Rating Report

Report Date:
March 18, 2009

Previous Report:
March 6, 2008

Insight beyond the rating.

McMaster University

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The University

McMaster University was founded in 1887 by the merger of the Toronto Baptist College and Woodstock College, and is located in Hamilton, a city of 693,000 residents 60 kilometres west of Toronto. The University is a comprehensive, research-intensive institution offering a broad range of undergraduate, graduate and continuing education programs. In 2008-2009, McMaster had an estimated enrolment of 24,104 students (FTEs).

Recent Actions

March 3, 2008
Trend Change

Rating

Debt	Rating	Rating Action	Trend
Senior Unsecured Debt	AA	Confirmed	Negative

Rating Update

DBRS has confirmed McMaster University's (McMaster or the University) rating of AA. However, the trend remains Negative as the University may take on a significant amount of new debt amid a rapidly tightening operating environment. Originally slated for 2008-2009, the borrowing has been delayed since the last DBRS review, due to a weakening of financial flexibility and unexpected government capital funding. The University may still issue approximately $100 million of debt at some point in the next few years, and will rely on internal borrowing to fund its capital program in the meantime.

As at all universities in Ontario, the operating position has tightened at McMaster, with 2007-2008 marking the University's first consolidated deficit in many years. Although financial resources continue to provide solid support to the rating, including expendable resources covering 135% of debt at April 30, 2008, McMaster will draw on internal reserves to fund capital projects and the employee benefits funding deficits. The weakened operating environment has made plans for about $100 million in debt less affordable, as exhibited by the much lower interest coverage ratio, which fell below McMaster's internal debt policy target level. Recent indications point to the likely continuation of poor results in 2008-2009 and 2009-2010, as continued operating cost pressures and limited provincial grant increases will likely outweigh regulated tuition hikes and budget reductions. Moreover, the tumultuous investment markets will also have an impact on results by dampening endowment fund contributions and increasing unfunded pension liabilities.

DBRS notes that McMaster is implementing restructuring initiatives in order to restore fiscal balance in the next three to five years. However, a prolonged period of operating deficits, a considerable rise in the funding deficits for post-employment benefits liabilities or materialization of McMaster's borrowing plan would further pressure financial flexibility and reduce debt metrics to a level that is not consistent with a AA rating. As such, DBRS expects the downward pressure on the University's rating to continue to intensify over the coming year.

Rating Considerations

Strengths
(1) Diversified and stable revenue base
(2) High level of expendable financial resources
(3) Sound university enrolment outlook in Ontario
(4) Innovative program offering, with focus on high-demand disciplines

Challenges
(1) Rising projected debt level
(2) Sizeable unfunded pension and post-employment benefit liabilities
(3) Growing salary pressures
(4) Limited fee-setting autonomy

Financial Information

	For the year ended April 30				
	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004
Consolidated surplus (deficit) ($ millions)	(13.5)	23.7	8.6	6.1	47.9
Long-term debt ($ millions)	155.3	156.3	157.1	158.0	158.8
Interest costs/total expenditures	1.5%	1.6%	1.7%	1.6%	1.8%
Interest coverage ratio (times)	3.9	7.0	5.9	4.8	6.6
Total endowment ($ millions) (1)	490.1	498.5	449.3	385.5	334.0
Capital expenditures ($ millions)	94.8	105.4	127.5	102.9	114.3
Total enrolment (FTEs) (2)	23,530	22,903	22,140	20,807	19,777
Long-term debt per FTE ($)	6,601	6,823	7,098	7,592	8,027
Endowment per FTE ($)	20,829	21,766	20,294	18,527	16,888

(1) Market value. (2) Full-time equivalent (FTE), excluding continuing education.

Rating Considerations Details

Strengths

(1) McMaster's substantial research activities, fundraising efforts and innovative entrepreneurial activities create a relatively high level of revenue diversification. Sizeable funding from the Ontario government (the Province, currently rated AA by DBRS), which accounted for 29% of total revenues in 2007-2008, also provides a fairly stable revenue source that supports the financial profile of the institution.

