

concerns about the future of the pulp and paper industry, its global overcapacity, the weakening competitiveness of Canada's fibre supply, and the continual requirements for new capital expenditures, particularly related to environmental issues. The transaction was one of the largest business deals in Canadian history up to that time; Power's proceeds from the sale of its interest were \$1.022 billion.

Two months later, in March 1989, BCE Inc., the Montreal-based parent company of Bell Canada, offered \$547 million for Power Financial Corporation's shares of Montreal Trust. The offer was accepted, largely because of PFC's ongoing reservations about the ability of mid-sized deposit-takers such as Montreal Trust to compete successfully over the long run with Canada's enormous chartered banks.

Robert Gratton, who had been Montreal Trust's Chairman, President and Chief Executive Officer, subsequently joined Power Financial as President in 1989. He became its Chief Executive Officer in 1990. From 1982 to 1989, Mr. Gratton had led Montreal Trust through a period of substantial growth and a significant improvement in its financial performance.



Robert Gratton,
President and Chief
Executive Officer
of Power Financial
Corporation.

The Power group's share of pre-tax gains on these two transactions was in excess of one billion dollars, and Power Corporation itself was able to end the decade by declaring a special dividend of \$1 per share to the holders of its participating preferred and subordinate voting (previously called common) shares.

Going into the 1990s, cash-rich and debt-free, Power Corporation was prepared to seize new opportunities, but was in no rush to do so. "We have examined a number of investment proposals," it stated in March 1990, "but, due to the unsettled economic conditions that have existed, we have chosen not to commit a substantial amount of our funds to long-term investment at this time. We have invested our surplus funds in highly liquid money market instruments denominated principally in Canadian and United States dollars for the time being."

Not that there weren't some very important initiatives undertaken. In Europe, Power continued to increase its interest in Pargesa through Power Financial, which held 23 per cent of Pargesa's voting shares and equity by 1990. Pargesa and its affiliate Groupe Bruxelles Lambert (GBL) in turn held substantial positions in some 16 European financial, industrial, energy, and communications companies. Its equity interest in six different and diverse financial institutions represented 55 per cent of its net asset value. In August 1990 Power Financial and the Frère-Bourgeois group, which controlled an equal percentage of Pargesa, signed an agreement to