

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold within the United States or to U.S. persons.

**Short Form Prospectus**

November 16, 2001

New Issue



**POWER CORPORATION OF CANADA**

**\$200,000,000**

**(8,000,000 shares)**

**5.35% Non-Cumulative First Preferred Shares, Series B**

The 5.35% Non-Cumulative First Preferred Shares, Series B (the “Series B First Preferred Shares”) will be entitled to fixed non-cumulative preferential cash dividends, if, as and when declared by the Board of Directors, at a rate equal to \$1.337500 per share per annum. The initial dividend, if declared, will be payable January 15, 2002 and will be \$0.179555 per share, based upon an anticipated issue date of November 27, 2001. Thereafter, dividends will be payable quarterly at a rate of \$0.334375 per share. Certain provisions relating to the Series B First Preferred Shares are summarized under “Details of the Offering”.

On and after November 28, 2006, Power Corporation of Canada (“Power Corporation” or the “Corporation”) may, on not less than 30 nor more than 60 days' notice, redeem for cash the Series B First Preferred Shares in whole or in part, at the Corporation's option, at \$26.00 per share if redeemed prior to November 28, 2007, \$25.75 if redeemed on or after November 28, 2007 and prior to November 28, 2008, \$25.50 if redeemed on or after November 28, 2008 and prior to November 28, 2009, \$25.25 if redeemed on or after November 28, 2009 and prior to November 28, 2010 and \$25.00 if redeemed on or after November 28, 2010, in each case together with all declared and unpaid dividends to the date of redemption. See “Details of the Offering”.

The Toronto Stock Exchange has conditionally approved the listing of the Series B First Preferred Shares. Listing is subject to the Corporation fulfilling all the listing requirements of such Exchange on or before February 8, 2002.

BMO Nesbitt Burns Inc., Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., National Bank Financial Inc. and Merrill Lynch Canada Inc. (collectively, the “Underwriters”) have agreed to purchase the Series B First Preferred Shares from the Corporation subject to the terms and conditions set forth in the underwriting agreement referred to under “Plan of Distribution” (the “Underwriting Agreement”). In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series B First Preferred Shares at a level above that which might otherwise prevail in the open market. See “Plan of Distribution”.

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**Price: \$25.00 per share to yield 5.35%**

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	<u>Price to Public</u>	<u>Underwriters' Fee</u> <sup>(1)</sup>	<u>Net Proceeds to the Corporation</u> <sup>(1)(2)</sup>
Per Series B First Preferred Share .....	\$25.00	\$0.75	\$24.25
Total .....	\$200,000,000	\$6,000,000	\$194,000,000

(1) The Underwriters' fee is \$0.25 for each Series B First Preferred Share sold to certain institutions and \$0.75 for all other Series B First Preferred Shares which are sold. The Underwriters' fee set forth in the table assumes that no Series B First Preferred Shares are sold to such institutions.

(2) Before deduction of the expenses of this issue, estimated at \$300,000, which together with the Underwriters' fee will be paid from the general funds of the Corporation.

The Underwriters, as principals, conditionally offer the Series B First Preferred Shares subject to prior sale, if, as and when issued by Power Corporation and accepted by them in accordance with the conditions contained in the Underwriting Agreement and subject to the approval of certain legal matters on behalf of Power Corporation by Blake, Cassels & Graydon LLP, and on behalf of the Underwriters by Ogilvy Renault.

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. A book-entry only certificate representing the Series B First Preferred Shares distributed hereunder will be issued in registered form only to The Canadian Depository for Securities Limited ("CDS") or its nominee and will be deposited with CDS on the closing of this offering.

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### ELIGIBILITY FOR INVESTMENT

Eligibility of the Series B First Preferred Shares offered hereby for investment by purchasers to whom any of the following statutes apply is, in certain cases, governed by criteria which such purchasers are required to establish as policies or guidelines pursuant to the applicable statute (and, where applicable, the regulations thereunder) and is subject to the prudent investment standards and general investment provisions provided therein:

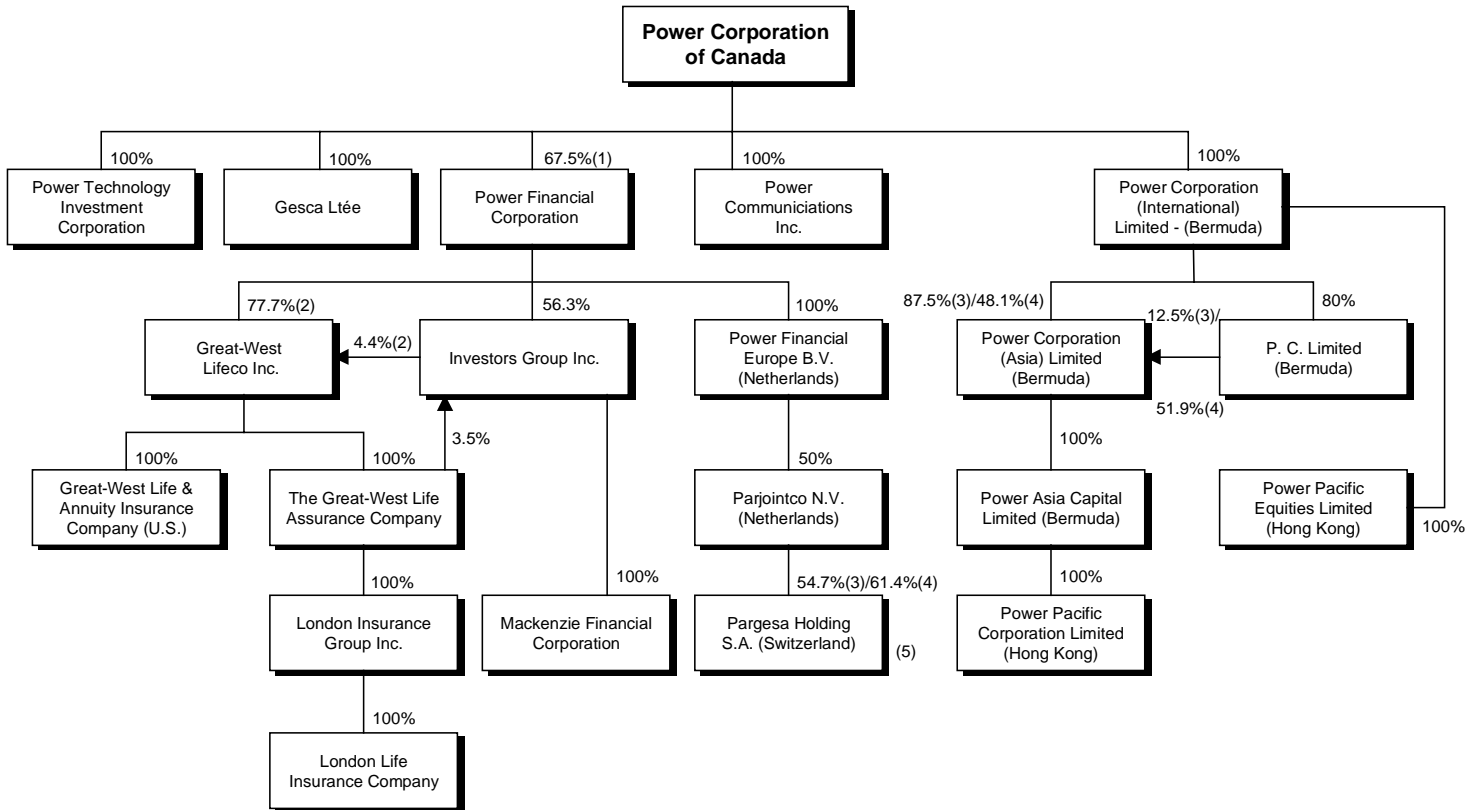
<p><i>Insurance Companies Act (Canada)</i>  <i>Trust and Loan Companies Act (Canada)</i>  <i>Pension Benefits Standards Act, 1985 (Canada)</i>  <i>An Act respecting insurance (Québec)</i>  <i>An Act respecting trust companies and savings companies (Québec)</i>  <i>Supplemental Pension Plans Act (Québec)</i></p>	<p><i>Loan and Trust Corporations Act (Ontario)</i>  <i>Pension Benefits Act (Ontario)</i>  <i>The Pension Benefits Act (Manitoba)</i>  <i>Employment Pension Plans Act (Alberta)</i>  <i>Insurance Act (Alberta)</i>  <i>Loan and Trust Corporations Act (Alberta)</i>  <i>Financial Institutions Act (British Columbia)</i></p>
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In the opinion of Blake, Cassels & Graydon LLP and Ogilvy Renault, the Series B First Preferred Shares, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) and the Regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

## POWER CORPORATION OF CANADA

### Intercorporate Relationships

The following chart summarizes Power Corporation's corporate structure as at September 30, 2001, including selected subsidiaries and affiliates. Unless otherwise specified below, all companies were incorporated in Canada under the *Canada Business Corporations Act* (the "CBCA").



- (1) Owned by 171263 Canada Inc., all the issued shares of which are owned indirectly by Power Corporation.
- (2) Approximately a 65% direct and indirect voting interest, in the aggregate.
- (3) Equity interest.
- (4) Voting interest.
- (5) The companies in the Pargesa group are more fully described in Power Financial's Annual Information Form, incorporated herein by reference.

## **General**

Power Corporation is a diversified management and holding company that holds interests, directly or indirectly, in companies that are active in the financial services, communications and other business sectors. Power Corporation employs, directly and through subsidiaries, approximately 26,000 people in North America. Power Corporation's head and registered office is located at 751 Victoria Square, Montréal, Québec, H2Y 2J3.

