



PACIFIC & WESTERN CREDIT CORP.

**Notice of Annual Meeting of
Shareholders**

and

Management Proxy Circular

Thursday, March 24, 2011

Toronto, Ontario



**PACIFIC & WESTERN CREDIT CORP.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
MARCH 24, 2011**

TAKE NOTICE that the Annual Meeting of Shareholders (the “Meeting”) of PACIFIC & WESTERN CREDIT CORP. (the “Corporation”) will be held at the Toronto Stock Exchange Broadcast & Conference Centre, Gallery, The Exchange Tower, 130 King St. W., Toronto, Ontario, on Thursday March 24, 2011, at 10:00 a.m. for the following purposes:

1. to receive the financial statements for the fiscal year ended October 31, 2010 and the report of the auditors thereon;
2. to elect directors for the ensuing year;
3. to appoint auditors for the ensuing year and to authorize the directors of the Corporation to fix their remuneration; and
4. to transact such further other business as may properly come before the Meeting or any adjournment thereof.

Particulars of the matters referred to above are set forth in the accompanying Management Proxy Circular.

NOTICE: Registered Shareholders are encouraged to complete the form of proxy and return it to Computershare Investor Services Inc. in accordance with the instructions provided in the proxy, whether or not you plan to attend the Meeting.

If you have received this Notice of Meeting and the Management Proxy Circular from your broker or another intermediary, we encourage you to complete and return the voting instruction form provided to you by your broker or other intermediary in accordance with the instructions provided with such form.

Failure to submit your forms by 10:00 a.m. (EDT) on March 22, 2011 may result in your shares being ineligible to be voted at the Meeting. Your vote is important!

DATED at the City of London, in the Province of Ontario, this 26th day of January, 2011.

By order of the Board of Directors

A handwritten signature in black ink, appearing to read 'Richard M.D. Vanlerberghe'.

Richard M.D. Vanlerberghe
General Counsel and Corporate Secretary



MANAGEMENT PROXY CIRCULAR

All information is as of January 26, 2011 unless otherwise indicated.

Table of Contents

PART I – VOTING AND PROXY INFORMATION

Solicitation of Proxies by Management.....	1
Appointment of Proxies.....	1
Revocation of Proxies	2
Exercise of Discretion with Respect to Proxies.....	2
Voting Shares and Principal Holders Thereof.....	2

PART II – BUSINESS TO BE TRANSACTED AT THE MEETING

Financial Statements	3
Election of Directors	3
Appointment of Auditors.....	5

PART III – COMPENSATION AND RELATED INFORMATION

Board of Directors - Compensation of Directors.....	5
Executive Compensation.....	6
Compensation Discussion and Analysis	6
Role and Composition of the Human Resources & Corporate Governance Committee	6
Components of Executive Compensation.....	7
2010 Incentive Awards Paid.....	10
Amounts Paid to Avstar by the Bank	11
Total Compensation Paid to NEOs for the fiscal year ended October 31, 2010	13
Employment Contracts.....	14
Termination/Change of Control and Retirement Benefits.....	16
Outstanding Option-based Awards at Fiscal Year End.....	16
Incentive Plan Awards – Value Vested or Earned During the Fiscal Year	17
Securities Authorized for Issuance under Equity Compensation Plans.....	17
Indebtedness of Directors and Senior Officers.....	18
Aggregate Indebtedness Outstanding.....	18
Indebtedness of Directors and Executive Officers.....	18

PART IV – ADDITIONAL INFORMATION

Audit Committee Information	19
Total Cumulative Shareholder Return and Relationship with Executive Compensation.....	19
Shareholder Proposals	21
Corporate Governance Practices.....	21
Additional Information	21
Directors’ Approval	21

PART V - EXHIBITS

A - Corporate Governance Practices	22
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**MANAGEMENT PROXY CIRCULAR
FOR THE ANNUAL MEETING OF SHAREHOLDERS
to be held on Thursday, March 24, 2011**

PART 1 – VOTING AND PROXY INFORMATION

SOLICITATION OF PROXIES BY MANAGEMENT

This Circular is furnished to holders of common shares 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 Annual Meeting of Shareholders (the “Meeting”). The information contained herein is current as of January 26, 2011, unless otherwise indicated. The Meeting will be held at the Toronto Stock Exchange Broadcast & Conference Centre, Gallery, The Exchange Tower, 130 King St. W., Toronto, Ontario, on Thursday March 24, 2011 at 10:00 a.m. for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders (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.

It is not intended to use the accompanying form of proxy for the purpose of voting on the consolidated financial statements of the Corporation and its subsidiaries for the year ended October 31, 2010, and the reports of the directors and auditors on them.

APPOINTMENT OF PROXIES

The persons named in the enclosed form of proxy are directors and officers of the Corporation. **AS A SHAREHOLDER, YOU HAVE THE RIGHT TO APPOINT A PERSON, WHO NEED NOT BE A SHAREHOLDER, AS YOUR NOMINEE TO ATTEND AND ACT FOR YOU ON YOUR 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 shares in person should not complete or return the form of proxy. Their votes will be taken and counted at the Meeting. Such Registered Shareholders are to register with the transfer agent, Computershare Investor Services Inc., upon their arrival at the Meeting.

ADVICE TO NON-REGISTERED HOLDERS – Voting of common shares

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 a bank, trust company, securities broker, trustee or other entity (an “intermediary”). Shareholders that do not hold their shares in their own name are referred to in this document as **Non-Registered Holders**.

If your shares are not registered in your name, then such shares will likely be registered in the name of your intermediary. Shares held by intermediaries can only be voted for or against resolutions upon the instructions of the Non-Registered Holder, therefore, your intermediary is required to seek your instructions as to how to vote your shares. For that reason, if you are a Non-Registered Holder, you will have received this Management Proxy Circular from your intermediary along with a voting instruction form.

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 March 24, 2011 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 or withheld from voting 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 matters set out in this circular and to be voted upon at the Meeting.

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 proxy will be voted by the persons named in the form of proxy in accordance with their best judgment.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of January 26, 2011, there were 14,651,048 common shares of the Corporation issued and outstanding. Each share carries the right to one vote.

The directors have fixed February 2, 2011 as the record date for determining shareholders entitled to receive notice of the Meeting. A person shown as a shareholder of record on February 2, 2011 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 February 2, 2011 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 a Notice of Meeting, in which event the transferee shall be entitled to vote such shares at the Meeting.

To the best of the knowledge of the Corporation, Donald Crich (and his personal holding companies) owns 1,638,754 common shares of the Corporation, being approximately 11.19% of the issued and outstanding common shares of the Corporation. Also, to the best knowledge of the Corporation, 340268 Ontario Limited owns 1,668,842 common shares of the Corporation, being approximately 11.39% of the issued and outstanding common shares of the Corporation.

PART II - BUSINESS TO BE TRANSACTED AT THE MEETING

1. FINANCIAL STATEMENTS

The Consolidated Financial Statements for the fiscal year ended October 31, 2010, are included in the Annual Report, which has been mailed to shareholders with this Management Proxy Circular. Shareholders and proxyholders will have an opportunity to review and discuss the 2010 fiscal year end results with management at the Meeting.

2. ELECTION OF DIRECTORS

In accordance with the by-laws of the Corporation, the directors have fixed the size of the Board at seven (7). Management of the Corporation proposes to nominate seven (7) persons to the Board. Each director elected will hold office until the next annual meeting or until his successor is duly elected, unless his office is vacated in accordance with the by-laws. With the exception of Colin E. Litton, who was appointed to the Board on June 1, 2010, all of the nominated individuals are currently directors and were elected by the shareholders at the previous annual meeting for a term expiring at the close of the first annual meeting following their election. Directors of the Corporation also serve as directors of the Corporation's wholly-owned subsidiary, Pacific & Western Bank of Canada (the "Bank"). The Board of Directors recommends that shareholders vote FOR the following director nominees.

David A. Bratton
Arnold E. Hillier
Colin E. Litton

William T. Mitchell
Paul G. Oliver

C. Scott Ritchie
David R. Taylor

In addition to the seven directors of the Corporation, the Bank has one additional director, Robbert-Jan Brabander, who was appointed to the Board of the Bank on November 4, 2009.

A Board of Directors Attendance Record for the fiscal year ended October 31, 2010 is provided within this Management Proxy Circular in Exhibit A. The information as to voting shares beneficially owned, directly or indirectly, or over which control or direction was exercised as set forth in the table below, not being within the knowledge of the Corporation, has been furnished by the respective nominees individually. Unless otherwise indicated, all of the nominees are now directors and have been for the periods indicated.

