

**POWER FINANCIAL CORPORATION**

**2010 ANNUAL INFORMATION FORM**

**DATED March 23, 2011**

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## GENERAL INFORMATION

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The following abbreviations have been used throughout this Annual Information Form:

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<b>Name in full</b>	<b>Abbreviation</b>
Canada Life Financial Corporation	CLFC
Crown Life Insurance Company	Crown Life
Frère-Bourgeois / Compagnie Nationale à Portefeuille	Frère group
Great-West Life & Annuity Insurance Company	GWL&A
Great-West Lifeco Inc.	Lifeco
Groupe Bruxelles Lambert	GBL
IGM Financial Inc.	IGM Financial
Imerys S.A.	Imerys
Lafarge S.A.	Lafarge
London Insurance Group Inc.	LIG
London Life Insurance Company	London Life
Mackenzie Financial Corporation	Mackenzie Financial
Mackenzie Inc.	Mackenzie
Pargesa Holding SA	Pargesa Holding or Pargesa
Parjointco N.V.	Parjointco
Pernod Ricard S.A.	Pernod Ricard
Power Corporation of Canada	Power
Power Financial Corporation	Power Financial or the Corporation
Power Financial Europe B.V.	PFE
Putnam Investments, LLC	Putnam
Suez S.A.	Suez
Suez Environnement Company	Suez Environnement
The Canada Life Assurance Company	Canada Life
The Great-West Life Assurance Company	Great-West Life
Total S.A.	Total

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## **DOCUMENTS INCORPORATED BY REFERENCE**

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Certain portions of the Annual Information Form of Lifeco, dated February 10, 2011, and of the Annual Information Form of IGM Financial, dated March 23, 2011.

Certain portions of the Management's Discussion and Analysis of Operating Results of Power Financial, dated March 10, 2011.

The above documents are available under the respective company profiles at [www.sedar.com](http://www.sedar.com).

## FORWARD-LOOKING INFORMATION

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Certain statements in this Annual Information Form, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's and its subsidiaries' current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes (including adoption of International Financial Reporting Standards), business competition, operational and reputational risks, technological change, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including that the foregoing list of factors, collectively, are not expected to have a material impact on the Corporation and its subsidiaries. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

## **FORWARD-LOOKING INFORMATION**

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Other than as specifically required by law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties about the Corporation's business is provided in its disclosure materials, including this Annual Information Form and its most recent Management's Discussion and Analysis of Operating Results, filed with the securities regulatory authorities in Canada, available at [www.sedar.com](http://www.sedar.com).

## INCORPORATION

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Power Financial Corporation — Corporation Financière Power was continued under the *Canada Business Corporations Act* (“CBCA”) on December 4, 1986. Its head and registered office is located at 751 Victoria Square, Montréal, Québec H2Y 2J3.

The Articles of the Corporation were amended, effective August 17, 1993, to create 6,000,000 7.00 per cent Non-Cumulative First Preferred Shares, Series B (redeemed on May 30, 2003); effective January 10, 1997, to subdivide the Common Shares on a two-for-one basis; effective October 14, 1997, to create 6,000,000 5.20 per cent Non-Cumulative First Preferred Shares, Series C (redeemed on October 31, 2010, as described below in the section entitled “Dividends”); effective December 11, 1997, to create 6,000,000 5.50 per cent Non-Cumulative First Preferred Shares, Series D; effective July 9, 1998, to subdivide the Common Shares on a two-for-one basis; effective November 22, 2001, to create 8,000,000 5.25 per cent Non-Cumulative First Preferred Shares, Series E; effective July 10, 2002, to create 6,000,000 5.90 per cent Non-Cumulative First Preferred Shares, Series F; effective December 4, 2002, to create 6,000,000 5.75 per cent Non-Cumulative First Preferred Shares, Series H; effective March 7, 2003, to create 8,000,000 6.00 per cent Non-Cumulative First Preferred Shares, Series I and 6,000,000 4.70 per cent Non-Cumulative First Preferred Shares, Series J (redeemed on July 30, 2010, as described below in the section entitled “Dividends”); effective July 23, 2004, to subdivide the Common Shares on a two-for-one basis; effective September 30, 2005, to create 10,000,000 4.95 per cent Non-Cumulative First Preferred Shares, Series K; effective July 28, 2006, to create 8,000,000 5.10 per cent Non-Cumulative First Preferred Shares, Series L; effective November 25, 2008, to create an unlimited number of Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series M and an unlimited number of Non-Cumulative Floating Rate First Preferred Shares, Series N; effective October 7, 2009, to create up to 10,000,000 5.80 per cent Non-Cumulative First Preferred Shares, Series O; effective May 14, 2010 to increase the maximum number of directors from 18 to 20; and effective June 22, 2010, to create an unlimited number of Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series P and an unlimited number of Non-Cumulative Floating Rate First Preferred Shares, Series Q.

## SUBSIDIARIES

The following is a list of material and certain other subsidiaries of Power Financial as at December 31, 2010, setting forth the jurisdiction of incorporation and the approximate percentages of votes attached to voting securities beneficially owned, or over which control or direction is exercised, by Power Financial ("Percentage of Voting Securities"), and the approximate percentages of participating equity securities directly or indirectly owned or controlled by Power Financial ("Percentage of Equity Securities") as at that date:

	Jurisdiction of Incorporation	Percentage of Voting Securities	Percentage of Equity Securities
Great-West Lifeco Inc.	Canada	65.0 <sup>(1)</sup>	72.3 <sup>(1)</sup>
The Great-West Life Assurance Company	Canada	100 <sup>(2)</sup>	100 <sup>(2)</sup>
Great-West Life & Annuity Insurance Company	Colorado	100 <sup>(2)</sup>	100 <sup>(2)</sup>
Putnam Investments, LLC	Delaware	100 <sup>(2)</sup>	92.3 <sup>(2)</sup>
London Insurance Group Inc.	Canada	100 <sup>(3)</sup>	100 <sup>(3)</sup>
London Life Insurance Company	Canada	100 <sup>(4)</sup>	100 <sup>(4)</sup>
Canada Life Financial Corporation	Canada	100 <sup>(3)</sup>	100 <sup>(3)</sup>
The Canada Life Assurance Company	Canada	100 <sup>(5)</sup>	100 <sup>(5)</sup>
IGM Financial Inc.	Canada	60.5 <sup>(6)</sup>	60.5 <sup>(6)</sup>
Investors Group Inc.	Canada	100 <sup>(7)</sup>	100 <sup>(7)</sup>
Mackenzie Inc.	Canada	100 <sup>(8)</sup>	100 <sup>(8)</sup>
Power Financial Europe B.V.	The Netherlands	100	100

(1) 56.7 per cent of the participating equity securities of Lifeco are owned by the Corporation, 3.0 per cent are owned by 3411893 Canada Inc., a wholly owned subsidiary of the Corporation, 7.7 per cent are owned by 3439453 Canada Inc., a wholly owned subsidiary of the Corporation, 0.9 per cent are owned by 4400003 Canada Inc., a wholly owned subsidiary of the Corporation, and 4.0 per cent are owned indirectly by IGM Financial. Power Financial and its subsidiaries own, in the aggregate, voting securities to which are attached approximately 65.0 per cent of the votes attached to all voting securities of Lifeco.

(2) Great-West Life is owned directly by Lifeco. Lifeco also owns all of the non-voting securities of Great-West Life. GWL&A and Putnam are owned indirectly by Lifeco.

(3) Owned by Great-West Life.

(4) Owned by LIG.

(5) Owned by CLFC.

(6) 54.0 per cent of the participating equity securities of IGM Financial are owned by the Corporation, 2.1 per cent are owned by 3411893 Canada Inc., a wholly owned subsidiary of the Corporation, 0.8 per cent are owned by 4400003 Canada Inc., a wholly owned subsidiary of the Corporation, and 3.5 per cent are owned by Great-West Life. Power Financial and its subsidiaries own, in the aggregate, voting securities to which are attached approximately 60.5 per cent of the votes attached to all voting securities of IGM.

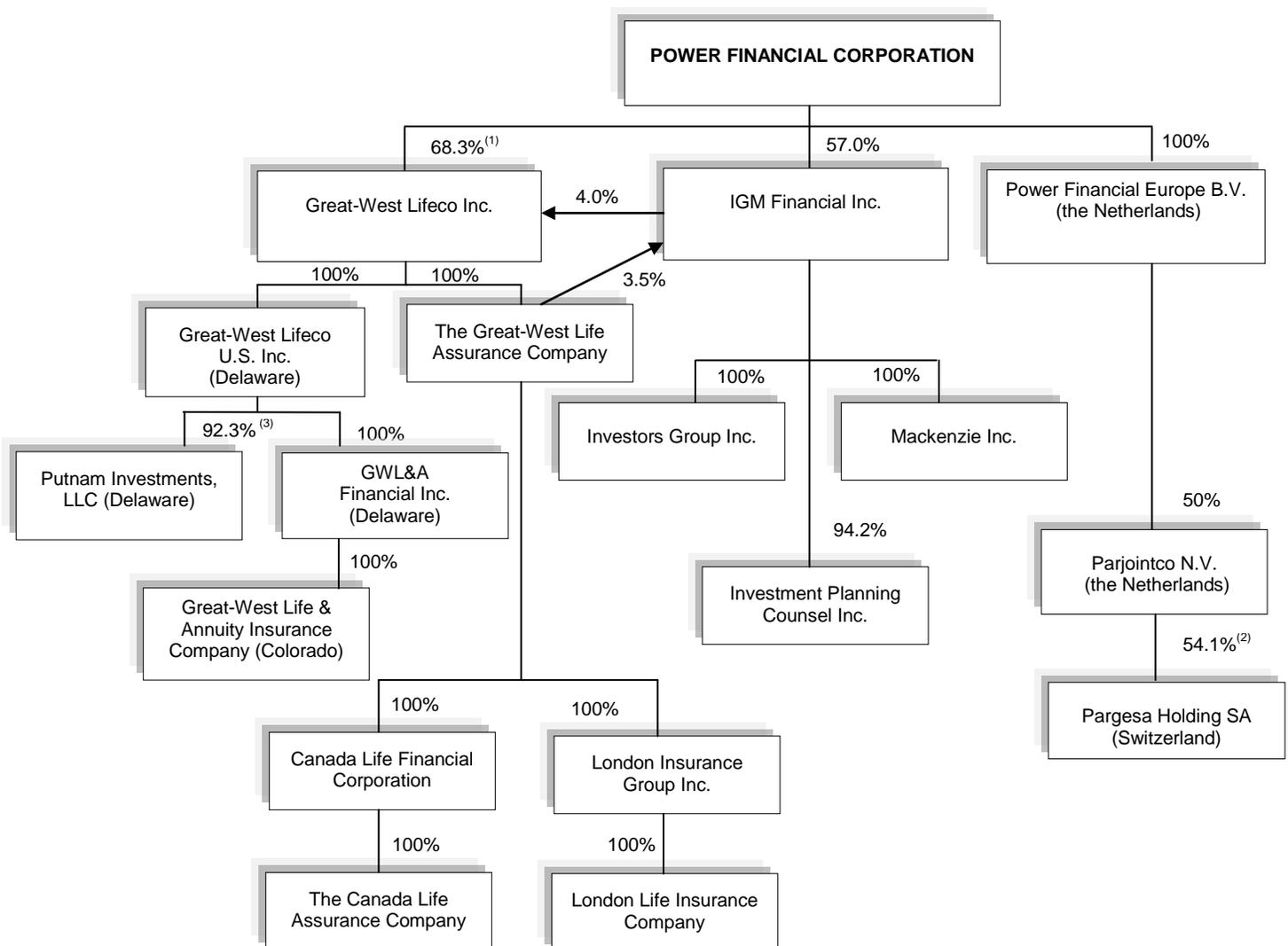
(7) Owned by IGM Financial.

(8) Owned by IGM Financial.

## CORPORATE STRUCTURE

The following chart summarizes Power Financial's corporate structure at December 31, 2010, including interests in its material and certain other subsidiaries and investments:

Unless otherwise indicated, all companies were incorporated in Canada.  
Percentages denote approximate participating equity interest as at December 31, 2010.



- (1) Power Financial's combined direct and indirect voting interest in Lifeco is approximately 65.0 per cent.  
 (2) 62.9 per cent voting interest  
 (3) 100 per cent voting interest

## **GENERAL DEVELOPMENT OF THE BUSINESS**

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### **BUSINESS OF POWER FINANCIAL**

Power Financial is a diversified international management and holding company that holds interests, directly or indirectly, in companies that are active in the financial services industry in Canada, the United States and Europe and, through its indirect investment in Pargesa Holding, has substantial holdings in companies based in Europe, active in the following industries: oil and gas, electricity, energy services, water and waste management services, specialty minerals, cement and building materials, and wines and spirits. These investments are held by Pargesa directly or through GBL, a Belgian holding company.