Through its 67.5% ownership of the voting shares of Power Financial Corporation ("Power Financial"), Power Corporation owns a controlling interest in Great-West Lifeco Inc. ("Lifeco") and Investors Group Inc. ("Investors Group"). These companies and their subsidiaries offer an extensive range of financial products and services to individuals and corporations in Canada and the United States. Through its wholly owned subsidiary, Power Financial Europe B.V. ("Power Financial Europe"), a company incorporated under the laws of the Netherlands, Power Financial has a significant interest in the Pargesa group. Based in Europe, companies in the Pargesa group are active in the media, energy, public utilities and specialty minerals sectors. Power Corporation also wholly owns Gesca Ltée ("Gesca"), Power Technology Investment Corporation ("PTIC") and a minority interest in CITIC Pacific Ltd.

### **Power Financial Corporation**

As at September 30, 2001, Power Financial controlled, directly and indirectly approximately 82.1%, of the outstanding common shares of Lifeco, representing approximately 65.0% of the voting rights attached to all the outstanding Lifeco voting shares. As at September 30, 2001, Power Financial also controlled, directly and indirectly, 59.8% of the outstanding common shares of Investors Group. Through Power Financial Europe, Power Financial holds a 50.0% interest in Parjointco N.V. ("Parjointco"), a corporation incorporated under the laws of the Netherlands.

### **Great-West Lifeco Inc.**

As at September 30, 2001, Lifeco held directly all of the outstanding common shares, and held, directly or indirectly, approximately 60.0% of the outstanding preferred shares, of The Great-West Life Assurance Company ("Great-West Life"); all of the outstanding preferred shares of London Life Insurance Company ("London Life"); and, through wholly owned subsidiaries, all of the outstanding common shares of Great-West Life & Annuity Insurance Company ("GWL&A"). Lifeco currently has no other holdings and carries on no business or activities unrelated to its holdings in Great-West Life, London Life and GWL&A. However, Lifeco is not restricted to investing only in such securities.

### **The Great-West Life Assurance Company and London Life Insurance Company**

Great-West Life owns all of the common shares of London Insurance Group Inc. ("LIG"), a company continued under the CBCA. LIG owns all of the voting shares of London Life. Both Great-West Life and London Life are Canadian insurance companies governed by the *Insurance Companies Act* (Canada). Great-West Life also owns 9.2 million common shares (representing 3.5%) of its affiliate, Investors Group.

Great-West Life and London Life offer a wide range of life insurance, health insurance, and retirement and investment products, as well as reinsurance products, to individuals, businesses and other private and public organizations. The operations of Great-West Life and London Life are managed from Winnipeg, Manitoba and London, Ontario.

### **Great-West Life & Annuity Insurance Company**

In the United States, GWL&A offers a wide range of life and health products for group clients, savings products for corporations, public and non-profit employers and individuals, and life insurance products for individuals and businesses. The operations of GWL&A are managed from Greenwood Village, Colorado.

## **Investors Group Inc.**

Investors Group is one of Canada's leading financial services companies offering a comprehensive package of financial products and services to individuals and corporations throughout Canada. Its core business is to provide personal financial planning including mutual funds, guaranteed investment certificates, insurance, securities services and mortgages to Canadians through its network of over 3,400 consultants. Investors Group is the largest sponsor and distributor of mutual funds in Canada, with assets under management and administration in excess of \$48.0 billion as at September 30, 2001.

As at September 30, 2001, Investors Group held 16.2 million common shares (representing 4.4%) of its affiliate Lifeco.

## **Mackenzie Financial Corporation**

In April 2001, Investors Group acquired 100% of the shares of Mackenzie Financial Corporation ("Mackenzie") pursuant to a take-over bid. In Canada, Mackenzie's core business activity is the manufacturing, marketing and management of approximately 130 public mutual funds comprising the Capital Class, Cundill, Industrial, Ivy, Universal, Mackenzie and Keystone fund families. Mackenzie also provides management services to private individuals and institutional accounts, provides trust and administrative services in Canada and offers a family of mutual funds in the United States. Mackenzie's assets under management and administration exceeded \$32 billion as at September 30, 2001.

## **Power Financial Europe B.V.**

As at September 30, 2001, Power Financial Europe held a 50% interest in Parjointco, which held a 61.4% voting interest and a 54.7% equity interest in Pargesa Holding S.A. ("Pargesa Holding") of Geneva, Switzerland. At such date, Pargesa Holding held a 50.0% voting and a 48.2% equity interest in Groupe Bruxelles Lambert S.A. ("GBL") of Brussels, Belgium. The Pargesa group holds significant interests in a selected number of European companies, either through Pargesa Holding or through GBL. As at September 30, 2001, such interests consisted principally of a 25.1% interest in Bertelsmann AG, a company with leading positions in the global media and entertainment industries; a 3.2% interest in TotalFinaElf, an international oil and petrochemical group; a 7.2% interest in Suez, a leading utility company; and a 53.7% interest in Imerys S.A, a leading company in value-added specialty minerals.

