



**PACIFIC & WESTERN CREDIT CORP.  
MANAGEMENT PROXY CIRCULAR  
FOR SERIES C PROMISSORY NOTEHOLDERS**

Dated May 20, 2009

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**PACIFIC & WESTERN CREDIT CORP.  
MANAGEMENT PROXY CIRCULAR  
FOR THE MEETING OF SERIES C PROMISSORY NOTEHOLDERS  
to be held on Friday, June 26, 2009**

**SOLICITATION OF PROXIES BY MANAGEMENT**

**This Circular is furnished to Series C noteholders 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 meeting of the Series C Promissory noteholders (the “Noteholders”) 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 10:45 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 NOTEHOLDER HAS THE RIGHT TO APPOINT A PERSON, WHO NEED NOT BE A NOTEHOLDER, 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 Trust Company of Canada in accordance with the instructions provided on the form of Proxy.

**Registered Noteholders who plan to attend the Meeting and wish to vote their Series C Promissory Notes (the “Notes”) 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 Noteholders are to register with the trustee, Computershare Trust Company of Canada, 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 Noteholders who do not hold their Notes in their own name, but who hold their Notes through an intermediary (a bank, trust company, securities broker, trustee or other). Noteholders that do not hold their Notes in their own name are referred to in this document as **Non-Registered Holders.****

Non-Registered Holders should note that only proxies deposited by Noteholders whose names

appear on the records of the Corporation as the registered holders of Notes can be recognized and acted upon at the Meeting. If Notes are listed in an account statement provided to a Noteholder by a broker, then in almost all cases those Notes will not be registered in such Noteholder's name on the records of the Corporation. Such Notes will likely be registered in the name of the Noteholder's broker or an agent of that broker (intermediaries). Notes 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 Notes for their clients. The directors and officers of the Corporation may not know for whose benefit the Notes registered in the name of intermediaries are held.

Intermediaries are required to seek instructions from Non-Registered Holders in advance of noteholder 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 Notes 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 Noteholders; 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 NOTES DIRECTLY AT THE MEETING. The proxy must be returned to the intermediary well in advance of the Meeting in order to have the Notes 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 NOTES 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 Noteholder may revoke a proxy:

- (a) by an instrument in writing executed by the Noteholder or by an attorney in writing or, if the Noteholder 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 Notes represented by proxies will be voted by the persons designated in the proxies in accordance with the direction of the Noteholders appointing them. In the event that no specifications are made in the proxies, the Notes represented by the proxies will be voted by the proxy nominees designated by management FOR the matters 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 Notes 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 principal amount of Notes outstanding is \$63,970,000. Each Noteholder present in person or represented by a proxy shall be entitled to one vote in respect of each \$1,000 principal amount of Notes held by the Noteholder.

The directors have fixed May 25, 2009 as the record date for determining Noteholders entitled to receive notice of the Meeting. A person shown as a Noteholder of record on May 25, 2009 shall be entitled to vote the Notes 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 Notes after May 25, 2009 and the transferee of those Notes produces properly endorsed Note certificates or otherwise establishes that he or she owns such Notes and demands, not later than 10 days before the Meeting, that his or her name be included in the list of Noteholders entitled to receive notice of the Meeting, in which event the transferee shall be entitled to vote such Notes at the Meeting.

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

1. **AUTHORIZATION TO AMEND THE TRUST INDENTURE RELATING TO THE SERIES C PROMISSORY NOTES TO PROVIDE THAT THE SERIES C PROMISSORY NOTES ARE CONVERTIBLE INTO CLASS "B" PREFERRED SHARES**

The Noteholders are asked to consider an extraordinary resolution to amend the Trust Indenture (the "Trust Indenture") relating to the Notes to provide that the principal amount of the Notes (the "Converted Amount") may be converted, at the option of the holder, into Class "B" Preferred Shares, on the basis that a holder of Notes will receive one Class "B" Preferred Share for each \$25.00 of the Converted Amount converted. Any accrued but unpaid interest on any Converted Amount as of the effective date of the conversion will be paid in cash by the Corporation within 10 days following such date.

The conversion of the Notes into Class “B” Preferred Shares may 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 Notes will be August 31, 2009.

### **Class “B” Preferred Shares**

The holders of Class “B” Preferred Shares are 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 will 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 (“TSX”) 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.

## **Additional Amendment**

The Trust Indenture will also be amended to provide that the aggregate principal amount of Notes beneficially owned by any one Noteholder, including each of its associates, affiliates and insiders, as applicable, inclusive of the principal amount of any Series A Promissory Notes beneficially owned by the Noteholder, including each of its associates, affiliates and insiders, as applicable, that may be converted into Class "B" Preferred Shares is limited to \$12,000,000. This limitation will ensure that no Noteholder may become a "control person" of the Corporation, as such term is defined under applicable securities laws, as a result of a conversion of Notes by a Noteholder into Class "B" Preferred Shares, which shares are convertible into common shares of the Corporation.