(2) Substantial protection is provided to bondholders through the University's considerable pool of expendable resources, which stood at $209.6 million, or 1.3 times total debt at April 30, 2008. The holdings consist of $15.2 million in reserves to retire debt, $61.2 million in unrestricted cash reserves and $133.2 million in internally restricted endowments, most of which could be unendowed by the Board of Governors to meet debt servicing needs, if required.

(3) Population growth in the province, continued migration from regional areas to the large urban centres and rising participation rates due to increased educational requirements in the labour market will help support enrolment at McMaster. However, enrolment levels will plateau over the next few years as the University has reached its medium-term target levels.

(4) The University's strong academic profile and innovative program offerings, which are focused on high-demand disciplines, should continue to support enrolment stability in the future. McMaster has the second-largest school of medicine in Ontario, Canada's largest co-operative education MBA and a top-ranked engineering school.

Challenges

(1) Although financial market conditions have deferred McMaster's plans to issue new debt, the University may still increase borrowing by about $100 million in the next couple years. The debt will be used to fund capital renewal and expansion projects. This will result in total debt of about $256 million, or around $11,000 per full-time equivalent (FTE), which DBRS views as high for the rating, given the weak operating environment, and at the high end of DBRS-rated universities.

(2) The University's pension plans have an unfunded liability of $158.1 million as valued at April 30, 2008. McMaster plans to use internally restricted net assets and internal endowments to fund the deficit contributions of about $7 million annually until the next valuation in 2010. In addition, the University has a sizeable non-pension post-employment benefit plan deficit of $203.1 million as at April 30, 2008. As a part of the strategic financial plan, the University continues to negotiate changes to post-employment benefits to help slow the rate of growth in the liability, although experiences at other universities show that material progress in this area is very hard to achieve.

(3) As at most Canadian universities, labour costs comprise the largest portion of expenditures and have been rising solidly in recent years, putting pressure on financial results. McMaster's salary and benefits expenditures rose 7.3% in 2007-2008 and increases have averaged 11% per year over the past five years. Strong demand for academics across universities will continue to make managing salary pressures difficult in the years ahead.

(4) Since 2006-2007, universities in Ontario have been limited to a 5% average annual increase in tuition fees. While this is a definite improvement over the tuition freeze that was in place, universities are still left with limited flexibility to alter this considerable revenue stream. The current framework is in place until 2009-2010, after which point it is unclear whether the Province will change the regulation.

McMaster University

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2007-2008 Operating Performance

McMaster reported a $13.5 million consolidated shortfall in 2007-2008, the first deficit in the last six years as the University entered the first of a three- to five-year restructuring plan. Total revenue growth was marginal, slowed in large part by stable government grants following significant year-end funding received in 2006-2007. Revenues were further dampened by a considerable decline in investment income, which dropped to 3% of revenues from about 6% of revenues in the prior three years. A 2.7% rise in enrolment combined with an increase in tuition fees boosted student fee revenue. Other income from non-academic services also provided support to revenues.

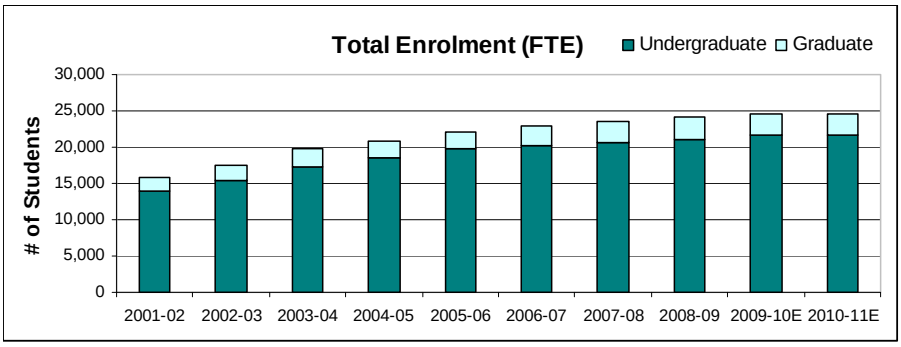
Consolidated spending grew 5.4%, with salaries and benefits comprising the vast majority of the increase due to new hires and contractual salary and benefit increases. Other than a strategic increase in student aid spending, all other cost items were generally contained.