## **Gesca Ltée**

Gesca, a wholly owned subsidiary of Power Corporation, is engaged in the publication of newspapers, including the Montréal daily newspaper La Presse and six other daily newspapers in the Province of Québec. Gesca also owns, through subsidiaries, three commercial printing plants.

## **Power Technology Investment Corporation**

Following the sale of all of its communication assets in 2000, Power Broadcasting Inc., a wholly owned subsidiary of the Corporation, was renamed "Power Technology Investment Corporation". PTIC is now focused on the technology and biotechnology sectors.

## **CHANGES TO CONSOLIDATED CAPITALIZATION**

The long term debt of Power Corporation on a consolidated basis increased from \$1,026 million as at December 31, 2000 to \$2,357 million as at September 30, 2001. The increase primarily reflects long term debt of Investors Group incurred in connection with its acquisition of Mackenzie in April 2001. On November 8, 2001, Lifeco filed a preliminary short form prospectus relating to an offering of \$200 million of debentures, which offering is scheduled to close on November 23, 2001. Had such debentures been outstanding as at September 30, 2001, the long term debt of Power Corporation on a consolidated basis would have been \$2,557 million.

## **USE OF PROCEEDS**

The net proceeds from the sale of the Series B First Preferred Shares offered hereunder will amount to approximately \$193,700,000 after deducting the Underwriters' fee and estimated expenses of the issue. Such fee and expenses will be paid out of the general funds of the Corporation. The net proceeds of this offering will be used to supplement the Corporation's financial resources and for general corporate purposes.

## **PLAN OF DISTRIBUTION**

Pursuant to an underwriting agreement (the "Underwriting Agreement") dated as of November 8, 2001 between the Corporation and BMO Nesbitt Burns Inc., Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., National Bank Financial Inc. and Merrill Lynch Canada Inc. as underwriters (the "Underwriters"), the Corporation has agreed to sell and the Underwriters have severally agreed to purchase, as principals, subject to compliance with all necessary legal requirements and to the terms and conditions contained therein, on November 27, 2001 or such other date not later than December 21, 2001 as may be agreed upon by the parties (the "Closing Date"), all but not less than all of the 8,000,000 Series B First Preferred Shares at an aggregate price of \$200,000,000, payable to the Corporation.

In consideration for their services in connection with this offering, the Corporation has agreed to pay the Underwriters a fee equal to \$0.25 per Series B First Preferred Share sold to certain institutions and \$0.75 per share with respect to all other sales of Series B First Preferred Shares. Assuming that no Series B First Preferred Shares are sold to such institutions, the Underwriters' fee will be \$6,000,000. All fees payable to the Underwriters will be paid on account of services rendered in connection with the issue and will be paid out of the general funds of the Corporation.

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

The Underwriters may not, throughout the period of distribution, bid for or purchase the Series B First Preferred Shares. The foregoing restriction is subject to certain exemptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series B First Preferred Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable stock exchanges relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series B First Preferred Shares at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Series B First Preferred Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and, subject to certain exemptions, may not be offered or sold within the United States or to U.S. persons. The distribution of this short form prospectus and the offering and sale of the Series B First Preferred Shares are also subject to certain restrictions under the laws of certain jurisdictions outside of Canada. Each Underwriter has agreed that it will not offer for sale or sell or deliver the Series B First Preferred Shares in any such jurisdiction except in accordance with the laws thereof.

The Toronto Stock Exchange has conditionally approved the listing of the Series B First Preferred Shares. Listing is subject to the Corporation fulfilling all the listing requirements of such Exchange on or before February 8, 2002.

## **EARNINGS COVERAGE RATIOS**

The Corporation's dividend requirements on all of its preferred shares, after giving effect to the issue of the

Series B First Preferred Shares, and adjusted to a pre-tax equivalent using an effective income tax rate of 37.9%, amounted to \$36 million for the 12 months ended December 31, 2000 and \$35 million for the 12 months ended September 30, 2001. The Corporation's interest requirements for the 12 months ended December 31, 2000 and for the 12 months ended September 30, 2001, after giving effect to the issue of all long term debt to the date hereof, amounted to \$153 million and \$150 million, respectively.

The Corporation's earnings before interest and income tax for the 12 months ended December 31, 2000 was \$1,483 million, which is 7.8 times the aggregate dividend and interest requirements on long term debt for this period. The Corporation's earnings before interest and income tax for the 12 months ended September 31, 2001 was \$1,358 million, which is 7.3 times the aggregate dividend and interest requirements on long term debt for this period.

## **DETAILS OF THE OFFERING**

The authorized capital of the Corporation consists of an unlimited number of First Preferred Shares, an unlimited number of Participating Preferred Shares and an unlimited number of Subordinate Voting Shares.