Power Financial owns a controlling interest in each of Lifeco and IGM Financial. These companies and their subsidiaries offer an extensive range of financial products and services to individuals and corporations in Canada, the United States and Europe. Through its wholly owned subsidiary, PFE, which in turn holds a 50 per cent interest in Parjointco, Power Financial has a significant interest in the Pargesa group.

As at December 31, 2010, Power Financial employed, directly and through subsidiaries, approximately 29,700 people in North America. As at December 31, 2010, Power Financial controlled, directly and indirectly, approximately 72.3 per cent of the outstanding common shares of Lifeco, representing approximately 65.0 per cent of the voting rights attached to all the outstanding Lifeco voting shares. At December 31, 2010, Power Financial also controlled, directly and indirectly, approximately 60.5 per cent of the outstanding common shares of IGM Financial.

### **DEVELOPMENT OF THE BUSINESS OVER THE LAST THREE YEARS**

#### **North America**

On February 14, 2008, Lifeco announced that its indirect wholly owned Irish reinsurance subsidiary, Canada Life International Re Limited, had signed an agreement with Standard Life Assurance Limited, a U.K.-based provider of life, pension and investment products, to assume by way of indemnity reinsurance, a large block of U.K. payout annuities. The reinsurance transaction increased policyholder liabilities by approximately \$12.5 billion, with a corresponding increase in assets.

On April 1, 2008, GWL&A sold its healthcare insurance business, Great-West Healthcare, to a subsidiary of CIGNA Corporation. The enterprise value of the transaction was US\$2.25 billion.

On September 25, 2008, and subsequently pursuant to statutory compulsory acquisition procedures, IGM Financial acquired, in aggregate, all of the issued and outstanding shares of Saxon Financial Inc. ("Saxon"). The transaction resulted in the addition of approximately \$13 billion in investment advisory mandates to a number of mutual fund, institutional and high net worth investors, with Saxon to continue its operations as part of Mackenzie Financial.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

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In the third quarter of 2009, Fidelity Investments Canada ULC (“Fidelity”) transferred to Great-West Life \$1.4 billion of assets under administration pursuant to an agreement reached with Fidelity on October 22, 2008 to transition Fidelity’s Canadian group retirement and savings plan record-keeping business to Great-West Life.

On November 28, 2008, Power Financial issued 7,000,000 Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series M, priced at \$25.00 per share, to initially yield 6.00 per cent, for gross proceeds of \$175 million. Proceeds from the issue were used to supplement Power Financial’s financial resources and for general corporate purposes.

On December 30, 2008, Power Financial purchased on a private placement basis, through a wholly owned subsidiary, 19,280,000 common shares of Lifeco at a price of \$20.75 per share concurrent with an approximate \$600 million public offering by Lifeco of 28,920,000 common shares at the same price.

On October 9, 2009, Power Financial issued 6,000,000 Non-Cumulative First Preferred Shares, Series O, priced at \$25.00 per share to annually yield 5.80 per cent for gross proceeds of \$150 million. Proceeds from the issue were used to supplement Power Financial’s financial resources and for general corporate purposes.

On June 29, 2010, Power Financial issued 11,200,000 Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series P, priced at \$25.00 per shares to annually yield 4.40 per cent for gross proceeds of \$280 million. Proceeds from the issue were used to supplement Power Financial’s financial resources and for general corporate purposes.

### **Europe**

On July 22, 2008, Suez completed its previously announced merger with Gaz de France, to become GDF Suez, which created one of the leading energy providers in the world, active across the entire energy value chain, in electricity and natural gas, upstream to downstream. As part of the merger, Suez distributed to its shareholders 65 per cent of the capital of Suez Environnement, which includes the former water and waste services activities of Suez, with GDF Suez retaining 35 per cent. Suez Environnement became a listed company on July 22, 2008. As of February 25, 2011, GBL held a 5.2 per cent equity interest in GDF Suez and a 7.1 per cent equity interest in Suez Environnement.

In 2008, Pargesa subscribed to additional shares of GBL in the market for SF290 million, and as at March 4, 2011, held a 50.0 per cent equity interest in that company, representing 52.0 per cent of the voting rights.

Also in 2008, GBL purchased additional shares of Imerys for a total of approximately €100 million and, in 2009, GBL and Pargesa subscribed to their proportionate share of the €251 million rights issue launched by Imerys for €79 million and €69 million, respectively. From September 2009 to January 2010, Pargesa sold Imerys shares on the stock market for cumulative proceeds of €52.6 million, with the objective of partially refinancing the subscription. The Pargesa shareholding in Imerys was thus reduced to 25.6 per cent of the capital (56.3 per cent together with GBL), compared to 26.1 per cent at the end of 2009 and 27.4 per cent at the end of 2008, without affecting the strategic nature of the investment.

## GENERAL DEVELOPMENT OF THE BUSINESS

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As at February 25, 2011, the Pargesa shareholding in Imerys remained at 25.6 per cent (56.3 per cent together with GBL).

As at February 25, 2011, GBL held a 21.1 per cent equity interest in Lafarge, having purchased €332 million and €1.1 billion of shares during 2007 and 2008 (in addition to its shareholding prior thereto), and having taken up, in 2009, its €318 million proportionate share of the €1.5 billion rights issue launched by Lafarge.

In 2009, GBL bought back €27 million of its own shares and in the first quarter of 2010, GBL bought back €13.5 million of its own shares to bring its total equity interest to 3.8 per cent of its own shares as at December 31, 2010.

In June 2010, GBL issued a €350 million bond bearing interest at 4.0 per cent, due in 2017. In addition, GBL repurchased a total of €159 million of exchangeable bonds in 2010, issued in 2005 (the issue totalled €435 million) and due in 2012. In September 2010, Pargesa put in place new bank credit facilities maturing in 2015. As at December 31, 2010, Pargesa had credit facilities available in the amount of SF496 million. In November 2010, Pargesa issued a SF150 million bond on the Swiss market due in 2016, bearing interest at 2.5 per cent, and also bought back SF206 million of issued convertible bonds due in 2013 - 2014.

Also in 2010, GBL invested €122 million to purchase shares of Pernod Ricard to bring GBL's holding in Pernod Ricard from 9.1 per cent as of December 31, 2009 to 9.9 per cent as of December 31, 2010. During the same period, GBL also invested €27 million in Arkema to bring its shareholding to 5.0 per cent. In January and February 2011, additional shares of Arkema were purchased on the stock market bringing GBL's position in Arkema to 5.9 per cent as at February 25, 2011. Arkema was created from the reorganization of Total's Chemicals branch. Its three business segments, Vinyl Products, Industrial Chemicals and Performance Products, combine coherent and integrated industrial activities, with internationally recognized brands and products.

On January 26, 2011, the Board of International Power plc announced that anti-trust clearance for a combination with the international energy activities of GDF Suez outside Europe, into an entity to be known as New International Power, was received from the European Commission. Closing occurred on February 3, 2011.

On March 3, 2011, GBL announced that it had extended its bank credit facilities, such that it now has €1.8 billion in funds available to it until 2013 - 2014, including €900 million available until 2016.

As described above, the Pargesa portfolio currently consists primarily of investments in Lafarge, Imerys, Total, GDF Suez, Suez Environnement and Pernod Ricard, which are held by Pargesa directly or through GBL. The interests of Power Financial in these companies as at December 31, 2010, through the Pargesa group, are more fully described on pages 12 to 21.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

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Power Financial is a diversified international management and holding company that holds interests, directly or indirectly, in companies that are active in the financial services industry in Canada, the United States and Europe and, through its indirect investment in Pargesa Holding, has substantial holdings in companies based in Europe, active in the following industries: oil and gas, electricity, energy services, water and waste management services, industrial minerals, cement and building materials, and wines and spirits.

### **GREAT-WEST LIFECO INC.**

Lifeco is a financial services holding company with interests in the life insurance, health insurance, asset management, investment and retirement savings and reinsurance businesses, primarily in Canada, the United States, Europe and Asia. Its major operating subsidiaries are Great-West Life and London Life in Canada, Canada Life in Canada and in Europe, and GWL&A and Putnam in the United States. As at December 31, 2010, Lifeco and its subsidiaries had more than \$483.9 billion in assets under administration.

Lifeco currently has no other holdings, and currently carries on no businesses or activities, that are unrelated to its holdings in Great-West Life, London Life, Canada Life, GWL&A, Putnam and their subsidiaries. However, Lifeco is not restricted to investing in those companies, and may make other investments in the future.

Great-West Life owns all of the shares of LIG, a company continued under the CBCA. LIG owns all of the shares of London Life. Great-West Life owns all the shares of CLFC, which in turn owns all of the shares of Canada Life. Each of Great-West Life, London Life, CLFC and Canada Life are Canadian insurance companies governed by the *Insurance Companies Act* (Canada). Great-West Life also owned, as at December 31, 2010, approximately 9.2 million common shares (representing 3.5 per cent) of IGM Financial.

In Canada, Great-West Life and its operating subsidiaries, London Life and Canada Life, offer a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations. They provide a wide range of retirement savings and income plans, as well as life, disability and critical illness insurance for individuals and families. As a leading provider of employee benefits in Canada, Great-West Life offers effective benefit solutions for large and small employee groups.

In Europe, Canada Life is broadly organized along geographically defined market segments and offers protection and wealth management products and reinsurance. The Europe segment is composed of two distinct business units: Insurance & Annuities, which consists of operations in the United Kingdom, Isle of Man, Ireland and Germany; and Reinsurance, which operates primarily in the United States, Barbados and Ireland. Reinsurance products are provided through Canada Life, London Reinsurance Group Inc. and their subsidiaries.

In the United States, GWL&A is a leading provider of employer-sponsored retirement savings plans in the public/non-profit and corporate sectors. GWL&A also provides annuity and life insurance products for individuals and businesses, as well as fund management, investment and advisory services. Its products and services are marketed nationwide through its sales force, brokers, consultants, advisors, third-party administrators and financial institutions.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

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GWL&A provides an array of financial security products, including employer-sponsored defined contribution retirement plans and defined benefit plans for certain market segments. Through relationships with government plan sponsors, GWL&A is one of the largest providers of services to state defined contribution plans, with 18 of 50 state clients as well as the government of Guam. It also provides annuity and life insurance products for individuals, families and corporate executives. Through its FASCore subsidiary, it offers private-label record-keeping and administrative services for other providers of defined contribution plans.

With its headquarters in Boston, Massachusetts, Putnam provides investment management, certain administrative functions, distribution, and related services through a broad range of investment products to individual and institutional investors. Individual retail investors are served through a broad network of distribution relationships with unaffiliated broker-dealers, financial planners, registered investment advisors and other financial institutions that distribute the Putnam funds to their customers, which, in total, includes more than 165,000 advisors. Institutional investors are supported by Putnam's dedicated account management, product management, and client service professionals and through strategic relationships with several investment management firms outside of the United States. As at December 31, 2010, Putnam had approximately \$120.3 billion in total assets under management.

The sections entitled "General", "Corporate Structure", "Description of the Business" and "General Development of the Business" of Lifeco's Annual Information Form dated February 10, 2011 are incorporated herein by reference.

### **IGM FINANCIAL INC.**

IGM Financial is a personal financial services company, primarily providing investment advisory and related services. Its activities are carried out principally through its subsidiaries Investors Group, Mackenzie and Investment Planning Counsel Inc. The sections entitled "Forward-Looking Statements", "General", "Description of Business" and "Development of Business" of IGM Financial's Annual Information Form dated March 23, 2011 are incorporated herein by reference. As at December 31, 2010, IGM Financial owned all of the outstanding common shares of Investors Group; indirectly, all of the outstanding common shares of Mackenzie; and 94.2 per cent of the outstanding common shares of Investment Planning Counsel Inc.

As at December 31, 2010, IGM Financial had approximately \$129.5 billion in total assets under management. At the same date, IGM Financial held approximately 37.8 million common shares (representing 4.0 per cent) of Lifeco.

### **THE PARGESA GROUP**

The annual financial information contained herein concerning Pargesa Holding and the companies in which it has an investment has been publicly reported by Pargesa. Although Power Financial has no knowledge that would indicate that any statements contained in such

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

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information are materially incorrect, Power Financial takes no responsibility for the accuracy or completeness of such information, or for any omission by such companies to disclose facts or events which may have occurred or may affect the significance or accuracy of any such information but which are not known to Power Financial.