Name	Office held and date first became a director	Principal occupation
David A. Bratton ⁽¹⁾ B.A. (Hons.), M.B.A., FCMC London, Ontario <i>Common shareholdings – 32,614</i> <i>Stock options – Nil</i> <i>DSUs – 24,963</i>	Director July 25, 2000	President, Bratton Consulting Inc., a management consulting firm.
Arnold E. Hillier ⁽¹⁾⁽²⁾ B.Comm., C.A. Saskatoon, Saskatchewan <i>Common shareholdings – 32,922</i> <i>Stock options – Nil</i> <i>DSUs – 24,863</i>	Director January 18, 1993	Retired from positions of Chairman, Chief Executive Officer and Chief Financial Officer, Claude Resources Inc., a natural resource mining and oil and gas company, with its head office located in Saskatoon, Saskatchewan.
Colin E. Litton ⁽¹⁾ FCA, ICD.D Oakville, Ontario <i>Common shareholdings – 3,090</i> <i>Stock options – Nil</i> <i>DSUs – 8,750</i>	Director June 1, 2010	Retired from position of senior partner of KPMG LLP.
William T. Mitchell ⁽²⁾ FCA Etobicoke, Ontario <i>Common shareholdings – 19,500</i> <i>Stock options – Nil</i> <i>DSUs – 24,963</i>	Director April 2, 2004	Retired from position of senior partner of PricewaterhouseCoopers LLP.
Paul G. Oliver ⁽²⁾ FCA, ICD.D Markham, Ontario <i>Common shareholdings – 10,539</i> <i>Stock options – Nil</i> <i>DSUs – 24,863</i>	Director June 2, 2005	Retired from position of senior partner of PricewaterhouseCoopers LLP.
C. Scott Ritchie ⁽³⁾ Hons. B.A. (Business), LL.B., Q.C. London, Ontario <i>Common shareholdings – 106,635</i> <i>Stock options – Nil</i> <i>DSUs – 24,963</i>	Director January 1, 2002	Partner, Siskind, Cromarty, Ivey & Dowler LLP, Barristers and Solicitors.
David R. Taylor B.Sc. (Hons.), M.B.A., F.I.C.B. Ilderton, Ontario <i>Common shareholdings – 1,144,471</i> <i>Stock options – 257,383</i> <i>DSUs – nil</i>	President & CEO Director January 18, 1993	President & CEO of Pacific & Western Credit Corp. and Pacific & Western Bank of Canada.

(1) Member of the Human Resources & Corporate Governance Committee.

(2) Member of the Audit Committee.

- (3) Chairman of the Board of the Corporation and the Corporation's principal subsidiary, Pacific & Western Bank of Canada (the "Bank") since December 22, 2009.

Note:

The Corporation does not presently have an executive committee. In addition to having an Audit Committee and a Human Resources & Corporate Governance Committee, the Bank also has a Risk Review Committee and a Conduct Review Committee.

3. APPOINTMENT OF AUDITORS

Management and the Board propose KPMG LLP for reappointment as auditors of the Corporation to hold office until the close of the next annual meeting of shareholders.

In the past, the directors have fixed the remuneration of the auditors of the Corporation. Such remuneration has been based upon the complexity of the matters dealt with and time spent in providing services to the Corporation. Management feels that the remuneration negotiated in the past with the auditors of the Corporation has been reasonable under the circumstances and would be comparable to fees charged by other auditors providing similar services.

PART III – COMPENSATION AND RELATED INFORMATION

BOARD OF DIRECTORS - COMPENSATION OF DIRECTORS

Non-management directors are compensated for acting as directors of both the Corporation and the Bank through a combination of methods including annual retainers, a grant of deferred share units, and meeting attendance fees. Remuneration paid to David Taylor, the President & CEO, is included in the "Executive Compensation" section below.

For fiscal 2010, the annual retainer for directors was \$30,000, with \$10,000 being paid in cash (included in the "Fees earned" column in the table below) and a grant of \$20,000 worth of deferred share units ("DSUs") (disclosed in the "Share-based awards" column in the table below). The grant of DSUs to non-management directors aligns their interests with the longer term interests of the shareholders of the Corporation. The number of DSUs granted was based on the last closing price that the common shares of the Corporation traded for on the TSX prior to the date of grant, being \$3.00. All DSUs vested on the date of grant. DSUs that are granted to the Directors are settled in cash upon a director's retirement or death, with the amount of the payout being based on the last closing price that the common shares of the Corporation traded for on the TSX prior to the date of retirement or death.

Additional cash retainer amounts were paid to directors as follows: (included in the "Fees earned" column in the table below): Chairman of the Board - \$8,000; Audit Committee Chair - \$7,000; Audit Committee members - \$5,000; Committee Chairs (other than Audit) - \$4,000; and, all other committee members - \$2,000. Also, directors were paid daily meeting fees based on the single highest rate for the meetings attended on a quarterly meeting day, as follows: Chairman of the Board - \$1,900; Chairman of the Audit Committee - \$1,800; Chairman of the Risk Review Committee - \$1,700; Chairman of the Human Resources & Corporate Governance Committee - \$1,500; Chairman of the Conduct Review Committee - \$1,500; Audit Committee members - \$1,300; Risk Review Committee members - \$1,200; and, other Board members - \$1,000. The daily meeting fee amounts paid were reduced by one-third for non-quarterly meetings, and further reduced by one-half for non-quarterly meetings of less than 1 hour in duration. Directors were also reimbursed for travel and other expenses incurred when attending meetings.

The Corporation has a director share purchase program (the "DSPP") for directors. Pursuant to the DSPP, directors are eligible for reimbursement of fifty percent (50%) for common shares and forty percent (40%) for Class B Preferred shares purchased on the open market (TSX), to a maximum \$30,000 purchase amount per annum. All shares purchased under the DSPP, or those shares to which the shares purchased have been converted, are to be held for a minimum of one (1) year from the date of purchase.

The Corporation pays the membership costs for each of its directors to belong to the Institute of Corporate Directors. In addition, directors are entitled to receive up to \$5,000 annually toward training and development programs. Amounts paid for training and development programs are disclosed in the “All other compensation” column in the table below.

The following table sets out the compensation provided to directors for the fiscal year ended October 31, 2010.

Name	Fees earned (\$)	Share-based awards (\$) ⁽³⁾	All other compensation (\$)	Total (\$)
David A. Bratton	31,705	20,000	12,889 ⁽⁴⁾	64,594
Arnold E. Hillier	39,036	20,000	12,000 ⁽⁴⁾	71,036
Honourable Thomas A. Hockin ⁽¹⁾	25,167	20,000	Nil	45,167
Colin E. Litton ⁽²⁾	11,468	8,333	12,297 ⁽⁴⁾	32,098
William T. Mitchell	34,869	20,000	Nil	54,869
Paul G. Oliver	30,169	20,000	9,760 ⁽⁴⁾ 2,091 ⁽⁵⁾	62,020
C. Scott Ritchie	51,072	20,000	11,760 ⁽⁴⁾	82,832

Notes:

- (1) Mr. Hockin retired as a director of the Corporation on December 21, 2009 due to his appointment as an Executive Director of the International Monetary Fund.
- (2) Mr. Litton was appointed to the Board on June 1, 2010.
- (3) The value of share-based awards represents the value of the DSUs, as described above.
- (4) This is an amount reimbursed under the DSPP, as described above.
- (5) This is an amount reimbursed for training and development programs.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis (“CD&A”)

The following CD&A provides a description of the strategy, processes and decisions made pertaining to the oversight, design and payout of the Corporation’s compensation for its Named Executive Officers (“NEOs”) for the 2010 fiscal year. The NEOs are the President & CEO, Senior Vice President & CFO, and each of the next three most highly compensated executive officers, during the fiscal year ended October 31, 2010.

Role and Composition of the Human Resources & Corporation Governance Committee (the “HR Committee”)

The Corporation has an HR Committee comprised entirely of independent directors. The HR Committee has the responsibility to:

- Review the Corporation’s overall compensation plan and the policies pertaining thereto, annually, to ensure that they are consistent with the Corporation’s goals of attracting and retaining the best available people, aligning executive interests with those of the Corporation, and paying for performance. Survey information is obtained from compensation consulting companies and other external independent sources to ensure that compensation paid is competitive.

- Review the compensation of the President & CEO, and recommend same to the Board of Directors for approval.
- Approve, at the beginning of each fiscal year, performance measurements for calculating the annual incentive award of the President & CEO.
- Approve the annual incentive award of the President & CEO.
- Report to the full Board on a timely basis as to the actual calculations of total compensation of the President & CEO.
- Review, after the fact, staff compensation ranges and benefit programs.
- Review, after the fact, staff incentive awards.

Components of Executive Compensation

The key components of the Corporation's compensation plan for NEO's are base salary/management fees, short-term (annual) incentive awards, and long-term incentives.

The aggregate of these components, along with the employee benefits provided, including a pension supplement payment, constitute the total compensation package that is designed to attract and retain highly qualified individuals, while creating an incentive to align efforts and motivate NEO's to deliver company performance that will create real long-term shareholder value.

The total compensation of the President & CEO is described generally below under "Base Salary/Management Fees" and "Short-term (Annual) Incentive Awards". The details of the compensation of the President & CEO for fiscal 2010 is described under "Amounts Paid to Avstar by the Bank" on pages 11 and 12, and the table "Total Compensation Paid to NEOs for the fiscal year ended October 31, 2010" on pages 13 and 14.

