



**PACIFIC & WESTERN CREDIT CORP.  
MANAGEMENT PROXY CIRCULAR  
FOR COMMON SHAREHOLDERS**

Dated May 20, 2009

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**PACIFIC & WESTERN CREDIT CORP.  
MANAGEMENT PROXY CIRCULAR  
FOR THE SPECIAL MEETING OF COMMON SHAREHOLDERS  
to be held on Friday, June 26, 2009**

**SOLICITATION OF PROXIES BY MANAGEMENT**

**This Management Proxy Circular is furnished to common shareholders of Pacific & Western Credit Corp. (the “Corporation”) in connection with the solicitation of proxies by or on behalf of the management of the Corporation for use at the special meeting of the common shareholders (the “Shareholders”) of the Corporation (the “Meeting”). The information contained herein is current as of May 20, 2009, unless otherwise indicated. The Meeting will be held at the London Club, 177 Queens Avenue, London, Ontario, on Friday, June 26, 2009 at 10:00 a.m. (EDT) for the purposes set forth in the accompanying Notice of Meeting (the “Notice”). It is expected that the solicitation of proxies will be primarily by mail. Proxies may also be solicited personally or by telephone by officers and directors and other representatives of the Corporation, as the case may be. The cost of solicitation by or on behalf of management will be borne by the Corporation.**

**APPOINTMENT OF PROXIES**

The persons named in the enclosed form of proxy are directors and officers of the Corporation. **A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON, WHO NEED NOT BE A SHAREHOLDER, AS HIS OR HER NOMINEE TO ATTEND AND ACT FOR HIM OR HER AND ON HIS OR HER BEHALF AT THE MEETING, OTHER THAN THE PERSONS DESIGNATED IN THE ENCLOSED FORM OF PROXY.** This right may be exercised by inserting such person's name in the blank space provided in the form of proxy. Proxies are to be returned to Computershare Investor Services Inc. in accordance with the instructions provided on the form of Proxy.

**Registered Shareholders who plan to attend the Meeting and wish to vote their common shares (the “Shares”) in person at the Meeting should not complete or return the form of proxy. Their votes will be taken and counted at the Meeting. Such Shareholders are to register with the transfer agent, Computershare Investor Services Inc., upon their arrival at the Meeting.**

**ADVICE TO NON-REGISTERED HOLDERS**

**The information in this section is of significant importance to a substantial number of Shareholders who do not hold their Shares in their own name, but who hold their Shares through an intermediary (a bank, trust company, securities broker, trustee or other). Shareholders that do not hold their Shares in their own name are referred to in this document as Non-Registered Holders.**

Non-Registered Holders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Shares can be recognized and

acted upon at the Meeting. If Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Shares will not be registered in such Shareholder's name on the records of the Corporation. Such Shares will likely be registered in the name of the Shareholder's broker or an agent of that broker (intermediaries). Shares held by intermediaries can only be voted for or against resolutions upon the instructions of the Non-Registered Holder. Without specific instructions, intermediaries are prohibited from voting Shares for their clients. The directors and officers of the Corporation may not know for whose benefit the Shares registered in the name of intermediaries are held.

Intermediaries are required to seek instructions from Non-Registered Holders in advance of shareholder meetings. Every intermediary has its own mailing procedures and provides its own return instructions, which Non-Registered Holders should follow closely in order to ensure that their Shares are voted at the Meeting. A Non-Registered Holder may have received from the intermediary either a request for voting instructions or a form of proxy that is identical to the form of proxy provided to registered Shareholders. However, the purpose of the proxy is limited to instructing the intermediary how to vote on behalf of the Non-Registered Holder. **A NON-REGISTERED HOLDER THAT RECEIVES A PROXY FROM AN INTERMEDIARY CANNOT USE THAT PROXY TO VOTE SHARES DIRECTLY AT THE MEETING. The proxy must be returned to the intermediary well in advance of the Meeting in order to have the Shares voted.**

**A Non-Registered Holder who wishes to vote in person at the Meeting or have its nominee vote in person at the Meeting must provide the intermediary with the appropriate documentation in order to be appointed as proxyholder. A Non-Registered Holder should contact the intermediary to determine which documentation the intermediary requires in order for it or its nominee to be appointed proxyholder. ONLY AFTER THE INTERMEDIARY APPOINTS THE NON-REGISTERED HOLDER OR ITS NOMINEE AS A PROXYHOLDER CAN THAT NON-REGISTERED HOLDER OR ITS NOMINEE VOTE SHARES DIRECTLY AT THE MEETING.**

## **REVOCAION OF PROXIES**

A proxy is only valid at the Meeting in respect of which it is given or any adjournment thereof. A Shareholder may revoke a proxy:

- (a) by an instrument in writing executed by the Shareholder or by an attorney in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited:
  - (i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof; or
  - (ii) with the chair of the Meeting on June 26, 2009 or any adjournment of the Meeting;or
- (b) in any other manner permitted by law.