### **Background of the Pargesa Group**

The carrying value of the Corporation's interest in Parjointco was \$2.3 billion at December 31, 2010. Pargesa Holding is organized under the laws of Switzerland. In 1981, Power participated with European partners in reorganizing the company to acquire Paribas (Suisse) S.A. of Geneva. Power, and subsequently Power Financial, participated with others in the development of Pargesa Holding throughout the ensuing decade. The extent of this participation increased steadily and, under an agreement concluded in 1990 (the "agreement"), Power Financial now holds substantial interests in the Pargesa group with the Frère group of Charleroi, Belgium, another of the original partners in Pargesa Holding. Pursuant to the agreement, Power Financial, through its wholly owned subsidiary PFE, and the Frère group established a new holding company structure bringing together their respective interests in Pargesa Holding and GBL. Each of the Power Financial group and the Frère group holds 50 per cent of the voting shares of Parjointco, incorporated under the laws of The Netherlands. Parjointco, at December 31, 2010, in turn held a 62.9 per cent voting interest and a 54.1 per cent equity interest in Pargesa Holding, while Pargesa Holding held at that same date a 52.0 per cent voting and a 50.0 per cent equity interest in GBL. The agreement was intended to achieve and maintain parity between the Power group and the Frère group with respect to their interests in each of Pargesa Holding, GBL (and at that time, Parfinance S.A.) and their respective designated subsidiaries. Each group agreed not to acquire, hold or dispose of interests in any of those corporations, either directly or indirectly, and has granted the other group a prior right, subject to certain restrictions, to acquire its interests in Pargesa Holding and GBL upon any disposition thereof for a period of five years beginning at the termination of the agreement. The initial agreement, signed in 1990, had a term of 11 years. It requires the maintenance of the shareholding chain, up to and including the ultimate shareholder group, over the jointly owned holding company. On September 24, 1996, the term of the agreement was extended to December 31, 2014.

Upon the occurrence of an event of default, the groups must submit to pre-arbitration with a view of resolving the default and, if that is unsuccessful, shall proceed to arbitration. Subject to the results of such arbitration, the non-defaulting group is entitled to elect either the first or both of the following remedies: (a) the liquidation of the jointly owned holding company established to hold their respective interests in Pargesa Holding and GBL, and termination of the agreement; and (b) the acquisition of interests in Pargesa Holding held by the defaulting group or acquired by it on the liquidation of the jointly owned holding company, at the market price of the Pargesa Holding voting shares at the time of the arbitrators' decision and at the issued price of any other Pargesa Holding securities.

## NARRATIVE DESCRIPTION OF THE BUSINESS

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The Pargesa group currently holds significant interests in a limited number of large European companies. These interests are held either by Pargesa Holding or its main affiliated Belgian holding company, GBL, as shown on the chart on page 15. At December 31, 2010, the shareholders' equity of Pargesa Holding was \$9.26 billion (SF 8.70 billion)<sup>(1)</sup> and GBL's shareholders' equity stood at \$19.67 billion (€14.77 billion). The financial information reported herein in respect of Pargesa Holding has been extracted from Pargesa Holding's financial statements.

The investment in Pargesa is accounted for by Power Financial under the equity method. As described above, the Pargesa portfolio currently consists primarily of investments in Imerys, Lafarge, Total, GDF Suez, Suez Environnement and Pernod Ricard, which are held by Pargesa directly or through GBL. GBL and Imerys' financial statements are consolidated into the financial statements of Pargesa. GBL accounts for its investment in Lafarge under the equity method and, accordingly, the contribution from Lafarge to GBL's earnings consists of GBL's share of Lafarge's net earnings. The contribution from GDF Suez, Suez Environnement, Total and Pernod Ricard to GBL's earnings, consists of the dividends received from these companies.

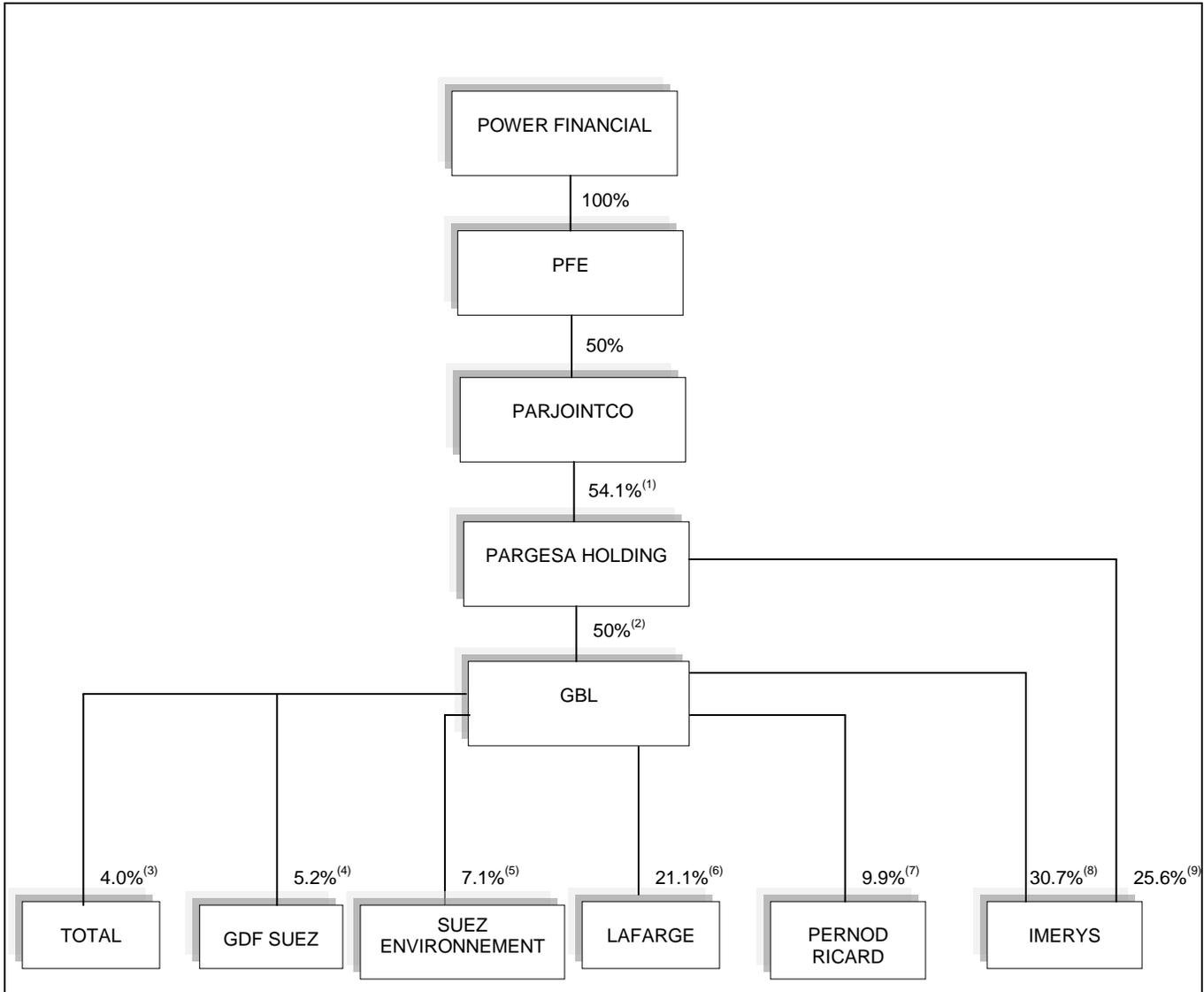
The contribution to Power Financial's earnings is based on the economic (flow-through) presentation of results used by Pargesa. Pursuant to this presentation, "operating income" and "non-operating income" are presented separately by Pargesa. Power Financial's share of non-operating income of Pargesa, after adjustments or reclassifications if necessary, is included as part of "other income (charges), net" in the Corporation's consolidated financial statements.

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<sup>(1)</sup> Information in this section uses currency conversion rates in effect for the years ended December 31, 2010 and 2009.

## NARRATIVE DESCRIPTION OF THE BUSINESS

The following is a simplified chart of the corporate structure of the Pargesa group and includes direct and indirect principal holdings as of December 31, 2010.



Percentages denote interests in participating equity held by subsidiaries and affiliates of Pargesa Holding. Further details of interests are shown on page 16.

- (1) 62.9 per cent voting interest
- (2) 52.0 per cent voting interest
- (3) 3.7 per cent voting interest
- (4) 5.2 per cent voting interest
- (5) 7.1 per cent voting interest
- (6) 27.6 per cent voting interest
- (7) 8.4 per cent voting interest
- (8) 36.3 per cent voting interest
- (9) 33.6 per cent voting interest

## NARRATIVE DESCRIPTION OF THE BUSINESS

Table of interests of the Pargesa group as of December 31, 2010:

Corporation	Jurisdiction of Incorporation	Effective Interest Held by Pargesa Holding SA (%)	Cumulative Equity Interest Held by Pargesa Group Companies (%)	Cumulative Voting Rights Held by Pargesa Group Companies (%)
GBL	Belgium	50.0	50.0	52.0
Total	France	2.0	4.0	3.7
GDF Suez	France	2.6	5.2	5.2
Suez Environnement	France	3.6	7.1	7.1
Lafarge	France	10.6	21.1	27.6
Imerys	France	41.7	56.3	69.9
Pernod Ricard	France	5.0	9.9	8.4

### Financial Highlights of the Pargesa Group<sup>(1) (2)</sup>

As of and for the years ended December 31 (in millions, except per share amounts)	2010 SF	\$	2009 SF	\$
Contribution from principal holdings				
• Full consolidation (Imerys) and equity accounted (Lafarge)				
Imerys	138	137	76	80
Lafarge – from January 1, 2009	101	100	137	144
• Non-consolidated (net dividends)				
Total	149	147	157	165
GDF Suez	128	127	202	212
Suez Environnement	17	17	18	19
Pernod Ricard	25	25	9	9
	558	553	599	629
Contribution from other holdings	18	18	1	2
Operating earnings (losses) from holding companies	(112)	(111)	(88)	(93)
Operating earnings	465	460	512	538
Operating earnings per bearer share	5.49	5.43	6.05	6.36
Non-operating income (losses)	(1)	(1)	280	294
Net earnings (losses)	464	459	792	832
Earnings (losses) per bearer share	5.48	5.42	9.35	9.82

(1) Using SF/CDN\$ currency conversion rates in effect for each year as follows:

	Average	Closing
2010	0.9896	1.0645
2009	1.0505	1.0107

(2) Economic analysis of the net earnings as published by Pargesa and converted into Canadian dollars based upon average exchange rates. Power Financial's share of operating and non-operating earnings as reported by Pargesa may be subject to adjustments and reclassifications, when necessary.

## NARRATIVE DESCRIPTION OF THE BUSINESS

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### Financial Highlights of Pargesa Holding — Two-Year Summary

(in millions of dollars, except per share amounts)	2010	2009
Income from holdings <sup>(1)</sup>	571	631
Operating earnings (losses), from holding companies	(111)	(93)
Non-operating income (losses) <sup>(2)</sup>	(1)	294
Net earnings (losses)	459	832
Declared dividends <sup>(3)</sup>	245	224
Earnings (losses) per bearer share	5.42	9.82
Total assets	25,802	28,162
Long-term debt <sup>(4)</sup>	1,635	1,572
Consolidated shareholder's equity (excluding minority interests)	9,266	10,662

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(1) Includes contribution from other holdings — see Financial Highlights of the Pargesa Group above.

(2) Including non-operating income from operating companies accounted for under the equity method, amounting to \$24 million in 2010, \$(15) million in 2009.

(3) Declared dividends for 2010 are to be approved at the 2011 annual general meeting of Pargesa to be held on May 5, 2011. If approved, declared dividends would amount to SF230 million, compared with SF230 million in the previous year. These amounts are converted into CDN\$ using year-end currency conversion rates.

(4) Represents indebtedness of Pargesa and wholly owned subsidiaries only. Represents, in 2010, the book value of outstanding convertible bonds issued by Pargesa in March 2006 and June 2007, in addition to the \$158 million bonds issued in 2010, as shown in the balance sheet of Pargesa. In addition, at December 31, 2010, Pargesa Holding and its wholly owned subsidiaries had lines of credit with banks in the amount of \$639 million (of which \$111 million was used as at December 31, 2010). These lines of credit will expire in 2015, with the exception of a \$53 million line of credit with a Swiss bank which has no expiry date. The foregoing financial information is prepared using SF/CDN\$ currency conversion rates in effect for each year as follows:

	Average	Closing
2010	0.9896	1.0645
2009	1.0505	1.0107

### Pargesa Holding – Description of Group Companies

GBL is a holding company with its headquarters in Brussels, Belgium. Its main holdings are an interest in Lafarge (cement and building materials), Imerys (industrial minerals), Total (oil and gas), GDF Suez (energy and energy services), Suez Environnement (water and waste management services) and Pernod Ricard (wines and spirits). For more information, please refer to Part D of Power Financial's Management Discussion and Analysis of Operating Results (dated March 10, 2011) related to Pargesa.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

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### *Lafarge*

With a presence in more than 78 countries, Lafarge holds leading positions in each of its business units: Cement, Aggregates & Concrete and Gypsum.

