

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

Short Form Prospectus

New Issue

September 29, 2005



POWER FINANCIAL  
CORPORATION

**\$250,000,000**

**(10,000,000 shares)**

**4.95% Non-Cumulative First Preferred Shares, Series K**

The 4.95% Non-Cumulative First Preferred Shares, Series K (the “Series K First Preferred Shares”) will be entitled to fixed non-cumulative preferential cash dividends, if, as and when declared by the Board of Directors, at a rate equal to \$1.2375 per share per annum. The initial dividend, if declared, will be payable January 31, 2006, and will be \$0.39329 per share, based upon an anticipated issue date of October 7, 2005. Thereafter, dividends will be payable quarterly at a rate of \$0.309375 per share. Certain provisions relating to the Series K First Preferred Shares are summarized under “Details of the Offering”.

On and after October 31, 2010, Power Financial Corporation (“Power Financial” or the “Corporation”) may, on not less than 30 nor more than 60 days’ notice, redeem for cash the Series K First Preferred Shares in whole or in part, at the Corporation’s option, at \$26.00 per share if redeemed prior to October 31, 2011, \$25.75 if redeemed on or after October 31, 2011 and prior to October 31, 2012, \$25.50 if redeemed on or after October 31, 2012 and prior to October 31, 2013, \$25.25 if redeemed on or after October 31, 2013 and prior to October 31, 2014 and \$25.00 if redeemed on or after October 31, 2014, in each case together with all declared and unpaid dividends to but excluding the date of redemption. See “Details of the Offering”.

The Toronto Stock Exchange has conditionally approved the listing of the Series K First Preferred Shares. Listing is subject to the Corporation fulfilling all the listing requirements of such Exchange on or before December 21, 2005.

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

**Price: \$25.00 per share to yield 4.95%**

|  | <u>Price to Public</u> | <u>Underwriters’ Fee (1)</u> | <u>Net Proceeds to the Corporation (1)(2)</u> |
|--|------------------------|------------------------------|---|
| Per Series K First Preferred Share . . . . . | \$25.00                | \$0.75                       | \$24.25                                       |
| Total . . . . .                              | \$250,000,000          | \$7,500,000                  | \$242,500,000                                 |

- (1) The Underwriters’ fee is \$0.25 for each Series K First Preferred Share sold to certain institutions and \$0.75 for all other Series K First Preferred Shares which are sold. The Underwriters’ fee set forth in the table assumes that no Series K First Preferred Shares are sold to such institutions.  
(2) Before deduction of the expenses of this issue, estimated at \$300,000, which together with the Underwriters’ fee will be paid from the general funds of the Corporation.

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

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. A book-entry only certificate representing the Series K First Preferred Shares distributed hereunder will be issued in registered form only to The Canadian Depository for Securities Limited (“CDS”) or its nominee and will be deposited with CDS on the closing of this offering. The closing is expected to occur on or about October 7, 2005, but in any case no later than November 7, 2005.

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### DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the Annual Information Form of the Corporation dated March 22, 2005, including documents incorporated by reference therein;
- (b) the interim unaudited consolidated comparative financial statements of the Corporation as at and for the three- and six-month periods ended June 30, 2005;
- (c) the interim Management's Discussion and Analysis of Operating Results of the Corporation for the three- and six-month periods ended June 30, 2005;
- (d) the audited consolidated comparative financial statements of the Corporation as at and for the year ended December 31, 2004 and the report of the auditors thereon;
- (e) the Management's Discussion and Analysis of Operating Results of the Corporation for the year ended December 31, 2004; and
- (f) the Management Proxy Circular dated March 22, 2005 with respect to the Annual Meeting of Shareholders of the Corporation held on May 9, 2005.

All documents of the type referred to above, as well as material change reports (other than confidential material change reports), filed by the Corporation with the securities regulatory authorities in Canada after the date of this short form prospectus and prior to the termination of the offering made hereby shall be deemed to be incorporated by reference into this short form prospectus.

