

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 similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada (the permanent information record in Québec). Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Power Financial Corporation, 751 Victoria Square, Montréal, Québec H2Y 2J3 (Telephone: 514-286-7400).

New Issue

December 5, 1997



\$150,000,000

(6,000,000 shares)

5.50% Non-Cumulative First Preferred Shares, Series D

The 5.50% Non-Cumulative First Preferred Shares, Series D (the "Series D 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 \$1.375 per share per annum. The initial dividend, if declared, will be payable January 31, 1998 and will be \$0.17329 per share, based upon an anticipated issue date of December 16, 1997. Thereafter, dividends will be payable quarterly at a rate of \$0.34375 per share. Certain provisions relating to the Series D First Preferred Shares are summarized under "Details of the Offering".

On and after January 31, 2013, Power Financial Corporation ("Power Financial" or the "Corporation") may, on not less than 30 nor more than 60 days' notice, redeem for cash the Series D First Preferred Shares in whole or in part, at the Corporation's option, at \$25.00 per share together with all declared and unpaid dividends to the date of redemption. See "Details of the Offering".

The Toronto, Montreal and Winnipeg stock exchanges have conditionally approved the listing of the Series D First Preferred Shares. Listing is subject to the Corporation fulfilling all of the requirements of such exchanges on or before March 4, 1998, including the distribution of the Series D First Preferred Shares to a minimum number of public shareholders.

Price: \$25.00 per share to yield 5.50%

	Price to Public	Underwriters' Fee(1)	Net Proceeds to the Corporation (1)(2)
Per Series D First Preferred Share	\$25.00	\$0.75	\$24.25
Total	\$150,000,000	\$4,500,000	\$145,500,000

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

We, as principals, conditionally offer the Series D First Preferred Shares subject to prior sale, if, as and when issued by Power Financial and accepted by us in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of Power Financial by Blake, Cassels & Graydon, and on our behalf 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. It is intended that certificates in definitive form representing the Series D First Preferred Shares will be available for delivery at closing on or about December 16, 1997, or such later date as may be agreed upon, but not later than January 16, 1998.

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ELIGIBILITY FOR INVESTMENT

Eligibility of the Series D 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:

Insurance Companies Act (Canada)
Trust and Loan Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
An Act respecting insurance (Québec)
An Act respecting trust companies and savings companies (Québec)
Supplemental Pension Plans Act (Québec)
Loan and Trust Corporations Act (Ontario)
Pension Benefits Act (Ontario)
The Pension Benefits Act (Manitoba)
Employment Pension Plans Act (Alberta)
Insurance Act (Alberta)
Loan and Trust Corporations Act (Alberta)
Financial Institutions Act (British Columbia)

In the opinion of Blake, Cassels & Graydon and Ogilvy Renault, the Series D First Preferred Shares, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans.

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 dated May 15, 1997, including documents incorporated by reference therein;
- (b) the interim unaudited consolidated comparative financial statements as at and for the periods ended March 31, 1997, June 30, 1997 and September 30, 1997;
- (c) the audited consolidated comparative financial statements as at and for the year ended December 31, 1996 and the report of the auditors thereon; and
- (d) the Management Proxy Circular dated April 7, 1997.

All documents of the type referred to above, including all annual information forms, financial statements, material change reports (other than confidential material change reports) and information circulars, filed by the Corporation with the provincial securities commissions or similar authorities in Canada after the date of this short form prospectus and prior to the termination of the offering shall be deemed to be incorporated by reference into 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. 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.

POWER FINANCIAL CORPORATION

General

Power Financial is a management and holding corporation with substantial interests in the financial services industry in Canada, the United States and Europe. Power Financial's principal and head office is located at 751 Victoria Square, Montréal, Québec H2Y 2J3. Its European affiliate holds interests in the financial services, communications, industrial, energy and food sectors. As at November 25, 1997, Power Financial held directly and through a wholly-owned subsidiary 76.8%, and indirectly through Investors Group Inc. ("Investors") 4.3%, of the outstanding common shares of Great-West Lifeco Inc. ("Lifeco"), representing approximately 65% of the voting rights attached to all the outstanding Lifeco voting shares. As at November 25, 1997, Power Financial also held 67.4% of the outstanding common shares of Investors. Through its wholly-owned subsidiary, Power Financial Europe B.V. ("Power Financial Europe"), Power Financial owns a 50.0% interest in Parjointco N.V. ("Parjointco").