Operating Outlook

The University presents a consolidated budget that includes all six of its funds: operating, ancillary, research, trust, endowment and capital. However, it budgets on a cash basis, rather than an accrual basis as presented in its financial statements.

2008-2009 Budget

When the budget was approved in the summer of 2008, McMaster projected another sizeable deficit in 2008-2009, the second year of a restructuring initiative that aims to balance the ongoing deficit in three to five years. As compared with actual results from year-end 2007-2008, the University has budgeted for a 0.4% reduction in operating revenues, due mostly to a decline in provincial grants in the absence of one-time funding, which has boosted revenue in recent years. Student fees will provide the only key support to revenues buttressed by a modest 1% increase in enrolment, as well as a 5% average rise in tuition fees. The University has budgeted for an operating expenditure increase of 6.6% over 2008 levels, due predominantly to rises in contractual salary and benefit increases, as well as utility costs.



The operating budget points to a deficit of $17.9 million, most of which is made up of one-time spending, although the most recent indications point to a smaller-than-budgeted shortfall by year-end. Nevertheless, investment income, which is relatively large for McMaster, is expected to be even weaker than last year's level and well below budget, after a year of extremely challenging investment conditions. Higher-than-budgeted enrolment will provide a small boost to revenues.

Outlook

The University's original target of realigning the budget by 2009-2010 will be more of a challenge as the operating environment continues to deteriorate. The weak fiscal position of the Province is expected to dampen funding, which points to operating deficits for the next few years as strategic adjustments to realign the budget are made. Annual tuition increases averaging 5% and notable annual budget reductions are necessary for McMaster to achieve this goal. Over this period, however, inflationary increases for salary and benefit costs and capital spending will continue to pressure results making the task of balancing the budget very challenging without meaningful funding support from the Province. In the coming years, enrolment will level off as the University maintains undergraduate levels and focuses on the more challenging graduate enrolment growth in response to funding incentives generated by a provincial initiative.

Capital Plan

McMaster is in the midst of a capital renewal and expansion program, with several projects at various stages of development. Projects have already decreased the deferred maintenance backlog, which now stands at about $125 million, or 9% of replacement value – a considerable improvement over the prior year. The program was supported by a $9.1 million infrastructure grant from the Province in 2007-2008, followed by a $13.5 million grant received in summer 2008. The University may also take on an expected $100 million in debt at some point in the next few years to fund the program, which will be internally financed until then.

The $31 million Athletics and Recreation complex was completed in 2007 on time and on budget, followed by the $36 million stadium and underground parking facility which was recently completed as well. The cost of the new Engineering building slated for completion in 2009 has grown by $10 million to $48 million due to an increase in scope, although debt needs have decreased. An addition to the MDCL building will cost $18.5 million. Streams of income have been identified from these projects to temporarily fund internal financing costs, which will eventually be converted into debt.

A major project on the horizon is the McMaster Innovation Park (MIP), a large research complex that will be completed in stages, the first of which is projected to cost $109 million by 2013. Of the gross cost, the University is responsible for providing debt service payments for a $19 million project that is currently underway. At this time, it is expected that the remainder will be funded by debt issued by MIP and a combination of public and private sources.

The University has a long list of projects, including the Burlington Campus, which are in earlier planning stages. Like most projects, these would likely be funded from multiple sources including donations, government funding, and internal or external debt. None of the projects will be pursued without Board approval, but any could be fast-tracked with the support of a large donation or significant government funding.