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents so incorporated by reference may be obtained on request without charge from the Secretary of Power Financial Corporation, 751 Victoria Square, Montréal, Québec H2Y 2J3 (Telephone: 514-286-7430). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of this permanent information record may be obtained from the Secretary of the Corporation at the same address and telephone number. Copies may also be obtained through the internet at [www.SEDAR.com](http://www.SEDAR.com).

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a**

**statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.**

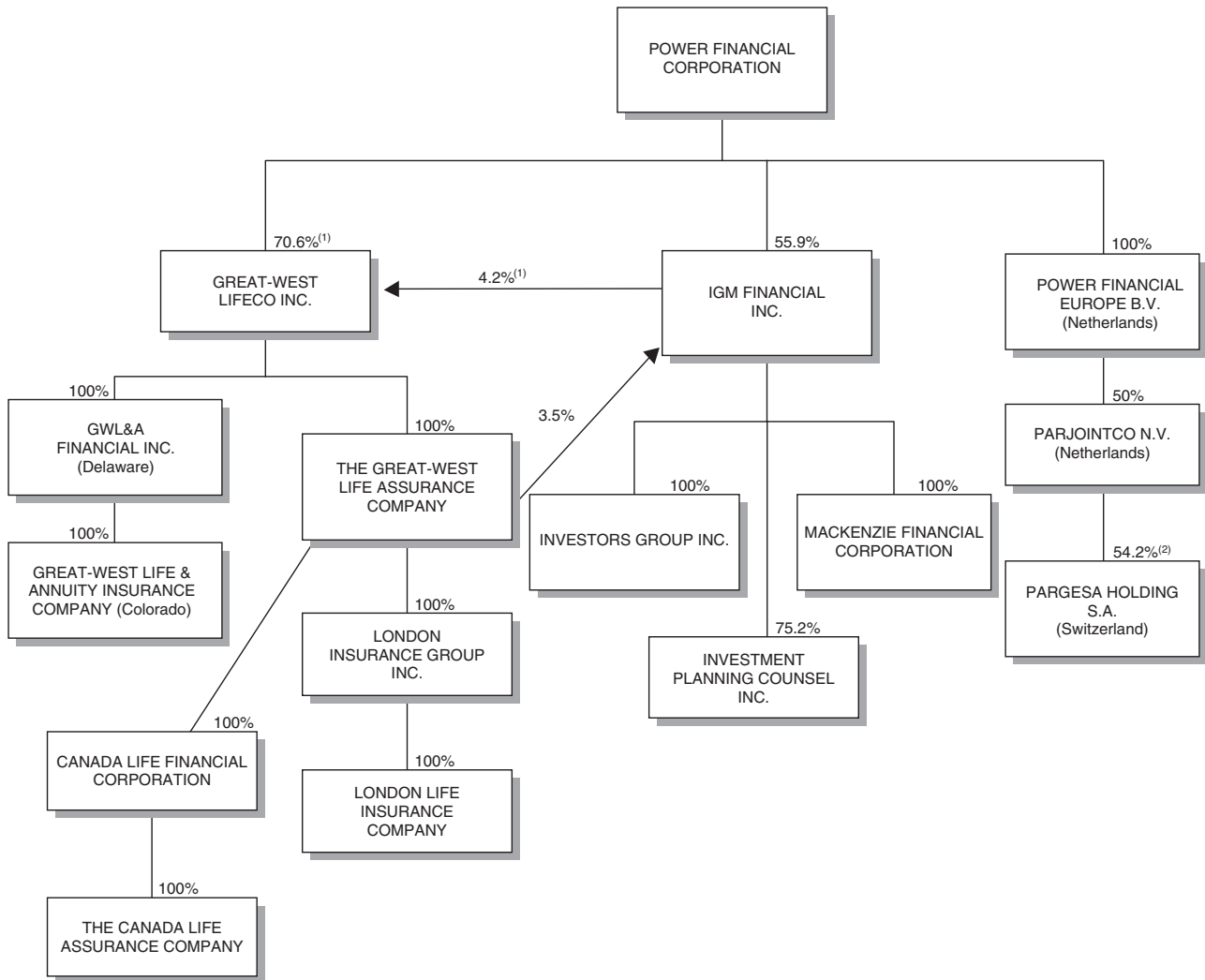
### **FORWARD-LOOKING INFORMATION**

This prospectus may contain forward-looking statements about the Corporation or its subsidiaries and affiliate including their business operations, strategy and expected financial performance and condition. 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”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Corporation or its subsidiaries and affiliate, economic factors, and the industries in which they operate generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Corporation or its subsidiaries and affiliate due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, and the Corporation’s or its subsidiaries and affiliate’s ability to complete strategic transactions and integrate acquisitions. The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Corporation has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