The Corporation's overall objective is to set total compensation at approximately the seventy-fifth percentile of the total compensation paid for comparable positions in similar companies. Such companies include Home Capital Group Inc., Equitable Group Inc. and Canadian Western Bank ("Comparable Companies"). Since these companies vary with the Corporation in terms of business model, asset size, and organization structure, compensation data is used as a guidepost only and not a definitive target for NEO compensation. Other elements are considered when determining total compensation, as set forth below.

More detail on each component and its purpose within total compensation is described in the following table, and in subsequent sections of this report.

Type of Compensation	Form	Eligibility	Performance Period
Base Salary/Management Fees	Cash	All employees/Avstar Inc. ⁽¹⁾	Reviewed annually
Short-term (Annual) Incentive Awards	Cash	All employees/Avstar Inc.	One year
Long-term Incentives	Stock Options	All employees/Avstar Inc.	Up to ten year option term
Other - Pension Supplement/Supplemental Fee	Cash	All employees/Avstar Inc.	Annually

Notes:

- (1) Avstar Inc., a company wholly-owned by David Taylor, President & CEO, has entered into a management services agreement with the Bank. For more information on the terms of such agreement see “Amounts Paid to Avstar by the Bank” below.

Base Salary/Management Fees

General

NEOs, other than the President & CEO, are paid a base salary that is commensurate with the executive’s position and level of responsibility within the Corporation. The actual base salary paid is determined with consideration to past and current performance, internal equity, salaries paid at Comparable Companies, salary surveys including Mercer’s Executive, Management and Professional Survey, and the potential impact of the position on the Corporation’s performance. Base salaries for executives who report directly to the President & CEO are approved by the President & CEO, upon recommendation of the Senior Vice President, Operations & Human Resources, and are reviewed after the fact by the HR Committee.

President & CEO

The Corporation and David Taylor are parties to an executive agreement dated January 1, 2010 (the “David Taylor Executive Agreement”), whereby Mr. Taylor provides services to the Corporation as President & CEO. Also, the Bank and Avstar Inc., a company wholly-owned by David Taylor, are parties to a Management Services Agreement dated September 1, 2010 (“Management Services Agreement”), whereby Avstar provides management services to the Bank, and in doing so provides the services of Mr. Taylor to act as President & CEO of the Bank. Since August, 2010, Avstar has received no management fees, however debt owing by Avstar to the Bank is forgiven on a fiscal quarter basis, as set out below under “Revolving Loan Agreement”. For more information on the arrangements described in this paragraph see “Amounts Paid to Avstar by the Bank” below.

Short-term (Annual) Incentive Awards

General

All of the Corporation’s employees, including the NEOs, are eligible to participate in the Corporation’s Incentive Award Program (“Incentive Award Program”). The goals of the Incentive Award Program are to align employee efforts with business plan achievement, to pay for performance and to encourage teamwork.

For NEOs, other than the President & CEO, individual performance objectives that reflect the NEO’s key responsibility areas are set at the beginning of each fiscal year. Periodically throughout the year objectives are re-visited to monitor results to date, and to determine if the stated objectives require modification based on factors that may include a change in job responsibilities or a change in business priorities. At the end of each fiscal year the actual results achieved are reviewed and any extenuating circumstances are considered. Factors considered in determining whether an award should be paid and in determining the amount of the award include individual results against predetermined performance objectives and the executive’s business unit results. Notwithstanding the above, the Corporation’s overall results have a significant effect on the final determination as to whether and in what amount annual incentive awards are paid. The final decision on short-term incentive awards for all NEOs, other than the President & CEO, is made by the President & CEO. The HR Committee reviews the President & CEO’s decisions after the fact.

President & CEO

With respect to the President & CEO, performance measurements for the short-term incentive award are approved by the HR Committee at the beginning of each fiscal year. Any short-term incentive award for fiscal 2010 was to be based primarily on ordinary earnings per share. In order for the maximum incentive award to be granted, 130% of budgeted earnings per share would had to have been achieved. If the budgeted earnings per share target was achieved, but the 130% level not met, the amount of the incentive award was to be pro-rated. Secondary to this main indicator, additional goals were to be considered by the Board including asset quality, productivity, growth, stock performance, and compliance with regulatory requirements. The Board has discretion to consider subjective measures including the implementation of the Corporation's philosophy with respect to risk and enterprise risk management, corporate reputation, how well the President & CEO implemented the goals set forth in the Business Plan, and the creation of innovative products. Finally, the Board has ultimate discretion to consider any extraordinary circumstances. At the end of the fiscal year, a determination is made as to the amount of any incentive award payable.

Long-term Incentives

Stock Option Incentive Plans

The Corporation has a common share Stock Option Incentive Plan ("Common Stock Option Plan") as well as a Class B Preferred share Stock Option Incentive Plan ("Pref B Stock Option Plan", and together with the Stock Option Plan, the "Option Plans"), the purposes of which are to align the interests of the participants with the longer term interests of the shareholders of the Corporation. All NEOs are entitled to participate in the Option Plans.

The Option Plans provide a compensation opportunity that encourages share ownership. The Corporation's directors, officers, employees and consultant service providers are eligible to participate. The Board of Directors last approved the Option Plans, as did the shareholders of the Corporation, at the Annual and Special Meeting of the Shareholders on March 25, 2010. There are 508,333 stock options outstanding pursuant to the Common Stock Option Plan, and no stock options outstanding pursuant to the Pref B Stock Option Plan.

Factors considered prior to granting additional stock options are an individual's past and current performance, level of responsibility, internal equity, stock options previously granted, the cost of the stock options, and stock options granted by Comparable Companies.

The only NEO to receive stock options under the Common Stock Option Plan in fiscal 2010 was the President & CEO, David Taylor, who received 50,000 stock options on November 17, 2009. This grant was made pursuant to the David Taylor Executive Agreement, which provides for an annual grant of 50,000 stock options under the Common Stock Option Plan. Additional disclosure pertaining to such stock options is set out below in the table entitled "Outstanding Option-based Awards at Fiscal Year End".

Employee Share Purchase Program

The Corporation has an employee share purchase plan (the "ESPP"). The ESPP encourages ownership of the Corporation's securities and aligns the interest of NEOs more closely with those of the Corporation's shareholders. Pursuant to the ESPP, NEOs can purchase common shares or Class B Preferred shares ("Pref B shares") on the open market (TSX) up to an aggregate amount of 30% of base salary. When the plan is active, NEOs are eligible for a fifty percent (50%) reimbursement for common shares purchased and a forty percent (40%) reimbursement for Pref B shares purchased. All shares purchased under the

ESPP, or those shares to which the shares purchased have been converted, are to be held for a minimum of one year from the date of purchase. Reimbursement amounts paid to NEOs are a taxable benefit.

Other – Pension Supplement/Supplemental Fee

General

Although the Corporation does not have a formal pension plan, NEOs, with the exception of the President & CEO, are entitled to an annual cash amount in lieu of pension contributions. The amounts paid to each NEO can be found in the notes following the “Total Compensation Paid to NEOs for the fiscal year ended October 31, 2010” table below.

President & CEO

Avstar Inc., David Taylor’s wholly-owned company, is entitled pursuant to the Management Services Agreement to a supplemental fee determined in accordance with the Bank’s pension supplement formula. For more information see “Amounts Paid to Avstar by the Bank” below.

2010 Incentive Awards Paid

The following summarizes key rationale for the incentive award paid to each NEO in 2010:

David Taylor, President & CEO

Please see “Amounts Paid to Avstar by the Bank” below for details concerning the incentive award paid to the President & CEO for 2010.

Barry Walter, Senior Vice President & CFO

During 2010 Mr. Walter demonstrated leadership while successfully managing the accounting and finance department in an ever changing, increasingly complex environment. In addition to the successful resolution of complex issues in the year, and successfully achieving milestones with respect to IFRS implementation, Mr. Walter took on additional responsibilities within the organization in several administrative capacities. Mr. Walter’s incentive award for 2010 was \$44,000.

Jonathan Taylor, Senior Vice President, Operations & Human Resources

Jonathan Taylor’s achievements during the year included expanding the Bank’s deposit gathering network by adding six new deposit agent relationships. In addition, his team achieved significant savings for the Bank by raising deposits throughout the year at interest rates that were below key competitors. He concurrently successfully managed the Corporation’s human resources function. Jonathan Taylor’s incentive award for 2010 was \$20,000.

Neil Beaton, Senior Vice President, Strategic Initiatives

Mr. Beaton made significant progress on numerous strategic initiatives during 2010. The Bank is well positioned to take advantage of these opportunities in 2011. Also, he concurrently successfully managed the Bank’s Information Technology Department. Mr. Beaton’s incentive award for 2010 was \$40,000.

Ross Duggan, Senior Vice President, Lending

Under Mr. Duggan's leadership the lending team significantly grew the Bank's lending portfolio both in size and profitability. In addition, he made significant progress with regard to establishing a new lending niche for the Bank and expanding the Bank's presence in a new geographic region. Mr. Duggan's incentive award for 2010 was \$56,000.