In 2010, Lafarge benefited from continued positive volume trends in the Cement business unit in North America and in the United Kingdom. By contrast, Spain, and more significantly Greece, continued to be negatively impacted by difficult economic conditions. Market demand continued to post growth in most of the emerging markets, but volumes in certain countries were hindered by the entrance of new capacities and lower production levels. In a challenging environment, prices remained resilient overall, although several markets showed lower average prices in 2010 compared with 2009.

In the Aggregates & Concrete business unit, the company benefited from volume trends for aggregates and related products in North America and in the United Kingdom, as well as the effect of cost cutting measures. Ready-mix concrete & concrete product sales and operating profits were down in 2010, reflecting the impact of lower volumes and price declines, mitigated somewhat by the increasing value generated by innovative products and strict cost management.

In the Gypsum business unit, current operating income improved due to an increase in volumes and tight cost control, despite lower selling prices in 2010 compared with 2009. The increase in paper costs was fully offset by contained energy costs.

### *Imerys*

A world leader in minerals processing, Imerys holds leading positions in each of its four business groups, namely: Performance & Filtration Minerals; Materials & Monolithics; Pigments for Paper; and Minerals for Ceramics, Refractories, Abrasives & Foundries. Imerys extracts and processes minerals from high-quality reserves on all continents of the globe. It develops solutions that improve the products or the production processes of its industrial clients. The group's products have numerous applications in everyday life, including construction, personal care products, paper, paint, plastic, ceramics, telecommunications and beverage filtration.

In 2010, Imerys' markets evolved favorably but remained approximately 15 per cent below pre-crisis volumes. The group benefited from the euro weakening against the dollar for part of 2010, not only through the translation of dollar sales into euros but also through the improved competitiveness of its European customers, including industrial equipment manufacturers and paper makers.

Steel production increased significantly, due to demand in emerging markets. Trends were positive in the United States and, to a lesser extent, in Europe. Global production of printing and writing paper rose 6 per cent in 2010. Demand remained stable overall in fast-moving consumer goods (i.e. beverages, edible oils and personal care products). Construction picked up only slightly in Europe. In the United States, activity in the construction sector has remained at a very low level for the past 18 months.

## NARRATIVE DESCRIPTION OF THE BUSINESS

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### *Total*

Created from the successive mergers of Total, PetroFina and Elf Aquitaine, Total is one of the world's leading oil and gas groups and a major operator in chemicals. With operations in more than 130 countries, its activities span all aspects of the oil industry chain, from upstream – oil and gas exploration, development and production – to downstream – refining and distributing refined products as well as international trading in both crude and refined products. Total produces base and specialty chemicals and is also involved in the development of renewable energy.

Total benefited from a more favourable market environment in 2010 compared with 2009. The average Brent price was up 29 per cent to \$79.50 per barrel while the average realized price of gas was stable. The company also benefited from the 4.3 per cent increase of hydrocarbon production. The reserve replacement rate was 124 per cent, and the reserve life is more than 12 years based on the 2010 average rate of production. The volume of products refined was down 7 per cent reflecting the shutdown of both the Dunkirk refinery and a distillation unit at the Normandy refinery, as well as the impact of strikes in France. The European refining margin indicator however increased 54 per cent to \$27.40 per ton compared with 2009. In its Chemicals business unit, Total benefited from a strong rebound in demand.

### *GDF Suez*

On July 22, 2008, Suez completed its previously announced merger with Gaz de France, to become GDF Suez, which created one of the leading energy providers in the world, active across the entire energy value chain, in electricity and natural gas, upstream to downstream. As part of the merger, the water and waste management activities were transferred to a new entity, Suez Environnement, which became a listed entity with 65 per cent of its shares being distributed to Suez shareholders and GDF Suez retaining 35 per cent.

GDF Suez focuses on the generation of electricity and heat, the trading, the transmission and distribution of electricity and natural and liquefied gas, and the supply of energy and industrial services. GDF Suez's strategy in energy is centered on strengthening its positions in Europe from its domestic home base (France and Benelux) in conjunction with the selective international development of existing positions.

In 2010, the Energy France business unit benefited from strong growth. The electricity production in France increased 12 per cent with the commissioning of new combined-cycle gas power plants and wind farms, as well as increased hydroelectric power production. Sales of natural gas also increased 6.7 per cent, primarily due to exceptionally harsh winter conditions.

The Energy Europe and International business unit reported an improvement in its operating performance, particularly due to new facilities commissioned in The Netherlands, Latin America and the Middle East in 2010, with the support of an ambitious capital expenditures program implemented in 2008. A significant event in 2010 was the combination of international operations with International Power plc, a transaction that was approved by more than 99 per cent of shareholders at the shareholders' general meeting of International Power plc held in December 2010. According to the announced plan, the new international combined

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

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operations should have an installed power capacity of 150 GW by 2016, including 90 GW outside of Europe.

As expected, the Global Gas & LNG business unit was impacted in 2010 by the de-correlation of gas and oil prices. Amid an intensely competitive environment, key account sales decreased 22 TWh, as the group decided to prioritize profits over volume. Exploration and production activities saw an improvement in results due to the recovery of commodity prices, despite a slight dip in production.

The Infrastructures business unit benefited from growth in regulated activities, the full commissioning of the Fos-Cavaou terminal, and the exceptionally harsh weather conditions in France, in spite of a slight decrease in storage capacity sold in France. The Energy Services business unit continued to cope with a difficult economic environment.

### *Suez Environnement*

Suez Environnement operates water and waste services businesses. In the water sector, the group ensures the design and management of systems to produce and distribute drinking water and treating waste water, and it also carries out engineering activities and supplies a wide range of services to industry. In the waste services sector, Suez Environnement is active in managing (collecting, sorting, recycling, treating, deploying and storing) industrial and household waste.

In 2010, Suez Environnement benefited from a sharp rise in all business segments. The friendly takeover of Sociedad General de Aguas de Barcelona (“AGBAR”) strengthens the positioning of the group in the growing water markets of Spain and Latin America. In addition, the January 2011 acquisition of WSN Environmental Solutions in Australia, consolidates the group’s presence in a market where it has already experienced significant growth.

The Water Europe sector benefited from the takeover of AGBAR and new contracts, such as Strasbourg (8 years) and Sartrouville (20 years) in France, and Calvia (50 years) and Sant Vincenç dels Horts (50 years) in Spain. Selling price evolutions were positive due to the application of tariff indexation formulae. The Waste Europe sector benefited from the growth of the sorting and recycling activity (49 per cent organic growth), after being particularly affected by the 2009 economic slowdown. International activity was fuelled with the progressive building of the Melbourne desalination plant and other contracts received in China and Bangladesh.

### *Pernod Ricard*

Since the creation of Pernod Ricard in 1975, significant organic growth and numerous acquisitions, notably those of Seagram in 2001, Allied Domecq in 2005 and Vin & Sprit in 2008, have enabled the company to become the world’s co-leader in wines and spirits. Firmly established on every continent, with good positioning in emerging countries in Asia, Eastern Europe and South America, the group produces and distributes a range of wines and spirits under 15 strategic brands, local market-leading brands and a large number of regional brands.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

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Pernod Ricard reported positive organic growth of 2 per cent, including a strong upturn of 9 per cent in the second half of 2010. The top fourteen brands, which represent 55 per cent of the total group's sales, grew 2 per cent in volume and 4 per cent in value, with two brands, Martell and Jameson, reporting double digit growth of 12 per cent.

The overall stable sales volume in the United States and the decline in Europe, excluding France, have been offset by the strong growth in Asia, fuelled by the Martell brand in China and the development of local brands in India, strong activities in South Korea and growth in Africa and the Middle East. France recorded strong organic growth of 7 per cent, due to the performance of the brands Absolut and Havana Club and to the performance of Ricard and certain whiskies (Chivas, Jameson and Clan Campbell).

## RISK FACTORS

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There are certain risks inherent in an investment in the securities of the Corporation and in the activities of the Corporation, including the following, which investors should carefully consider before investing in securities of the Corporation. This description of risks does not include all possible risks, and there may be other risks of which the Corporation is not currently aware.

Power Financial is a holding company that holds substantial interests in the financial services industry through its controlling interest in each of Lifeco and IGM Financial. As a result, investors in Power Financial are subject to the risks attributable to its subsidiaries, including those that Power Financial has as the principal shareholder of each of Lifeco and IGM Financial. The risks of being an investor in Lifeco are described and referenced in the section entitled "Risk Factors" of Lifeco's Annual Information Form dated February 10, 2011 and the risks of being an investor in IGM Financial are referenced in the last paragraph of the section entitled "Development of the Business" of IGM Financial's Annual Information Form dated March 23, 2011, which can be found at [www.sedar.com](http://www.sedar.com) and which section and further references, in the case of Lifeco, and paragraph, in the case of IGM Financial, are incorporated herein by reference.

As a holding company, Power Financial's ability to pay interest and other operating expenses and dividends, to meet its obligations and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon receipt of sufficient dividends from its principal subsidiaries and other investments and its ability to raise additional capital. The likelihood that shareholders of Power Financial will receive dividends will be dependent upon the operating performance, profitability, financial position and creditworthiness of the principal subsidiaries of Power Financial and on their ability to pay dividends to Power Financial. The payment of interest and dividends by certain of these principal subsidiaries to Power Financial is also subject to restrictions set forth in insurance, securities and corporate laws and regulations which require that solvency and capital standards be maintained by such companies. If required, the ability of Power Financial to arrange additional financing in the future will depend in part upon prevailing market conditions as well as business performance of Power Financial and its subsidiaries. In recent years, global financial conditions and market events have increased volatility and resulted in tightening of credit that has reduced available liquidity and overall economic activity. There can be no assurance that debt or equity financing will be available or, together with internally generated funds, will be sufficient to meet or satisfy Power Financial's objectives or requirements or, if the foregoing are available to Power Financial, that they will be on terms acceptable to Power Financial. The inability of Power Financial to access sufficient capital on acceptable terms could have a material adverse effect on Power Financial's business, prospects, dividend paying capability and financial condition and further enhancement opportunities or acquisitions.

The market price for Power Financial's securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Power Financial's control. Economic conditions may adversely affect Power Financial, including fluctuations in foreign exchange, inflation and interest rates, as well as monetary policies, business investment and the health of capital markets in Canada, the United States and Europe. In recent years, financial markets have experienced significant price and volume fluctuations that have affected the market prices of equity securities held by the Corporation and its subsidiaries and that have

## **RISK FACTORS**

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often been unrelated to the operating performance, underlying asset values or prospects of such companies. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. In periods of increased levels of volatility and related market turmoil, Power Financial's subsidiaries' operations could be adversely impacted and the trading price of Power Financial's securities may be adversely affected.

## DESCRIPTION OF THE SHARE CAPITAL

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### General

The authorized capital of Power Financial consists of an unlimited number of First Preferred Shares (the "First Preferred Shares"), an unlimited number of Second Preferred Shares (the "Second Preferred Shares"), and an unlimited number of common shares (the "Common Shares"). As at January 31, 2011, there were issued and outstanding 4,000,000 First Preferred Shares designated as Series A Cumulative Redeemable First Preferred Shares, (the "Series A First Preferred Shares"), 6,000,000 First Preferred Shares designated as 5.50 per cent Non-Cumulative First Preferred Shares, Series D (the "Series D First Preferred Shares"), 8,000,000 First Preferred Shares designated as 5.25 per cent Non-Cumulative First Preferred Shares, Series E (the "Series E First Preferred Shares"), 6,000,000 First Preferred Shares designated as 5.90 per cent Non-Cumulative First Preferred Shares, Series F (the "Series F First Preferred Shares"), 6,000,000 First Preferred Shares designated as 5.75 per cent Non-Cumulative First Preferred Shares, Series H (the "Series H First Preferred Shares"), 8,000,000 First Preferred Shares designated as 6.00 per cent Non-Cumulative First Preferred Shares, Series I (the "Series I First Preferred Shares"), 10,000,000 First Preferred Shares designated as 4.95 per cent Non-Cumulative First Preferred Shares, Series K (the "Series K First Preferred Shares"), 8,000,000 First Preferred Shares designated as 5.10 per cent Non-Cumulative First Preferred Shares, Series L (the "Series L First Preferred Shares"), 7,000,000 First Preferred Shares designated as Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series M (the "Series M First Preferred Shares"), 6,000,000 First Preferred Shares designated as 5.80 per cent Non-Cumulative First Preferred Shares, Series O (the "Series O First Preferred Shares"), 11,200,000 First Preferred Shares designated as 4.40 per cent Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series P (the "Series P First Preferred Shares") and 708,013,680 Common Shares. There are no Non-Cumulative First Preferred Shares, Series C (the "Series C First Preferred Shares"), Non-Cumulative First Preferred Shares, Series J (the "Series J First Preferred Shares"), Non-Cumulative Floating Rate First Preferred Shares, Series N (the "Series N First Preferred Shares"), Non-Cumulative Floating Rate Preferred Shares, Series Q (the "Series Q Preferred Shares") or Second Preferred Shares issued and outstanding.