## POWER FINANCIAL CORPORATION

### Intercorporate Relationships

The following chart summarizes Power Financial's corporate structure at June 30, 2005, including selected subsidiaries and affiliate. Unless otherwise specified below, all companies were incorporated in Canada. The indicated percentages represent holdings of common shares.



(1) Power Financial's combined direct and indirect voting interest in Lifeco is approximately 65 per cent.

(2) 61.4 per cent voting interest.

## **General**

Power Financial is a diversified management and holding company that has interests, directly or indirectly, in companies that are active in the financial services sector in Canada, the United States and Europe and, through its indirect investment in Pargesa Holding S.A. (“Pargesa Holding”), has substantial holdings in a group of major media and entertainment, energy, water, waste services and specialty minerals companies based in Europe. Power Financial’s head and registered office is located at 751 Victoria Square, Montréal, Québec, H2Y 2J3.

Power Financial owns a controlling interest in each of Great-West Lifeco Inc. (“Lifeco”) and IGM Financial Inc. (“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, Power Financial Europe B.V. (“Power Financial Europe”), which in turn holds a 50% interest in Parjointco N.V. (“Parjointco”), Power Financial has a significant interest in the Pargesa group. Both Power Financial Europe and Parjointco are corporations incorporated under the laws of the Netherlands.

At June 30, 2005, Power Financial controlled, directly and indirectly, approximately 74.8% of the outstanding common shares of Lifeco, representing approximately 65.0% of the voting rights attached to all the outstanding Lifeco voting shares. At June 30, 2005, Power Financial also controlled, directly and indirectly, 59.4% of the outstanding common shares of IGM Financial.

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

Lifeco is a financial services holding company with interests in the life insurance, health insurance, investment and retirement savings and reinsurance businesses, primarily in Canada, the United States and Europe. Its major operating subsidiaries are The Great-West Life Assurance Company (“Great-West Life”) and London Life Insurance Company (“London Life”) in Canada, The Canada Life Assurance Company (“Canada Life”) in Canada and Europe, and Great-West Life & Annuity Insurance Company (“GWL&A”) in the United States. As of June 30, 2005, Lifeco and its subsidiaries had approximately \$170 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 and their subsidiaries. However, Lifeco is not restricted to investing in those companies, and may make other investments in the future.

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

Great-West Life owns all of the common shares of London Insurance Group Inc. (“LIG”), a company continued under the *Canada Business Corporations Act*. LIG owns all of the voting shares of London Life. Great-West Life owns all the common shares of Canada Life Financial Corporation, which in turn owns all of the common shares of Canada Life. Each of Great-West Life, London Life and Canada Life are Canadian insurance companies governed by the *Insurance Companies Act* (Canada). Great-West Life also owned at June 30, 2005, 9.2 million common shares (representing 3.5%) of IGM Financial.

Great-West Life, 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. Together, Great-West Life, London Life, Canada Life and their subsidiaries serve the financial security needs of 12 million people across Canada.

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

GWL&A is a leader in providing self-funded employee health plans for businesses and in meeting the retirement income needs of employees in the public/non-profit and corporate sectors. Headquartered in Denver, Colorado, GWL&A serves its customers nationwide through a range of health care and financial products and services marketed through brokers, consultants and group representatives, and through marketing partnerships with other financial institutions.

