

Management Changes - 1996 - 2000

On May 10, 1996, at the Corporation's annual meeting in Montreal, Paul Desmarais formally stepped aside as Chairman and CEO of Power Corporation. He continued to be Chairman of the Executive Committee and the controlling shareholder. Paul Desmarais, Jr. became Chairman



Paul Desmarais, Jr., left, and André Desmarais.

and Co-Chief Executive Officer, while André Desmarais became President and Co-Chief Executive Officer.

They didn't waste any time in putting their stamp on the Corporation. Power and Hollinger had continued to work closely together to solve the problems of Southam's declining circulations and heavy debt, but it had become increasingly clear that the company would benefit from a major restructuring of its assets and focused shareholder leadership. After a committee of independent directors rejected a proposal designed to accomplish both objectives, Power sold its entire stake in Southam to Hollinger in 1996 for \$294 million, a pre-tax gain of \$75.2 million. The proceeds were almost immediately applied toward the \$326-million purchase and cancellation of 17 million Power shares held by Paribas, an anti-dilutive move resulting in a 13.5-per-cent reduction in the number of Power's outstanding participating shares.

Then, in the second half of 1997, Great-West Lifeco, with the support of Power Financial and Investors Group, paid \$3 billion in cash and shares to buy 100 per cent of London Insurance Group, which in turn owned almost all of London Life

Insurance, a distinguished Canadian company with an outstanding reputation and the largest exclusive life insurance sales force in Canada. Though it was highly unusual for a Power group company to initiate an uninvited takeover, particularly in the wake of a formidable bid by the Royal Bank of Canada, the deal was a very important step in the group's growth. The merger introduced substantial marketing synergies and cost savings. It made Great-West Canada's largest life and health insurance company. And with over 7,000 financial representatives, the sales forces of Great-West Life, London Life and Investors Group became the Canadian industry's largest sales and advice network. Great-West Life & Annuity further expanded its market position in the United States in 1998 and 1999 by acquiring the group health businesses of