## **EXERCISE OF DISCRETION WITH RESPECT TO PROXIES**

**The Shares represented by proxies will be voted by the persons designated in the proxies in accordance with the direction of the Shareholders appointing them. In the event that no specifications are made in the proxies, the Shares represented by the proxies will be voted by the proxy nominees designated by management FOR the matter referred to in the Notice.**

The enclosed form of proxy confers a discretionary authority upon the named persons with respect to amendments and variations to matters identified in the Notice, and with respect to other matters that may properly come before the Meeting. At the time of the preparation of this Management Proxy Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. If, however, amendments, variations or other matters which are not now known to management of the Corporation should properly come before the Meeting, the Shares represented by proxies will be voted by the persons named in the form of proxy in accordance with their best judgement.

## **VOTING SECURITIES**

The aggregate number of Shares outstanding is 13,642,452. Each Shareholder present in person or represented by a proxy shall be entitled to one vote in respect of each Share held.

The directors have fixed May 25, 2009 as the record date for determining Shareholders entitled to receive notice of the Meeting. A person shown as a Shareholder of record on May 25, 2009 shall be entitled to vote the Shares of the Corporation registered in his or her name on that date, except to the extent that the person has transferred the ownership of any of his or her Shares after May 25, 2009 and the transferee of those Shares produces properly endorsed Share certificates or otherwise establishes that he or she owns such Shares and demands, not later than 10 days before the Meeting, that his or her name be included in the list of Shareholders entitled to receive notice of the Meeting, in which event the transferee shall be entitled to vote such Shares at the Meeting.

## **BUSINESS TO BE TRANSACTED AT THE MEETING**

### **1. AUTHORIZATION TO AMEND THE ARTICLES OF THE CORPORATION TO CREATE CLASS "B" PREFERRED SHARES**

The Articles of the Corporation currently provide that the Corporation is authorized to issue an unlimited number of common shares and an unlimited number of Class "A" Preferred Shares. Management believes that it is desirable to amend the Articles of the Corporation to also authorize the Corporation to issue an unlimited number of Class "B" Preferred Shares.

If the shareholders pass the special resolution authorizing the issuance of the Class "B" Preferred Shares, the holders of Class "B" Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, as and when declared by the board of directors of the Corporation, fixed subordinated cumulative dividends at the rate of \$2.25 per share per annum. Such dividends shall be paid quarterly on the last day of March, June, September and December in each year. Out of the

total dividend of \$2.25 per annum, per Class “B” Preferred Share, \$0.84 will be paid by the Corporation in cash with the remaining dividends to be paid by the Corporation in cash or common shares of the Corporation, at the Corporation’s sole discretion. Any such common shares would be issued at the current market price, as defined below.

The Class “B” Preferred Shares will be non-voting and will be subordinate to the Class “A” Preferred Shares with respect to the payment of dividends and the distribution of assets on dissolution, liquidation or winding-up. The Class “B” Preferred Shares will have preferential rights over the common shares with respect to the payment of dividends and the distribution of assets on dissolution, liquidation or winding-up.

The Class “B” Preferred Shares will be convertible, at any time, into common shares of the Corporation on the basis of five (5) common shares for each Class “B” Preferred Share. Upon conversion, all accrued and unpaid dividends, calculated to but excluding the date fixed for conversion, shall be payable by the Corporation in cash/common shares, in the manner described above with respect to dividends.

The Class “B” Preferred Shares will be redeemable by the Corporation, at its discretion, on or after June 30, 2014, but will be redeemed by the Corporation by no later than June 30, 2019, in each case for \$25.00 per Class “B” Preferred Share (the “Redemption Price”). Any Redemption Price would be paid by the Corporation in cash, and any accrued but unpaid dividends on the Class “B” Preferred Shares that are redeemed shall be payable by the Corporation in cash/common shares, in the manner described above with respect to dividends.