Great-West Lifeco Inc.

As at November 25, 1997, Lifeco held 99.5% of the outstanding common shares and 38.5% of the preferred shares of The Great-West Life Assurance Company ("Great-West Life"). Lifeco currently has no other holdings and carries on no business or activities unrelated to its holdings in Great-West Life. However, Lifeco is not restricted to investing in securities of Great-West Life.

Lifeco and Great-West Life have acquired 99.8% of the common shares of London Insurance Group Inc. ("London Insurance") pursuant to their offer to acquire London Insurance. See "Recent Developments".

The Great-West Life Assurance Company

Great-West Life offers, in Canada and the United States, a variety of products to groups and individuals, including life insurance, health insurance and retirement and investment products. Great-West Life's Canadian operations are headquartered in Winnipeg, Manitoba and its United States operations are headquartered in the Denver, Colorado, area. The marketing and development of products for Canada and the United States is managed separately from these two locations. As at September 30, 1997, approximately 68% of Great-West Life's assets and assets under administration were attributable to its United States business and approximately 32% were attributable to its Canadian business. As at September 30, 1997, Great-West Life received 68% of its insurance, annuity and health premiums from the United States and 32% from Canada.

The Corporation understands that as of December 31, 1996, Great-West Life ranked sixteenth of all North American life insurance companies in terms of life insurance in force at \$251.7 billion and seventeenth in assets and assets under administration at \$40.4 billion.

Great-West Life is licensed to do business throughout Canada and in the United States, except in the State of New York. It is governed by the *Insurance Companies Act* (Canada) and its overall operations are under the supervision of the Superintendent of Financial Institutions (Canada).

London Insurance Group Inc.

London Insurance is a provider of insurance and insurance-related services in selected domestic and international markets. The life insurance services provided through London Life Insurance Company remain the core business of London Insurance. In addition, London Insurance, through its subsidiaries, has expanded its insurance operations to include specialty general insurance, international reinsurance and life insurance operations outside of Canada.

Investors Group Inc.

Investors and its operating subsidiaries provide a comprehensive range of financial services and products to individuals and corporations throughout Canada. Investors sells primarily to individuals and also offers investment management and administrative services to group and corporate pension funds and other benefit programs.

Investors or its predecessors has been offering mutual funds since 1950. Investors is the largest distributor of mutual funds in Canada, currently providing a choice of 48 mutual funds, each with different investment objectives and, as of October 31, 1997, had assets under management in excess of \$31 billion. Investors' other two principal products are the distribution of life insurance, having currently life insurance in force in excess of \$11 billion, and

the origination and servicing of residential mortgages in Canada, with mortgages under administration in excess of \$4.1 billion. Investors also offers a broad range of guaranteed investment certificates, investment certificates and trust services. Many of Investors' products qualify as investments for tax-shelter vehicles, including registered retirement savings plans and registered retirement income funds.

Power Financial Europe B.V.

As at November 25, 1997, Power Financial Europe held a 50% interest in Parjointco, which holds a voting interest of 62.4% and an equity interest of 55.0% in Pargesa Holding S.A. ("Pargesa") of Geneva, Switzerland. Pargesa holds a 48.9% equity interest in Groupe Bruxelles Lambert S.A. ("GBL") of Brussels, Belgium. Pargesa and GBL together hold an 88.3% equity interest in Parfinance S.A. of Paris, France. These three companies hold interests in European financial services, energy, industrial, food and communications companies, including Orior Holding S.A., Imétal S.A., Compagnie Financière de Paribas, AXA-UAP, PetroFina S.A., CLT-UFA, Banque Bruxelles Lambert ("BBL"), Royale Belge S.A. and Suez-Lyonnaise des Eaux.