The Noteholders are being asked to pass an extraordinary resolution authorizing such amendment to the Trust Indenture, the text of which is attached to this Management Proxy Circular as Exhibit "A".

An extraordinary resolution must be passed at a duly convened meeting of the Noteholders by a majority consisting of not less than 66 2/3 % of the votes given on a poll.

If the aforementioned extraordinary resolution is passed by the Noteholders, and the holders of the common shares of the Corporation pass a special resolution to authorize the Corporation to issue Class "B" Preferred Shares, a communication, with an attached letter of transmittal, will be sent to all of the Noteholders on or about July 1, 2009. This communication will detail the process to convert the Notes into Class "B" Preferred Shares, for any holder who decides to exercise this conversion right.

**If a significant principal amount of the Notes are converted into Class "B" Preferred Shares, the TSX may delist the Notes if, in the opinion of the TSX, it appears that the public distribution or trading activity of the remaining unconverted Notes has been reduced so as to make listing of the Notes on the TSX unwarranted.**

2. AUTHORIZATION TO AMEND THE TRUST INDENTURE RELATING TO THE SERIES C PROMISSORY NOTES TO PROVIDE THAT THE CORPORATION CAN OFFER TO REPAY THE SERIES C PROMISSORY NOTES THROUGH THE ISSUANCE OF SECURITIES

The Noteholders are also asked to consider an extraordinary resolution to amend the Trust Indenture to provide that the Corporation may offer to repay all or part of the principal amount of the Notes, from time to time, through the issuance of securities of the Corporation. The particulars of any such securities to be issued as repayment for the Notes would be established by the Corporation and communicated to the Noteholders at least 30 days prior to the effective date of any such repayment. The Corporation will have no obligation to offer such securities for repayment of the principal amount of the Notes but may do so in its discretion. There will be no obligation on the Noteholders to accept any securities offered by the Corporation for repayment of the principal amount of Notes. Such acceptance will be in the sole discretion of the Noteholder and completely voluntary.

The Corporation will work with trustee for the Notes to communicate the terms of any such offer for

repayment of the principal amount of the Notes. Any offer the Corporation may make to repay the Notes will be subject to regulatory approval.

The Noteholders are being asked to pass an extraordinary resolution authorizing such amendment to the Trust Indenture, the text of which is attached to this Management Proxy Circular as Exhibit “B”.

An extraordinary resolution must be passed at a duly convened meeting of the Noteholders by a majority consisting of not less than 66 2/3 % of the votes given on a poll.

## **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a general summary of selected Canadian federal income tax considerations generally applicable to a Noteholder who is or is deemed to be resident in Canada, holds the Notes as capital property and converts Notes into Class “B” Preferred Shares, as described in this Management Proxy Circular.

A Noteholder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest or amount that is considered for the purposes of the *Income Tax Act* (the “Act”) to be interest on the Notes that accrued to it to the end of the year or became receivable or was received by it before the end of the year, to the extent that the interest (or amount considered to be interest) was not included in computing its income for a preceding taxation year. A Noteholder (other than a Noteholder referred to above) will be required to include in computing the Noteholder’s income for a taxation year any amount received or receivable (depending upon the method regularly followed by the Noteholder in computing income) by the Noteholder as interest or considered to be interest in the year on the Notes, to the extent that such amount was not included in computing the Noteholder’s income for a preceding taxation year. In addition, any amount paid by the Corporation as a penalty or bonus because of the repayment of all or part of the principal amount of a Note before its maturity will be deemed to be received by the Noteholder as interest on the Note and will be required to be included in computing the Noteholder’s income as described above, to the extent such amount can reasonably be considered to relate to, and does not exceed the value at the time of payment of, interest that, but for the repayment, would have been paid or payable by the Corporation on the Note for a taxation year of the Corporation ending after the repayment of such amount.

On a disposition or deemed disposition of a Note, including a payment on maturity, redemption or purchase for cancellation of a Note, a Noteholder will generally be required to include in computing its income for the taxation year in which the disposition occurred the amount of interest (including amounts considered to be interest) that has accrued on the Note to the date of disposition to the extent that such amount has not otherwise been included in computing the Noteholder’s income for the year in which the disposition occurred or a preceding taxation year. In the event of a conversion of a Note into Class “B” Preferred Shares, any interest accrued on the Note from the date of the last interest payment to the date of conversion and paid to the Noteholder will be included in the Noteholder's income as described above.

The conversion of Notes 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 Noteholder of Class “B” Preferred Shares received on the conversion will be deemed to be equal to the Noteholder’s adjusted cost base of the converted Note 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 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.

