

## 22. CAPITAL SECURITIES (\$, except where otherwise indicated)

GWL has 10.6 million 5.15% non-voting Preferred Shares, Series II authorized and outstanding, with a face value of \$265 million, which entitle the holder to a fixed cumulative preferred cash dividend of \$1.2875 per share per annum which will, if declared, be payable quarterly. On and after April 1, 2009, GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at \$25.00 per share, together with all accrued but unpaid dividends to but not including the redemption date. On and after July 1, 2009, these outstanding preferred shares are convertible at the option of the holder, into that number of GWL's common shares determined by dividing \$25.00, together with accrued and unpaid dividends to but not including the conversion date, by the greater of \$2.00 and 95% of the then current market price of GWL's common shares. This option is subject to GWL's right to redeem the preferred shares for cash or arrange for their sale to substitute purchasers. At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holder, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL. These preferred shares are classified as other financial liabilities, and measured using the effective interest method. These preferred shares are included in current liabilities as at year end 2008 as subsequent to year end GWL provided the holders of these preferred shares with notice that such securities will be redeemed on April 1, 2009 (see note 33).

During 2008, Loblaw issued 9.0 million of the 12.0 million authorized 5.95% non-voting Second Preferred Shares, Series A, with a face value of \$225 million for net proceeds of \$218 million, which entitle the holder to a fixed cumulative preferred cash dividend of \$1.4875 per share per annum which will, if declared, be payable quarterly. On or after July 31, 2013, Loblaw may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after July 31, 2013 at \$25.75 per share, together with all accrued and unpaid dividends to but not including the redemption date;  
On or after July 31, 2014 at \$25.50 per share, together with all accrued and unpaid dividends to but not including the redemption date; and  
On or after July 31, 2015 at \$25.00 per share, together with all accrued and unpaid dividends to but not including the redemption date.

On and after July 31, 2013, Loblaw may, at its option, convert these preferred shares into that number of common shares of Loblaw determined by dividing the then applicable redemption price, together with all accrued and unpaid dividends to but excluding the conversion date, by the greater of \$2.00 and 95% of the then current market price of the common shares. On and after July 31, 2015, these outstanding preferred shares are convertible, at the option of the holder, into that number of common shares of Loblaw determined by dividing \$25.00, together with accrued and unpaid dividends to but excluding the date of conversion, by the greater of \$2.00 and 95% of the then current market price of the common shares. This option is subject to Loblaw's right to redeem the preferred shares for cash or arrange for their sale to substitute purchasers. These preferred shares are classified as other financial liabilities, and measured using the effective interest method.

Dividends on capital securities are presented in interest expense and other financing charges in the consolidated statement of earnings (see note 5).