### Common Shares

Each Common Share entitles the holder to one vote at all meetings of shareholders (other than meetings exclusively of another class or series of shares), and subject to the rights of holders of the First Preferred Shares and the Second Preferred Shares, to receive any dividend on such share and to participate equally with all other holders of Common Shares in the remaining property of Power Financial on dissolution or winding-up. There are no conversion rights, special liquidation rights, pre-emptive rights or subscription rights attaching to the Common Shares.

## DESCRIPTION OF THE SHARE CAPITAL

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### **First Preferred Shares**

The First Preferred Shares may be issued in one or more series with such rights, privileges, restrictions and conditions as the Board of Directors designates. With respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Power Financial, whether voluntary or involuntary, or any other distribution of the assets of Power Financial 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, the Common Shares and any other shares ranking junior to the First Preferred Shares. 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 its shareholders except as may be required by law or as specifically provided in the provisions attaching to the First Preferred Shares of such series.

In the event of the liquidation, dissolution or winding-up of Power Financial or other distribution of the assets of Power Financial 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 Power Financial and of holders of shares of Power Financial ranking prior to the First Preferred Shares, the holders of the First Preferred Shares shall be entitled to be paid and to receive an amount equal to \$25.00 per First Preferred Share plus declared and unpaid dividends before any amount shall be paid or any assets of Power Financial shall be distributed to the holders of Common Shares or of shares of any other class of Power Financial ranking junior to the First Preferred Shares.

#### *Series A First Preferred Shares*

The Series A First Preferred Shares rank equally with all other First Preferred Shares and have a cumulative floating dividend, payable quarterly, equal to one quarter of 70 per cent of Prime. Power Financial has had the right to redeem the Series A First Preferred Shares since November 15, 1991 at \$25.00 per share plus declared and unpaid dividends. "Prime" means, for any quarterly dividend period, the arithmetic average of the Prime Rates quoted by two reference banks in effect during each day during the three-month period which ends on the last day of the calendar month immediately preceding the applicable dividend payment date in respect of which the determination is being made, and "Prime Rate" is the reference rate as quoted by those two banks for determining interest rates on Canadian dollar commercial loans made to prime commercial borrowers in Canada.

#### *Series D First Preferred Shares*

The Series D First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.50 per cent per annum, payable quarterly. Power Financial has the right to redeem the Series D First Preferred Shares on or after January 31, 2013, in whole or in part, for \$25.00 cash per share plus declared and unpaid dividends.

#### *Series E First Preferred Shares*

The Series E First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.25 per cent per annum, payable quarterly. Power

## DESCRIPTION OF THE SHARE CAPITAL

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Financial has had the right to redeem the Series E First Preferred Shares since November 30, 2006, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing November 30, 2006, \$25.75 per share if redeemed during the 12 months commencing November 30, 2007, \$25.50 if redeemed during the 12 months commencing November 30, 2008, \$25.25 if redeemed during the 12 months commencing November 30, 2009, and \$25.00 per share if redeemed on or after November 30, 2010, in each case plus declared and unpaid dividends.

### *Series F First Preferred Shares*

The Series F First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.90 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series F First Preferred Shares since July 17, 2007, in whole or in part, for \$26.00 per share if redeemed during the 12 months commencing July 17, 2007, \$25.75 if redeemed during the 12 months commencing July 17, 2008, \$25.50 if redeemed during the 12 months commencing July 17, 2009, \$25.25 if redeemed during the 12 months commencing July 17, 2010, and \$25.00 if redeemed on or after July 17, 2011, in each case plus declared and unpaid dividends.

### *Series H First Preferred Shares*

The Series H First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.75 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series H First Preferred Shares since December 10, 2007, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing December 10, 2007, \$25.75 per share if redeemed during the 12 months commencing December 10, 2008, \$25.50 if redeemed during the 12 months commencing December 10, 2009, \$25.25 if redeemed during the 12 months commencing December 10, 2010, and \$25.00 per share if redeemed on or after December 10, 2011, in each case plus declared and unpaid dividends.

### *Series I First Preferred Shares*

The Series I First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 6.00 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series I First Preferred Shares since April 30, 2008, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing April 30, 2008, \$25.75 per share if redeemed during the 12 months commencing April 30, 2009, \$25.50 if redeemed during the 12 months commencing April 30, 2010, \$25.25 if redeemed during the 12 months commencing April 30, 2011, and \$25.00 per share if redeemed on or after April 30, 2012, in each case plus declared and unpaid dividends.

### *Series K First Preferred Shares*

The Series K First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 4.95 per cent per annum, payable quarterly. Power Financial has the right to redeem the Series K First Preferred Shares on or after October 31, 2010, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months

## DESCRIPTION OF THE SHARE CAPITAL

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commencing October 31, 2010, \$25.75 per share if redeemed during the 12 months commencing October 31, 2011, \$25.50 if redeemed during the 12 months commencing October 31, 2012, \$25.25 if redeemed during the 12 months commencing October 31, 2013, and \$25.00 per share if redeemed on or after October 31, 2014, in each case plus declared and unpaid dividends.

### *Series L First Preferred Shares*

The Series L First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.10 per cent per annum, payable quarterly. Power Financial has the right to redeem the Series L First Preferred Shares on or after October 31, 2011, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing October 31, 2011, \$25.75 per share if redeemed during the 12 months commencing October 31, 2012, \$25.50 if redeemed during the 12 months commencing October 31, 2013, \$25.25 if redeemed during the 12 months commencing October 31, 2014, and \$25.00 per share if redeemed on or after October 31, 2015, in each case plus declared and unpaid dividends.

### *Series M First Preferred Shares*

The Series M First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 6.00 per cent per annum, payable quarterly during the period from November 28, 2008 to but excluding January 31, 2014. Thereafter, during the "Subsequent Fixed Rate Periods" (that is, for the initial Subsequent Fixed Rate Period, the period from and including January 31, 2014 but excluding January 31, 2019 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to but excluding January 31 in the fifth year thereafter), the Series M Preferred Shares have fixed non-cumulative preferential dividends equal to a product of \$25.00 and the rate of interest equal to the sum of the Government of Canada Yield on the applicable "Fixed Rate Calculation Date" (that is, for any Subsequent Fixed Rate Period, the 30<sup>th</sup> day prior to the first day of the applicable Subsequent Fixed Rate Period) plus 3.20 per cent, payable quarterly. Power Financial has the right to redeem the Series M First Preferred Shares on January 31, 2014 and on January 31 every five years thereafter, in whole or in part, for \$25.00 per share plus declared and unpaid dividends to the date fixed for redemption. Subject to the Corporation's right to redeem all the Series M First Preferred Shares, the holders of Series M First Preferred Shares will have the right, at their option, to convert their Series M First Preferred Shares into Series N First Preferred Shares, subject to certain conditions, on January 31, 2014 and on January 31 every five years thereafter.

### *Series N First Preferred Shares*

The Series N First Preferred Shares rank equally with all other First Preferred Shares and will have a floating rate non-cumulative dividend per annum, payable quarterly, in the amount per share equal to the product of \$25.00 and the "Floating Quarterly Dividend Rate". The Floating Quarterly Dividend Rate means, for any "Quarterly Floating Rate Period" (that is, the period from and including January 31, 2014 to but excluding April 30, 2014, and thereafter

## DESCRIPTION OF THE SHARE CAPITAL

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the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding "Quarterly Commencement Date" (that is, the last day of January, April, July and October in each year)), the rate of interest equal to the sum of the T-Bill Rate on the applicable "Floating Rate Calculation Date" (that is, for any Quarterly Floating Rate Period, the 30<sup>th</sup> day prior to the first day of such Quarterly Floating Rate Period) plus 3.20 per cent. Power Financial has the right to redeem the Series N First Preferred Shares in whole, or in part commencing January 31, 2014: (i) for \$25.00 per share plus declared and unpaid dividends to the date fixed for redemption for redemptions on January 31, 2019 and on January 31 every five years thereafter or (ii) for \$25.50 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date after January 31, 2014 that is not a date on which Series N First Preferred Shares can be converted. Subject to the Corporation's right to redeem all the Series N First Preferred Shares, the holders of Series N First Preferred Shares will have the right, at their option, to convert their Series N First Preferred Shares into Series M First Preferred Shares, subject to certain conditions, on January 31, 2019 and on January 31 every five years thereafter.

### *Series O First Preferred Shares*

The Series O First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.80 per cent per annum, payable quarterly. Power Financial has the right to redeem the Series O First Preferred Shares on or after October 31, 2014, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing October 31, 2014, \$25.75 per share if redeemed during the 12 months commencing October 31, 2015, \$25.50 if redeemed during the 12 months commencing October 31, 2016, \$25.25 if redeemed during the 12 months commencing October 31, 2017, and \$25.00 per share if redeemed on or after October 31, 2018, in each case plus declared and unpaid dividends.

### *Series P First Preferred Shares*

The Series P First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 4.40 per cent per annum, payable quarterly. Power Financial has the right to redeem the Series P First Preferred Shares in whole, or in part commencing January 31, 2016 and on January 31 every five years thereafter for \$25.00 cash per share plus declared and unpaid dividends to the date fixed for redemptions. Subject to the Corporation's right to redeem all the Series P First Preferred Shares, the holders of Series P First Preferred Shares will have the right, at their option, to convert their Series P First Preferred Shares into Series Q First Preferred Shares, subject to certain conditions, on January 31, 2016 and on January 31 every five years thereafter.

### *Series Q First Preferred Shares*

The Series Q First Preferred Shares rank equally with all other First Preferred Shares and will have a floating rate non-cumulative dividend per annum, payable quarterly, in the amount per share equal to the product of \$25.00 and the "Floating Quarterly Dividend Rate". The Floating Quarterly Dividend Rate means, for any "Quarterly Floating Rate Period" (that is,

## DESCRIPTION OF THE SHARE CAPITAL

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the period from and including January 31, 2016 to but excluding April 30, 2016, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding "Quarterly Commencement Date" (that is, the last day of January, April, July and October in each year)), the rate of interest equal to the sum of the T-Bill Rate on the applicable "Floating Rate Calculation Date" (that is, for any Quarterly Floating Rate Period, the 30<sup>th</sup> day prior to the first day of such Quarterly Floating Rate Period) plus 1.60 per cent. Power Financial has the right to redeem the Series Q First Preferred Shares in whole, or in part commencing January 31, 2016: (i) for \$25.00 per share plus declared and unpaid dividends to the date fixed for redemption for redemptions on January 31, 2021 and on January 31 every five years thereafter or (ii) for \$25.50 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date after January 31, 2016 that is not a date on which Series Q First Preferred Shares can be converted. Subject to the Corporation's right to redeem all the Series Q First Preferred Shares, the holders of Series Q First Preferred Shares will have the right, at their option, to convert their Series Q First Preferred Shares into Series P First Preferred Shares, subject to certain conditions, on January 31, 2021 and on January 31 every five years thereafter.

### **Second Preferred Shares**

The Second Preferred Shares may be issued in one or more series with such rights, privileges, restrictions and conditions as the Board of Directors designates. With respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Power Financial, whether voluntary or involuntary, or any other distribution of the assets of Power Financial among its shareholders for the purpose of winding-up its affairs, the Second Preferred Shares of each series rank on a parity with the Second Preferred Shares of every other series and in priority to the Common Shares and any other shares ranking junior to the Second Preferred Shares. The holders of Second Preferred Shares of any series are not entitled to notice of or to attend or to vote at any meeting of Power Financial or of its shareholders except as may be required by law or as specifically provided in the provisions attaching to the Second Preferred Shares of such series.

## RATINGS

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The table below provides the ratings assigned to the Corporation's outstanding securities as at March 23, 2011.

	DBRS Limited ("DBRS")	Standard & Poor's Ratings Services ("S&P")
Preferred shares:		
Cumulative	Pfd-1 (low)	Canadian scale P-1 (Low) Global scale A-
Non-cumulative	Pfd-1 (low)	Canadian scale P-1 (Low) Global scale A-
6.9% debentures due March 11, 2033	AA (low)	A+

The ratings of the Corporation's outstanding securities have been assigned a stable trend by DBRS and a stable outlook by S&P.

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. The definitions of the categories of each rating set forth below have been obtained from the respective rating agencies' Web sites.

(a) DBRS Limited

In general terms, DBRS ratings are opinions that reflect the creditworthiness of an issuer, a security or an obligation. They are opinions based on forward-looking measurements and quantitative and qualitative analysis of information that assess an issuer's ability and willingness to make timely payments on outstanding obligations (whether principal, interest, dividend, or distributions) with respect to the terms of an obligation. DBRS applies additional considerations when assessing the credit quality of holding companies.

The DBRS preferred share and long-term debt rating scales are used in the Canadian securities market and are meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both dividend or interest, as the case may be, and principal commitments. Most rating categories are denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category. Rating trends provide guidance in respect of DBRS' opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories – "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. In general, the DBRS view is based primarily on an evaluation of the issuing entity itself, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates.