Recent Developments

Lifeco and Great-West Life have acquired 99.8% of the common shares of London Insurance pursuant to their offer to acquire all the common shares of London Insurance that expired November 20, 1997. Lifeco and Great-West Life intend to acquire the remaining common shares of London Insurance and, as a result, London Insurance will be a wholly-owned subsidiary of Great-West Life.

Power Financial tendered the 3,894,900 common shares of London Insurance that it had acquired during the currency of this offer in exchange for 3,129,339 common shares of Lifeco and cash of approximately \$32.3 million.

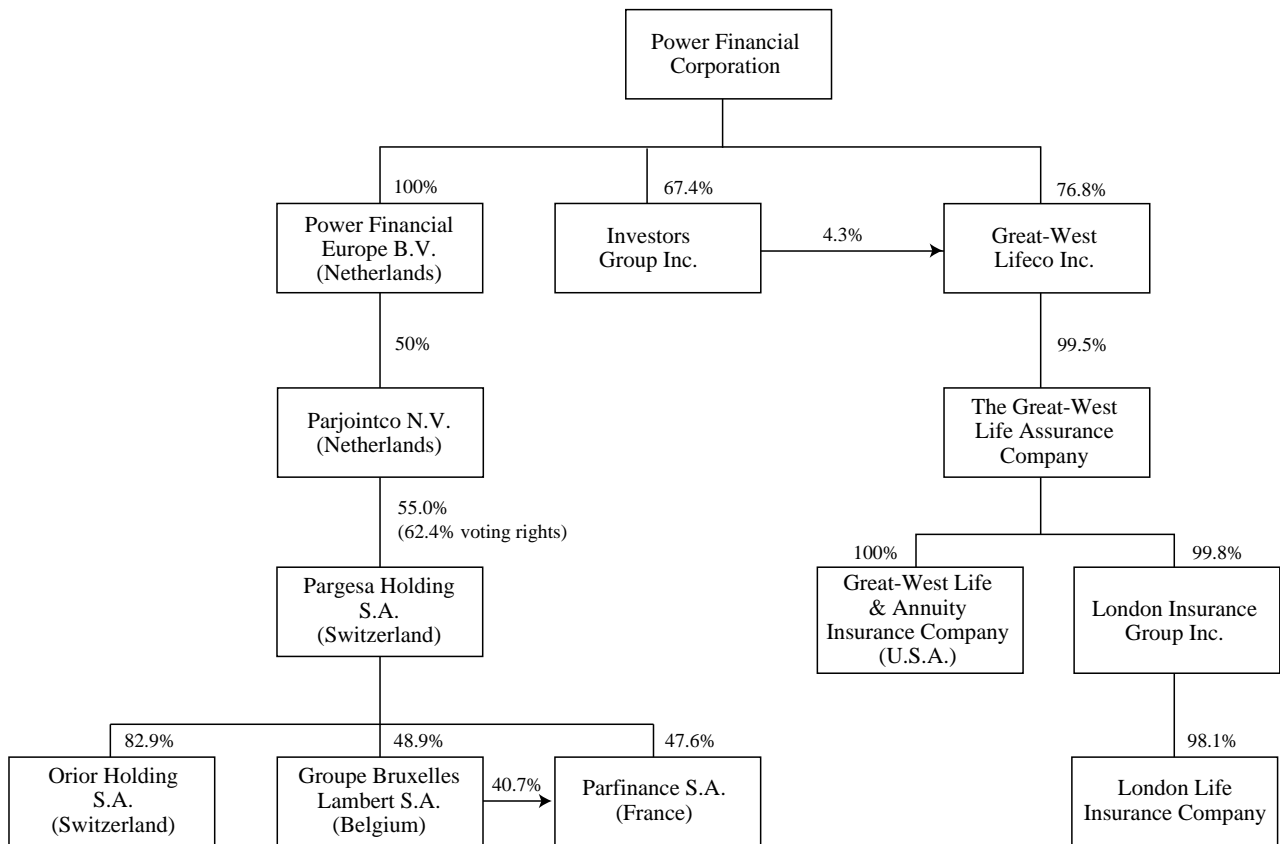
On November 19, 1997 Power Financial acquired 4,042,553 common shares of Lifeco from treasury for a consideration of \$133 million and Investors acquired 8,115,502 common shares of Lifeco from treasury for a consideration of \$267 million.

