



**PACIFIC & WESTERN CREDIT CORP.
MANAGEMENT PROXY CIRCULAR**

DATED JANUARY 23, 2008

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**PACIFIC & WESTERN CREDIT CORP.
MANAGEMENT PROXY CIRCULAR
FOR THE ANNUAL MEETING OF SHAREHOLDERS
to be held on Friday, April 4, 2008**

SOLICITATION OF PROXIES BY MANAGEMENT

This Circular is furnished to shareholders of Pacific & Western Credit Corp. (the "Corporation") in connection with the solicitation of proxies by or on behalf of the management of the Corporation for use at the Annual Meeting of the common shareholders of the Corporation (the "Meeting"). The information contained herein is current as of January 23, 2008, unless otherwise indicated. The Meeting will be held at the Toronto Stock Exchange Broadcast & Conference Centre, Gallery, The Exchange Tower, 130 King Street W., Toronto, Ontario, on Friday, April 4, 2008 at 10:00 a.m. for the purposes set forth in the accompanying Notice of Annual 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.

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, 2007, 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. **A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON, WHO NEED NOT BE A SHAREHOLDER, AS HIS OR HER NOMINEE TO ATTEND AND ACT FOR HIM OR HER AND ON HIS OR HER BEHALF AT THE MEETING, OTHER THAN THE PERSONS DESIGNATED IN THE ENCLOSED FORM OF PROXY.** This right may be exercised by inserting such person's name in the blank space provided in the form of proxy. Proxies are to be returned to Computershare Investor Services Inc. in accordance with the instructions provided on the form of Proxy.

Registered shareholders who plan to attend the Meeting and wish to vote their shares in person at the Meeting should not complete or return the form of proxy. Their votes will be taken and counted at the Meeting. Such shareholders are to register with the transfer agent, Computershare Investors 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 common shares through an intermediary (a bank, trust company, securities broker, trustee or other). Shareholders that do not hold their common shares in their own name are referred to in this document as Non-Registered Holders.

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

Intermediaries are required to seek instructions from Non-Registered Holders in advance of shareholders' 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 common 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 April 4, 2008 or any adjournment of the Meeting; or
- (b) in any other manner permitted by law.

EXERCISE OF DISCRETION WITH RESPECT TO PROXIES

The common 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 election of each of the directors set forth in this Circular, and FOR the appointment of KPMG LLP as auditors and authorization for the directors to fix their remuneration.

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

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of January 23, 2008, there were 13,607,452 common shares of the Corporation issued and outstanding. Each common share carries the right to one vote.

The directors have fixed February 12, 2008 as the record date for determining shareholders entitled to receive notice of the Meeting. A person shown as a shareholder of record on February 12, 2008 shall be entitled to vote the common 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 12, 2008 and the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he or she owns such shares and demands, not later than 10 days before the Meeting, that his or her name be included in the list of shareholders entitled to receive notice of the Meeting, in which event the transferee shall be entitled to vote such shares at the Meeting.

To the best of the knowledge of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or direction over, greater than 10% of the outstanding voting shares of the Corporation.

BUSINESS TO BE TRANSACTED AT THE MEETING

1. FINANCIAL STATEMENTS

The Consolidated Financial Statements for the year ended October 31, 2007, are included in the Annual Report, which has been mailed to shareholders with this Management Proxy Circular.

2. ELECTION OF DIRECTORS

In accordance with the by-laws of the Corporation, the directors have fixed the size of the Board at eight (8).

Each director is to be elected annually. Management of the Corporation proposes to nominate eight (8) 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. The nominees for election as directors of the Corporation are:

| | | |
|-------------------|----------------------------------|------------------|
| David A. Bratton | Honourable Thomas A. Hockin P.C. | C. Scott Ritchie |
| Douglas W. Gough | William T. Mitchell | David R. Taylor |
| Arnold E. Hillier | Paul G. Oliver | |

A "Board of Directors Attendance Record" is provided within this Management Proxy Circular in Exhibit "A". The information as to 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., C.M.C. London, Ontario <i>Common shareholdings - 35,465</i> <i>Stock options - 6,000</i> <i>DSUs - 7,161</i> | Director July 25, 2000 | President, Bratton Consulting Inc., a management consulting firm. |
| Douglas W. Gough (3) B.B.A. (Hons.), M.B.A. Toronto, Ontario <i>Common shareholdings - 45,155</i> <i>Stock options - 6,000</i> <i>DSUs - 7,361</i> | Director June 26, 1996 | Retired from position of Partner, Mintz & Partners Financial Services, a financial services partnership with its head office in North York, Ontario. President, Kaldo Investments Corporation. |
| Arnold E. Hillier (1)(2) B.Comm., C.A. Saskatoon, Sask. <i>Common shareholdings - 30,399</i> <i>Stock options - 4,000</i> <i>DSUs - 7,061</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. |