Amounts Paid to Avstar by the Bank

Management fees paid to Avstar by the Bank in fiscal 2010 totalled \$348,239. In addition, \$222,850 in debt owing by Avstar to the Bank was forgiven, pursuant to the Revolving Loan Agreement set out below. Avstar also received an annual supplemental fee of \$75,091, and was awarded a \$200,000 incentive award under the terms of the Management Services Agreement set out below.

Prior Management Services Agreement

For the period November 1, 2009 to July 31, 2010, Avstar was paid \$348,239 by the Bank under a management services agreement (the "Prior Management Services Agreement") pursuant to which Avstar provided the services of Mr. Taylor to act as President & CEO of the Bank. In addition, pursuant to the Prior Management Services Agreement, Avstar received a \$75,091 annual supplemental fee, determined in accordance with the Bank's pension supplement formula.

The Prior Management Services Agreement was replaced and superseded by the Management Services Agreement.

Management Services Agreement

Effective September 1, 2010, the Bank and Avstar replaced the Prior Management Services Agreement with the Management Services Agreement, pursuant to which Avstar provides management services to the Bank, and in doing so provides the services of Mr. Taylor to act as President & CEO of the Bank. Under the Management Services Agreement, Avstar is entitled to receive an annual incentive award of up to \$430,000, and is also entitled to an annual supplemental fee determined in accordance with the Bank's pension supplement formula. For further information on the performance measures used to determine the annual incentive award see "Short-term (Annual) Incentive Awards" above.

Pursuant to the Management Services Agreement, Avstar may offset any amounts owing by Avstar to the Bank against any amounts owing by the Bank to Avstar.

Avstar may terminate the Management Services Agreement after providing the Bank with six months notice. Upon any such termination Avstar is to receive a lump sum termination allowance of \$440,000, plus an additional \$10,000 per month beginning October, 2010, to a maximum of \$720,000.

The Bank may terminate the Management Services Agreement after providing Avstar with six months notice. If the termination occurs in 2011, Avstar is to receive an amount equal to \$982,800 plus the total fees paid to Avstar in 2010. If the termination occurs after 2011, Avstar is to receive an amount equal to the sum of the two most recent full calendar years' total fees paid plus \$982,800. For purposes of this termination clause, total fees means the annual incentive award (up to \$430,000 annually) and the annual supplemental fee.

For fiscal 2010, Avstar was awarded a \$200,000 incentive award under the terms of the Management Services Agreement. Such award was granted by the Board after considering the President & CEO's

extra-ordinary performance in raising capital in 2010, and progress made with respect to Bank profitability.

Revolving Loan Agreement

Effective September 1, 2010, Avstar and the Bank entered into a revolving loan agreement (the "Revolving Loan Agreement"), whereby beginning for the fiscal quarter ended October 31, 2010 debt owing by Avstar to the Bank is forgiven in the amount of \$122,850 on a fiscal quarter basis. In addition, \$100,000 is forgiven annually pursuant to the terms of the Revolving Loan Agreement, with remaining dates of annual forgiveness of January 1, 2011, January 1, 2012 and January 1, 2013.

Total Compensation Paid to NEOs for the fiscal year ended October 31, 2010

The following table sets forth all compensation earned by the Corporation's NEOs, for services rendered to the Corporation and its subsidiaries.

Name and principal position	Year	Salary (and fees) (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (including to external management companies) (\$)		Pension value (\$)	All other compensation (including loan forgiveness) (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
David Taylor ⁽¹⁾ President & CEO (Avstar Inc.) ⁽²⁾	2010	372,239 ⁽³⁾	nil	69,000 ⁽⁵⁾	200,000 ⁽⁶⁾	nil	nil	304,147 ⁽⁷⁾	945,386
	2009	419,370 ⁽⁴⁾	nil	63,000 ⁽⁵⁾	nil	nil	nil	274,167 ⁽⁸⁾	756,537
Barry Walter Senior Vice President & CFO	2010	214,583	nil	nil	44,000 ⁽⁹⁾	nil	nil	60,889 ⁽¹⁰⁾	319,472
	2009	195,417	nil	nil	nil	nil	nil	65,054 ⁽¹¹⁾	260,471
Jonathan Taylor Senior Vice President, Operations & Human Resources	2010	194,583	nil	nil	20,000 ⁽⁹⁾	nil	nil	72,022 ⁽¹²⁾	286,605
	2009	187,083	nil	nil	nil	nil	nil	60,114 ⁽¹³⁾	247,197
Neil Beaton Senior Vice President, Strategic Initiatives	2010	172,708	nil	nil	40,000 ⁽⁹⁾	nil	nil	52,441 ⁽¹⁴⁾	265,149
	2009	161,875	nil	nil	nil	nil	nil	40,780 ⁽¹⁵⁾	202,655
Ross Duggan Senior Vice President, Lending	2010	164,042	nil	nil	56,000 ⁽⁹⁾	nil	nil	35,115 ⁽¹⁶⁾	255,157
	2009	146,458	nil	nil	nil	nil	nil	39,305 ⁽¹⁷⁾	185,763

Notes:

- (1) Under the David Taylor Executive Agreement, Mr. Taylor provides services to the Corporation as President & CEO. For further information on that agreement see "Employment Contracts" below.
- (2) Avstar is wholly-owned by David Taylor. Under the Management Services Agreement, Avstar provides management services to the Bank, and in doing so provides the services of Mr. Taylor to act as President & CEO of the Bank. For further information on that agreement see "Amounts Paid to Avstar by the Bank" above.
- (3) Of this amount \$24,000 is the annual salary paid to David Taylor by the Corporation pursuant to the David Taylor Executive Agreement, and \$348,239 is the amount of management fees paid to Avstar pursuant to the Prior Management Services Agreement. None of the amounts that Avstar received in fiscal 2010 from the Bank were paid out to Mr. Taylor by Avstar.
- (4) In fiscal 2009, an earlier executive agreement was in place between David Taylor, the Corporation and the Bank.
- (5) Options were granted pursuant to the David Taylor Executive Agreement, which provides for an annual grant of 50,000 stock options pursuant to the Common Stock Option Plan.
- (6) Avstar was awarded a \$200,000 incentive award, as set out above under "Amounts Paid to Avstar by the Bank".
- (7) Of this amount, \$222,850 in debt owing by Avstar to the Bank was forgiven, and \$75,091 was the amount of annual supplemental fee paid, as set out above under "Amounts Paid to Avstar by the Bank".

- (8) Of this amount, \$114,788 was the amount of pension supplement paid in fiscal 2009, as Mr. Taylor was entitled to a pension supplement rather than the annual supplemental fee determined in accordance with the pension supplement formula, at that time.
- (9) See the section above entitled "2010 Incentive Awards Paid".
- (10) Of this amount, \$38,982 was the amount of pension supplement paid.
- (11) Of this amount, \$43,046 was the amount of pension supplement paid
- (12) Of this amount, \$35,355 was the amount of pension supplement paid and \$19,216 was the amount reimbursed pursuant to the ESPP.
- (13) Of this amount, \$43,046 was the amount of pension supplement paid.
- (14) Of this amount, \$16,800 was the amount of pension supplement paid and \$25,127 was the amount reimbursed pursuant to the ESPP.
- (15) Of this amount, \$16,000 was the amount of pension supplement paid, \$12,105 was the amount reimbursed pursuant to the ESPP, and \$12,675 was the amount of automobile allowance.
- (16) Of this amount, \$29,009 was the amount of pension supplement paid.
- (17) Of this amount, \$33,738 was the amount of pension supplement paid.

Employment Contracts

At October 31, 2010, executive agreements were in place between the Corporation and David Taylor, between the Corporation and the Bank and Jonathan Taylor, between Barry Walter and the Bank, and between Neil Beaton and the Bank. Neither the Corporation nor the Bank has an executive agreement with Ross Duggan. The following tables outline the key terms of such executive agreements.

David Taylor ⁽¹⁾	
Position	President & CEO
Annual salary	\$24,000
Stock options	Entitled to annual grant of 50,000 stock options pursuant to the Common Stock Option Plan. Should stock options not be available, 50,000 phantom options shall be granted.
Other benefits	Entitled to usual benefits provided to executives.
Termination	If the Bank and/or the Corporation is sold, subject to a change of control, merged or liquidated, or if its normal operations are changed in such a manner so as to eliminate Mr. Taylor's services or the President & CEO position, then, pursuant to the David Taylor Executive Agreement, Mr. Taylor is to receive a termination allowance equal to the sum of the two most recent full calendar year's annual salary. In addition, all stock options held by Mr. Taylor and/or Avstar become exercisable on the date of termination and will expire two (2) years after that date. Alternatively, at Mr. Taylor's discretion, these options are to be redeemed by the Corporation at a price to be calculated as the difference between the stock option price and the average price of the Corporation's common shares for the four (4) trading days prior to the date of termination.