Debt and Liquidity

Summary of Debt

Total debt declined slightly, with principal payments in 2007-2008 to $155.3 million at April 30, 2008. Debt per FTE dropped at a faster rate to $6,601, due to a 2.7% increase in enrolment. Although this level of debt per FTE is among the lowest of DBRS-rated universities, the affordability of the debt also relies heavily on operating cash flows, which have been tightening. The interest coverage ratio fell to 3.9 times at April 30, 2008, from 7.0 times in the prior year, exhibiting the operating strain that the University has experienced.

The University maintained fairly strong financial resources in 2007-2008, although the year marked a reversal in trend after several years of considerable growth. Total endowment assets dropped 2% in 2007-2008 to a market value of $490.1 million, as negative returns and a draw on internally restricted assets outweighed contributions. Nevertheless, total endowment assets have grown 80% since the 2002 bond issue and, on a per FTE basis, remain the third highest among universities in the Province. Expendable resources fell by 6.5% to $210 million, which covers debt 1.3 times. These resources consist of $15.2 million in internal debt retirement assets, $133.2 million in internally restricted endowment assets, and $61.2 million in unrestricted and internally restricted net assets.

The University's unfunded pension liability increased substantially, to $158.1 million as of April 30, 2008 from $98.8 million in the year prior. Lower-than-projected investment returns was the main driver behind the increased deficit, which was somewhat mitigated by an increase in the assumed discount rate. The non-pension post-employment benefits liability declined to $203.1 million from $223.3 million in the year prior, due in large part to the increase in the discount rate assumption.

Outlook

McMaster's plan to issue about $100 million in new debt in 2007-2008 or early 2008-2009 has been postponed as a result of unexpected government capital funding, as well as weaker operating conditions which tightened debt affordability ratios. The University may still issue debt at some point in the next few years, and in the meantime will rely on internal cashflows to fund its capital program. In anticipation of the additional borrowing, a new debt management policy was approved by the Board of Governors in December 2007. The policy provides guidelines for the application and use of debt financing and includes capacity and affordability measures, as outlined in the box below. Although these metrics are calculated somewhat differently than those tracked by DBRS, they provide valuable guidance on external debt management and help foster financial discipline. In 2007-2008, the strained operating environment pushed the University's interest coverage ratio below its target range, and the ratio is expected by DBRS to remain tight through at least 2009-2010.

McMaster Debt Management Policy

The debt policy establishes guidelines regarding the use and affordability of external debt. The policy relies on two key affordability ratios, as measured by the University:

Expendable Resources-to-Debt ≥ 0.8 times coverage

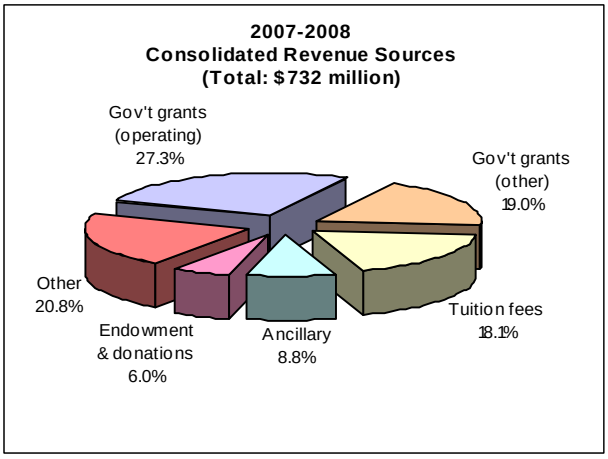
Interest Coverage ≥ 2.75 to 3.25 times

The turmoil in financial markets experienced since 2007-2008 fiscal year-end is expected by DBRS to have led to significant declines in the size of endowment funds and pension assets, given the funds' 60% equity exposure (20% Canadian, 20% U.S., 20% EAFE). In addition, as legislated by the Ontario government, the unfunded pension liability requires contributions of about $7 million per year until the next actuarial valuation in summer 2010. McMaster will fund this contribution from internally restricted net assets in fiscal 2009 and from internal endowments in fiscal 2010. The University will continue to draw from internal reserves and in fiscal 2010 continue to draw from internally restricted endowments to fund this contribution, until provisions are made in the budget to accommodate these payments. McMaster will also use an additional $7 million of internally restricted endowments to fund a retirement incentive plan as part of the University's budget realignment.