### **IGM Financial Inc.**

IGM Financial is one of Canada's premier financial services companies and Canada's largest manager and distributor of mutual funds and other managed asset products. Its activities are carried out principally through its subsidiaries Investors Group Inc. ("Investors Group"), Mackenzie Financial Corporation ("Mackenzie") and Investment Planning Counsel Inc. ("Investment Planning Counsel"), which offer their own distinctive products and services through separate advice channels encompassing at June 30, 2005 over 34,000 consultants and independent financial advisers. As at June 30, 2005, IGM Financial owned all of the outstanding common shares of Investors Group; indirectly, all of the outstanding common shares of Mackenzie; and 75.2% of the outstanding common shares of Investment Planning Counsel.

As at June 30, 2005, IGM Financial had \$87.5 billion in combined mutual fund assets under management. At that same date, IGM Financial held 37.8 million common shares (representing 4.2%) of Lifeco.

### ***Investors Group Inc.***

Investors Group, through a network of 3,537 consultants nationwide (at June 30, 2005), offers comprehensive financial planning advice and services to its clients, including investment, retirement, tax and estate planning. Through its Symphony Strategic Investment Planning™ approach, Investors Group offers clients a full range of investment products, including 144 mutual funds as well as insurance, securities, banking and mortgage products and services.

### ***Mackenzie Financial Corporation***

Mackenzie is a multi-faceted investment management company, which was founded in 1967. Mackenzie's core business activity is the manufacturing, marketing and management of mutual funds, which are sold through relationships with more than 30,000 independent financial advisers across Canada. Mackenzie also provides management services to institutional accounts and provides trust and administrative services.

### ***Investment Planning Counsel Inc.***

Investment Planning Counsel is the fifth largest financial planning firm in Canada with close to 600 financial planners, and had mutual fund assets under management of \$1.7 billion (Counsel Group of Funds Inc.) and total assets under management and administration of \$8.3 billion at June 30, 2005.

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

At June 30, 2005, Power Financial Europe held a 50% interest in Parjointco, which held a 61.4% voting interest and a 54.2% equity interest in Pargesa Holding of Geneva, Switzerland. At such date, Pargesa Holding held a 50.0% voting and a 48.1% equity interest in Groupe Bruxelles Lambert S.A. ("GBL") of Brussels, Belgium. The Pargesa group holds significant interests in a selected number of European companies, either through Pargesa Holding or through GBL. At June 30, 2005, such interests consisted principally of a 25.1% interest in Bertelsmann AG, a company with leading positions in the global media and entertainment industries; a 3.7% interest in Total S.A., an international oil, gas and petrochemical group; a 7.2% interest in Suez S.A. ("Suez"), a leading energy, water and waste services company; and a 53.2% interest in Imerys S.A., a leading company in specialty minerals.

In August 2005, Suez announced its intention to buy all the shares of Electrabel, the Belgian power company, that it did not already own through a cash and share offer. In order to compensate for the dilution that would result from the transaction, GBL purchased in the market additional Suez shares for approximately €250 million (which had the effect to temporarily bring GBL's equity interest in Suez to approximately 8.0%). GBL also intends to subscribe for approximately €200 million of Suez shares in order to finance part of the transaction, which investment is expected to maintain GBL's pro rata interest in Suez.

## **USE OF PROCEEDS**

The net proceeds from the sale of the Series K First Preferred Shares offered hereunder will amount to approximately \$242,200,000 after deducting the Underwriters' fee (assuming no sales of Series K First Preferred Shares to certain institutions) and estimated expenses of the issue. Such fee and expenses will be paid out of the general funds of the Corporation. The net proceeds of this offering will be used by the Corporation to supplement its financial resources, to repay the Corporation's \$150 million principal amount of 7.65% debentures when they mature on January 5, 2006 and for general corporate purposes.

## PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement dated as of September 23, 2005 between the Corporation and BMO Nesbitt Burns Inc., Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc. and National Bank Financial Inc. as underwriters, the Corporation has agreed to sell and the Underwriters have severally agreed to purchase, as principals, subject to compliance with all necessary legal requirements and to the terms and conditions contained therein, on October 7, 2005 or such other date not later than November 7, 2005 as may be agreed upon by the parties (the "Closing Date"), all but not less than all of the 10,000,000 Series K First Preferred Shares at an aggregate price of \$250,000,000, payable to the Corporation.