When calculating the “current market price” for any common shares issuable as dividends on the Class “B” Preferred Shares, the current market price will be the volume weighted average trading price of the common shares, calculated by dividing the total value by the total volume of common shares traded for the five trading days immediately preceding the seven trading days prior to a designated record, conversion or redemption date, as applicable.

The Toronto Stock Exchange has conditionally approved the listing of the Class “B” Preferred Shares, subject to a minimum of \$2,000,000 stated amount of Class “B” Preferred Shares being listed and receipt of the standard documentation.

The Articles will provide that the Corporation will elect, in the manner and within the time provided under the Income Tax Act (Canada) (the “Act”), under subsection 191.2(1) of Part VI.1 of the Act, or any successor or replacement provision of similar effect, and take all other necessary action under the Act, to pay tax at a rate such that no holder of the Class “B” Preferred Shares will be required to pay tax on dividends received (or deemed to be received) on the Class “B” Preferred Shares under section 187.2 of Part IV.1 of the Act or any successor or replacement provision of similar effect.

It is management’s view that the approval of such an amendment to the Articles will allow the Corporation to issue additional equity, thereby enabling the Corporation to grow, and is therefore in the best interests of the Corporation.

The Shareholders are being asked to pass a special resolution authorizing such amendment to the Articles of the Corporation, the text of which is attached to this Management Proxy Circular as Exhibit "A".

Unless direction to the contrary is given, the persons named in the enclosed form of proxy intend to vote FOR the special resolution amending the Articles of the Corporation to authorize the issuance of Class "B" Preferred Shares. This resolution requires the approval of at least two-thirds (2/3) of the votes cast at the Meeting.

Registered Shareholders of the Corporation who oppose the special resolution to amend the Articles of the Corporation to authorize the issuance of the Class "B" Preferred Shares may exercise dissent rights and receive the fair value of their Shares. See "Dissenting Shareholders' Rights".

2. AUTHORIZATION TO AMEND THE ARTICLES OF THE CORPORATION TO AMEND THE SHARE PROVISIONS ATTACHED TO THE CLASS "A" PREFERRED SHARES

Management believes that it is in the best interests of the Corporation to amend the Articles of the Corporation to authorize the Corporation to amend the share provisions attached to the Class "A" Preferred Shares.

If the Shareholders pass the special resolution authorizing the amendment to the Articles of the Corporation, the Class "A" Preferred Shares will be amended to provide that the Class "A" Preferred Shares may be converted, at the option of the holders, into Class "B" Preferred Shares, at a rate of 0.12 of a Class "B" Preferred Share for each Class "A" Preferred Share converted. The right to convert may only be exercised by the holders on or after July 1, 2009, and up to and including August 28, 2009. The effective date of the conversion of the Class "A" Preferred Shares will be August 31, 2009. Any accrued but unpaid dividends on the Class "A" Shares up to the effective date of any such conversion will be payable in cash by the Corporation within 10 days of such effective date.

The Corporation will not be required to issue fractional Class "B" Preferred Shares on the conversion of any Class "A" Preferred Shares. If any fraction of a Class "B" Preferred Share would otherwise be issuable on the conversion of any Class "A" Preferred Shares, such fraction will be deemed to be surrendered to the Corporation and cancelled without any payment to the holder of the Class "A" Preferred Shares.

The Shareholders are being asked to pass a special resolution authorizing such amendment to the Articles of the Corporation, the text of which is attached to this Management Proxy Circular as Exhibit "B".

Unless direction to the contrary is given, the persons named in the enclosed form of proxy intend to vote FOR the special resolution amending the Articles of the Corporation to amend the Class "A" Preferred Shares. This resolution requires the approval of at least two-thirds (2/3) of the votes cast at the Meeting.

Registered Shareholders of the Corporation who oppose the special resolution to amend the Articles of the Corporation to amend the terms of the Class “A” Preferred Shares may exercise dissent rights and receive the fair value of their Shares. See “Dissenting Shareholders' Rights”.

## **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a general summary of selected Canadian federal income tax considerations generally applicable to a Shareholder who is or is deemed to be resident in Canada, holds the Shares as capital property and exercises dissent rights as described in this Management Proxy Circular.

The conversion of the Class “A” Preferred Shares into Class “B” Preferred Shares will be deemed not to be a disposition and accordingly will not give rise to any capital gain or capital loss. The cost to a holder of Class “A” Preferred Shares of Class “B” Preferred Shares received on the conversion will be deemed to be equal to such holders adjusted cost base of the converted Class “A” Preferred Shares immediately before the conversion.