In the current environment, the addition of significant new debt would further pressure financial flexibility and reduce debt metrics to a level that is not consistent with a AA rating. As such, a prolonged period of operating deficits, a considerable rise in the funding deficits for post-employment benefits liabilities or a large increase in borrowing would likely trigger a downgrade.

University Funding in Ontario

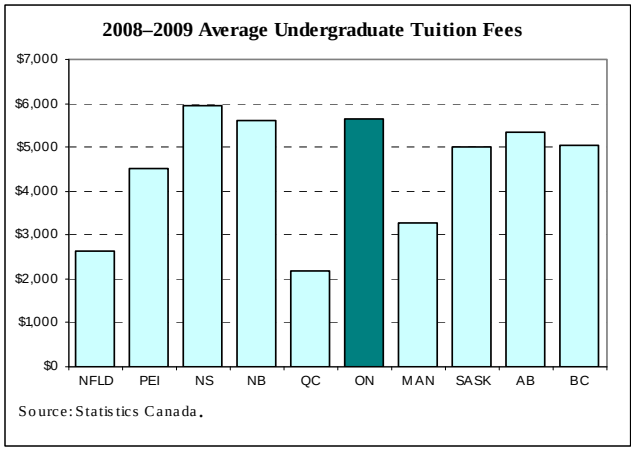
Canadian universities generally have access to three key sources of revenue for their core teaching and research activities: (1) government grants, (2) student fees and (3) fundraising/endowment income. For McMaster, these accounted for about 70% of total revenues in 2007-2008.



Still the main source of revenue for universities, provincial government funding has seen its importance reduced over the past decade in Ontario and in many other provinces, due to provincial budget cuts introduced in the mid-1990s. In compensation for the budget cuts, Ontario universities were given full fee-setting discretion for a range of deregulated programs and were allowed to raise tuitions substantially for those programs. This led to an increase in the universities' reliance on tuition fees and other private-funding sources, as has occurred in other provinces. This trend was put on hold when the Province decided to freeze tuition fees for 2004-2005 and 2005-2006 while a review of university funding was undertaken. In March 2006, the Province announced a new tuition policy that permits

universities to increase average tuition fees by up to 5% annually beginning in 2006-2007. To be eligible for these tuition increases, universities must put in place a student-access guarantee, which requires universities to fund students' unmet financial needs through student aid. As well, universities are required to continue to implement quality initiatives.

Government Funding (provincial and federal – 46%): Includes (1) operating grants, (2) research grants and contracts, and (3) capital grants. Operating grants are by far the most important and stable revenue source of the three. Operating grants are provided exclusively by the Province, primarily through a formula that allocates a certain number of basic income units to each student based on the program in which they are enrolled. Targeted funding, which is mainly aimed at expanding enrolment in high-demand programs, and performance-based grants also account for a small, though growing, portion of provincial operating funding.



No inflation adjustment is provided in base operating funding in Ontario. However, the Province has provided Ontario universities with full average funding for enrolment growth. No significant new funding changes have been made since the 2005-2006 provincial budget, which boosted university funding in response to the recommendations of the post-secondary review. Also important are government grants for research and capital projects. The federal government generally accounts for 65% to 75% of total public research funding, while the Province provides the bulk of capital funding.

Student Fees (18%): The tuition regime introduced in March 2006 in Ontario permits universities to increase average tuition fees by up to 5% annually beginning in 2006-2007, with fee-increase limits varying across programs and years of study. For example, arts and science tuitions can be increased by 4.5% for the first year of study and 4% for the remaining years, and graduate and professional program tuition fees can be increased by 8% for the first year of study and 4% in the following years. Overall, however, a university's average tuition increase will not be allowed to exceed 5%. The current framework is in place until 2009-2010, after which point it is unclear whether the Province will change the regulation. For McMaster, tuition increases are expected to average the maximum allowable 5% in 2008-2009.