## RATINGS

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The Corporation's preferred shares rating of Pfd-1 (low) is the third highest of sixteen ratings used by DBRS for preferred shares in Canada. Preferred shares with a Pfd-1 (low) rating are of superior credit quality, and are supported by entities with strong earnings and balance sheet characteristics. A Pfd-1 rating generally corresponds with companies whose senior bonds are rated in the AAA or AA categories.

The Corporation's debentures rating of AA (low) is the fourth highest of twenty-six ratings used by DBRS for long-term debt. Long-term debt rated AA by DBRS is of superior credit quality, and protection of interest and principal is considered high. In many cases they differ from long-term debt rated AAA only to a small degree. Given the extremely restrictive definition DBRS has for the AAA category, entities rated AA are also considered to be strong credits, typically exemplifying above-average strength in key areas of consideration and unlikely to be significantly affected by reasonably foreseeable events.

### (b) Standard & Poor's Ratings Services

S&P issue credit ratings are forward-looking opinions about credit risk and express the agency's opinion about the ability and willingness of an issuer to meet its financial obligations in full and on time with respect to an individual security issue. Since there are future events and developments that cannot be foreseen, the assignment of credit ratings is not an exact science and, for this reason, S&P ratings opinions are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular security issue will default. Instead, ratings express relative opinions about the creditworthiness of an issuer or credit quality of an individual issue, from strongest to weakest, within a universe of credit risk.

Most ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major letter rating categories. An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions.

The S&P Canadian preferred share rating scale serves issuers, investors and intermediaries in the Canadian financial markets by expressing preferred share ratings (determined in accordance with Global rating criteria) in terms of rating symbols that have been actively used in the Canadian market over a number of years. A preferred share rating on the Canadian scale is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific preferred share obligation issued in the Canadian market, relative to preferred shares issued by other issuers in the Canadian market. There is a direct correspondence between the specific ratings assigned on the Canadian preferred share scale and the various rating levels on the Global debt rating scale of S&P. The Canadian scale rating is fully determined by the applicable Global scale rating, and there are no additional analytical criteria associated with the determination of ratings on the Canadian scale. It is the practice of S&P to present an issuer's preferred share ratings on both the Global rating scale and on the Canadian national scale when listing the ratings for a particular issuer.

The Corporation's preferred shares' rating of P-1 (Low) on S&P's Canadian national preferred share rating scale corresponds to A- on S&P's Global preferred share rating scale. A P-1 (Low) rating is the third highest of eighteen ratings used by S&P in its Canadian national

## RATINGS

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preferred share rating scale. Correspondingly, an A- rating is the fifth highest of twenty ratings used by S&P in its Global preferred share rating scale. A preferred share rating of A- indicates that the obligor's capacity to meet its financial commitment on the obligation is still strong, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher rated categories.

An S&P long-term issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program. It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P's view of the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default.

The Corporation's debentures' rating of A+ is the fifth highest of twenty-six ratings used by S&P in its long-term issue credit rating scale. A long-term debenture rated A+ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories, however, the obligor's capacity to meet its financial commitment on the obligation is still strong.

## DIVIDENDS

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The cash dividends declared per share for each class of the Corporation's shares were as follows:

	2010	2009	2008
		(in dollars)	
Common Shares (PWF)	1.4000	1.4000	1.3325
Series A First Preferred Shares (PWF.PR.A)	0.452376	0.427439	0.843064
Series C First Preferred Shares (PWF.PR.D) <sup>(1)</sup>	0.975	1.3000	1.3000
Series D First Preferred Shares (PWF.PR.E)	1.3750	1.3750	1.3750
Series E First Preferred Shares (PWF.PR.F)	1.3125	1.3125	1.3125
Series F First Preferred Shares (PWF.PR.G)	1.4750	1.4750	1.4750
Series H First Preferred Shares (PWF.PR.H)	1.4375	1.4375	1.4375
Series I First Preferred Shares (PWF.PR.I)	1.5000	1.5000	1.5000
Series J First Preferred Shares (PWF.PR.J) <sup>(2)</sup>	0.5875	1.1750	1.1750
Series K First Preferred Shares (PWF.PR.K)	1.2375	1.2375	1.2375
Series L First Preferred Shares (PWF.PR.L)	1.2750	1.2750	1.2750
Series M First Preferred Shares (PWF.PR.M) <sup>(3)</sup>	1.5000	1.75377	N/A
Series N First Preferred Shares (PWF.PR.N) <sup>(4)</sup>	N/A	N/A	N/A

## DIVIDENDS

	2010	2009	2008
		(in dollars)	
Series O First Preferred Shares (PWF.PR.O) <sup>(5)</sup>	1.4500	0.45288	N/A
Series P First Preferred Shares (PWF.PR.P) <sup>(6)</sup>	0.6487	N/A	N/A
Series Q First Preferred Shares (PWF.PR.Q) <sup>(7)</sup>	N/A	N/A	N/A

- (1) There are currently no outstanding Series C First Preferred Shares as they were redeemed by the Corporation on October 31, 2010, for a redemption price of \$25.40 for each share plus an amount equal to all declared and unpaid dividends.
- (2) There are currently no outstanding Series J First Preferred Shares as they were redeemed by the Corporation on July 30, 2010, for a redemption price of \$25.50 for each share plus an amount equal to all declared and unpaid dividends.
- (3) An initial dividend of \$0.62877 per share was declared on March 11, 2009. Thereafter, quarterly dividends of \$0.3750 per share were declared in May, August and November of 2009 and March, May, August and November 2010, respectively.
- (4) There are currently no outstanding Series N First Preferred Shares.
- (5) An initial dividend of \$0.45288 per share was declared on November 12, 2009. Thereafter, quarterly dividends of \$0.3625 per share were declared in March, May, August and November of 2010, respectively.
- (6) An initial dividend of \$0.3737 was declared on August 6, 2010 and a dividend of \$0.2750 was declared on November 12, 2010. Thereafter, holders of Series P First Preferred Shares are entitled to receive quarterly non-cumulative preferential cash dividends of \$0.2750 per share, if, as and when declared by the Board of Directors.
- (7) There are currently no outstanding Series Q First Preferred Shares.

## MARKET FOR SECURITIES

The following table provides information regarding the price range and volume traded for each of these classes of securities of Power Financial on the TSX on a monthly basis for each month of the year ended December 31, 2010. Currently there are no outstanding Series N and Series Q First Preferred Shares.

	Common Shares (PWF)	First Preferred Shares, Series A (PWF.PR.A)	First Preferred Shares, Series C (PWF.PR.D) <sup>(1)</sup>	First Preferred Shares, Series D (PWF.PR.E)	First Preferred Shares, Series E (PWF.PR.F)	First Preferred Shares, Series F (PWF.PR.G)	First Preferred Shares, Series H (PWF.PR.H)
<b>January 2010</b>							
<i>Intraday High (\$)</i>	31.38	22.89	26.55	23.73	22.69	25.05	24.75
<i>Intraday Low (\$)</i>	29.51	20.91	26.20	23.01	22.00	24.59	24.10
<i>Volume</i>	6,199,426	76,970	189,515	28,320	141,489	117,519	235,421
<b>February 2010</b>							
<i>Intraday High (\$)</i>	32.10	23.98	26.64	23.20	22.47	24.86	24.25
<i>Intraday Low (\$)</i>	29.35	21.76	26.16	22.54	21.58	24.37	23.70
<i>Volume</i>	5,089,346	37,533	37,605	50,419	108,623	68,626	241,652
<b>March 2010</b>							
<i>Intraday High (\$)</i>	34.23	23.95	26.40	22.90	22.06	24.64	24.00
<i>Intraday Low (\$)</i>	31.02	22.30	25.75	22.27	21.08	24.19	23.65
<i>Volume</i>	6,533,800	34,640	41,755	170,420	159,048	69,045	98,411
<b>April 2010</b>							
<i>Intraday High (\$)</i>	33.95	23.75	26.36	22.40	21.24	24.39	23.71
<i>Intraday Low (\$)</i>	30.51	23.31	25.55	20.92	19.96	22.46	21.92
<i>Volume</i>	10,445,495	20,907	96,830	137,945	173,566	132,902	184,161
<b>May 2010</b>							
<i>Intraday High (\$)</i>	31.09	23.54	25.90	21.85	20.68	23.55	22.66
<i>Intraday Low (\$)</i>	27.68	22.25	25.63	20.85	19.92	22.35	21.70
<i>Volume</i>	9,595,813	22,819	423,285	79,672	125,776	41,958	227,154
<b>June 2010</b>							
<i>Intraday High (\$)</i>	29.57	22.70	25.85	23.20	22.00	24.87	24.10
<i>Intraday Low (\$)</i>	27.00	22.00	25.66	21.70	20.56	23.42	22.39
<i>Volume</i>	7,876,483	166,059	414,763	63,594	179,771	43,673	117,191
<b>July 2010</b>							
<i>Intraday High (\$)</i>	29.39	22.50	25.85	23.15	22.29	24.84	24.17
<i>Intraday Low (\$)</i>	27.00	22.00	25.45	22.61	21.52	24.26	23.31
<i>Volume</i>	8,627,384	38,072	153,150	47,667	164,359	40,669	81,836
<b>August 2010</b>							
<i>Intraday High (\$)</i>	28.94	22.30	25.75	23.50	22.60	25.00	24.54
<i>Intraday Low (\$)</i>	27.17	22.00	25.52	23.08	22.12	24.60	23.99
<i>Volume</i>	7,345,739	25,876	45,621	55,657	191,490	81,060	63,107
<b>September 2010</b>							
<i>Intraday High (\$)</i>	29.85	22.25	25.70	24.80	23.95	25.45	25.08
<i>Intraday Low (\$)</i>	28.58	22.00	25.61	23.27	22.44	24.90	24.30
<i>Volume</i>	10,551,665	312,195	56,470	81,999	185,741	116,480	106,262
<b>October 2010</b>							
<i>Intraday High (\$)</i>	31.20	22.15	25.70	24.95	24.12	25.81	25.15
<i>Intraday Low (\$)</i>	28.69	21.51	25.32	24.46	23.37	25.10	24.60
<i>Volume</i>	8,378,262	128,132	195,493	70,086	167,546	106,968	151,925
<b>November 2010</b>							
<i>Intraday High (\$)</i>	31.51	22.55	--	25.36	24.48	25.65	25.30
<i>Intraday Low (\$)</i>	29.53	21.70	--	24.25	23.61	24.95	24.77
<i>Volume</i>	8,333,291	73,141	--	73,592	221,524	179,486	159,245
<b>December 2010</b>							
<i>Intraday High (\$)</i>	31.29	22.50	--	24.89	24.25	25.27	25.22
<i>Intraday Low (\$)</i>	29.88	21.75	--	24.07	23.53	24.80	24.63
<i>Volume</i>	9,255,090	61,989	--	157,500	92,037	119,157	134,474