Notes:

- (1) For information regarding the compensation arrangements between Avstar and the Bank see "Amounts Paid to Avstar by the Bank" above.

Barry Walter	
Position	Senior Vice President & CFO
Annual salary	\$215,000 (subject to review annually)
Annual incentive award	Discretionary
Perquisites	Entitled to participate in employee share purchase programs in effect from time to time.
Other benefits	Entitled to usual benefits provided to executives.
Retirement	Entitled to receive an annual pension supplement payment (the Corporation does not have a pension plan).
Termination	If Mr. Walter's employment is terminated without cause he is to receive an amount equal to the sum of twenty four (24) months' total compensation. In addition, all stock options to purchase shares of the Corporation held by Mr. Walter shall become exercisable on the date of termination and shall expire the earlier of the original expiry date of the stock options or two years after the termination date. Alternatively, at Mr. Walter's discretion, his stock options are to be redeemed by

	the Bank at a price calculated as the difference between the stock option price and the average for the four trading days prior to the date of termination plus the termination date. For the purpose of this termination clause 'total compensation' is to include annual salary paid, incentive awards paid, benefits, and pension supplement.
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Jonathan Taylor	
Position	Senior Vice President, Operations & Human Resources
Annual salary	\$195,000 (subject to review annually)
Annual incentive award	Discretionary
Perquisites	Entitled to participate in employee share purchase programs in effect from time to time.
Other benefits	Entitled to usual benefits provided to executives.
Payment of compensation	Compensation may be paid to Jonathan Taylor or to a company wholly-owned by Jonathan Taylor.
Retirement	Entitled to receive an annual pension supplement payment (the Corporation does not have a pension plan).
Termination	If Jonathan Taylor's employment is terminated or if the Corporation and/or the Bank is sold, subject to a change of control, merged or liquidated, or if its normal operations are changed in such a manner as to terminate his employment or the Senior Vice President, Operations & Human Resources position, then Jonathan Taylor is to receive an amount equal to the sum of the most recent twenty-four (24) months of total compensation. In addition, all stock options held by Jonathan Taylor are to become exercisable on the date of termination and will expire two (2) years after that date. Alternatively, at Jonathan Taylor's discretion, his stock options are to be redeemed by the Corporation at a price to be calculated as the difference between the stock option price and the average price for the four (4) trading days prior to the date of termination plus the termination date. For the purpose of this termination clause 'total compensation' is to include annual salary, incentive awards paid, benefits, and all allowances, including pension supplement.

Neil Beaton	
Position	Senior Vice President, Strategic Initiatives
Annual salary	\$178,000
Annual incentive award	Discretionary
Perquisites	Entitled to participate in employee share purchase programs in effect from time to time.
Other benefits	Entitled to usual benefits provided to executives.
Retirement	Entitled to receive an annual pension supplement payment (the Corporation does not have a pension plan).
Termination	If Mr. Beaton's employment is terminated without cause he is to receive an amount equal to one (1) month's base salary for each completed year of service, with a minimum of nine (9) months and a maximum of twenty-four (24) months base salary. In addition, all stock options to purchase shares of Pacific & Western Credit Corp. held by Mr. Beaton shall become exercisable in accordance with the Common Stock Option Plan of Pacific & Western Credit Corp.

Ross Duggan	
Position	Senior Vice President, Lending
Annual salary	\$170,000
Annual incentive award	Discretionary
Perquisites	Entitled to participate in employee share purchase programs in effect from time to time.
Other benefits	Entitled to usual benefits provided to executives.
Retirement	Entitled to receive an annual pension supplement payment (the

	Corporation does not have a pension plan).
Termination	Mr. Duggan may be entitled to statutorily determined amounts.

Termination/Change of Control and Retirement Benefits

The following table sets out the estimated amount of potential payments to the NEOs if their termination/change of control clauses or retirement clauses were triggered on October 31, 2010.

Name	Entitlement ⁽¹⁾ (\$)		
	Termination	Change of control	Retirement
David Taylor	48,000 for either termination or change of control		nil
Avstar ⁽²⁾	1,445,409 for either termination or change of control		450,000
Barry Walter	638,944	nil	nil
Jonathan Taylor	533,608 for either termination or change of control		nil
Neil Beaton	133,500	nil	nil
Ross Duggan	127,500 ⁽³⁾	nil	nil

Notes:

- (1) In the case of termination, or in the case of change of control, for David Taylor/Avstar and Jonathan Taylor, and in the case of termination for Barry Walter and Neil Beaton, any outstanding stock options shall also become exercisable at the date of termination. In addition, with respect to David Taylor/Avstar, Jonathan Taylor and Barry Walter, all stock options shall expire on the earlier of the expiry date and two (2) years from such date of termination. Further, at the option of David Taylor/Avstar, Jonathan Taylor or Barry Walter, any stock options are to be redeemed by the Corporation at a price calculated as the difference between the stock option price and the average price for the four (4) trading days prior to the date of termination plus the termination date.
- (2) Under the Management Services Agreement, Avstar provides management services to the Bank, and in doing so provides the services of Mr. Taylor to act as President & CEO of the Bank. For further information on that agreement, and on the amounts noted in the table above in respect of Avstar, see "Amounts Paid to Avstar by the Bank" above.
- (3) Neither the Corporation nor the Bank has an executive agreement with Ross Duggan. This amount is estimated to be the termination payment pursuant to statutory requirements.

Outstanding Option-based Awards at Fiscal Year End

The following table sets out for each NEO the stock options outstanding at October 31, 2010. There are no share-based awards for the Corporation's NEOs.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)
David Taylor/Avstar ⁽²⁾	43,210	11.89	Sept. 2, 2014	nil
	34,314	11.89	Dec. 1, 2015	nil
	30,461	11.49	Jan. 24, 2017	nil
	49,398	8.30	Nov. 30, 2017	nil
	50,000	5.00	July 15, 2019	nil
	50,000	3.70	Nov. 17, 2019	nil
Barry Walter	9,200	7.40	Nov. 13, 2017	nil
Jonathan Taylor	9,200	7.40	Nov. 13, 2017	nil
Neil Beaton	5,000	11.49	Nov. 14, 2016	nil
	7,500	7.40	Nov. 13, 2017	nil
Ross Duggan	10,000	6.50	May 28, 2011	nil
	6,500	7.40	Nov. 13, 2017	nil

Notes:

- (1) The value of the unexercised in-the-money stock options is based on the closing price of the Corporation's common shares on the TSX on Friday, October 29, 2010, being \$3.00.
- (2) The 50,000 options expiring November 17, 2019 are in the name of David Taylor while the other options noted are in the name of Avstar.

Incentive Plan Awards – Value Vested or Earned During the Fiscal Year

The table below sets out for each NEO the value of compensation under the Corporation's Common Stock Option Plan. Additional information on the Common Stock Option Plan can be found above under "Components of Executive Compensation - Long-term Incentives". There are no share-based awards for the Corporation's NEOs.

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Non-equity incentive plan compensation – Value earned during the year (\$)
David Taylor	nil	nil
Avstar	nil	nil
Barry Walter	nil	nil
Jonathan Taylor	nil	nil
Neil Beaton	nil	nil
Ross Duggan	nil	nil

Notes:

- (1) The value of vested stock options represents the aggregate dollar value that would have been realized if any stock options that vested in fiscal 2010 would have been exercised on the vesting date. The dollar value is the difference between the market price of the underlying securities at exercise and the exercise price of the stock options on the vesting date. As no stock options that vested in fiscal 2010 were in-the-money, the value is nil. Additional details on the vesting of stock options in fiscal 2010 are provided in the table below.

Name	Vesting date during fiscal 2010	Exercise price at time of vesting (\$)	Market price of common shares at time of vesting (\$)
David Taylor	November 17, 2009	3.70	3.70
Avstar	nil	nil	n/a
Barry Walter	nil	nil	n/a
Jonathan Taylor	nil	nil	n/a
Neil Beaton	nil	nil	n/a
Ross Duggan	nil	nil	n/a

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table lists the number of securities to be issued upon the exercise of outstanding stock options, the weighted-average exercise price of the outstanding stock options, and the number of securities remaining for future issuance under equity compensation plans as at October 31, 2010. Additional information on the Common Stock Option Plan can be found above under "Components of Executive Compensation - Long-term Incentives".

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by shareholders	508,333 ⁽¹⁾	\$7.87	872,892 ⁽²⁾
Equity compensation plans not approved by shareholders	n/a	n/a	n/a
Total	508,333	\$7.87	872,892

Notes:

- (1) All outstanding stock options are pursuant to the Corporation's Common Stock Option Plan.
(2) This amount is the amount available under the Corporation's Common Stock Option Plan. There are 186,945 Class B Preferred shares available for issuance under the Corporation's Class B Stock Option Plan. There are currently no outstanding options pursuant to the Corporation's Pref B Stock Option Plan.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

Aggregate Indebtedness Outstanding

The table below shows the aggregate indebtedness to the Corporation or its subsidiaries of all officers, directors, employees and former officers, directors and employees as at December 31, 2010.