Fundraising and Endowment Contributions (6%): Unrestricted donations are recognized as revenue when received, while funds accepted with external restrictions or designated by the Board of the University are added directly to endowments and reported as revenue when related expenses are incurred.

The success of McMaster's fundraising efforts is exhibited by the growth of the endowment fund, which has grown 80% since 2002. Fundraising is expected to continue to contribute to endowments; however, the weak economic climate is expected to dampen donations significantly.

As of April 30, 2008, McMaster's endowment stood at $490 million, or $20,854 per FTE; the third largest in Ontario after the University of Toronto and Queen's University. With such a sizeable endowment, contributions to the operating fund make up a considerable portion of total revenues compared with other universities in the Province. However, the considerable decline in the endowment from the extremely challenging investment conditions over the last year is expected to affect McMaster's revenue more than newer universities with smaller endowment funds. Assets will be further impaired by drawdowns planned by the University to temporarily fund additional pension contributions.

Nevertheless, McMaster is in the midst of the largest fundraising campaign in its history for a total goal of $400 million over four years. Since the initiative was announced in 2006, the University has already received $327 million in pledges, as of October 2008, which should help endowments resume their upward trend.

McMaster University

Consolidated Balance Sheet

($ thousands)	As at April 30				
Assets	**2008**	**2007**	**2006**	**2005**	**2004**
Cash and short-term investments	112,571	88,107	89,231	114,405	139,130
Receivables	125,369	118,115	113,600	105,495	103,617
Inventories and prepaid expenses	9,409	9,481	6,946	7,025	7,142
Deferred pension asset	222,282	222,972	225,409	175,890	175,990
Long-term investments	614,020	588,398	538,112	477,143	415,858
Other investments	13,318	13,318	13,460	-	-
Capital assets	644,744	613,812	570,842	515,493	466,305
Total Assets	1,741,713	1,654,203	1,557,600	1,395,451	1,308,042
Liabilities and Equity					
Payables and other current liabilities	130,328	105,356	112,277	76,215	70,071
Employee future benefits	205,058	182,651	165,813	86,617	71,131
Deferred contributions - endowment (1)	69,781	53,273	55,881	48,976	45,485
Other deferred contributions	199,514	158,101	147,996	160,767	153,273
Deferred capital contributions	299,489	299,796	284,591	284,159	281,022
Long-term debt	155,329	156,265	157,146	157,974	158,752
Other long-term liabilities (2)	10,070	5,427	5,163	4,913	4,116
Total liabilities	1,069,569	960,869	928,867	819,621	783,850
Fund balances					
Unrestricted	1,807	4,929	5,651	13,985	10,028
Committed (3)	55,790	81,056	79,624	104,247	129,987
Endowment - internally restricted	133,166	154,823	143,878	131,515	129,465
Endowment - externally restricted	287,116	290,420	249,481	204,640	159,093
Equity in capital assets	194,265	162,106	150,099	121,443	95,619
Total Liabilities and Equity	1,741,713	1,654,203	1,557,600	1,395,451	1,308,042

Contingencies and Commitments	**2008**	**2007**	**2006**	**2005**	**2004**
Capital commitments	78,960	103,350	99,700	104,000	95,760
Legal claims	31,000	31,000	-	-	-
	109,960	134,350	99,700	104,000	95,760

(1) Endowment-related deferred contributions represent expendable externally restricted grants and donations.
(2) Includes nuclear reactor decomissioning costs and the unrealized cost on interest rate swap contracts.
(3) Funds set aside for specific purposes (e.g. departmental carry-forwards, pension cost deferral, etc.).

