor does it take into account provincial income tax legislation or considerations.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Therefore, prospective purchasers should consult their own tax advisers with respect to their individual circumstances.

Dividends on the First Preferred Shares 1986 Series received by an individual will be included in computing his income, and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations. The grossed-up amount of such dividends will be included in computing the individual's entitlement to the annual deduction of up to \$1,000 for qualifying Canadian source investment income.

Under the Notice of Ways and Means the full grossed-up amount of taxable dividends will be included in the adjusted taxable income for minimum tax purposes and no dividend tax credit will be available to reduce the minimum tax. Generally speaking, a combined federal and provincial tax rate of between 24% and 27%, depending upon the province of residence, will be applied to the excess of the adjusted taxable income over a minimum tax exemption of \$40,000 plus regular personal exemptions.

Dividends on the First Preferred Shares 1986 Series received by a corporation, other than a "specified financial institution" (as defined in the Tax Act), will be included in computing its income but normally will also be deductible in computing its taxable income. Dividends on the First Preferred Shares 1986 Series received by a specified financial institution will be included in computing its income but will not be deductible in computing its taxable income unless either (i) the specified financial institution did not acquire the First Preferred Shares 1986 Series in the ordinary course of the business carried on by such institution or (ii) the First Preferred Shares 1986 Series are listed on a prescribed stock exchange in Canada and the specified financial institution, either alone or with persons with whom it does not deal at arm's length, does not receive (or is not deemed to receive pursuant to a designation by a trust of which such institution or person is a beneficiary) in the aggregate dividends in respect of more than 10% of the First Preferred Shares 1986 Series outstanding at the time such dividends are received.

ELIGIBILITY FOR INVESTMENT

In the opinion of Clarkson, Tétrault, counsel to the Corporation, and Doheny Mackenzie, counsel to the Underwriters, on the date of issue, the First Preferred Shares 1986 Series offered by this short form prospectus will be eligible investments, without resort to the so-called "basket" provisions but subject to general investment provisions, for:

- (i) insurance companies registered or licensed under the Canadian and British Insurance Companies Act (Canada), the Foreign Insurance Companies Act (Canada), the Insurance Act (Ontario) and the Insurance Act (Alberta);
- (ii) loan companies regulated under the Loan Companies Act (Canada) and loan corporations registered under the Loan and Trust Corporations Act (Ontario);
- (iii) trust companies regulated or registered under the Trust Companies Act (Canada), the Loan and Trust Corporations Act (Ontario) and the Trust Companies Act (Alberta); and
- (iv) pension funds regulated or registered under the Pension Benefits Standards Act (Canada), the Pension Benefits Act (Ontario), the Pension Benefits Act (Alberta) and An Act respecting supplemental pension plans (Quebec).

In the opinion of such counsel, the provisions of An Act respecting insurance (Quebec) would not preclude the investment by an insurance company in the First Preferred Shares 1986 Series, subject to the general investment provisions of that Act.

In the opinion of such counsel, such First Preferred Shares 1986 Series will also be eligible investments for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans under the Income Tax Act (Canada).

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Touche Ross & Co., 1 Place Ville Marie, Montreal, Quebec.

The transfer agent and registrar for the First Preferred Shares 1986 Series of the Corporation is Montreal Trust Company in Halifax, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

PURCHASER'S STATUTORY RIGHTS

Securities legislation in several of the provinces of Canada provide purchasers with the right to withdraw from an agreement to purchase such securities within two business days after receipt or deemed receipt of this short form prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his province. Purchasers in Saskatchewan, as a term of this offering, are given the same rights of rescission and withdrawal as if a prospectus and any amendments had been accepted by the Saskatchewan Securities Commission. The purchaser should refer to any applicable provisions of the securities legislation of his province for the particulars of these rights or consult with a legal adviser.

CERTIFICATES

Dated: January 28, 1986

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, and contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed, as required by the Securities Act (Quebec) and regulations thereunder.

(signed) J. W. BURNS
President

(signed) A. F. KNOWLES
Executive Vice-President

On behalf of the Board of Directors.

(signed) YVES PRATTE
Director

(signed) P. M. PITFIELD
Director

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, and to our knowledge contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed, as required by the Securities Act (Quebec) and regulations thereunder.

NESBITT THOMSON BONGARD LTÉE
By: (signed) D. M. McENTYRE

DOMINION SECURITIES PITFIELD
LIMITED
By: (signed) L. H. GOTH

RICHARDSON GREENSHIELDS OF
CANADA LIMITED
By: (signed) JOHN H. BRIDGMAN

WOOD GUNDY INC.
By: (signed) T. C. W. REID

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than five percent in the capital of:

NESBITT THOMSON BONGARD LTÉE: J. B. Aune, B. J. Steck, G. R. P. Bongard, K. G. Copland, T. A. Jackson, K. W. McArthur, and A. R. D. Nesbitt;

DOMINION SECURITIES PITFIELD LIMITED: None;

RICHARDSON GREENSHIELDS OF CANADA LIMITED: James Richardson & Sons Limited; and

WOOD GUNDY INC.: wholly-owned by The Wood Gundy Corporation.