AGGREGATE INDEBTEDNESS (\$) ⁽¹⁾⁽²⁾		
Purpose	To the Corporation or its subsidiaries	To another entity
Share purchases	342,656 ⁽³⁾	----
Other	4,576,976	----

Notes:

- (1) Routine indebtedness, as defined under Canadian securities law, has not been reported.
(2) Subject to restrictions under applicable law, employees are eligible for loans at an interest rate of 50 basis points over cost of funds to assist them with home purchases and to assist with other credit requirements. Lending limits for employees are, like those for other customers, based on household income and risk profile.
(3) To the knowledge of the Corporation, the amount shown represents loans in connection with the purchase of securities of the Corporation.

Indebtedness of Directors and Executive Officers ⁽¹⁾⁽²⁾

Name and principal position	Involvement of Pacific & Western Credit Corp. or Pacific & Western Bank of Canada	Largest amount outstanding during 2010 financial year (\$)	Amount outstanding as at December 31, 2010 (\$)	Financially assisted securities purchases during 2010 financial year (#)	Security for indebtedness	Amount forgiven during 2010 financial year (\$)
Securities purchase programs						
Jonathan Taylor Senior Vice President, Operations & Human Resources	Lender	128,000	128,000 ⁽³⁾	nil	See "Note (3)"	nil

Name and principal position	Involvement of Pacific & Western Credit Corp. or Pacific & Western Bank of Canada	Largest amount outstanding during 2010 financial year (\$)	Amount outstanding as at December 31, 2010 (\$)	Financially assisted securities purchases during 2010 financial year (#)	Security for indebtedness	Amount forgiven during 2010 financial year (\$)
Other programs						
Avstar Inc., a company wholly-owned by David Taylor Director, President & CEO ⁽⁴⁾	Lender	2,067,365	2,021,528 ⁽⁴⁾	nil	See "Note (4)"	222,850 ⁽⁵⁾
Neil Beaton Senior Vice President, Strategic Initiatives	Lender	636,151	629,425 ⁽⁶⁾	nil	See "Note (6)"	nil
Shawn Clarke Vice President, Chief Risk Officer & Chief Information Officer	Lender	74,148	67,074 ⁽⁷⁾	nil	See "Note (7)"	nil
Jonathan Taylor Senior Vice President, Operations & Human Resources	Lender	59,815	57,469 ⁽⁸⁾	nil	See "Note (8)"	nil

Notes:

- (1) "Executive Officer" means an individual who is: a chair, vice-chair or president; a vice president in charge of a principal business unit, division or function; or, performing a policy-making function in respect of the Corporation.
- (2) Routine indebtedness, as defined under Canadian securities law, has not been reported.
- (3) Amount represents a personal loan with a 5 year term at a rate of 4.34% to assist with the exercise of options to purchase shares of the Corporation that occurred during the 2007 financial year. The loan matures March 1, 2015.
- (4) Mr. Taylor is not personally indebted to the Bank. However, Avstar, Mr. Taylor's wholly-owned company, does have debt owing to the Bank. The amounts set out in the chart reflect a revolving loan between Avstar and the Bank at a rate of 4.10% and a first mortgage over a residence with a 5 year term at a rate of 4.40% maturing November 1, 2014.
- (5) This amount in debt owing by Avstar to the Bank was forgiven pursuant to the terms of the Revolving Loan Agreement, as set out above under "Amounts Paid to Avstar by the Bank". This amount is included within the "Total Compensation Paid to NEOs for the fiscal year ended October 31, 2010" table on page 13 above.
- (6) Amount represents an interest free relocation loan, a personal loan with a 5 year term at a rate of 4.71% maturing February 17, 2015, a personal loan with a 5 year term at a rate of 4.3% maturing February 17, 2015, and a first mortgage on a principal residence with a 7 year term at a rate of 4.73% maturing February 27, 2015.
- (7) Amount represents a personal loan with a 5 year term at RBC prime rate maturing July 1, 2013.
- (8) Amount represents an interest free relocation loan, a personal loan with a 5 year term at a rate of 4.15% maturing March 15, 2015, and a personal loan with a 5 year term at a rate of 4.34% maturing March 1, 2015.

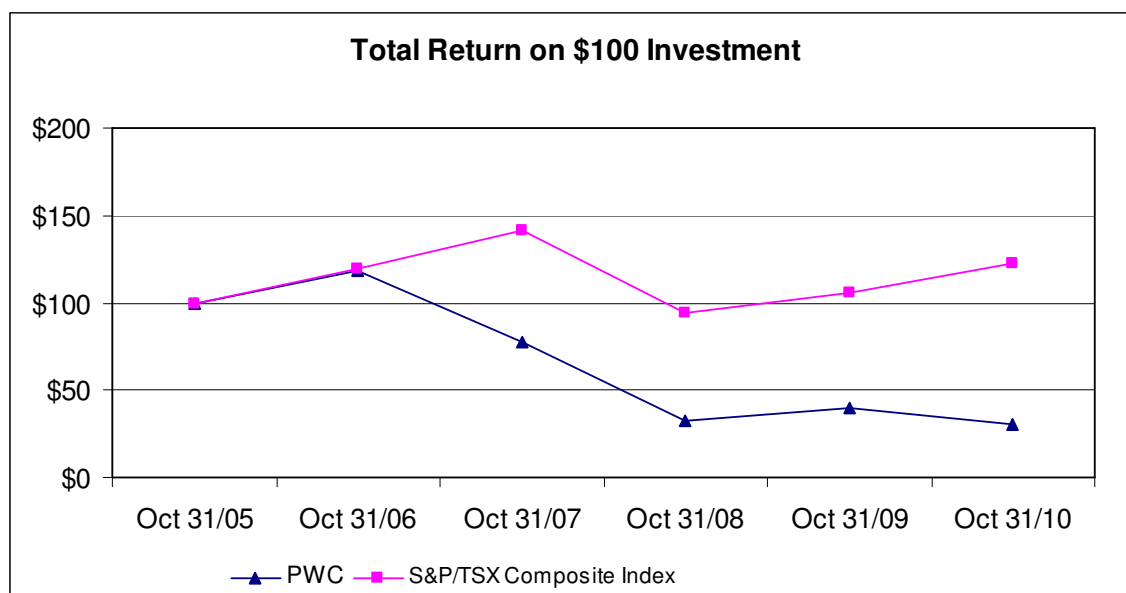
PART IV – ADDITIONAL INFORMATION

AUDIT COMMITTEE INFORMATION

Information pertaining to the Corporation's Audit Committee can be found in the Corporation's Annual Information Form for the year ended October 31, 2010, which is available on SEDAR at www.sedar.com. A copy of the Annual Information Form will be provided free of charge upon request.

TOTAL CUMULATIVE SHAREHOLDER RETURN AND RELATIONSHIP WITH EXECUTIVE COMPENSATION

The following chart compares the cumulative PWC shareholder return (TSR) on \$100 invested in common shares of the Corporation on October 31, 2005 with the equivalent cumulative value invested in the Toronto Stock Exchange composite index (TSX) for the same period.



For the financial years	Oct. 31 2005	Oct. 31 2006	Oct. 31 2007	Oct. 31 2008	Oct. 31 2009	Oct. 31 2010
PWC	\$100.00	\$118.10	\$77.50	\$32.60	\$40.00	\$30.00
S&P/TSX Composite Index	\$100.00	\$118.89	\$141.32	\$94.53	\$105.57	\$122.41

The Corporation's NEOs have changed over the past five years. David Taylor, Barry Walter and Jonathan Taylor have been NEOs each of the last five years. Current NEO Neil Beaton was also an NEO in 2008 and 2009, and current employees John Asma (2005 – 2009) and Tel Matrondola (2007) were NEOs previously. Former employee Richard Jankura was an NEO in 2005 and 2006.

For the period 2005 to 2006 the Corporation's trend in total executive compensation increased consistent with appreciation in the Corporation's business performance, TSR and advances in the TSX. Total executive compensation declined during the period 2007 to 2009 which reflected a decrease in general economic conditions and the Corporation's business performance. No incentive awards were paid to NEOs in 2008 and 2009.

The trend in total executive compensation in 2010 increased to reflect the Corporation's progress in raising new capital, improving profitability and positioning the Corporation for future growth.

While the Corporation believes TSR has an influence on total executive compensation it does not expect a direct correlation will always exist between TSR and total executive compensation since other factors are considered when making executive compensation decisions. Those factors include changes to NEO responsibilities and corresponding increases in compensation, adjustments to compensation necessary to reflect changes in market conditions, and compensation paid to reward NEOs for results that may not be reflected immediately in TSR.

SHAREHOLDER PROPOSALS

There were no shareholder proposals submitted for consideration at this Meeting. Shareholder proposals to be considered at next year's annual meeting must be received at the registered office of the Corporation by no later than October 31, 2011.

CORPORATE GOVERNANCE PRACTICES

Information pertaining to the Corporation's corporate governance practices is included in Exhibit A attached hereto.