As a result of these acquisitions of Lifeco common shares, as of November 25, 1997, Power Financial held directly and through a wholly-owned subsidiary 76.8% and indirectly through Investors 4.3% of the outstanding common shares of Lifeco.

On November 11, 1997, ING, a Dutch financial services group, announced its intention to make an offer to acquire all of the outstanding shares of BBL. GBL and Royale Belge, which each hold 12.4% of the outstanding shares of BBL, have announced that they intend to tender their shares to ING's offer. The offer which consists of a combination of ING shares, warrants and cash is expected to be completed before December 31, 1997.

Corporate Structure

The following chart summarizes Power Financial's corporate structure as at November 25, 1997. Unless otherwise indicated, all companies were incorporated in Canada.



CHANGES IN CAPITAL STRUCTURE

The following material changes in the Corporation's capital structure occurred since December 31, 1996: (i) on October 17, 1997, Power Financial issued 6,000,000 5.20% Non-Cumulative First Preferred Shares, Series C at \$25.00 per share; and (ii) subject to required regulatory approval, the Corporation intends to purchase for cancellation or redeem all of the 1,287,152 First Preferred Shares 1969 Series.

USE OF PROCEEDS

The net proceeds from the sale of the Series D First Preferred Shares offered hereunder will amount to approximately \$145,200,000 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.

DETAILS OF THE OFFERING

The authorized capital of the Corporation consists of an unlimited number of First Preferred Shares, an unlimited number of Second Preferred Shares and an unlimited number of Common 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. The Board of Directors of the Corporation has designated 1,287,152 of the First Preferred Shares as the First Preferred Shares 1969 Series, 4,000,000 of the First Preferred Shares as the Series A Floating Rate Cumulative Redeemable First Preferred Shares, 6,000,000 of the First Preferred Shares as the 7.0% Non-Cumulative First Preferred Shares, Series B, 6,000,000 of the First Preferred Shares as the 5.20% Non-Cumulative First Preferred Shares, Series C and 6,000,000 of the First Preferred Shares as the 5.50% Non-Cumulative First Preferred Shares, Series D. The following is a summary of certain provisions of the First Preferred Shares as a class and of the Series D 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 Second Preferred Shares (although no Second Preferred Shares have yet been issued), the Common 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", 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 of any series shall not be entitled to notice of or to attend or to vote at any meeting of the Corporation or of its shareholders except as may be specifically provided in the provisions attaching to the First Preferred Shares of such series. At any meeting of shareholders at which, notwithstanding the foregoing, holders of the First Preferred Shares are required or entitled by law to vote separately as a class, each holder of a First Preferred Share of any series thereof shall be entitled to cast, in respect of each such share held, that number of votes that is equal to the quotient obtained by dividing the total number of dollars which were received by the Corporation as consideration for the issue of all the outstanding shares of such series by the number of such outstanding shares, provided that in respect of any such consideration denominated in a currency other than

Canadian dollars, the Board of Directors of the Corporation shall determine the appropriate conversion rate of such currency to Canadian dollars in effect on the date of the issue of such shares and, based on such rate, the Canadian dollar equivalent of such consideration, and provided further that when such quotient is a fraction or a whole number plus a fraction there shall be no right to vote in respect of such fraction.

Any meeting of shareholders at which the holders of the First Preferred Shares are required or entitled by law to vote separately as a class or as a series shall, unless the Articles of the Corporation otherwise provide, be called and conducted in accordance with the by-laws of the Corporation, provided that no amendment to or repeal of the provisions of such by-laws made after the date of the first issue of any of the First Preferred Shares by the Corporation shall be applicable to the calling and conduct of a meeting of holders of the First Preferred Shares voting separately as a class or as a series unless such amendment or repeal has theretofore been approved by a resolution adopted by the holders of the First Preferred Shares voting separately as a class.

Certain Provisions of the Series D First Preferred Shares

Dividends

The holders of the Series D 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 last day of January, April, July and October in each year at a rate equal to \$0.34375 per share. The initial dividend, if declared, will be payable on January 31, 1998 and will be \$0.17329 per share, assuming an issue date of December 16, 1997.