The First Preferred Shares of the Corporation may be issued in one or more series with such rights, privileges, restrictions and conditions as the Board of Directors of the Corporation designates. As of the date hereof, the First Preferred Shares, 1986 Series and the First Preferred Shares, Series A are the only series of First Preferred Shares outstanding. The following is a summary of certain provisions of the First Preferred Shares as a class and of the Series B First Preferred Shares.

### **Certain Provisions of the First Preferred Shares as a Class**

#### *Priority*

With respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, the First Preferred Shares of each series rank on a parity with the First Preferred Shares of every other series and in priority to the Participating Preferred Shares, the Subordinate Voting Shares and any other shares ranking junior to the First Preferred Shares. On such a distribution, the rights of the holders of the First Preferred Shares of each series will be subject to the prior satisfaction of all claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the First Preferred Shares.

#### *Approval by First Preferred Shareholders*

In addition to any shareholder approvals required by applicable law, the approval of the holders of the First Preferred Shares as a class, given in the manner described under "Modification of Series" below, is required to delete, add to or vary any right, privilege, preference, restriction or condition attaching to the First Preferred Shares as a class.

#### *Voting Rights*

The holders of First Preferred Shares shall not be entitled to notice of or to attend or to vote at any meeting of the shareholders of the Corporation unless and until the Corporation shall at any time have failed to pay dividends on the First Preferred Shares of any one series equal in the aggregate to one and one-half times the annual rate or amount of dividends carried by the First Preferred Shares of such series in accordance with the terms thereof, whether or not consecutive and whether or not such dividends shall have been declared and whether or not there shall have been any monies of the Corporation properly applicable to the payment of dividends, and for such purpose such dividends shall be deemed to have accrued from day to day. 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 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 the First Preferred Shares as a class shall 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 meetings 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 by each of such holders respectively.

### **Certain Provisions of the Series B First Preferred Shares**

#### *Dividends*

The holders of the Series B First Preferred Shares will be entitled to receive quarterly non-cumulative preferential cash dividends, if, as and when declared by the Board of Directors, on the 15th day of January, April, July and October in each year at a rate equal to \$0.334375 per share. The initial dividend, if declared, will be payable on January 15, 2002 and will be \$0.179555 per share, assuming an issue date of November 27, 2001.

#### *Redemption by the Corporation*

The Series B First Preferred Shares will not be redeemable prior to November 28, 2006. Subject to the provisions of any shares of the Corporation ranking prior to or *pari passu* with the Series B First Preferred Shares, and to the provisions described under “Restrictions on Dividends and Retirement of Shares”, the Corporation may redeem at any time on or after November 28, 2006 all or from time to time any of the then outstanding Series B First Preferred Shares. Such redemption may be made upon payment in cash of the amount of \$26.00 per share if redeemed prior to November 28, 2007, \$25.75 if redeemed on or after November 28, 2007 and prior to November 28, 2008, \$25.50 if redeemed on or after November 28, 2008 and prior to November 28, 2009, \$25.25 if redeemed on or after November 28, 2009 and prior to November 28, 2010 and \$25.00 if redeemed on or after November 28, 2010, in each case together with an amount equal to all declared and unpaid dividends thereon to but excluding the date of redemption. The Corporation shall provide not less than 30 nor more than 60 days' notice of such redemption to each holder of Series B First Preferred Shares to be redeemed.

If less than all outstanding Series B First Preferred Shares are at any time to be redeemed, the shares to be redeemed will be selected in such manner as the Corporation may determine.

#### *Purchase for Cancellation*

Subject to the provisions described under “Restrictions on Dividends and Retirement of Shares”, and subject to the provisions of any shares of the Corporation ranking prior to or *pari passu* with the First Preferred Shares, the Corporation may at any time or times purchase for cancellation all or any part of the Series B First Preferred Shares at any price if the purchase is effected prior to November 28, 2006 and at a price per share not exceeding the redemption price at the time of purchase together with an amount equal to all declared and unpaid dividends to but excluding the date of purchase and the costs of purchase if effected on or after November 28, 2006.

#### *Restrictions on Dividends and Retirement of Shares*

So long as any of the Series B First Preferred Shares are outstanding, the Corporation shall not, without the approval of the holders of the Series B First Preferred Shares given as described under “Modification of Series”:

- (i) declare or pay any dividends (other than stock dividends in shares ranking junior to the Series B First Preferred Shares) on the Participating Preferred Shares, the Subordinate Voting Shares or any other shares of the Corporation ranking junior or *pari passu* to the Series B First Preferred Shares;
- (ii) except out of the net cash proceeds of an issue of shares ranking junior to the Series B First Preferred Shares, redeem or call for redemption or purchase or otherwise retire or make any return of capital in respect of the Participating Preferred Shares, Subordinate Voting Shares or other shares ranking junior to the Series B First Preferred Shares;

- (iii) redeem or call for redemption or purchase or otherwise retire or make any return of capital in respect of less than all of the Series B First Preferred Shares; or
- (iv) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching thereto, redeem or call for redemption or purchase or otherwise retire or make any return of capital in respect of any shares ranking *pari passu* with the Series B First Preferred Shares;

unless all dividends (including cumulative dividends, if any) for the immediately preceding payment date (as defined in the share provisions) in respect of the Series B First Preferred Shares and all other shares ranking prior to or *pari passu* with the Series B First Preferred Shares shall have been declared and paid or monies set aside for payment.