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

#### **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"

**EXTRAORDINARY RESOLUTION OF THE SERIES C PROMISSORY  
NOTEHOLDERS  
OF  
PACIFIC & WESTERN CREDIT CORP.  
(the "Corporation")**

**RE: Amendment to the Trust Indenture Relating to the Series C Promissory Notes**

"BE IT RESOLVED THAT:

- (a) Subject to the limitation indicated below, all or part of the principal amount (the "Converted Amount") of Series "C" Promissory Notes (the "Notes") may be converted, at the option of the holders, into Class "B" Preferred Shares, on the basis that each holder of Notes will receive one Class "B" Preferred Share for each \$25.00 of the Converted Amount converted.
- (b) The conversion of the Notes into Class "B" Preferred Shares may 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 Notes will be August 31, 2009.
- (c) The aggregate principal amount of Notes beneficially owned by any one noteholder, including each of its associates, affiliates and insiders, as applicable, inclusive of the principal amount of any Series A Promissory Notes beneficially owned by the noteholder, including each of its associates, affiliates and insiders, as applicable, that may be converted into Class "B" Preferred Shares is limited to \$12,000,000.
- (d) The Corporation be and is hereby authorized and directed to enter into a supplemental indenture with Computershare Trust Company of Canada (the "Trustee") to amend the terms of the Trust Indenture between the Corporation and Montreal Trust Company of Canada (predecessor to the Trustee) dated October 13, 1998 (the "Trust Indenture"), as amended, to give effect to the above resolutions.
- (e) Any director or officer of the Corporation is hereby authorized, in the name and on behalf of the Corporation, under its corporate seal or otherwise, to make such further amendments to the Trust Indenture as may be required to give effect to the intent of the above resolutions, and any such amendments shall be deemed to be authorized by these resolutions.
- (f) Any officer of the Corporation is hereby authorized, in the name and on behalf of the Corporation, under its corporate seal or otherwise, to execute and deliver all such other applications, certificates, documents, deeds, agreements and instruments (in addition to those mentioned in these resolutions), and to do all such further acts, as such officer may

consider to be necessary or desirable to give effect to the above resolutions and agreements referred to herein, and the execution of any such documents by any such officer of the Corporation, or the doing of any such act, shall be deemed to be conclusive evidence that such documents so executed, or such acts so performed, are authorized by these resolutions.

- (g) Notwithstanding the passage of this extraordinary resolution by noteholders voting thereon, the directors are authorized to revoke or abandon this extraordinary resolution, without any further approval of noteholders, at any time prior to entering into a supplemental indenture agreement.”

EXHIBIT “B”

**EXTRAORDINARY RESOLUTION OF THE SERIES C PROMISSORY  
NOTEHOLDERS  
OF  
PACIFIC & WESTERN CREDIT CORP.  
(the “Corporation”)**

**RE: Amendment to the Trust Indenture Relating to the Series C Promissory Notes**

“BE IT RESOLVED THAT:

- (a) The Corporation may offer to repay all or part of the principal amount of the Series “C” Promissory Notes (the “Notes”), from time to time, through the issuance of securities of the Corporation. There will be no obligation on the Noteholders to accept any such offer, and the acceptance of any such offer will be in the sole discretion of the Noteholders. Any offer the Corporation may make to repay the Notes will be subject to regulatory approval.
- (b) The Corporation be and is hereby authorized and directed to enter into a supplemental indenture with Computershare Trust Company of Canada (the “Trustee”) to amend the terms of the Trust Indenture between the Corporation and Montreal Trust Company of Canada (predecessor to the Trustee) dated October 13, 1998 (the “Trust Indenture”), as amended, to give effect to the above resolution and to outline the procedures to be followed by the Corporation to make such an offer of repayment.
- (c) Any director or officer of the Corporation is hereby authorized, in the name and on behalf of the Corporation, under its corporate seal or otherwise, to make such further amendments to the Trust Indenture as may be required to give effect to the intent of the above resolutions, and any such amendments shall be deemed to be authorized by these resolutions.
- (d) Any officer of the Corporation is hereby authorized, in the name and on behalf of the Corporation, under its corporate seal or otherwise, to execute and deliver all such other applications, certificates, documents, deeds, agreements and instruments (in addition to those mentioned in these resolutions), and to do all such further acts, as such officer may consider to be necessary or desirable to give effect to the above resolutions and agreements referred to herein, and the execution of any such documents by any such officer of the Corporation, or the doing of any such act, shall be deemed to be conclusive evidence that such documents so executed, or such acts so performed, are authorized by these resolutions.
- (e) Notwithstanding the passage of this extraordinary resolution by noteholders voting thereon, the directors are authorized to revoke or abandon this extraordinary resolution,

without any further approval of noteholders, at any time prior to entering into a supplemental indenture agreement.”