Redemption by the Corporation

The Series D First Preferred Shares will not be redeemable prior to January 31, 2013. Subject to the provisions of any shares of the Corporation ranking prior to or *pari passu* with the Series D First Preferred Shares, and to the provisions described under "Restrictions on Dividends and Retirement of Shares", the Corporation may redeem on or after January 31, 2013 all or from time to time any of the then outstanding Series D First Preferred Shares. Such redemption may be made upon payment in cash of the amount of \$25.00 per share 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 D First Preferred Shares to be redeemed.

If less than all outstanding Series D 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 D First Preferred Shares at any price if the purchase is effected prior to January 31, 2013 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 January 31, 2013.

Restrictions on Dividends and Retirement of Shares

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

- (i) declare or pay any dividend (other than stock dividends in shares ranking junior to the Series D First Preferred Shares) on the Common Shares or any other shares of the Corporation ranking junior to the Series D First Preferred Shares;
- (ii) redeem, purchase for cancellation or otherwise retire (except out of the net cash proceeds of an issue of shares of the Corporation ranking junior to the Series D First Preferred Shares) any Common Shares or other shares ranking junior to the Series D First Preferred Shares;
- (iii) except in connection with the exercise of the retraction privilege attaching thereto, redeem, purchase for cancellation or otherwise retire any shares ranking *pari passu* with the Series D First Preferred Shares;

- (iv) except in connection with the exercise of the retraction privilege attaching thereto or out of the net cash proceeds of an issue of shares ranking junior to the Series D First Preferred Shares, redeem, purchase for cancellation or otherwise retire any shares ranking in priority to the Series D First Preferred Shares; or
- (v) redeem, call for redemption or purchase or otherwise retire or make any return of capital in respect of less than all of the Series D 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 D First Preferred Shares and all other shares ranking prior to or *pari passu* with the Series D First Preferred Shares shall have been declared and paid or monies set aside for payment.

Voting Rights

The holders of the Series D First Preferred Shares will not be entitled as such to receive notice of or to attend or to vote at any meeting of the shareholders of the Corporation unless and until the Corporation shall have failed to declare and pay the whole amount of a quarterly dividend on the Series D First Preferred Shares. In that event, until such time as the Corporation pays the whole amount of a quarterly dividend on the Series D First Preferred Shares, the holders of such shares will be entitled to receive notice of and to attend meetings of the shareholders of the Corporation at which directors are to be elected and will be entitled to vote for the election of two directors to be elected in conjunction with the holders of any other series of First Preferred Shares which may have a similar right. On any such vote, holders of Series D First Preferred Shares will be entitled to one vote per share, provided that if the shares of any other series of First Preferred Shares have a retraction, redemption or issue price of less than \$25.00 per share, the number of votes per Series D First Preferred Share will be adjusted pro rata.

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 D First Preferred Shares, the holders of the Series D First Preferred Shares shall be entitled to be paid and to receive an amount equal to \$25.00 per Series D 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 Common Shares or of shares of any other class of the Corporation ranking junior to the Series D First Preferred Shares. After payment to the holders of the Series D 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 D First Preferred Shares as a series and any other authorization required to be given by the holders of such shares 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 D 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 D First Preferred Shares then present in person or represented by proxy will form the necessary quorum. On any vote held in respect of such a resolution, holders of Series D First Preferred Shares will be entitled to that number of votes per share calculated as discussed under "Certain Provisions of the First Preferred Shares as a Class — Voting Rights".

Tax Election

The provisions of the Series D 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 D First Preferred Shares. See "Certain Canadian Federal Income Tax Considerations".

DIVIDEND COVERAGE

The annual dividend requirement (based on interest rates prevailing on September 30, 1997) on all outstanding First Preferred Shares including the Series C First Preferred Shares (issued on October 17, 1997) and the Series D First Preferred Shares of the Corporation outstanding after this issue will amount to approximately \$31,484,000. The consolidated net income of the Corporation for the 12 months ended December 31, 1996 before deduction of dividends on such preferred shares was approximately \$374,639,000, which is approximately 11.9 times the annual dividend requirements. The consolidated net income of the Corporation for the 12 months ended September 30, 1997 before deduction of dividends on such preferred shares was approximately \$454,682,000, which is approximately 14.4 times the annual dividend requirements.