#### *Voting Rights*

The holders of the Series B First Preferred Shares shall not be entitled to notice of or to attend or to vote at any meeting of the shareholders of the Corporation unless and until the Corporation shall at any time have failed to pay dividends on the Series B First Preferred Shares equal in the aggregate to one and one-half times the annual rate or amount of dividends carried by the Series B First Preferred Shares in accordance with the terms thereof, whether or not consecutive and whether or not such dividends shall have been declared and whether or not there shall have been any monies of the Corporation properly applicable to the payment of dividends, and for such purpose such dividends shall be deemed to have accrued from day to day. Thereafter, until an amount or amounts equal in the aggregate to one year's dividends at the annual rate or amount of dividends carried by the Series B First Preferred Shares shall have been paid thereon, the holders of the Series B First Preferred Shares shall 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 other series of First Preferred Shares held separately and as a series, and shall at any such meetings which they shall be entitled to attend, except when the vote of the holders of shares of any other class or series is to be taken separately and as a class or series, be entitled to one vote in respect of each Series B First Preferred Share held by each of such holders respectively.

#### *Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the Series B First Preferred Shares, the holders of the Series B First Preferred Shares shall be entitled to be paid and to receive an amount equal to \$25.00 per Series B First Preferred Share plus declared and unpaid dividends up to and including the date of distribution before any amount shall be paid or any assets of the Corporation shall be distributed to the holders of Participating Preferred Shares, Subordinate Voting Shares or shares of any other class of the Corporation ranking junior to the Series B First Preferred Shares. After payment to the holders of the Series B First Preferred Shares of the amount so payable to them, they shall not be entitled to share in any further distribution of the assets of the Corporation.

#### *Modification of Series*

Approval of variations to the provisions of the Series B First Preferred Shares as a series and any other authorization required to be given by the holders of such shares as a series may be given by a resolution passed by an affirmative vote of not less than two-thirds of the votes cast at a general meeting of the holders of Series B First Preferred Shares duly called for such purpose and held upon at least 21 days' notice at which the holders of a majority of the outstanding shares of such series are present in person or represented by duly qualified proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series B First Preferred Shares then present in person or represented by proxy will form the necessary quorum.

#### *Tax Election*

The provisions of the Series B First Preferred Shares as a series require the Corporation to make an election in

prescribed form pursuant to the provisions of subsection 191.2(1) of the *Income Tax Act* (Canada), and within the time limits provided therein, for purposes of determining the tax payable under Part VI.1 of such Act with respect to the Series B First Preferred Shares. See “Certain Canadian Federal Income Tax Considerations”.

## RATINGS

The Series B First Preferred Shares have been given a preliminary rating of Pfd-2 (high) n by Dominion Bond Rating Service Limited (“DBRS”) and P-1(low) by Standard & Poor’s Corporation (“S&P”).

A Pfd-2 rating by DBRS is the second highest of five categories granted by DBRS for preferred shares and is granted to companies presenting satisfactory credit quality where protection of dividends and principal is still substantial, but earnings, the balance sheet and coverage ratios are not as strong as Pfd-1 rated companies. The “n” designation is attached to all ratings for securities that are non-cumulative. A P-1 rating by S&P is the highest of the five categories used by S&P in its Canadian preferred share rating scale. “High” and “Low” grades may be used to indicate the relative standing of a credit within a particular rating category.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating is therefore not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Corporation filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the annual information form of the Corporation dated May 17, 2001, including documents incorporated by reference therein;
- (b) the interim unaudited consolidated comparative financial statements as at and for the three month and the nine month periods ended September 30, 2001 and 2000, together with the interim Management’s Discussion and Analysis attached thereto;
- (c) the audited consolidated comparative financial statements as at and for the years ended December 31, 2000 and 1999 and the report of the auditors thereon; and
- (d) the management proxy circular dated March 30, 2001 with respect to the annual meeting of shareholders of the Corporation held on May 17, 2001.

All documents of the type referred to above, as well as material change reports (other than confidential material change reports), filed by the Corporation with the securities regulatory 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 into this short form prospectus.

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents so incorporated by reference may be obtained on request without charge from the Secretary of Power Corporation of Canada, 751 Victoria Square, Montréal, Québec H2Y 2J3 (Telephone: 514-286-7400). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of this permanent information record may be obtained from the Secretary of the Corporation at the same address and telephone number. Copies may also be obtained through the internet at [www.SEDAR.com](http://www.SEDAR.com).