Dividends (including deemed dividends) received on the Class “B” Preferred Shares by an individual (other than certain trusts) will be included in the individual’s income and will 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) on the Class “B” Preferred Shares received by a corporation will be included in computing the corporation’s income and will generally be deductible in computing the taxable income of the corporation. The Class “B” Preferred Shares will be “taxable preferred shares” as defined in the *Income Tax Act* (the “Act”). The terms of the Class “B” Preferred Shares require the Corporation to make, and the Corporation will make, the necessary election under Part VI.1 of the Act so that corporate holders will not be subject to tax under Part IV.1 of the Act on dividends paid (or deemed to be paid) by the Corporation on the Class “B” Preferred Shares. A private corporation, as defined in the Act, and certain other corporations, will generally be liable to pay a 33 1/3% refundable tax under Part IV of the Act on dividends received (or deemed to be received) on the Class “B” Preferred Shares to the extent such dividends are deductible in computing its taxable income.

A Shareholder who validly exercises dissent rights as described in this Management Proxy Circular and is paid the fair value for Shares will be deemed to have received a taxable dividend (subject to the potential application of Subsection 55(2) of the Act to Shareholders that are corporations) equal to the excess of the amount paid by the Corporation for the Shares (not including any interest awarded by the court) over their paid-up capital for purposes of the Act. The difference between the amount paid by the Corporation for the Shares (not including any interest awarded by the court) and the amount of the deemed dividend would be treated as proceeds of disposition of such Shares for purposes of computing any capital gain or capital loss arising on the redemption of such Shares. Subsection 55(2) of the Act provides that where a Shareholder that is a corporation would otherwise be deemed to receive a dividend in the circumstances described above, all or part of the deemed dividend may be deemed not to be received as a dividend and instead may be treated as proceeds of disposition of the Shares for purposes of computing the Shareholder’s capital gain or capital loss. A Shareholder will be required to include in computing its income any interest awarded by a court in

connection with dissent rights.

**This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular Shareholder and no representations with respect to the tax consequences to any particular Shareholder are made. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, Shareholders should consult their own tax advisors having regard to their own particular circumstances.**

## **DISSENTING SHAREHOLDERS' RIGHTS**

Section 190 of the *Canada Business Corporations Act* (the “Act”) provides that a shareholder entitled to participate in a class or series vote in respect of a resolution to amend the Articles of the Corporation may dissent in respect thereof and be paid the fair value for his or her shares as set out in Section 190 of the Act. The dissenting shareholders' rights set out below are those available under the Act in respect of the proposed resolution.

Section 190 of the Act provides that a holder of shares of the Corporation entitled to participate in a class or series vote on the proposed resolution may dissent in respect thereof. A dissenting shareholder becomes entitled, if and when the action approved by the resolution from which he dissents becomes effective, to have purchased by the Corporation the shares in respect of which the Shareholder dissents held by such shareholder at the fair value thereof determined as of the close of business on the day before the resolution was adopted. Notwithstanding the foregoing, no payment may be made to a dissenting shareholder if there are reasonable grounds for believing that the Corporation is, or would after the payment, be unable to pay its liabilities as they become due or the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities.

To exercise such dissenting rights, a dissenting shareholder must send to the Corporation, at Suite 2002-140 Fullarton St., London, Ontario, N6A 5P2, a written objection to the resolution at or before the Meeting. The exercise of a proxy does not constitute a written objection for the purposes of Section 190 of the Act. Within 10 days after the shareholders have adopted the resolution, the Corporation is obliged to send to each shareholder who has filed such objection with the Corporation, a notice that such resolution has been so adopted. Within 20 days after the receipt of the aforesaid notice, a dissenting shareholder is required to send to the Corporation a written notice setting out his name, address, the number and class of shares in respect of which he dissents and a demand of repayment at the fair value of such shares. A dissenting shareholder may only claim dissenting rights with respect to all shares held by him on behalf of any one beneficial owner and registered in the name of the dissenting shareholder. In addition, no later than the 30<sup>th</sup> day after such shareholder has sent his or her notice demanding payment at fair value, the dissenting shareholder must send the certificate(s) representing the shares in respect of which he or she has dissented to the Corporation. Thereafter, the Corporation must endorse on any such share certificate(s) so received a notice that the holder is a dissenting shareholder under Section 190 of the Act and forthwith thereafter return the share certificate(s) to the dissenting shareholder. Failure by a dissenting shareholder to comply with the foregoing requirements will disentitle the dissenting shareholder from making a claim under Section 190 of the Act.