ASSET COVERAGE

Based on the Corporation's unaudited consolidated balance sheet as at September 30, 1997 and its audited consolidated balance sheet as at December 31, 1996, consolidated net tangible assets of the Corporation, after the following adjustments and after giving effect to the issuance of the First Preferred Shares, Series C (issued on October 17, 1997) and Series D are as follows:

	September 30, 1997	December 31, 1996
	(thousands)	
Total consolidated assets	\$30,982,466	\$31,288,517
<i>Adjustments:</i>		
Stocks and real estate of Lifeco adjusted to written-down cost	(33,663)	(66,959)
Goodwill	(11,304)	(12,758)
Adjusted consolidated net assets	30,937,499	31,208,800
<i>Less:</i>		
Policy liabilities	23,004,048	23,184,300
Deposit liabilities	543,124	985,576
Long-term debt	417,181	417,181
Other liabilities	2,493,756	2,377,486
Non-controlling interests	1,547,052	1,491,892
	28,005,161	28,456,435
Consolidated net tangible assets after the above adjustments	2,932,338	2,752,365
Net proceeds of Series C and Series D issuances (estimated)	291,900	291,900
Consolidated net tangible assets after the above adjustments after giving effect to these issues	\$ 3,224,238	\$ 3,044,265
Stated value of preferred shares of the Corporation after giving effect to these issues	\$ 582,179	\$ 582,179

Based upon the foregoing, consolidated net tangible assets, after giving effect to the issuance of First Preferred Shares Series C and Series D, are approximately 5.5 times, as at September 30, 1997, and approximately 5.2 times, as at December 31, 1996, the stated value of all preferred shares of the Corporation to be outstanding after giving effect to these issues.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon, 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 D 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 D First Preferred Shares as capital property, is not a "financial institution" as defined by Section 142.2 of the Act and is not affiliated with the Corporation under proposed amendments to the Act.

This summary is of a general nature only and is not intended to be, nor should be it 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, and counsel's understanding of the current published administrative and assessing policies of Revenue Canada, Customs, Excise and Taxation ("Revenue Canada"). This summary does not otherwise take into account or anticipate any changes in law or in the administrative or assessing policies of Revenue Canada, 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 proposed amendments will be enacted in the form proposed, or at all.

Dividends

Dividends (including deemed dividends) received on the Series D 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 D First Preferred Shares by a corporation other than a "specified financial institution", as defined in the Act, will be included in computing the corporation's income and will generally be deductible in computing the corporation's taxable income.

A dividend (including a deemed dividend) received on a Series D First Preferred Share by a corporation that is a specified financial institution will be included in computing the institution's income. The institution will generally be entitled to deduct the amount of the dividend (or deemed dividend) in computing the amount of its taxable income provided either: (i) the institution did not acquire such share in the ordinary course of the business carried on by it, or (ii) at the time the dividend is received (or deemed to be received) the Series D First Preferred Share is not a term preferred share within the meaning of the Act. A Series D First Preferred Share will not be a term preferred share with respect to a specified financial institution that receives (or is deemed to receive) a dividend on a Series D First Preferred Share if at the time the dividend is received (or deemed to be received) the share is listed on a prescribed stock exchange in Canada and the institution, either alone or together with persons with whom it does not deal at arm's length, does not receive (and is not deemed to receive) in the aggregate dividends in respect of more than 10% of the Series D First Preferred Shares outstanding at that time. Specified financial institutions other than those described above should consult their own tax advisers with respect to their ability to deduct dividends (including deemed dividends) received on the Series D First Preferred Shares in computing their taxable income for purposes of the Act.

