

Backgrounder for June 26, 2009 Special Meetings of PWC

This mini package has been designed to assist IAs in addressing questions from clients who hold shares and notes issued by PWC. Please note that the four proxy circulars should be referred to for complete information. These were all filed on SEDAR on June 2, 2009 and can be accessed at <http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00004444>. They may also be found on the PWBank website here: <http://pwbank.com/investor/meetings/>.

What is taking place on June 26?

(See it here: <http://pwbank.com/investor/news/?y=2009&n=1706032513>)

Pacific & Western Credit Corp. is pleased to announce that on June 26, 2009 it will host a reception at 9:30 am at The London Club, 177 Queens Avenue, London, Ontario. At 10:00 am David Taylor, President & C.E.O., will provide an update on PWC's activities, followed by special meetings of its common shareholders, Class "A" Preferred shareholders, Series A Noteholders and Series C Noteholders.

PWC is proposing the creation of Class "B" Preferred shares, and plans to give its Class "A" Preferred Shareholders, Series A Noteholders and Series C Noteholders the opportunity to convert into the new Class "B" Preferred shares. In addition, the Series A Noteholders will, upon approval, have the opportunity to convert to Series C Notes. All conversions are strictly voluntary, and there will be no obligation to convert.

Why a new Class B Preferred Share?

David Taylor, President & C.E.O. stated that, "PWC is pleased to offer its shareholders and noteholders a new attractive investment vehicle. We may consider doing offerings of the Class "B" Preferred shares in the future. Any proceeds of such offerings would be used to increase the regulatory capital of PWC's wholly-owned subsidiary, Pacific & Western Bank of Canada, and provide working capital for PWC."

I am a common shareholder, do these proposals include my common shares?

No. Common shareholders will not be able to convert to the Preferred Shares or Notes.

If these proposals pass, am I under any obligation to convert my Preferred Shares or Notes?

No. If the proposals pass, there is no obligation to convert. If the proposals pass, you will simply be entitled to convert, however, the choice remains yours.

If I decide I would like to convert, when may I do so?

If the proposals pass, the opportunity to convert will be between July 1 up to and including August 28, 2009. The effective date of conversion will be August 31, 2009. Further instructions will be mailed to PWC's shareholders and noteholders following the June 26 meeting.

At what value can each preferred share or note be converted?

Converting Class "A" Preferred Shares to Class "B" Preferred Shares:

Class A Preferred Shares cost \$3.00, Class "B" Preferred Shares cost \$25.00

For each Preferred A that a client converts in a Preferred B, they will receive 0.12 of a Preferred B. It takes 8.33 Preferred A shares to buy one Preferred B share.

Converting Series A Promissory Notes

Series A Promissory Notes may be converted, at the option of the holder, into either:

- (i) Series C Promissory Notes, on the basis that \$5,000.00 of the principal amount of the Series A Promissory Notes may be converted into \$6,000.00 principal amount of Series C Promissory Notes; or
- (ii) Class "B" Preferred Shares, on the basis that the holders of the Series A Promissory Notes will receive one Class "B" Preferred for each \$25.00 of the principal amount of the Series A Promissory Notes converted. Each \$1,000 of A Note will be converted in 40 Preferred B Shares.

For greater certainty, the Series A Promissory Notes may only be converted into Series C Promissory Notes in \$5,000.00 increments. If there is an odd amount still held by the Series A Promissory Noteholder after they have converted all of their \$5,000 multiples of Series A Promissory Notes (ie. between \$1,000 and \$4,000), the holder will remain the holder of that amount of Series A Promissory Notes.

Converting Series C Promissory Notes

Series C Promissory Notes may be converted, at the option of the holder, into Class "B" Preferred Shares on the basis that the holders of the Series C Promissory Notes will receive one Class "B" Preferred for each \$25.00 of the principal amount of the Series C Promissory Notes converted. Each \$1,000 of C Note will be converted in 40 Preferred B Shares.

Class B Preferred Shares = \$25.00 per share

The Class "B" Preferred Shares will be redeemable by PWC, at its discretion, on or after June 30, 2014, but will be redeemed by PWC 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 PWC in cash, and any accrued but unpaid dividends on the Class "B" Preferred Shares that are redeemed shall be payable by PWC in cash/common shares, in the same manner as the dividends are to be paid.

More Details:

The Following is the text of the first item of business to be transacted at the special meeting of the common shareholders, which includes further details of the new Class "B" Preferred Shares. If the common shareholders approve the creation of the Class "B" Preferred Shares, then the Class "A" Preferred shareholders, the Series A noteholders and the Series C noteholders will have an opportunity, until August 28, 2009, to convert their shares or notes into the new Preferred Shares. In addition, if approved on June 26, the Series A Noteholders will have an opportunity to convert their Series A Notes (expiring April 19, 2010) into Series C Notes (expiring October 16, 2018). If you would like additional

information on the conversion details, please refer to the Business to be Transacted at the Meeting section of the proxy circulars found here: <http://pwbank.com/investor/meetings/>.

Special Meeting of the Common Shareholders

BUSINESS TO BE TRANSACTED AT THE MEETING:

- 1.) Amendment to the Articles of the Corporation to create Class “B” Preferred Shares (details below)
- 2.) Amendment to the Articles of the Corporation to amend the share provisions attached to the Class “A” Preferred Shares (details can be found in the proxy circular)

1. AUTHORIZATION TO AMEND THE ARTICLES OF THE CORPORATION TO CREATE CLASS “B” PREFERRED SHARES

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

If the shareholders pass the special resolution authorizing the issuance of the Class “B” Preferred Shares, the holders of Class “B” Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, as and when declared by the board of directors of the Corporation, fixed subordinated cumulative dividends at the rate of \$2.25 per share per annum. Such dividends shall be paid quarterly on the last day of March, June, September and December in each year. Out of the total dividend of \$2.25 per annum, per Class “B” Preferred Share, \$0.84 will be paid by the Corporation in cash with the remaining dividends to be paid by the Corporation in cash or common shares of the Corporation, at the Corporation’s sole discretion. Any such common shares would be issued at the current market price, as defined below.

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

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

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

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

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

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

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

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

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

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