**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. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. 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.**

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Corporation, and Ogilvy Renault, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Series B First Preferred Shares pursuant to this short form prospectus (a “Holder”) who, for purposes of the *Income Tax Act* (Canada) (the “Act”), is, or is deemed to be, resident in Canada, deals at arm’s length with the Corporation, holds such Series B First Preferred Shares as capital property, is not a “financial institution” as defined by Section 142.2 of the Act or a “specified financial institution” as defined in the Act and is not affiliated with the Corporation. Purchasers who do not hold their Series B First Preferred Shares as capital property, financial institutions and specified financial institutions should consult their own tax advisors with respect to their own particular circumstances.

**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. Accordingly, prospective purchasers should consult their own tax advisors with respect to their particular circumstances.**

This summary is based upon the current provisions of the Act, the regulations thereunder, all specific proposals to amend the Act and such regulations publicly announced by the Minister of Finance prior to the date hereof (the “Tax Proposals”), and counsel’s understanding of the current published administrative policies and assessing practices of Canada Customs and Revenue Agency (“CCRA”). This summary does not otherwise take into account or anticipate any changes in law or in the administrative policies or assessing practices of CCRA, whether by legislative, governmental or judicial action, nor does it take into account any provincial, territorial or foreign income tax legislation or considerations. No assurance can be given that the Tax Proposals will be enacted in the form proposed, or at all.

### **Dividends**

Dividends (including deemed dividends) received on the Series B First Preferred Shares by an individual will be included in the individual’s income and will generally be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

Dividends (including deemed dividends) received on Series B First Preferred Shares by a corporation will be included in computing the corporation’s income and will generally be deductible in computing the corporation’s taxable income.

The Series B First Preferred Shares are “taxable preferred shares” as defined in the Act. The terms of the Series B First Preferred Shares require the Corporation to make the necessary election under Part VI.1 of the Act so that Holders will not be subject to tax under Part IV.1 of the Act on dividends received (or deemed to be received) on the Series B First Preferred Shares.

A “private corporation”, as defined in the Act, or any other corporation controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33⅓% refundable tax under Part IV of the Act on dividends received (or deemed to be received) on the Series B First Preferred Shares to the extent such dividends are deductible in computing its taxable income.

## **Dispositions**

A Holder who disposes of or is deemed to dispose of Series B First Preferred Shares (including on a redemption) will generally realize a capital gain (or sustain a capital loss) to the extent that the Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the Holder. The amount of any deemed dividend arising on the redemption or acquisition by the Corporation of Series B First Preferred Shares will generally not be included in computing the Holder's proceeds of disposition for purposes of computing the capital gain or loss arising on disposition of such Series B First Preferred Shares. If the Holder is a corporation, any capital loss arising on a disposition of a Series B First Preferred Share may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on the Series B First Preferred Share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. Generally, one-half of any capital gain will be included in computing the Holder's income as a taxable capital gain, and one-half of any capital loss may be deducted from the Holder's taxable capital gains in accordance with the rules in the Act.

Corporations that are "Canadian-controlled private corporations" as defined in the Act may be subject to an additional refundable 6% tax on their "aggregate investment income" (which is defined in the Act to include an amount in respect of taxable capital gains but not dividends or deemed dividends deductible in computing taxable income).

## **Redemption**

If the Corporation redeems Series B First Preferred Shares, or otherwise acquires or cancels Series B First Preferred Shares (other than by a purchase in the open market in the manner in which shares are normally purchased by any member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital of such shares at such time as computed for purposes of the Act. Generally, the difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate Holder, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

## **EXPERTS**

Certain legal matters in connection with this offering will be passed upon by Blake, Cassels & Graydon LLP for the Corporation and by Ogilvy Renault for the Underwriters. As of November 8, 2001, the partners and associates of Blake, Cassels & Graydon LLP as a group and the partners and associates of Ogilvy Renault as a group, owned beneficially, directly or indirectly, less than one percent of any class of securities of Power Corporation or any of its associated or affiliated companies.

## **RISK FACTORS**

Investors should consider the following investment considerations before making a decision to purchase Series B First Preferred Shares, as well as the other information in this short form prospectus and the documents incorporated by reference herein.

## **Holding Company Structure**

As a holding company, Power Corporation's ability to pay interest and other operating expenses and dividends and to meet its obligations generally depends upon receipt of sufficient funds from its principal subsidiaries and its ability to raise additional capital. The likelihood that holders of the Series B First Preferred Shares will receive dividends will be dependent upon the financial position and creditworthiness of the principal subsidiaries and affiliates of Power Corporation, referred to above under "Power Corporation of Canada". The payment of interest and dividends by certain of these principal subsidiaries is also subject to restrictions set forth in the insurance,

securities and corporate laws and regulations which require that solvency and capital standards be maintained by such companies.