In consideration for their services in connection with this offering, the Corporation has agreed to pay the Underwriters a fee equal to \$0.25 per Series K First Preferred Share sold to certain institutions and \$0.75 per share with respect to all other sales of Series K First Preferred Shares. Assuming that no Series K First Preferred Shares are sold to such institutions, the Underwriters' fee will be \$7,500,000. All fees payable to the Underwriters will be paid on account of services rendered in connection with the issue and will be paid out of the general funds of the Corporation.

The Underwriting Agreement provides that the Underwriters may, at their discretion, terminate their obligations thereunder upon the occurrence of certain stated events or if there should develop, occur or come into effect any occurrence of national or international consequence, or any action, government law or regulation, inquiry or other occurrence of any nature whatsoever which in the reasonable opinion of the Underwriters may materially adversely affect Canadian financial markets or the business, operations or affairs of the Corporation and its subsidiaries, taken together, and such event would be reasonably expected to have a significant adverse effect on the market price or value of the Series K First Preferred Shares. The Underwriters are, however, obligated to take up and pay for all the Series K First Preferred Shares if any Series K First Preferred Shares are purchased under the Underwriting Agreement.

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

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

The Toronto Stock Exchange has conditionally approved the listing of the Series K First Preferred Shares. Listing is subject to the Corporation fulfilling all the listing requirements of such Exchange on or before December 21, 2005.

## EARNINGS COVERAGE RATIOS

The Corporation's dividend requirements on all of its preferred shares, after giving effect to the issue of the Series K First Preferred Shares, and adjusted to a pre-tax equivalent using effective income tax rates of 25.2% and 25.1%, respectively, amounted to \$267 million and \$266 million for the 12 months ended December 31, 2004 and for the 12 months ended June 30, 2005, respectively. The Corporation's annualized interest requirements on long-term debt for the 12 months ended December 31, 2004 and for the 12 months ended June 30, 2005, after giving effect to the repayment of the Corporation's \$150 million principal amount of 7.65% debentures, amounted to \$256 million for each such period.

The Corporation's earnings before interest on long-term debt and dividends on preferred shares classified as liabilities, income tax and non-controlling interest for the 12 months ended December 31, 2004 was \$3,430 million, which is 6.6 times the aggregate dividend and interest on long-term debt requirements for this period. The

Corporation's earnings before interest on long-term debt and dividends on preferred shares classified as liabilities, income tax and non-controlling interest for the 12 months ended June 30, 2005 was \$3,574 million, which is 6.8 times the aggregate dividend and interest on long-term debt requirements for this period.

## **DETAILS OF THE OFFERING**

The authorized capital of the Corporation consists of an unlimited number of First Preferred Shares, an unlimited number of Second Preferred Shares and an unlimited number of common shares.

The First Preferred Shares of the Corporation may be issued in one or more series with such rights, privileges, restrictions and conditions as the Board of Directors of the Corporation designates. As of the date hereof, the Series A Floating Rate Cumulative Redeemable First Preferred Shares, the 5.20% Non-Cumulative First Preferred Shares, Series C, the 5.50% Non-Cumulative First Preferred Shares, Series D, the 5.25% Non-Cumulative First Preferred Shares, Series E, the 5.90% Non-Cumulative First Preferred Shares, Series F, the 5.75% Non-Cumulative First Preferred Shares, Series H, the 6.00% Non-Cumulative First Preferred Shares, Series I and the 4.80% Non-Cumulative First Preferred Shares, Series J are the only series of First Preferred Shares outstanding. The following is a summary of certain provisions of the First Preferred Shares as a class and of the Series K First Preferred Shares.

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

#### ***Priority***

With respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, the First Preferred Shares of each series rank on a parity with the First Preferred Shares of every other series and in priority to the Second Preferred Shares (although no Second Preferred Shares have yet been issued), the common shares and any other shares ranking junior to the First Preferred Shares. On such a distribution, the rights of the holders of the First Preferred Shares of each series will be subject to the prior satisfaction of all claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the First Preferred Shares.