In addition, the Corporation shall send, not later than 7 days after the later of the day on which the action approved by the resolution is effective or the day on which the Corporation receives demand for payment of fair value, a written offer to pay for such shares an amount considered by the directors of the Corporation to be the fair value thereof accompanied by a statement as to how the fair value was determined or, if applicable, a notification that it is unable lawfully to pay dissenting shareholders for their shares. The Corporation is to pay for the shares of a dissenting shareholder within 10 days after such an offer has been accepted but any such offer lapses if the Corporation does not receive acceptance thereof within thirty days after the offer has been made.

In the event that the Corporation fails to make an offer to pay for the shares or if a dissenting shareholder fails to accept such an offer, the Corporation may within fifty days after the action approved by resolution is effective or within such further period as a court may allow, apply to the court to fix the fair value for the shares of such dissenting shareholder. The Act provides that, in addition, a dissenting shareholder may also apply to the court within a further period of twenty days or within such further period as a court may allow, if the Corporation fails to do so.

The Corporation must give notice to each dissenting shareholder before making any court application setting out the date, place and consequences of the court application and that any dissenting shareholder has the right to appear and be heard in person or by counsel. The court is required to fix the fair value for the shares of the dissenting shareholder(s). Reference is made to the full text of rights of dissenting shareholders set out in Section 190 of the Act and the foregoing summary is subject to the express provisions thereof.

#### **ADDITIONAL INFORMATION**

Additional information about the Corporation is available at SEDAR at [www.sedar.com](http://www.sedar.com).

#### **DIRECTORS' APPROVAL**

The contents and the sending of this Management Proxy Circular have been approved by the Board of Directors.

By Order of the Board of Directors



Barbara Hale  
Vice President, General Counsel and Corporate Secretary  
May 20, 2009  
London, Ontario

EXHIBIT "A"

**SPECIAL RESOLUTION OF THE COMMON SHAREHOLDERS  
OF  
PACIFIC & WESTERN CREDIT CORP.  
(the "Corporation")**

**RE: Amendment to the Articles of the Corporation to create Class "B" Preferred Shares**

**BE IT RESOLVED THAT:**

1. An amendment to the Articles of the Corporation to authorize the Corporation to issue an unlimited number of Class "B" Preferred Shares, with such characteristics as described in the Management Proxy Circular for common shareholders of the Corporation dated May 20, 2009, is hereby approved.
2. Any officer of the Corporation be and such officer is hereby authorized and empowered, acting for, in the name of and on behalf of the Corporation, to execute and deliver all such documents and to do all such other acts and things as he or she may determine to be necessary or advisable in order to fulfill the intent of the foregoing paragraph of this resolution including, without limitation, the filing of Articles of Amendment, in duplicate, with the Director under the *Canada Business Corporations Act*, the execution of any such document or the doing of such other act or thing being conclusive evidence of such determination.
3. Notwithstanding the passage of this special resolution by shareholders voting thereon, the directors are authorized to revoke or abandon this special resolution, without any further approval of shareholders, at any time prior to the filing of the Articles of Amendment.

EXHIBIT "B"

**SPECIAL RESOLUTION OF THE COMMON SHAREHOLDERS  
OF  
PACIFIC & WESTERN CREDIT CORP.  
(the "Corporation")**

**RE: Amendment to the Articles of the Corporation to amend the Class "A" Preferred Shares**

**BE IT RESOLVED THAT:**

1. An amendment to the Articles of the Corporation to amend the terms of Class "A" Preferred Shares to provide that the Class "A" Preferred Shares may be converted, at the option of the holders, into Class "B" Preferred Shares, at a rate of .12 of a Class "B" Preferred Shares for each Class "A" Share converted is hereby approved.
2. Any officer of the Corporation be and such officer is hereby authorized and empowered, acting for, in the name of and on behalf of the Corporation, to execute and deliver all such documents and to do all such other acts and things as he or she may determine to be necessary or advisable in order to fulfill the intent of the foregoing paragraph of this resolution including, without limitation, the filing of Articles of Amendment, in duplicate, with the Director under the *Canada Business Corporations Act*, the execution of any such document or the doing of such other act or thing being conclusive evidence of such determination.
3. Notwithstanding the passage of this special resolution by shareholders voting thereon, the directors are authorized to revoke or abandon this special resolution, without any further approval of shareholders, at any time prior to the filing of the Articles of Amendment.