## MARKET FOR SECURITIES

	First Preferred Shares, Series I (PWF.PR.I)	First Preferred Shares, Series J (PWF.PR.J) <sup>(2)</sup>	First Preferred Shares, Series K (PWF.PR.K)	First Preferred Shares, Series L (PWF.PR.L)	First Preferred Shares, Series M (PWF.PR.M)	First Preferred Shares, Series O (PWF.PR.O)	First Preferred Shares, Series P (PWF.PR.P) <sup>(3)</sup>
<b>January 2010</b>							
<i>Intraday High (\$)</i>	25.15	26.38	21.79	22.20	27.59	24.90	--
<i>Intraday Low (\$)</i>	24.75	25.71	21.00	21.67	27.00	24.43	--
<i>Volume</i>	224,158	95,719	173,726	74,535	358,492	141,330	--
<b>February 2010</b>							
<i>Intraday High (\$)</i>	24.98	26.10	21.62	22.00	27.50	24.54	--
<i>Intraday Low (\$)</i>	24.76	25.80	20.51	21.11	27.05	24.20	--
<i>Volume</i>	602,840	345,317	138,454	110,551	357,263	104,621	--
<b>March 2010</b>							
<i>Intraday High (\$)</i>	24.95	26.00	20.89	21.48	27.98	24.40	--
<i>Intraday Low (\$)</i>	24.53	25.75	19.95	20.35	27.38	23.15	--
<i>Volume</i>	247,912	42,366	245,315	213,501	215,993	311,279	--
<b>April 2010</b>							
<i>Intraday High (\$)</i>	24.70	25.90	20.21	20.75	27.69	23.40	--
<i>Intraday Low (\$)</i>	23.07	25.20	18.80	19.65	26.16	22.20	--
<i>Volume</i>	226,694	396,615	313,662	231,266	216,500	335,553	--
<b>May 2010</b>							
<i>Intraday High (\$)</i>	24.06	25.85	19.49	20.03	26.60	23.00	--
<i>Intraday Low (\$)</i>	22.75	25.46	18.78	19.15	26.20	22.03	--
<i>Volume</i>	249,850	334,347	189,548	129,395	242,455	136,523	--
<b>June 2010</b>							
<i>Intraday High (\$)</i>	24.99	25.90	20.87	21.41	27.59	24.35	25.18
<i>Intraday Low (\$)</i>	23.59	25.54	19.43	19.98	26.40	22.95	24.85
<i>Volume</i>	218,987	203,343	201,512	86,241	189,660	69,562	723,792
<b>July 2010</b>							
<i>Intraday High (\$)</i>	25.15	25.80	21.10	21.70	27.35	24.65	25.94
<i>Intraday Low (\$)</i>	24.50	25.46	20.34	21.05	26.80	23.76	25.08
<i>Volume</i>	204,264	431,133	227,531	233,530	142,881	112,418	630,770
<b>August 2010</b>							
<i>Intraday High (\$)</i>	25.27	--	21.69	22.00	27.95	24.65	26.24
<i>Intraday Low (\$)</i>	24.90	--	20.80	21.55	27.25	24.33	25.50
<i>Volume</i>	325,141	--	196,458	107,041	69,942	77,227	349,211
<b>September 2010</b>							
<i>Intraday High (\$)</i>	25.90	--	22.63	23.20	27.90	25.25	26.50
<i>Intraday Low (\$)</i>	25.15	--	21.46	21.87	27.25	24.40	25.69
<i>Volume</i>	167,029	--	263,040	94,400	185,384	209,032	172,816
<b>October 2010</b>							
<i>Intraday High (\$)</i>	26.00	--	23.10	23.40	27.83	25.22	26.12
<i>Intraday Low (\$)</i>	25.32	--	22.31	22.70	27.10	24.85	25.50
<i>Volume</i>	156,511	--	276,434	59,595	107,004	146,582	165,899
<b>November 2010</b>							
<i>Intraday High (\$)</i>	26.17	--	23.69	23.90	27.82	25.61	26.35
<i>Intraday Low (\$)</i>	25.02	--	22.54	23.03	27.25	24.92	25.65
<i>Volume</i>	202,844	--	231,499	202,385	285,541	266,365	399,899
<b>December 2010</b>							
<i>Intraday High (\$)</i>	25.63	--	23.26	23.51	27.74	25.40	25.94
<i>Intraday Low (\$)</i>	25.11	--	22.37	22.86	26.75	24.80	25.11
<i>Volume</i>	153,971	--	261,584	216,378	91,572	220,158	177,059

(1) The First Preferred Shares, Series C, were redeemed by the Corporation on October 31, 2010.

(2) The First Preferred Shares, Series J, were redeemed by the Corporation on July 30, 2010.

(3) The First Preferred Shares, Series P, commenced trading on June 29, 2010.

## DIRECTORS AND OFFICERS

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### DIRECTORS

The following table sets forth the full name, province or state and country of residence and principal occupations for each Director.

<b>Name and Province/State and Country of Residence</b>	<b>Director since</b>	<b>Principal Occupation</b>
J. Brian Aune British Columbia, Canada	May 2006	President of Alderwest Inc. since 2005 and previously, Chairman of St. James Financial Corporation from 1990 to 2005, both of which are private investment companies
Marc A. Bibeau Québec, Canada	May 2009	President and Chief Executive Officer of Beauward Shopping Centres Ltd., a privately owned company which develops, leases and operates real estate properties
André Desmarais Québec, Canada	May 1988	Co-Chairman of the Corporation and a Deputy Chairman, President and Co-Chief Executive Officer of Power
The Honourable Paul Desmarais Québec, Canada	February 1966	Chairman of the Executive Committee of Power
Paul Desmarais, Jr. Québec, Canada	April 1983	Co-Chairman of the Corporation and Chairman and Co-Chief Executive Officer of Power
Gérald Frère Hainaut, Belgium	May 1990	Managing Director of Frère-Bourgeois S.A., a financial group
Anthony R. Graham Ontario, Canada	May 2001	President and a Director of Wittington Investments, Limited, an investment management company
Robert Gratton Québec, Canada	December 1986	A Deputy Chairman of Power since May 2008; previously, Chairman of the Corporation from May 2005 to May 2008 and, prior thereto, President and Chief Executive Officer of the Corporation from May 1990 to May 2005

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## DIRECTORS AND OFFICERS

<b>Name and Province/State and Country of Residence</b>	<b>Director since</b>	<b>Principal Occupation</b>
V. Peter Harder Ontario, Canada	May 2009	Senior Policy Adviser to Fraser Milner Casgrain LLP, a law firm
The Right Honourable Donald F. Mazankowski Alberta, Canada	May 1996	Company Director
Raymond L. McFeetors Manitoba, Canada	May 2008	A Vice-Chairman of the Corporation and Chairman of the Board of Lifeco since May 2008; previously, President and Chief Executive Officer of Lifeco from May 2005 to May 2008 and, prior thereto, Co-President and Chief Executive Officer of Lifeco from April 2000 to May 2005
Jerry E.A. Nickerson Nova Scotia, Canada	May 1999	Chairman of the Board of H.B. Nickerson & Sons Limited, a management and holding company
R. Jeffrey Orr Québec, Canada	May 2005	President and Chief Executive Officer of the Corporation since May 2005; previously, President and Chief Executive Officer of IGM Financial from May 2001 to May 2005
Michel Plessis-Bélair Québec, Canada	May 1988	A Vice-Chairman of Power since January 2008; previously, Executive Vice-President and Chief Financial Officer of the Corporation and Vice-Chairman and Chief Financial Officer of Power until January 2008
Henri-Paul Rousseau Québec, Canada	May 2009	A Vice-Chairman of the Corporation and a Vice-Chairman of Power since January 2009; previously, President and Chief Executive Officer of the Caisse de dépôt et placement du Québec from May 2005 to May 2008 and, prior thereto, Chairman and Chief Executive Officer of the Caisse de dépôt et placement du Québec from September 2002 to April 2005
Louise Roy Québec, Canada	May 2010	Invited Fellow at CIRANO, the <i>Centre Interuniversitaire de Recherche en Analyse des Organisations</i> and President of the <i>Conseil des Arts de Montréal</i>

## DIRECTORS AND OFFICERS

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<b>Name and Province/State and Country of Residence</b>	<b>Director since</b>	<b>Principal Occupation</b>
Raymond Royer Québec, Canada	December 1986	Company Director; previously, President and Chief Executive Officer of Domtar Corporation, a pulp and paper company, from 1996 until December 31, 2008
Amaury de Seze Paris, France	May 2010	A Vice-Chairman of the Corporation since May 2010; previously, a Director and a Vice-Chairman of Power until May 2010 and Chairman of PAI partners, a management company of private equity funds, from 1998 until 2007
Emőke J.E. Szathmáry Manitoba, Canada	May 1999	President Emeritus, University of Manitoba since July 2008; previously, President and Vice-Chancellor of the University of Manitoba from 1996 to 2008

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All Directors were elected as Directors at the Annual and Special Meeting of Shareholders held on May 12, 2010, to hold office until the close of the next annual meeting of shareholders.

## OFFICERS OTHER THAN THOSE REFERRED TO ABOVE

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<b>Name and Province/State and Country of Residence</b>	<b>Principal Occupation</b>
Philip K. Ryan Québec, Canada	Executive Vice-President and Chief Financial Officer since January 2008; previously, Chairman of Credit Suisse's Financial Institutions Group (UK) from 2005
Edward Johnson Québec, Canada	Senior Vice-President, General Counsel and Secretary
Arnaud Vial Québec, Canada	Senior Vice-President
Denis Le Vasseur Québec, Canada	Vice-President and Controller
Stéphane Lemay Québec, Canada	Vice-President, Assistant General Counsel and Associate Secretary
Richard Pan Québec, Canada	Vice-President; previously, an Executive Director at Goldman Sachs International (UK) in the Global Natural Resources Group and the UK Advisory Group

## DIRECTORS AND OFFICERS

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<b>Name and Province/State and Country of Residence</b>	<b>Principal Occupation</b>
Luc Reny Québec, Canada	Vice-President
Isabelle Morin Québec, Canada	Treasurer since April 2006; previously, Financial Planning Director of Cogeco Inc., a Canadian cable operator, from November 2005

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## VOTING SECURITIES

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The aggregate number of shares of the corporations set forth below and percentages of each class of voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised, by all Directors and officers of Power Financial as a group<sup>(1)</sup>, as at December 31, 2010, are:

<b>Name</b>	<b>Number of shares</b>	<b>Percentage</b>
<b>Power Financial</b>		
Common Shares	478,448,573	67.6
<b>Lifeco</b> <sup>(2)</sup>		
Common Shares	689,092,761	72.7
<b>IGM Financial</b> <sup>(2)</sup>		
Common Shares	157,344,480	60.6
<b>PFE</b> <sup>(2)</sup>		
Common Shares	582,748	100.0

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(1) The Honourable Paul Desmarais and associates own or control 61.2 per cent of the votes attached to the voting securities of Power. Power in turn controls 66.1 per cent of the voting shares of Power Financial, which in turn controls directly or indirectly 65.0 per cent and 60.5 per cent of the voting shares of Lifeco and IGM Financial, respectively.

(2) Held by Power Financial, directly or indirectly.

The foregoing includes voting securities owned by companies controlled, directly or indirectly, by Directors and officers of Power Financial.

## COMMITTEES

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The CBCA and securities legislation require the Corporation to have an Audit Committee. The Corporation also appoints an Executive Committee, a Compensation Committee, a Related Party and Conduct Review Committee and a Governance and Nominating Committee.

The membership of the Audit Committee is set forth below. The members of the Executive Committee are André Desmarais, The Honourable Paul Desmarais, Paul Desmarais, Jr., The Right Honourable Donald F. Mazankowski, R. Jeffrey Orr and Raymond Royer. The members of the Compensation Committee are Gérald Frère, V. Peter Harder and Raymond Royer. The members of the Related Party and Conduct Review Committee are Gérald Frère, V. Peter Harder and Raymond Royer. The members of the Governance and Nominating Committee are André Desmarais, The Honourable Paul Desmarais, Paul Desmarais, Jr., Anthony R. Graham and Raymond Royer.

### AUDIT COMMITTEE

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#### Audit Committee's Charter

The charter of the Audit Committee is attached as Appendix A to this Annual Information Form.

#### Composition of Audit Committee

The members of the Audit Committee are Mr. Marc A. Bibeau, Mr. Jerry E.A. Nickerson, Mr. Raymond Royer and Dr. Emőke J.E. Szathmáry. Each member of the Audit Committee is independent (as defined in National Instrument 52-110 – *Audit Committees*) and none receives, directly or indirectly, any compensation from Power Financial other than for service as a member of the Board of Directors and its committees. All members of the Audit Committee are financially literate (as defined under National Instrument 52-110 – *Audit Committees*). In considering the criteria for determining financial literacy, the Board examines the ability of a director to read and understand a balance sheet, an income statement and a cash flow statement of a financial institution.

#### Relevant Education and Experience of Audit Committee Members

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is as follows:

**Mr. Bibeau** is President and Chief Executive Officer, since 1996, of Beauward Shopping Centres Ltd., a privately owned company which develops, leases and operates real estate properties. He previously held a number of other positions with that company. Mr. Bibeau is a Director of IGM Financial, Investors Group Inc. and Mackenzie since May 2009. He was previously a Director of Lifeco, Great-West Life, London Life, CLFC, Canada Life and Crown Life until May 2009. He graduated from Bishop's University with a Bachelor of Business Administration. He has been a member of the Corporation's Audit Committee since May 2009 and is also a member of the Audit Committee of other Power Financial group companies, including IGM Financial and Investors Group Inc.

## AUDIT COMMITTEE

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**Mr. Nickerson** is Chairman of the Board of H.B. Nickerson & Sons Limited, a management and holding company based in North Sydney, Nova Scotia. He is a Director of Power and of several Power Financial group companies in North America, including Lifeco, Great-West Life, GWL&A, London Life, CLFC, Canada Life, Crown Life and Putnam. He has also served on the boards of various organizations, federal and provincial Crown corporations, and other public and private companies. He holds a Bachelor of Commerce degree from Dalhousie University. He has been a member of the Corporation's Audit Committee since May 2009. He is also a member of the Audit Committee of several Power Financial group companies, including Lifeco, Great-West Life, GWL&A, London Life, CLFC, Canada Life, Crown Life and Putnam. He was the Chairman of the Lifeco Audit Committee from 1994 to 2009 and is also a former Chairman of the Audit Committees of Great-West Life, GWL&A, London Life, Canada Life and Putnam.

