

Form 62-103F1

Required Disclosure under the Early Warning Requirements

Item 1 – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

This report relates to the common shares (“**Common Shares**”) of Power Financial Corporation (“**PFC**”). PFC’s head office is located at 751 Square Victoria, Montreal, Quebec H2Y 2J3.

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Not applicable.

Item 2 – Identity of the Acquiror

2.1 State the name and address of the acquiror.

Power Corporation of Canada (“**PCC**”).

PCC is a diversified international management and holding company with interests in companies in the financial services, asset management, sustainable and renewable energy, and other business sectors in North America, Europe and Asia. PCC exists under the *Canada Business Corporations Act* and its head office is located at 751 Square Victoria, Montreal, Quebec H2Y 2J3.

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

On December 12, 2019, PCC and PFC entered into a definitive agreement to effect a reorganization transaction (the “**Reorganization**”), pursuant to which each Common Share held by holders of Common Shares other than PCC and certain of its affiliates, will be exchanged for 1.05 subordinate voting shares of PCC (“**PCC Shares**”) and \$0.01 in cash. PCC expects the Reorganization to be completed in February 2020.

As of December 13, 2019, PCC beneficially owns 425,402,926 Common Shares representing approximately 64% of the issued and outstanding Common Shares. In connection with the Reorganization, PCC will acquire 238,693,580 Common Shares, based on the number of Common Shares outstanding as of the date hereof, such that, immediately following the effective time of the Reorganization, PCC will beneficially own 664,096,506 Common Shares, representing 100% of the issued and outstanding Common Shares. Upon completion of the Reorganization, PFC’s First Preferred Shares will remain shares of PFC and listed on the Toronto Stock Exchange (the “**TSX**”) following the completion of the Reorganization

and PFC's 6.9% debentures due March 11, 2033 will remain outstanding as obligations of PFC.

The implementation of the Reorganization is subject to the approval at the PFC special meeting of holders of Common Shares ("**Shareholders**") to be held in connection with the Reorganization by at least two-thirds of the votes cast by Shareholders present in person or by proxy and in accordance with the minority approval requirement of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), by a majority of the votes cast by Shareholders other than PCC and certain of its related parties (as such term is defined in MI 61-101). Completion of the Reorganization is also subject to certain customary conditions, including the approval of the Ontario Superior Court of Justice (Commercial List) and certain regulatory approvals.

The Reorganization is further described in a press release issued jointly by PCC and PFC on December 13, 2019 and available under each of PCC's and PFC's profiles on SEDAR.

2.3 State the names of any joint actors.

171263 Canada Inc. is a wholly-owned subsidiary of PCC and is deemed to be a joint actor of PCC under applicable securities laws.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror's securityholding percentage in the class of securities.

See Item 2.2.

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.

See Item 2.2.

3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

See Item 2.2.

3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

- (a) **the acquiror, either alone or together with any joint actors, has ownership and control,**

See Item 2.2.

- (b) **the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and**

Not applicable.

- (c) **the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

- 3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.**

Not applicable.

- 3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.**

Not applicable.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

See Item 2.2.

Item 4 – Consideration Paid

4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.

Pursuant to the Reorganization, each Common Share held by Shareholders, other than PCC and certain of its affiliates, will be exchanged for 1.05 PCC Shares and \$0.01 in cash. Based on the closing price of the PCC Shares on the TSX on December 12, 2019, Canada expects the aggregate value of the consideration it will pay pursuant to the Reorganization to be approximately \$8.0 billion (including the issuance of up to approximately 250.6 million PCC Shares).

4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.

See Item 4.1.

4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.

See Item 2.2.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;**
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;**
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;**
- (f) a material change in the reporting issuer's business or corporate structure;**

- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;**
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;**
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;**
- (j) a solicitation of proxies from securityholders;**
- (k) an action similar to any of those enumerated above.**

The Reorganization is intended to simplify the PCC group's corporate structure.

PCC expects that the Common Shares will be delisted from the TSX promptly following the completion of the Reorganization. PFC's First Preferred Shares will remain shares of PFC and listed on the TSX following the completion of the Reorganization and PFC's 6.9% debentures due March 11, 2033 will remain outstanding as obligations of PFC. As a result of such securities remaining outstanding, PCC currently anticipates that PFC will remain a reporting issuer in each of the provinces and territories of Canada.

Following completion of the Reorganization, PCC intends to redeem up to an aggregate of \$350 million of PCC's and PFC's First Preferred Shares with available cash.

See also, Item 2.2.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

Not applicable.

Item 7 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

See Item 2.2 and Item 5.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Canada relies on Part 5 of National Instrument 62-103 in respect of aggregation relief relating to any securities that may be held by Great-West Lifeco Inc. and its subsidiaries, IGM Financial Inc. and its subsidiaries, and any investment fund managed by entities within the Power Corporation of Canada group of companies.

Item 9 - Certification

Certificate

I, as the agent filing this report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

DATED December 16, 2019.

POWER CORPORATION OF CANADA

By: (Signed) “*Stéphane Lemay*”
Name: Stéphane Lemay
Title: Vice-President, General Counsel, and
Secretary