Additional corporate governance information is contained in the Corporation's 2010 Annual Report under the heading "Corporate Governance".

ADDITIONAL INFORMATION

The Corporation's Consolidated Financial Statements and Management's Discussion & Analysis for the fiscal year ended October 31, 2010, and the Corporation's 2010 Annual Report, contain additional financial information. These documents and other additional information about the Corporation are available at SEDAR at www.sedar.com.

Copies of the information referred to above can be obtained upon request in writing to the Corporate Secretary, Pacific & Western Credit Corp., Suite 2002, 140 Fullarton Street, London, Ontario N6A 5P2.

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



Richard M.D. Vanlerberghe
General Counsel & Corporate Secretary
January 26, 2011
London, Ontario

EXHIBIT A

CORPORATE GOVERNANCE PRACTICES

Board of Directors

Every member of the Board of Directors of the Corporation, with the exception of David Taylor, the President & CEO, is independent, as that term is defined by securities laws. The Chairman of the Board of the Corporation, C. Scott Ritchie, is an independent director.¹ The roles and responsibilities of the Chair are set out in the Mandate of the Chair of the Board. The Chair is to exemplify the Board of Directors' responsibility for the stewardship of the Corporation. Among other duties, the Chair is to liaise with management of the Corporation for the purpose of setting meetings of the Board and is to lead the meetings, and he is to ensure that the responsibilities of the Board and management, and the boundaries between them, are well understood and respected. The Chair is also to ensure the Board works as a cohesive team and is to provide the leadership to achieve this, and he is to encourage the active participation of all members. The Chair is to ensure that there are adequate resources available to support the work of the Board, and to ensure that procedures are adopted to ensure that the Board can conduct its work effectively and efficiently. Further, the Chair is to ensure that a process is in place by which the effectiveness of the Board, and the contribution of individual directors, is assessed, and to ensure that where functions are delegated to committees, the functions are carried out and results are reported to the Board.

In addition to being directors of the Corporation, Arnold E. Hillier is a director of Shore Gold Inc. and Wescan Goldfields Inc., and Paul G. Oliver is a director of Mackenzie Financial Capital Corporation and Multi-Class Investment Corp.

During 2010, the Corporation continued its practice of concluding each quarterly Board meeting with the independent directors of the Corporation holding a session without the non-independent director or any other member of management present. During the year the Board held six such meeting sessions.

Board of Directors Attendance Record for the fiscal year ended October 31, 2010

All of the directors are also on the Board of Directors of the Corporation's wholly-owned subsidiary, Pacific & Western Bank of Canada (the "Bank"). Additional information on the Bank's Board of Directors and its committees is contained in the Corporation's 2010 Annual Report.

Summary of Board and Committee Meetings held for Pacific & Western Credit Corp.

Board.....	12
Audit Committee.....	6
Human Resources & Corporate Governance Committee	6

¹ At the start of fiscal 2010, the Corporation's Chairman was Honourable Thomas A. Hockin. Due to his appointment as an Executive Director of the International Monetary Fund, Mr. Hockin resigned as a director of the Corporation. On December 22, 2009, C. Scott Ritchie became the Chairman of the Board of the Corporation.

Summary of Attendance of Directors

Director	Number of meetings attended		
	Board	Audit Committee	Human Resources & Corporate Governance Committee
David A. Bratton	12 of 12	N/A	6 of 6
Arnold E. Hillier	12 of 12	6 of 6	6 of 6
Honourable Thomas A. Hockin	2 of 2	N/A	1 of 1
Colin E. Litton	5 of 5	N/A	1 of 1
William T. Mitchell	12 of 12	6 of 6	N/A
Paul G. Oliver	12 of 12	6 of 6	N/A
C. Scott Ritchie	11 of 12	N/A	N/A
David R. Taylor	12 of 12	N/A	N/A

The following is the text of the Board's mandate.

MANDATE OF THE BOARDS OF DIRECTORS OF PACIFIC & WESTERN CREDIT CORP. AND PACIFIC & WESTERN BANK OF CANADA (collectively, "Pacific & Western")

1. The Boards of Directors shall meet at least quarterly.
2. The Board of Directors of PWC shall be made up of at least three directors, twenty-five per cent of whom must be resident Canadians.
3. The Board of Directors of the Bank shall be made up of at least seven directors, a majority of whom must be resident Canadians at the time of their election or appointment.
4. The Boards of Directors shall be constituted by a majority of independent directors.¹
5. The independent directors shall hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.
6. Every director, in exercising any of the powers of a director and any of the duties of a director, shall:
 - a) act honestly and in good faith with a view to the best interests of Pacific & Western; and
 - b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
7. Certain functions of the Boards of Directors may be delegated to committees of the Boards. Such delegation will be confirmed by the Board approval of committee mandates.

¹ A director is independent if he or she has no direct or indirect material relationship with Pacific & Western. A material relationship is a relationship which could, in the view of the Boards of Directors, be reasonably expected to interfere with the exercise of a member's independent judgement. Notwithstanding the above, an individual is considered to have a material relationship with Pacific & Western in the situations enumerated in section 1.4 of NI 52-110.

8. The members of the Boards of Directors have responsibility for the stewardship of Pacific & Western and are charged with the following duties:

Generally:

- a) approve the by-laws of Pacific & Western;
- b) appoint a Chair of the Boards who shall be an independent director, subject to exceptional circumstances;
- c) in the event that the Chair of the Boards is not an independent director, an independent lead director shall be appointed;
- d) appoint a President & CEO for Pacific & Western and ensure that the Chair of the Boards conducts an annual assessment of such officer's performance;
- e) approve the executive agreement of the President & CEO;
- f) annually approve the compensation of the President & CEO;
- g) appoint officers for Pacific & Western who are suitably qualified and capable of managing the operations of Pacific & Western effectively and prudently;
- h) understand the responsibilities and accountabilities assigned to officers of Pacific & Western;
- i) evaluate, on a regular basis, the effectiveness and prudence of the officers in managing the operations of Pacific & Western and the risks to which Pacific & Western is exposed;
- j) satisfy itself as to the integrity of the President & CEO and other officers, and satisfy itself that the President & CEO and other officers create a culture of integrity throughout Pacific & Western;
- k) review Pacific & Western's Management Succession Plan submitted by management;
- l) review Pacific & Western's Human Resources Plan submitted by management;
- m) regularly satisfy itself that Pacific & Western's compensation plans are consistent with the sustainable achievement of Pacific & Western's business objectives, the prudent management of its operations and the risks to which it is exposed, and adherence to its processes, policies, procedures and controls;
- n) establish standards of business conduct and ethical behaviour for Pacific & Western's directors, officers, and other personnel, and obtain on a regular basis reasonable assurance that Pacific & Western has an ongoing, appropriate and effective process for ensuring adherence to those standards;
- o) establish an Audit Committee and approve the mandate for such committee;
- p) establish a Conduct Review Committee and approve the mandate for such committee;
- q) establish any other board committees that the Boards of Directors deem advisable and approve the mandates for such committees;
- r) review policies for Pacific & Western as recommended by management and approve all policies;
- s) approve a Corporate Disclosure Policy for Pacific & Western;
- t) approve the annual financial statements for Pacific & Western;
- u) approve the annual MD&A;
- v) approve all major changes to Pacific & Western's organization structure;
- w) approve all significant acquisitions;
- x) review all major contracts after approval by management and approve all major contracts out of the ordinary course of business;
- y) review systems plans and disaster recovery plans as submitted by management;
- z) approve related party transactions when required by Pacific & Western's governing legislation;
- aa) review compliance reports;
- bb) review director remuneration;
- cc) exercise independent judgment in directing and overseeing the operations of Pacific & Western;
- dd) understand directors' responsibilities and regularly evaluate objectively the individual director's and the Boards' effectiveness in fulfilling those responsibilities;
- ee) review such information as required to obtain reasonable assurance that Pacific & Western has a control environment and that Pacific & Western is in control;
- ff) recommend the appointment of the external auditor to the shareholders;
- gg) upon recommendation of the Audit Committee, approve the compensation of the external auditor;
- hh) require the external auditor to report directly to the Audit Committee;
- ii) approve the appointment of Pacific & Western's Internal Auditor as recommended by the Audit Committee;

- jj) approve changes respecting the incumbent holding the position of Internal Auditor as recommended by the Audit Committee; and
- kk) review and, where appropriate, approve requests from individual directors to engage an outside advisor at the expense of Pacific & Western.

Specifically with respect to Strategic Management:

- a) establish the business objectives of Pacific & Western, consider and approve Pacific & Western's business strategy and its business plans for significant operations, and review those things annually to ensure that they remain appropriate and prudent in light of Pacific & Western's current and anticipated business and economic environment, resources and results;
- b) evaluate, at least quarterly, Pacific & Western's actual operating and financial results against forecast results, in light of Pacific & Western's business objectives, business strategy and business plans; and
- c) obtain, on a regular basis, reasonable assurance that Pacific & Western has an ongoing, appropriate and effective strategic management process.