**Mr. Royer** is a company Director. He was, from 1996 to 2008, the President and Chief Executive Officer of Domtar Corporation, a pulp and paper company based in Montréal. He was previously President and Chief Operating Officer of Bombardier Inc. He holds a Master of Commerce, Bachelor in Civil Law and a Master of Accountancy Degrees from the University of Sherbrooke. He is a Fellow of the Québec Order of Chartered Accountants, a member of the Barreau du Québec and a member of the Canadian Bar Association. He is a Director and the Chairman of the Audit Committee of several Power Financial group companies, including Lifeco, Great-West Life, London Life, CLFC, Canada Life, Crown Life and Putnam. He is also a Director of GWL&A. Mr. Royer is also a Director of Power's newspaper subsidiary Gesca ltée. He was a Director of Domtar Corporation until 2009, of Shell Canada Limited until 2007, of Ballard Power Systems Inc. until 2002 and of National Bank of Canada until 2000. He is a member of the Board of the McGill University Health Centre and of the International Advisory Board of École des hautes études commerciales of Montréal. He has been a member of the Power Financial Audit Committee since 1989 and its Chairman since 1991.

**Dr. Szathmáry** is President Emeritus of the University of Manitoba since July 2008, and a Professor in the Departments of Anthropology and of Biochemistry and Medical Genetics. From 1996 to 2008, she was President and Vice-Chancellor of the University of Manitoba, a member of its Board of Governors and a member of the Board's Audit Committee and a member of the Finance, Administration and Human Resources Committee. In the course of her administrative duties at the University, she was accountable for monitoring and communicating financial information with respect to the University's annual budget, including its trust and endowment funds. She was also a member of the committee that is responsible for the University's endowments, which oversees the professional investment managers of these funds. Dr. Szathmáry was previously Provost and Vice-President (Academic) at McMaster University in Hamilton and, prior thereto, Dean of the Faculty of Social Science at the University of Western Ontario in London. She has been a member of the Corporation's Audit Committee since 1999. She is also a Director of Power and has been a member of its Audit Committee since 2002. She is a Director of several other Power group companies including Lifeco, Great-West Life, London Life, CLFC, Canada Life and Crown Life. She also serves on the Board of Directors of the International Institute for Sustainable Development and of several national and provincial educational, research and philanthropic not-for-profit organizations. She has received the Lieutenant Governor's Medal for Excellence in Public Administration in Manitoba as well as five Honorary Doctorates. Dr. Szathmáry is a Fellow of the Royal Society of Canada and is a member of the Order of Canada and the Order of Manitoba.

## AUDIT COMMITTEE

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### Pre-Approval Policies and Procedures

The Audit Committee has adopted a Policy Regarding Pre-approval of Services Provided by the External Auditor (the "Policy"). The Policy sets out audit services that are pre-approved by the Committee, outlines prohibited non-audit services and sets out a pre-approved list of permitted non-audit services. The pre-approved list of permitted non-audit services is to be reviewed and pre-approved periodically and certain other non-audit services must be approved on a case-by-case basis by the Audit Committee. The Policy further requires that the external auditor implement its own policies and procedures to provide that prohibited services are not provided and that permitted services are pre-approved before an engagement is accepted.

### Auditor's Fees

Deloitte & Touche LLP has served as Power Financial's auditing firm since Power Financial's inception. Fees payable by Power Financial for the years ended December 31, 2010 and December 31, 2009 to Deloitte & Touche LLP and its affiliates were \$1,143,000 and \$913,977, respectively. Fees payable by Lifeco are described in the section entitled "Audit Committee Information" of Lifeco's Annual Information Form dated February 10, 2011 and fees payable by IGM Financial are described in the section entitled "Audit Committee" of IGM Financial's Annual Information Form dated March 23, 2011.

Fees payable by Power Financial to Deloitte & Touche LLP and its affiliates in 2010 and 2009 are disclosed below:

	Years ended December 31	
	2010	2009
Audit Fees*	\$766,000	\$818,179
Audit-Related Fees	\$123,000	\$50,115
Tax Fees	\$254,000	\$45,683
Other Fees	Nil	Nil
<b>TOTAL</b>	<b>\$1,143,000</b>	<b>\$913,977</b>

\*During the financial year ended December 31, 2010, Deloitte & Touche LLP provided audit services to subsidiary entities of the Corporation, other than Lifeco and IGM Financial, for additional fees in the amount of \$13,000 (2009 - \$15,000).

The nature of each category of fees is described below.

### Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the annual financial statements of Power Financial and its wholly owned subsidiaries or services provided in connection with statutory and regulatory filings or engagements. In addition, audit fees included the cost of translation of various continuous disclosure documents of the Corporation.

## **AUDIT COMMITTEE**

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### **Audit-related Fees**

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and are not reported under the audit fees item above. These services consisted of:

- Special attest services not required by statute or regulation;
- International Financial Reporting Standards transition support services; and
- Other accounting consultations.

### **Tax Fees**

Tax fees were paid for tax compliance services and assistance with various other tax related questions.

### **Procedures for Complaints**

In accordance with National Instrument 52-110 – *Audit Committees*, the Corporation has established procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters. Persons wishing to utilize such procedures may contact the Senior Vice-President, General Counsel and Secretary of the Corporation at 751 Victoria Square, Montréal, Québec H2Y 2J3.

## **TRANSFER AGENT AND REGISTRAR**

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The transfer agent and registrar for Power Financial is Computershare Investor Services Inc. Its principal offices are in Toronto and Montréal.

## **EXPERTS**

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Power Financial's auditor is Deloitte & Touche LLP. Deloitte & Touche LLP is independent with respect to the Corporation within the meaning of the Code of Professional Conduct of the *Ordre des Comptables Agréés du Québec*.

## **ADDITIONAL INFORMATION**

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Additional information relating to Power Financial may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Information including Directors' and officers' remuneration and indebtedness, principal holders of Power Financial's securities, stock options and interests of insiders in material transactions is, where applicable, contained in its latest Management Proxy Circular. Additional financial information is provided in the financial statements for the year ended

## **ADDITIONAL INFORMATION**

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December 31, 2010 and the accompanying Management's Discussion and Analysis of Operating Results dated March 10, 2011, which have been filed on SEDAR.

Lifeco and IGM Financial, the major direct and indirect subsidiaries of Power Financial, are reporting issuers under Canadian securities legislation. Lifeco and IGM Financial are subject to the same continuous disclosure obligations as Power Financial. These obligations include the requirement to file annual and interim financial statements, material change reports and copies of material contracts. Investors who wish to do so may view such documents under the respective company profiles at [www.sedar.com](http://www.sedar.com).

## APPENDIX A

### POWER FINANCIAL CORPORATION

#### AUDIT COMMITTEE CHARTER

##### 1.0 PURPOSE AND COMPOSITION

The purpose of the Audit Committee (the “Committee”) of Power Financial Corporation (the “Corporation”) is to assist the Board of Directors in reviewing:

- (1) the Corporation’s financial disclosure;
- (2) the qualifications and independence of the Corporation’s external auditor; and
- (3) the performance of the external auditor.

The Committee of the Corporation shall be composed of not less than three directors of the Corporation, all of whom shall be *independent* and *financially literate* within the meaning of the Canadian Securities Administrators National Instrument 52-110.

##### 2.0 PROCEDURAL MATTERS

In connection with the discharge of its duties and responsibilities, the Committee shall observe the following procedures:

- (1) **Meetings.** The Committee shall meet at least four times every year, and more often if necessary, to discharge its duties and responsibilities hereunder.
- (2) **Advisors.** The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay, at the Corporation’s expense, the compensation of such advisors.
- (3) **Quorum.** A quorum at any meeting of the Committee shall be two Committee members.
- (4) **Secretary.** The Chairman, or any person appointed by the Chairman, shall act as secretary of meetings of the Committee.
- (5) **Calling of Meetings.** A meeting of the Committee may be called by the Chairman of the Committee, by the Chairman of the Board, by the external auditor of the Corporation, or by any member of the Committee. When a meeting of the Committee is called by anyone other than the Chairman of the Board, the Chairman of the Committee shall so inform the Chairman of the Board forthwith.

## AUDIT COMMITTEE CHARTER

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### 3.0 DUTIES AND RESPONSIBILITIES

#### 3.1 **Financial Disclosure.** The Committee shall:

- (1) unless otherwise determined by the Board, approve the Corporation's:
  - (a) interim management's discussions and analyses (pursuant to delegation of authority by the Board).
- (2) review the Corporation's:
  - (a) interim and annual financial statements;
  - (b) annual management's discussions and analyses;
  - (c) interim and annual earnings press releases; and
  - (d) other documents containing audited or unaudited financial information, at its discretion;

and report thereon to the Board of Directors (the "*Board*") before such documents are approved by the Board and disclosed to the public;
- (3) be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the disclosure provided by the financial statements, management's discussions and analyses and earnings press releases, and shall periodically assess the adequacy of those procedures.

#### 3.2 **External Audit.** The Committee shall:

- (1) recommend to the Board the external auditor to be appointed for purposes of preparing or issuing an auditor's report or performing other audit, review or attest services;
- (2) review the terms of the external auditor's engagement, the appropriateness and reasonableness of proposed audit fees, and any issues relating to the payment of audit fees, and make a recommendation to the Board with respect to the compensation of the external auditor;
- (3) review the independence of the external auditor, including an annual report prepared by the external auditor regarding its independence;
- (4) meet with the external auditor and with management to review the audit plan, audit findings, and any restrictions on the scope of the external auditor's work;
- (5) review with the external auditor and management any changes in Generally Accepted Accounting Principles that may be material to the Corporation's financial reporting;

## AUDIT COMMITTEE CHARTER

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- (6) have the authority to communicate directly with the external auditor;
- (7) require the external auditor to report directly to the Committee;
- (8) directly oversee the work of the external auditor that is related to the preparation or issue of an auditor's report or other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (9) meet with the external auditor to discuss the annual financial statements (including the report of the external auditor thereon) and the interim financial statements (including the review engagement report of the external auditor thereon);
- (10) review any management letter containing the recommendations of the external auditor, and the response and follow up by management in relation to any such recommendations;
- (11) review any evaluation of the Corporation's internal control over financial reporting conducted by the external auditor, together with management's response;
- (12) pre-approve (or delegate such pre-approval to one or more of its independent members) in accordance with a pre-approval policy, all engagements for non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor, together with all non-audit services fees, and consider the impact of such engagements and fees on the independence of the external auditor;
- (13) review and approve the Corporation's hiring policy regarding partners, employees and former partners and employees of the present and former external auditor;
- (14) in the event of a change of auditor, review and approve the Corporation's disclosure relating thereto.

3.3 **Financial Complaints Handling Procedures.** The Committee shall establish procedures for:

- (1) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
- (2) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

3.4 **In-Camera Sessions.** The Committee shall periodically meet in-camera alone, and meet separately with each of the external auditor and management, as the Committee deems appropriate.

## AUDIT COMMITTEE CHARTER

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### 3.5 Subsidiaries.

- (1) With respect to any Material Operating Subsidiary in the corporate ownership chain between the Corporation and any Direct Subsidiary, the Committee shall review the financial statements of that Material Operating Subsidiary.
- (2) With respect to any Direct Subsidiary:
  - (a) the Committee shall rely on the review and approval of the financial statements of the Direct Subsidiary by the audit committee and the board of directors of the Direct Subsidiary, and on reports or opinions of the external auditor on those financial statements;
  - (b) the Committee shall receive a copy of the charter of the Direct Subsidiary's audit committee, together with a memorandum summarizing its meeting processes and structure ("*Process Memorandum*"); and
  - (c) at each meeting of the Committee, the secretary of the Committee shall table a report from the secretary of the Direct Subsidiary's audit committee confirming that the processes mandated by its charter and Process Memorandum have been followed.
- (3) For these purposes:
  - (a) "*Material Operating Subsidiary*" means an operating subsidiary whose net income represents 10% or more of the net income of the Corporation; and
  - (b) "*Direct Subsidiary*" means the first Material Operating Subsidiary entity below the Corporation in a corporate ownership chain that has an audit committee which is comprised of a majority of independent directors.

### 4.0 AUDITOR'S ATTENDANCE AT MEETINGS

The external auditor shall be entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard at any meeting of the Committee. If so requested by a member of the Committee, the external auditor shall attend every meeting of the Committee held during the term of office of the external auditor.

### 5.0 ACCESS TO INFORMATION

The Committee shall have access to any information, documents and records that are necessary in the performance of its duties and the discharge of its responsibilities under this Charter.

### 6.0 REVIEW OF CHARTER

The Committee shall periodically review this Charter and recommend any changes to the Board as it may deem appropriate.

## **AUDIT COMMITTEE CHARTER**

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### **7.0 REPORTING**

The Chairman of the Committee shall report to the Board, at such times and in such manner, as the Board may from time to time require and shall promptly inform the Chairman of the Board of any significant issues raised during the performance of the functions as set out herein, by the external auditor or any Committee member, and shall provide the Chairman of the Board copies of any written reports or letters provided by the external auditor to the Committee.