#### ***Approval by First Preferred Shareholders***

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

#### ***Voting Rights***

The holders of First Preferred Shares of any series shall not be entitled to notice of or to attend or to vote at any meeting of the shareholders of the Corporation except as may be specifically provided in the provisions attaching to the First Preferred Shares of such series. At any meeting of shareholders at which, notwithstanding the foregoing, holders of the First Preferred Shares are required or entitled by law to vote separately as a class, each holder of a First Preferred Share of any series thereof shall be entitled to cast, in respect of each such share held, that number of votes as is equal to the quotient obtained by dividing the total number of dollars which were received by the Corporation as consideration for the issue of all outstanding shares of such series by the number of such outstanding shares, provided that in respect of any such consideration denominated in a currency other than Canadian dollars, the Board of Directors of the Corporation shall determine the appropriate conversion rate of such currency to Canadian dollars in effect on the date of the issue of such shares and, based on such rate, the Canadian dollar equivalent of such consideration, and provided further that when such quotient is a fraction or a whole number plus a fraction, there shall be no right to vote in respect of such fraction.

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



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

### ***Dividends***

The holders of the Series K First Preferred Shares will be entitled to receive quarterly non-cumulative preferential cash dividends, if, as and when declared by the Board of Directors, on the last day of January, April, July and October in each year at a rate equal to \$0.309375 per share (\$1.2375 per share per annum). The initial dividend, if declared, will be payable on January 31, 2006 and will be \$0.39329 per share, assuming an issue date of October 7, 2005.

### ***Redemption by the Corporation***

The Series K First Preferred Shares will not be redeemable prior to October 31, 2010. Subject to the provisions of any shares of the Corporation ranking prior to or *pari passu* with the Series K First Preferred Shares, and to the provisions described under “Restrictions on Dividends and Retirement of Shares”, the Corporation may redeem at any time on or after October 31, 2010 all or from time to time any of the then outstanding Series K First Preferred Shares. Such redemption may be made upon payment in cash of the amount of \$26.00 per share if redeemed prior to October 31, 2011, \$25.75 if redeemed on or after October 31, 2011 and prior to October 31, 2012, \$25.50 if redeemed on or after October 31, 2012 and prior to October 31, 2013, \$25.25 if redeemed on or after October 31, 2013 and prior to October 31, 2014 and \$25.00 if redeemed on or after October 31, 2014, in each case together with an amount equal to all declared and unpaid dividends thereon to but excluding the date of redemption. The Corporation shall provide not less than 30 nor more than 60 days’ notice of such redemption to each holder of Series K First Preferred Shares to be redeemed.

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

### ***Purchase for Cancellation***

Subject to the provisions described under “Restrictions on Dividends and Retirement of Shares”, and subject to the provisions of any shares of the Corporation ranking prior to or *pari passu* with the Series K First Preferred Shares, the Corporation may at any time or times purchase for cancellation all or any part of the Series K First Preferred Shares at any price if the purchase is effected prior to October 31, 2010 and at a price per share not exceeding the redemption price at the time of purchase together with an amount equal to all declared and unpaid dividends to but excluding the date of purchase and the costs of purchase if effected on or after October 31, 2010.

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

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

- (i) declare or pay any dividends (other than stock dividends in shares ranking junior to the Series K First Preferred Shares) on the common shares or any other shares of the Corporation ranking junior to the Series K First Preferred Shares;
- (ii) except out of the net cash proceeds of an issue of shares ranking junior to the Series K First Preferred Shares, redeem or call for redemption or purchase or otherwise retire any common shares or other shares ranking junior to the Series K First Preferred Shares;
- (iii) redeem or call for redemption or purchase or otherwise retire or make any return of capital in respect of less than all of the Series K First Preferred Shares; or
- (iv) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching thereto, redeem or call for redemption or purchase or otherwise retire any shares ranking *pari passu* with the Series K First Preferred Shares;

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

### ***Voting Rights***

The holders of the Series K First Preferred Shares shall not be entitled to notice of or to attend or to vote at any meeting of the shareholders of the Corporation unless and until the Corporation shall at any time have failed to pay

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

### ***Rights on Liquidation***

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

### ***Modification of Series***

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

### ***Tax Election***

The provisions of the Series K First Preferred Shares as a series require the Corporation to make an election in prescribed form pursuant to the provisions of subsection 191.2(1) of the *Income Tax Act* (Canada), and within the time limits provided therein, for purposes of determining the tax payable under Part VI.1 of such Act with respect to the Series K First Preferred Shares. See "Certain Canadian Federal Income Tax Considerations".