### **Operational Risk**

The businesses conducted by Power Corporation's principal subsidiaries are subject to risks including competition from other businesses, dependence on key personnel, reliance on information technology systems, investment performance and underwriting experience of morbidity, mortality and catastrophic risk, all of which could affect the ability of Power Corporation to meet its obligations. Specifically, the businesses conducted by Power Corporation's principal subsidiaries may be further adversely affected, directly or indirectly, by the terrorist-related events that commenced in the United States on September 11, 2001.

### **Regulatory Environment**

The businesses of certain of Power Corporation's principal subsidiaries are subject to various regulatory requirements imposed by legislation and regulation in Canada, the United States and Europe applicable to insurance companies and companies providing other financial services. Material changes in the regulatory framework or the failure to comply with regulatory requirements could have an adverse effect on Power Corporation.

### **General Economic Conditions**

Unfavourable economic conditions may adversely affect the business of Power Corporation's principal subsidiaries.

### **Series B First Preferred Shares**

The value of Series B First Preferred Shares will be affected by the general creditworthiness of Power Corporation. Power Corporation's "Management's Discussion and Analysis of Operating Results" for the year ended December 31, 2000, as well as Power Corporation's "Management's Discussion and Analysis" for the six-month period ended June 30, 2001, are incorporated by reference in this section. These analyses discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on Power Corporation's business, financial condition or results of operations. See also the discussion under "Earnings Coverage Ratios", which is relevant to an assessment of the risk that Power Corporation will be unable to pay dividends on the Series B First Preferred Shares.

The market value of the Series B First Preferred Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the credit rating assigned to such shares. Real or anticipated changes in credit ratings on the Series B First Preferred Shares may also affect the cost at which Power Corporation can transact or obtain funding, and thereby affect its liquidity, business, financial condition or results of operations.

The Series B First Preferred Shares rank equally with other First Preferred Shares of Power Corporation in the event of an insolvency or winding-up of Power Corporation. If Power Corporation becomes insolvent or is wound-up, Power Corporation's assets must be used to pay debt, including subordinated debt, before payments may be made on Series B First Preferred Shares and other preferred shares.

## **BOOK-BASED SYSTEM**

Registration of interest in and transfers of the Series B First Preferred Shares will only be made through the book-based system administered by CDS. On or about the Closing Date, the Corporation will deliver to CDS a certificate evidencing the aggregate number of Series B First Preferred Shares subscribed for under this offering. Series B First Preferred Shares must be purchased, transferred and surrendered for retraction or redemption through a participant in CDS (a "CDS Participant"). All rights of an owner of Series B First Preferred Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds Series B First Preferred Shares. Upon a purchase of any Series B First Preferred Shares, the owner will receive only the customary confirmation. References in this short

form prospectus to a holder of Series B First Preferred Shares mean, unless the context otherwise requires, the owner of the beneficial interest in such shares.

The ability of a beneficial owner of Series B First Preferred Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Corporation has the option to terminate registration of the Series B First Preferred Shares through the book-based system, in which event certificates for Series B First Preferred Shares in fully registered form will be issued to the beneficial owners of such shares or their nominees.

#### **REGISTRAR AND TRANSFER AGENT**

The registrar and transfer agent for the Series B First Preferred Shares will be Computershare Trust Company of Canada or its agent at its principal office in each of the cities of Montréal, Toronto and Vancouver.

#### **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

**CERTIFICATE OF THE CORPORATION**

Dated: November 16, 2001

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 prospectus as required by the securities laws of all the provinces of Canada. For the purposes of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

By: (signed) PAUL DESMARAIS, JR.  
Chairman and Co-Chief  
Executive Officer

By: (signed) ANDRÉ DESMARAIS  
President and Co-Chief  
Executive Officer

By: (signed) MICHEL PLESSIS-BÉLAIR  
Vice-Chairman and Chief  
Financial Officer

On behalf of the Board of Directors

By: (signed) P. MICHAEL PITFIELD  
Director

By: (signed) JOHN A. RAE  
Director



## CERTIFICATE OF THE UNDERWRITERS

Dated: November 16, 2001

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 prospectus as required by the securities laws of all the provinces of Canada. For the purposes of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

BMO NESBITT BURNS INC.

SCOTIA CAPITAL INC.

By: (signed) THOMAS E. FLYNN

By (signed) STEPHEN C. MACCULLOCH

CIBC WORLD MARKETS INC.

RBC DOMINION SECURITIES INC.

TD SECURITIES INC.

By: (signed) FRANÇOIS GERVAIS

By: (signed) JEAN-MARC BOUGIE

By: (signed) JACQUES MASSICOTTE

NATIONAL BANK FINANCIAL INC.

By: (signed) CRAIG J. SHANNON

MERRILL LYNCH CANADA INC.

By: (signed) MARIANNE HARRIS