Specifically with respect to Risk Management:

- a) understand the significant risks to which Pacific & Western is exposed;
- b) establish appropriate and prudent risk management policies for those risks;
- c) review risk management policies at least annually to ensure that they remain appropriate and prudent; and
- d) obtain, on a regular basis, reasonable assurance that Pacific & Western has an ongoing, appropriate and effective risk management process and that the institution's risk management policies for significant risks are being adhered to.

Specifically with respect to Liquidity and Funding Management:

- a) understand the liquidity and funding needs of Pacific & Western;
- b) establish appropriate and prudent liquidity and funding management policies for Pacific & Western, taking into account Pacific & Western's significant operations, including policies on the sources, types and levels of liquidity that are to be maintained by Pacific & Western and policies that are designed to prevent Pacific & Western's funding from becoming unduly concentrated with respect to source, type, term to maturity or currency of denomination;
- c) review liquidity policies at least once a year to ensure that they remain appropriate and prudent; and
- d) obtain on a regular basis, reasonable assurance that Pacific & Western has ongoing, appropriate and effective liquidity and funding management processes and that Pacific & Western's liquidity and funding management policies are being adhered to.

Specifically with respect to Capital Management:

- a) understand the capital needs of Pacific & Western and approve changes to capital;
- b) establish appropriate and prudent capital management policies for Pacific & Western, taking into account Pacific & Western's significant operations, including policies on the quantity and quality of capital needed to support the current and planned operations of Pacific & Western that reflect both the risks to which Pacific & Western is exposed and its regulatory capital requirements;
- c) review capital policies at least once a year to ensure that they remain appropriate and prudent; and
- d) obtain, on a regular basis, reasonable assurance that Pacific & Western has an ongoing, appropriate and effective capital management process and that Pacific & Western's capital management policies are being adhered to.

Specifically with respect to Operational Risk:

- a) understand the operational risks that Pacific & Western is exposed to. Operational risk is the risk of loss, whether direct or indirect, attributable to disruptions in the operations of Pacific &

- Western caused by external events, human error, or the inadequacy or failure of processes, procedures or controls;
- b) establish appropriate and prudent policies on operational risks that are inherent in Pacific & Western's operations;
 - c) consider the sufficiency and competency of Pacific & Western's resources (e.g. capital, people, information and technology) to conduct operations and to manage the risks related thereto; and
 - d) review policies relating to operational risk at least once a year and consider whether they remain appropriate and prudent.

Specifically with respect to Independent Inspection and Audit:

- a) approve the appointment of the Internal Auditor, as recommended by the Audit Committee; and
 - b) approve changes respecting the incumbent holding the position of Internal Auditor, as recommended by the Audit Committee.
9. The members of the Boards of Directors are expected to attend all meetings of the Board and its committees in person, when at all possible. Attendance by telephone may be used to facilitate a director's attendance.
10. The members of the Boards of Directors are expected to devote the appropriate amount of time necessary to review meeting material such that they are able to engage in informed discussion and make informed decisions.

ADDITIONAL BOARD OF DIRECTORS INFORMATION

Position Descriptions

The Corporation has Board approved Mandates for the Chairman of the Board and for the Chair of each Board committee. The Board has also approved a written position description for the CEO which outlines his responsibilities, both generally and with respect to business planning and marketing, human resource policies and human resource management, enterprise risk management, legal and regulatory environment, and reporting to the Board. Also attached to the CEO job description is a detailed chart of authorities.

Orientation and Continuing Education

The Director Orientation and Professional Development Program is designed to enhance the directors' knowledge and ability to execute their responsibilities to the Corporation. All new directors are provided with a package of information, including information respecting Board and committee composition, management information, and other relevant policies and procedures. New Audit Committee members receive additional pertinent information.

In order to keep the directors up-to-date on operations and those matters that affect the business of the Corporation, directors receive written material and presentations from management, and may receive presentations from outside experts, on various aspects of the Corporation's operations as well as on emerging issues. This process may be initiated at the request of the Board, a committee, an individual director, or management. In addition, the committees have the authority to engage independent counsel and other advisors as determined to be necessary to permit them to carry out their duties.

Directors are encouraged to enroll in a relevant professional development program, and the expenses incurred are reimbursed to a fixed maximum amount.

Level of Share Ownership Required

Directors are required to hold common shares or deferred share units at a value equal to at least 5 times the cash retainer amount. New directors have 3 years in which to attain the required level.

Ethical Business Conduct

The Board of Directors has adopted a written Code of Conduct for the directors, officers, and employees of the Corporation. The Code of Conduct is available with the Corporation's other publicly disclosed documents at www.sedar.com. A copy may also be requested by contacting the Corporate Secretary at Suite 2002, 140 Fullarton Street, London, Ontario N6A 5P2. On a quarterly basis, the Board of Directors receives a Compliance Report from the Compliance Officer. Any matters of non-compliance form part of the report. The Board also receives an annual confirmation from the Compliance Officer with respect to compliance with the Code of Conduct during the preceding year.

A primary element within the Code of Conduct is a section on conflicts of interest. This section provides a definition of conflict of interest including a cross reference to the related party policy of the Corporation. The conflict of interest section within the Code provides details on the procedure to be followed if a conflict of interest situation arises, with the basic premise being the elevation of notice respecting the situation up to the Board. A list of conflict of interest matters is maintained by the Compliance Officer, and each director and officer of the Corporation is required to annually attest that he or she is not a party to a material contract or proposed material contract, and is not a director or officer of any entity who is, and does not have a material interest in any person who is, a party to a material contract or proposed material contract with the Corporation.

Nomination of Directors

The Human Resources & Corporate Governance Committee, comprised entirely of independent directors, sets criteria for the selection of directors to ensure that the competencies, skills and personal qualities of the Board members add value. From time to time it is both necessary and desirable for new candidates to be identified and appointed to the Board. The President & CEO, in collaboration with the Chair of the Human Resources & Corporate Governance Committee, evaluates the needs of the Board and seeks out candidates with suitable backgrounds and strengths to help fill those needs. The credentials of the identified candidate are reviewed and discussed by the Human Resources & Corporate Governance Committee, and are compared against the current needs of the Board. Any conflicts or impediments, as well as the time expected and required of directors, are addressed. The Chairman of the Human Resources & Corporate Governance Committee reports the Committee's recommendation to the full Board of Directors. If thought advisable, the full Board approves the appointment of the identified candidate as a director, subject to a positive result on background checks as required by the Bank's Assessment Policy for Responsible Persons.

Compensation

The Corporation has a Human Resources & Corporate Governance Committee comprised entirely of independent directors. As part of its Mandate, this Committee is to assess the level and nature of directors' fees, as well as other compensation.

In addition, the Human Resources & Corporate Governance Committee annually reviews the compensation of the President & CEO and recommends same to the Board for approval. The Committee annually approves, at the beginning of each fiscal year, performance measurements for calculating the annual incentive award of the President & CEO. The Committee also approves any incentive award of

the President & CEO. The Committee also reports to the Board the total compensation of the President & CEO.

In addition, part of the Human Resources & Corporate Governance Committee's mandate is to review officer and management appointments to ensure that the Corporation has enough experienced and skilled personnel to carry out its business activities in a prudent manner, and to assess the suitability and integrity of officers in accordance with the Assessment Policy for Responsible Persons. This Committee reviews employee, including officers', compensation ranges, and benefit programs and employee bonuses. The Committee is also responsible for an annual review of a number of human resources related Board approved policies including the Compensation Plan for all employees and management. The Compensation Plan addresses the base salary component of the total compensation package and other significant benefits and programs.

Other Board Committees

In addition to the Audit Committee and the Human Resources & Corporate Governance Committee, the Bank also has a Conduct Review Committee and a Risk Review Committee. The Conduct Review Committee is responsible for issues including related party transactions, harassment in the work place, customer complaints, and the Code of Conduct. The Committee reports to the Board on matters reviewed by the Committee after each meeting, and the Committee also provides an annual report to the Bank's regulator with respect to its activities during the year respecting related party transactions. The Risk Review Committee is responsible for recommending and reviewing, at least annually, all policies governing management of credit risk, market risk, structural risk, and liquidity and funding management, and ensuring that an enterprise risk management program is in place and is being adhered to.

Assessments

The Mandate of the Human Resources & Corporate Governance Committee provides that the members of the Board are required to complete an annual assessment whereby each member of the Board is asked to complete a Board performance assessment and a self-assessment. In addition, the Chair of each committee is required to complete a committee performance assessment. The Board and committee assessments are returned directly to the Chair of the Human Resources & Corporate Governance Committee, who compiles the information and prepares and presents a report on the results of the assessments to the full Board of Directors. The President & CEO thereafter provides the Board with an additional report outlining his thoughts on the comments raised in the report. The Human Resources & Corporate Governance Committee is mandated to follow up on recommendations that flow from the assessment process.

In addition, and in accordance with the Mandate of the Chair of the Board of Directors, the Chair of the Board conducts an annual assessment of the performance of the President & CEO of the Corporation, and the results of that assessment are reviewed by the full Board of Directors.