## **RATINGS**

The Series K First Preferred Shares have been given a preliminary rating of Pfd-2 (high)n with a Stable trend by Dominion Bond Rating Service Limited ("DBRS"). Pfd-2 (high) is the fourth highest of sixteen ratings used by DBRS for preferred shares. Preferred shares with a Pfd-2 (high) rating are of satisfactory credit quality, and protection of dividends and principal is still substantial, but earnings, the balance sheet and coverage ratios are not as strong as Pfd-1 rated companies. The "n" designation is attached to all ratings for securities that are non-cumulative.

The Series K First Preferred Shares have been given a preliminary rating of P-1(Low) under its Canadian rating scale and A- under its global rating scale by Standard & Poor's Corporation ("S&P"). A P-1 (Low) rating is the third highest of eighteen ratings used by S&P in its Canadian national preferred share rating scale. Correspondingly, an A- rating is the seventh highest of twenty-two 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.

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.

### ELIGIBILITY FOR INVESTMENT

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

### CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Accordingly, prospective purchasers should consult their own tax advisors with respect to their particular circumstances.**

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

#### Dividends

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

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

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

A “private corporation”, as defined in the Act, or any other corporation controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Act on dividends received (or deemed to be received) on the Series K First Preferred Shares to the extent such dividends are deductible in computing its taxable income.

#### Dispositions

A Holder who disposes of or is deemed to dispose of Series K First Preferred Shares (including on a redemption) will generally realize a capital gain (or sustain a capital loss) to the extent that the Holder’s proceeds of disposition, net

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

Corporations that are "Canadian-controlled private corporations" as defined in the Act may be subject to an additional refundable  $6\frac{2}{3}\%$  tax on their "aggregate investment income" (which is defined in the Act to include an amount in respect of taxable capital gains but not dividends or deemed dividends deductible in computing taxable income).

### **Redemption**

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

### **EXPERTS**

Certain legal matters in connection with this offering will be passed upon by Blake, Cassels & Graydon LLP for the Corporation and by Ogilvy Renault LLP for the Underwriters. As of September 28, 2005, the partners and associates of Blake, Cassels & Graydon LLP as a group and the partners and associates of Ogilvy Renault LLP as a group, owned beneficially, directly or indirectly, less than one per cent of any class of securities of Power Financial or any of its associated or affiliated companies.

### **RISK FACTORS**

Investors should consider carefully the matters set forth in the sections entitled "Risk Factors" in the Corporation's Annual Information Form dated March 22, 2005 and the following investment considerations before making a decision to purchase Series K First Preferred Shares, as well as the other information in this short form prospectus and the documents incorporated by reference herein. These descriptions of risks do not include all possible risks, and there may be other risks of which the Corporation is not aware.

### **Holding Company Structure**

As a holding company, Power Financial's ability to pay interest and other operating expenses and dividends and to meet its obligations generally depends upon receipt of sufficient funds from its principal subsidiaries and its ability to raise additional capital. The likelihood that holders of the Series K First Preferred Shares will receive dividends will be dependent upon the financial position and creditworthiness of the principal subsidiaries and affiliate of Power Financial, referred to above under "Power Financial Corporation". The payment of interest and dividends by certain of these principal subsidiaries 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. In addition, the credit ratings assigned to, and the market value of, the securities of Power Financial may be affected by changes in the credit ratings assigned to securities of its subsidiaries.

### **Operational Risks**

The businesses conducted by Power Financial's principal subsidiaries and affiliate are subject to risks including but not limited to, competition from other businesses, dependence on key personnel and key suppliers and distributors,

reliance on information technology systems, investment performance, reinsurance risk and underwriting experience of morbidity, mortality and catastrophic risk, all of which could affect the financial results of Power Financial and the ability of Power Financial to meet its obligations.