The Series D First Preferred Shares are "taxable preferred shares" as defined in the Act. The terms of the Series D 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 D 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 33 1/3% refundable tax under Part IV of the Act on dividends received (or deemed to be received) on the Series D 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 D 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 D 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 D First Preferred Shares. If the Holder is a corporation, any capital loss arising on a disposition of a Series D 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 D First Preferred Share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

Redemption

If the Corporation redeems Series D First Preferred Shares, or otherwise acquires or cancels Series D 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.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "Underwriting Agreement") dated November 28, 1997 between the Corporation and Nesbitt Burns Inc., Lévesque Beaubien Geoffrion Inc., CIBC Wood Gundy Securities Inc., Midland Walwyn Capital Inc., RBC Dominion Securities Inc., ScotiaMcLeod Inc. and TD Securities 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 December 16, 1997 or such other date not later than January 16, 1998 as may be agreed upon by the parties (the "Closing Date"), all but not less than all of the 6,000,000 Series D First Preferred Shares at an aggregate price of \$150,000,000, payable to the Corporation against delivery of certificates representing the Series D First Preferred Shares.

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 D First Preferred Share sold to certain institutions and \$0.75 per share with respect to all other sales of Series D First Preferred Shares. Assuming that no Series D First Preferred Shares are sold to such institutions, the Underwriters' fee will be \$4,500,000. 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 D First Preferred Shares if any Series D First Preferred Shares are purchased under the Underwriting Agreement.

The Underwriters may not, throughout the period of distribution, bid for or purchase the Series D 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 D 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 D 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.

RATINGS

The Series D First Preferred Shares are rated P-2 by CBRS Inc. ("CBRS") and Pfd-1 (low) by Dominion Bond Rating Service Limited ("DBRS"). A P-2 rating by CBRS is granted to high grade preferred shares when both asset and dividend coverage are well-assured, is the second highest of five categories granted by CBRS for preferred shares and is the highest category granted by CBRS for non-cumulative preferred shares. A Pfd-1 rating by DBRS is the highest of five categories of ratings granted by DBRS for preferred shares. In certain cases, preferred shares may have a low grade attached, with junior or non-cumulative preferred shares having a low grade.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon by Blake, Cassels & Graydon for the Corporation and by Ogilvy Renault for the Underwriters. As of December 4, 1997, the partners and associates of Blake, Cassels & Graydon 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 the Corporation, Power Corporation of Canada, Lifeco, Great-West Life or Investors.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of Power Financial are Deloitte & Touche, Montréal, Québec. The registrar and transfer agent for the Series D First Preferred Shares will be Montreal Trust Company or its agent at its principal office in each of the cities of Montréal, Toronto and Winnipeg.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories 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, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF THE CORPORATION

Dated: December 5, 1997

The foregoing, 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 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) ROBERT GRATTON
President and Chief Executive Officer

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

On behalf of the Board of Directors

By: (signed) PAUL DESMARAIS, JR.
Director

By: (signed) P. MICHAEL PITFIELD
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: December 5, 1997

To the best of our knowledge, information and belief, the foregoing, 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 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.

Nesbitt Burns Inc.

By: (signed) GEORGE R. HUCAL

Lévesque Beaubien Geoffrion Inc.

By: (signed) JAMES A. MCKINNELL

CIBC Wood Gundy Securities Inc.

By: (signed) FRANÇOIS GERVAIS

Midland Walwyn Capital Inc.

By: (signed) GARY LITTLEJOHN

RBC Dominion Securities Inc.

By: (signed) MARC A. COURTOIS

ScotiaMcLeod Inc.

By: (signed) ALAIN B. AUCLAIR

TD Securities Inc.

By: (signed) JEAN LONGPRÉ

The following includes the name of each person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

NESBITT BURNS INC.: a wholly-owned subsidiary of The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian chartered bank;

LÉVESQUE BEAUBIEN GEOFFRION INC.: a wholly-owned subsidiary of Lévesque Beaubien and Company Inc., a majority-owned subsidiary of a Canadian chartered bank;

CIBC WOOD GUNDY SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

MIDLAND WALWYN CAPITAL INC.: a wholly-owned subsidiary of Midland Walwyn Inc.;

RBC DOMINION SECURITIES INC.: RBC Dominion Securities Limited, a majority-owned subsidiary of a Canadian chartered bank;

SCOTIAMCLEOD INC.: a wholly-owned subsidiary of a Canadian chartered bank; and

TD SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank.

