

## 28. SUBSEQUENT EVENTS

On February 7, 2008, Loblaw's Medium Term Notes, other notes and debentures and commercial paper ratings were downgraded by DBRS and Standard & Poor's ("S&P"). DBRS downgraded Loblaw's long term credit rating to "BBB (high)" from "A (low)" and also lowered Loblaw's short term credit rating to "R-2 (high)" from "R-1 (low)". In addition, S&P downgraded the Loblaw commercial paper rating to "A-2" from "A-1 (low)". As a result of the DBRS downgrade of the short term credit rating, Loblaw has limited access to commercial paper. Loblaw has entered into discussions, which have not yet been finalized, with a syndicate of banks to secure short term funding to replace its existing 364-day revolving committed credit facility of \$500, as described in note 17, with a new, longer term committed credit facility of a higher amount.

Subsequent to the DBRS downgrades, Loblaw was notified that an Event of Termination of the independent funding trust agreement for the Loblaw's franchisees had occurred as a result of the credit rating downgrades. The \$44 standby letter of credit provided to the independent funding trust by Loblaw has not been drawn upon. If such an event were to occur, long term debt in the amount of \$126 would need to be reclassified to short term liabilities. This amount relates to certain franchisees that are VIEs that Loblaw currently consolidates. The gross principal amount of the franchisee loans outstanding at the end of 2007 was \$418 (2006 – \$419), including \$153 (2006 – \$124) of loans payable of VIEs consolidated by Loblaw in 2007. Loblaw is currently in the process of securing alternative financing with a syndicate of banks, in the form of a 364-day committed credit facility for the benefit of its franchisees to address this issue. Any new alternative financing structure which may be implemented would need to be reviewed to determine if there are any implications with respect to the consolidation of VIEs.

On February 12, 2008, DBRS downgraded the Company's long term credit rating to "BBB" from "BBB (high)", the short term credit rating to "R-2 (high)" from "R-1 (low)", the Debentures to "BBB (low)" from "BBB" and the preferred shares to "Pfd-3" from "Pfd-3 (high)", all with a stable trend. As a result of the DBRS downgrade of Weston's commercial paper credit rating, Weston has limited access to commercial paper. Weston has entered into discussions, which have not yet been finalized, with a syndicate of banks to secure short term funding to replace its existing committed credit facility of \$300, as described in note 17, with a new, longer term committed credit facility.