

Form 62-103F1

Required Disclosure under the Early Warning Requirements

State if the report is filed to amend information disclosed in an earlier report. Indicate the date of the report that is being amended.

This report is filed to update information disclosed in earlier reports dated December 30, 2015 and March 6, 2018 (the “Previous Reports”).

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.

Participating Preferred Shares of Power Corporation of Canada (“PCC”).

The name and address of the head office of PCC is as follows:

Power Corporation of Canada
751 Victoria Square
Montréal, Québec 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. See Item 2.2, below.

Item 2 – Identity of the Acquiror

2.1 State the name and address of the acquiror.

Desmarais Family Residuary Trust (the “Trust”)
759 Square Victoria
Montréal, Québec H2Y 2J7

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 13, 2019, PCC and Power Financial Corporation (“PFC”) announced the execution of a definitive agreement to effect a reorganization transaction (the “Transaction”) pursuant to which each common share of PFC held by holders of PFC common shares other than PCC, will be exchanged for 1.05 Subordinate Voting Shares of PCC and \$0.01 in cash.

In accordance with the pre-emptive right (the “Pre-Emptive Right”) in favour of holders of Participating Preferred Shares included in PCC’s articles, PCC will make an offer to holders of Participating Preferred Shares allowing them to acquire, on a pro rata basis, such number of Participating Preferred Shares that is equal to 12.0% of the number of PCC Subordinate Voting Shares proposed to be issued pursuant to the Transaction for a

consideration per share that is equal to the stated capital amount per share for which the Subordinate Voting Shares are to be issued.

The Trust (through Pansolo (as defined below)) intends to acquire, and has agreed with PCC and PFC to acquire, pursuant to exercise of the Pre-Emptive Right, between 5 million and 6 million Participating Preferred Shares.

2.3 State the names of any joint actors.

The Trust exercises control over Pansolo Holding Inc. (“Pansolo”) which, directly and indirectly, currently owns, in aggregate, 48,697,962 Participating Preferred Shares of PCC and 48,363,392 Subordinate Voting Shares of PCC.

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, above and item 3.4, below.

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 3.1, above.

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.

Immediately before and after the triggering of the requirement to file this report (and without giving effect to the Transaction or acquisition of any shares under the Pre-Emptive Right), the Trust exercises control over Pansolo which, directly and indirectly, owns 48,697,962 Participating Preferred Shares and 48,363,392 Subordinate Voting Shares of PCC, representing 99.68% and 12.81%, respectively, of the outstanding shares of such classes and 61.81% and 22.76%, respectively, of the votes associated with, and quantity of, the total outstanding shares of PCC.

Assuming Pansolo acquires between 5 million and 6 million Participating Preferred Shares upon exercise of the Pre-Emptive Right, and no other holders of Participating Preferred Shares acquire any Participating Preferred Shares under the Pre-Emptive Right, Pansolo would own between 53,697,962 and 54,697,962 Participating Preferred Shares and the Trust’s securityholding percentage of Participating Preferred Shares would increase from 99.68% to approximately 99.71%.

The Trust and Pansolo will not directly or indirectly acquire any Subordinate Voting Shares of PCC in the Transaction and, as a result, if the Transaction is implemented the Trust’s

securityholding percentage of the outstanding Subordinate Voting Shares will be reduced immediately following completion of the Transaction. It is expected that, following the foregoing transactions, the Trust (through Pansolo) will control, directly or indirectly Subordinate Voting Shares and Participating Preferred Shares representing in aggregate 50.2% to 50.6% of the total votes of all PCC voting shares to be outstanding.

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 Items 3.1 and 3.4, above.

- (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**

See items (b), (d) and (g) in the Previous Report dated December 30, 2015 with respect to the Trust's shared control with Paul Desmarais Jr. over 15,000,000 Subordinate Voting Shares and with André Desmarais over 14,000,000 Subordinate Voting Shares.

- (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.

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.**

Not applicable.

Item 4 – Consideration Paid

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

The Pre-Emptive Right provides that Participating Preferred Shares acquired thereunder are to be issued for a consideration per share that is equal to the stated capital amount per share for which the Subordinate Voting Shares are to be issued in the Transaction.

- 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, above.

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

Not applicable.

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.**

See item 2.2, above. Participating Preferred Shares acquired pursuant to exercise of the Pre-Emptive Right will be acquired for investment purposes. The Trust may, from time to time, directly or indirectly, take such actions in respect of holdings in securities of PCC as it may deem appropriate, in light of the circumstances then existing, including the purchase of additional Participating Preferred Shares or Subordinate Voting Shares or the disposition of all or a portion of its direct or indirect shareholdings in PCC, subject in each case to applicable securities laws and the terms of such securities.

If the Transaction is implemented, PCC would become the owner of all of the common shares of PFC. The joint announcement of the Transaction by PCC and PFC also stated that (i) PCC's strategy will emphasize financial services, including the businesses of PFC and the investment platform businesses of PCC, (ii) following completion of the Transaction, PCC and PFC intend to redeem an aggregate of \$350 million of their respective First Preferred Shares with available cash, (iii) Paul Desmarais Jr. and André Desmarais have decided to retire as Co-Chief Executive Officers of PCC, and will maintain their positions as Chairman and Deputy Chairman, respectively, of PCC's board of directors, (iv) the PCC board of directors has indicated that it will appoint R. Jeffrey Orr, current President and Chief Executive Officer of PFC, as President and Chief Executive Officer of PCC upon completion of the Transaction, and (v) the board of directors of PCC has stated that, following the Transaction, it intends to increase the quarterly dividend paid to holders of Subordinate Voting Shares and Participating Preferred Shares to 44.75 cents per share and move forward the regular quarterly payment dates by approximately two months, commencing with the dividends to be paid in the second quarter of 2020.

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.

See the Previous Reports. In connection with the Transaction, Pansolo has entered into a voting and support agreement (the "Voting and Support Agreement") dated December 12, 2019 with PCC and PFC. Under the Voting and Support Agreement, Pansolo has agreed to (i) vote shares of PCC beneficially owned by it, or over which it has control or direction, in favour of, and/or provide written consent to, the proposed Transaction and the issuance of Subordinate Voting Shares by PCC in connection therewith and/or, if required, the issuance of additional Participating Preferred Shares by PCC under the Pre-Emptive Right, and (ii) subject to certain conditions, purchase between 5 million and 6 million Participating Preferred Shares of PCC upon exercise of the Pre-Emptive Right.

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 items 2.1, 3.1 and 6, above.

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.

Not applicable.

Item 9 – Certification

The acquiror must certify that the information is true and complete in every respect. In the case of an agent, the certification is based on the agent's best knowledge, information and belief but the acquiror is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his authorized representative.

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

I, as the acquiror, certify, or 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 this 13th day of December, 2019.

THE DESMARAIS FAMILY RESIDUARY TRUST

By: (signed) "Paul Desmarais Jr."

Paul Desmarais Jr.
Trustee

By: (signed) "André Desmarais"

André Desmarais
Trustee