In addition, the failure of subsidiaries and affiliates to obtain accurate and complete information from or on behalf of their customers could adversely affect Power Financial's financial results.

Power Financial may also be impacted by the ability of its subsidiaries and affiliate to complete strategic acquisitions and integrate acquisitions successfully, develop and introduce new products and services in a timely manner and respond effectively to technological changes.

### **Regulatory Environment**

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

### **General Economic Conditions**

Economic conditions may adversely affect the business of Power Financial's principal subsidiaries and affiliate. Power Financial may in particular be impacted by fluctuations in foreign exchange, inflation and interest rates, as well as consumer spending, government spending and monetary policies, business investment and the health of capital markets in Canada, the United States and Europe.

### **Unexpected Events**

A terrorist attack, natural or environmental disaster or domestic or international conflict may adversely affect the operations and financial results of Power Financial.

### **Series K First Preferred Shares**

The value of Series K First Preferred Shares will be affected by the general creditworthiness of Power Financial. Power Financial's Management's Discussion and Analysis of Operating Results for the year ended December 31, 2004 as well as Power Financial's Management's Discussion and Analysis of Operating Results for the three- and six-month periods ended June 30, 2005 are incorporated by reference in this section. These analyses discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on Power Financial's business, financial condition or results of operations. See also the discussion under "Earnings Coverage Ratios", which is relevant to an assessment of the risk that Power Financial will be unable to pay dividends on the Series K First Preferred Shares.

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

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

The Series K First Preferred Shares are non-cumulative and dividends are payable at the discretion of the Board of Directors of Power Financial. See "Details of the Offering" and "Earnings Coverage Ratios" which are relevant to an assessment of the risk that Power Financial will be unable to pay dividends on the Series K First Preferred Shares.

Stock market volatility may affect the market price of the Series K First Preferred Shares for reasons unrelated to Power Financial's performance.

There can be no assurance that an active trading market will develop for the Series K First Preferred Shares after the offering, or, if developed, that such market will be sustained at the offering price of the Series K First Preferred Shares.

### **BOOK-BASED SYSTEM**

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

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

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

### **REGISTRAR AND TRANSFER AGENT**

The registrar and transfer agent for the Series K First Preferred Shares will be Computershare Investor Services Inc. or its agent at its principal office in each of the cities of Montréal and Toronto.

### **PURCHASERS’ STATUTORY RIGHTS**

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

## **AUDITORS' CONSENT**

### **Power Financial Corporation**

We have read the short form prospectus of Power Financial Corporation ("Power Financial") dated September 29, 2005 relating to the issue and sale of 4.95% Non-Cumulative First Preferred Shares, Series K (the "Prospectus"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned Prospectus of our report to the shareholders of Power Financial on the consolidated balance sheets as at December 31, 2004 and 2003 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. Our report is dated March 18, 2005.

(Signed) DELOITTE & TOUCHE LLP

Montréal, Québec  
September 29, 2005

## CERTIFICATE OF THE CORPORATION

Dated: September 29, 2005

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities laws of all the provinces of Canada. For the purposes of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

By: (Signed) R. JEFFREY ORR  
President and Chief Executive Officer

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

On behalf of the Board of Directors

By: (Signed) ROBERT GRATTON  
Director

By: (Signed) PAUL DESMARAIS, JR.  
Director



## CERTIFICATE OF THE UNDERWRITERS

Dated: September 29, 2005

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities laws of all the provinces of Canada. For the purposes of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

BMO NESBITT BURNS INC.

SCOTIA CAPITAL INC.

By: (Signed) LUC BACHAND

By: (Signed) ERIC MICHAUD

CIBC WORLD MARKETS INC.

RBC DOMINION SECURITIES INC.

TD SECURITIES INC.

By: (Signed) CHARLES ST-GERMAIN

By: (Signed) FRANÇOIS GERVAIS

By: (Signed) MARC FORTIN

NATIONAL BANK FINANCIAL INC.

By: (Signed) DARIN DESCHAMPS



POWER FINANCIAL  
CORPORATION