| Name | Office held and date first became a director | Principal occupation |
|---|---|--|
| <p>Honourable Thomas A. Hockin P.C. (1) P.C., B.A., M.P.A., Ph.D. Toronto, Ontario</p> <p><i>Common shareholdings - 8,960</i> <i>Stock options - Nil</i> <i>DSUs - 7,061</i></p> | <p>Director June 2, 2005</p> | <p>Retired from position of President & C.E.O, The Investment Funds Institute of Canada and Canadian Institute of Financial Planning.</p> |
| <p>William T. Mitchell (2) FCA Etobicoke, Ontario</p> <p><i>Common shareholdings - 19,500</i> <i>Stock options - Nil</i> <i>DSUs - 7,161</i></p> | <p>Director April 2, 2004</p> | <p>Retired from position of Senior Partner of PricewaterhouseCoopers LLP.</p> |
| <p>Paul G. Oliver (2) FCA, ICD.D Markham, Ontario</p> <p><i>Common shareholdings - 10,100</i> <i>Stock Options - Nil</i> <i>DSUs - 7,061</i></p> | <p>Director June 2, 2005</p> | <p>Retired from position of Senior Partner of PricewaterhouseCoopers LLP.</p> |
| <p>C. Scott Ritchie B.B.A. (Hons.), LL.B., Q.C. London, Ontario</p> <p><i>Common shareholdings - 101,499</i> <i>Stock options - 5,000</i> <i>DSUs - 7,161</i></p> | <p>Director January 1, 2002</p> | <p>Partner, Siskind, Cromarty, Ivey & Dowler LLP, Barristers and Solicitors.</p> |
| <p>David R. Taylor B.Sc. (Hons.), M.B.A., F.I.C.B. Ilderton, Ontario</p> <p><i>Common shareholdings - 1,200,000</i> <i>Stock options - 432,183</i> <i>DSUs - nil</i></p> | <p>President and Chief Executive Officer. Director January 18, 1993</p> | <p>President and Chief Executive Officer of Pacific & Western Credit Corp. and Pacific & Western Bank of Canada, and Chairman, President and Chief Executive Officer of Discovery Air Inc.</p> |

- (1) Member of the Human Resources & Corporate Governance Committee.
- (2) Member of the Audit Committee.
- (3) Chairman of the Board since June 2, 2005.
- (4) The Corporation does not presently have an executive committee.
- (5) All directors standing for election hold the same positions with the Corporation's principal subsidiary, Pacific & Western Bank of Canada (the "Bank"). In addition to having an Audit Committee and a Human Resources and 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.

SHAREHOLDER PROPOSALS

There were no shareholder proposals submitted for consideration at this meeting. Shareholder proposals to be considered at the 2009 annual meeting of shareholders of Pacific & Western Credit Corp. must be received at the registered office of the Corporation no later than October 25, 2008 to be included in the information circular and form of proxy for such annual meeting.

COMPENSATION OF DIRECTORS

Non-management directors are compensated for acting as directors of both the Corporation and its wholly-owned subsidiary, Pacific & Western Bank of Canada (the "Bank"), through a combination of annual retainers, a grant of deferred share units, and meeting attendance fees. Remuneration paid to David Taylor, the President and C.E.O., is included in the "Disclosure of Executive Compensation" section below.

For fiscal 2007, Directors received an annual stipend of \$10,000 and were granted 1,000 Deferred Share Units ("DSUs"). In addition, Directors were paid meeting fees based on the single highest rate for the meetings attended on a meeting day and not for each individual meeting held. During fiscal 2007, the Chairman of the Board received \$1,900 per day for attendance at Board meetings. The Chairman of the Audit Committee received \$1,800 per day for attendance at committee meetings, while the Chairman of the Human Resources & Corporate Governance Committee received \$1,500 per day. Each of the other directors were paid \$1,300 per day if Audit Committee members attending an Audit Committee meeting, and otherwise \$1,000 for attendance at Board meetings. Meeting fees were reduced by one-third when attended by phone instead of in person, and reduced by one-half when meetings were one hour or less in duration. Directors were also reimbursed for travel and other expenses incurred when attending meetings.¹

The Directors were also eligible for reimbursement for share purchases under a share purchase arrangement (the "Arrangement"). Under the Arrangement, directors who purchased shares on the open market during fiscal 2007 were eligible for reimbursement for one (1) of every four (4) common shares purchased, to a

¹ Effective November 1, 2007, the annual retainer for directors has increased to \$30,000, with \$10,000 being paid in cash and a grant of \$20,000 worth of DSUs. In addition, there is an additional cash retainer amount paid as follows: 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 (other than audit) - \$2,000. Meeting fees remain unchanged and Directors continue to be reimbursed for travel and other expenses incurred when attending meetings.

maximum level of reimbursement of \$5,000. All shares purchased under the Arrangement are to be held for a minimum of one (1) year from the date of purchase.²

The aggregate amount that may be paid by the Bank each financial year to its directors is \$400,000. In the fiscal year ended October 31, 2007, non-management directors were paid a total of \$165,000 from the Bank.

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, 2007, which is available on SEDAR at www.sedar.com. Upon request, a copy of the Annual Information Form will be provided free of charge.

REPORT ON EXECUTIVE COMPENSATION

The Corporation's overall compensation plan and the policies pertaining thereto are reviewed by the Human Resources & Corporate Governance Committee 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 periodically obtained from consultants and other external independent sources to ensure that compensation paid is competitive.

There are three key components for executive compensation packages: base salary, short-term incentive awards, and long-term incentive awards.

Base Salary

A goal of the Committee is to ensure that the Corporation offers a fair base salary relative to similar positions in comparable organizations. The overall objective is to set total compensation (i.e. base salary, benefits and annual incentive award) at approximately the seventy-fifth percentile of the compensation paid for comparable positions in similar companies.

Short-term Incentive Awards

Annual incentive awards are utilized to reward executives for making a significant contribution to the achievement of the Corporation's goals. Factors including individual performance results, the executive's business unit results, and the Corporation's overall results, are considered when determining the amount of any incentive award.

With respect to the President & C.E.O., any annual short term incentive award for fiscal 2007 was to be based primarily on ordinary earnings per share. In order for the maximum incentive award of 100% of salary to be granted, 130% of budgeted earnings per share would had to have been achieved. If the budgeted earning per share target was achieved, but the 130% level not met, the amount of the incentive award was to be pro-

² The Arrangement is also available to the Directors for the 2008 fiscal year, with reimbursement for one (1) of every two (2) common shares purchased on the market, to a maximum level of reimbursement of \$10,000.