

stake in Canadian Pacific Limited. The result was the complete elimination of the Corporation's long-term debt — an objective which was to remain central to its strategy from then on.

As the economy improved and earnings increased, Power was in an enviable position to build upon its core investments and look for new ones. It continued its practice of supporting its most successful subsidiaries, maintaining or increasing its positions in Investors Group, Great-West Life, Montreal Trust, Consolidated-Bathurst, and Pargesa, often as the result of new public offerings on their part. Indeed, directly or indirectly, Power Financial raised almost \$450 million in 1986 and early 1987, more than half of which remained in liquid resources.

Meanwhile, Power Corporation was expanding in other areas. In 1986 it acquired the Quebec and Ontario radio and TV stations of Katenac Holdings Ltd. and Prades Inc., which were later gathered into a new wholly owned subsidiary called Power Broadcasting. It also made an advantageous investment in Sutter Hill Ventures, a successful venture-capital limited partnership based in California. At the same time Power and Consolidated-Bathurst joined as equal partners in forming Power Consolidated (China) Pulp, which then bought a half-interest in a pulp mill in Castlegar, B.C., in an alliance with the Canadian subsidiary of the China International Trust and Investment Corporation (CITIC), the international investment arm of the People's Republic of China. This joint venture with CITIC, which represented its largest investment to date outside China, was to be the first of many, and it marked the special, ongoing relationship that Power Corporation had established with the government of China beginning in the late 1970s.

Power Corp. setting up company to integrate financial services units

By ROBERT GIBBINS
Globe and Mail Reporter

MONTRÉAL — Paul Desmarais, chairman of Power Corp. of Canada, Montreal, is putting the group's three major financial services holdings into a new company, Power Financial Corp., with the Caisse de Depot et Placement du Québec and two banks as partners.

The objective is to closely integrate Investors Group and Great-West Life Assurance Co., both of Winnipeg, and Montreal Trustco Inc. of Montreal, and merge their services with Pargesa Holding SA, a European-based investment-banking group with major interests in North America.

Power Corp. will own 80 per cent of Power Financial, also Québec Government's pension fund investment agency 15 per cent, the Royal Bank of Canada 15 per cent and the Bank of Nova Scotia 15 per cent.

The cause will put in

Power Financial as a group will offer a complete range of services to individuals and corporations, primarily in Canada, but also internationally. The move was to have been announced before last week's Montreal Trustco annual meeting, but was delayed.

Mr. Desmarais will be chairman and James Burns, president of Power Corp., will be president and chief executive. The board will include the chief executives of Investors Group, Great-West Life and Montreal Trustco, Robert Jones, Kevin Kavanagh and Robert Siratkin, respectively. The cause will have two seats on the board.

Mr. Desmarais, in a statement, said Power Financial will provide "an overall leading function to ensure that the group is mutually supportive, each company complementing the activities of the others, co-ordinating develop-

ment and distribution of competitive new products and services."

In effect, Power Corp. is responding to the emerging climate of deregulation and strengthening competition in the financial services arena. Other major players such as Toronto-based Imperial Ltd. have set up special holding companies to co-ordinate the operations of their financial services subsidiaries.

"For the cause, its holding in Power Financial will be a sound long-term investment," Mr. Burns said in a telephone interview. "But the cause and the banks will in effect be passive investors."

He said the new company will provide a means to bring together the strategic planning of all three financial services companies — on the national and international levels — and expansion will be sought

through acquisitions and development of new products.

Financial details of Power Financial will be available shortly as an offer is being made for minority public holdings in Investors Group.

Power Financial, already with 5.7 per cent of Montreal Trustco through an acquisition of 1.1 million treasury shares, will buy the Power Corp. holdings in Pargesa and Investors Group (including 66.2 per cent of Great-West Life and 40.4 per cent of Montreal Trustco).

In exchange, Power Corp. will receive 31.9 million Power Financial common shares and a \$14-million, non-interest-bearing note. The transaction is non-cashable. Funds from Power Financial's redemption of the note will be used by Power Corp. to reduce its debt by \$100-million.

Power Corp. has granted the cause an option to

buy one million of shares over the next three years at an option price of \$12.50 per share.

Power Corp. will have 300 million from 1986, to be reported in a separate report to the Trustco in 1987 and partly of the total of the total.

The total financial's investment in Great-West Life is about \$1.72 billion. Power Corp. will own 80 per cent of the investment, the Québec Government's pension fund investment agency 15 per cent, the Royal Bank of Canada 15 per cent and the Bank of Nova Scotia 15 per cent.

Création de Power Financial

Power Corp. est en voie de regrouper ses intérêts financiers et d'assurance dans un nouveau holding qui sera appelé Power Financial Corp. C'est ce qu'a annoncé hier M. Paul Desmarais, président du conseil d'administration et chef de l'exécutif de Power Corp. La Caisse de dépôt et placement du Québec, la Banque Royale du Canada et la Banque de Nouvelle-Ecosse deviendront également actionnaires de la nouvelle compagnie, qui aura son siège à Montréal. Power Financial détendra des actions et coordonnera l'exploitation de The Investors Group et de The Great West Life Assurance Co., les deux de Winnipeg et de Montreal Trustco Inc. de