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McMaster University

Consolidated Financial Summary (DBRS-Adjusted)

($ thousands)	For the year ended April 30				
	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004
Total revenue	731,989	730,966	685,372	637,186	606,233
Total expenditures	745,508	707,304	676,810	631,095	558,302
Recurring Surplus (Deficit)	(13,519)	23,662	8,562	6,091	47,931
Operating Balance Before Transfers	(13,519)	23,662	8,562	6,091	47,931
Net contributions from (to) endowments	21,657	(10,945)	(12,863)	(2,050)	(1,930)
Net contributions from (to) committed funds (1)	25,266	13,514	24,312	25,740	(10,533)
Change in investment in capital assets	(32,159)	(26,953)	(28,345)	(25,824)	(28,791)
Net change in unrealized losses on interest rate swaps	(482)	-	-	-	-
Net change in unrestricted assets	763	(722)	(8,334)	3,957	6,677
Revenue					
Tuition fees	132,723	123,761	116,963	111,246	106,979
Government operating grants	199,915	200,340	167,864	149,787	139,594
Research grants and contracts	155,166	155,297	151,959	153,764	138,325
Ancillary operations	64,408	64,138	58,094	65,164	64,405
Investment income	23,112	40,052	44,703	36,106	56,554
Donations & other grants	37,695	38,023	43,136	25,062	15,820
Earned capital contributions	41,047	38,268	40,753	36,899	33,243
Other revenue	77,923	71,087	61,900	59,158	51,313
Total Revenue	731,989	730,966	685,372	637,186	606,233
Expenditures					
Salaries and benefits	468,282	436,447	402,622	368,528	319,983
Student aid	37,373	35,437	34,204	35,215	34,467
Cost of goods sold	14,463	15,440	21,570	23,552	23,889
Utilities	22,000	21,806	17,354	15,338	13,697
Other supplies and expenses	128,400	124,599	130,871	124,506	107,951
Amortization	63,846	62,430	58,806	53,700	48,094
Interest	11,144	11,145	11,383	10,256	10,221
Total Expenditures	745,508	707,304	676,810	631,095	558,302
Gross Capital Expenditures	94,778	105,400	127,547	102,888	114,295

(1) Internally restricted funds set aside for specific purposes.

Statement of Cash Flow (DBRS-Adjusted)

($ thousands)	For the year ended April 30				
	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004
Operating balance before fund contributions	(13,519)	23,662	8,562	6,091	47,931
Amortization	63,846	62,430	58,806	53,700	48,094
Other non-cash adjustments	(17,950)	(18,851)	(11,044)	(21,313)	(38,897)
Cash flow from operations	32,377	67,241	56,324	38,478	57,128
Change in working capital	75,711	(6,474)	22,170	15,368	10,238
Operating cash flow after working capital	108,088	60,767	78,494	53,846	67,366
Net capital expenditures*	(54,038)	(51,927)	(86,362)	(62,852)	(58,223)
Free cash flow	54,050	8,840	(7,868)	(9,006)	9,143

* Defined as gross capital expenditures less contributions restricted for capital purposes.

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McMaster University

Summary Statistics (DBRS-Adjusted)

	For the year ended April 30				
	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004
Total Enrolment (FTE) (1)	23,530	22,903	22,140	20,807	19,777
- Undergraduate	88%	88%	89%	89%	88%
- Graduate	12%	12%	11%	11%	12%
- Total annual change	2.7%	3.4%	6.4%	5.2%	12.4%
Total Employees (2)	4,613	4,635	4,457	4,398	4,191
- Full-time faculty	1,241	1,227	1,195	1,166	1,126
Revenue Mix (as % of total DBRS-adjusted revenue)					
- Government funding (federal+provincial)	46%	47%	43%	43%	42%
- Tuition fees	18%	17%	17%	17%	18%
- Ancillary	9%	9%	8%	10%	11%
- Endowment and expendable donations	6%	8%	10%	7%	9%
- Other	21%	19%	21%	22%	21%
Debt and Liquidity Analysis					
Total long-term debt ($ millions)	155.3	156.3	157.1	158.0	158.8
- Per FTE student ($)	6,601	6,823	7,098	7,592	8,027
Long-term debt, contingencies & commitments ($ millions) (3)	470.3	473.3	422.7	348.6	325.6
- Per FTE student ($)	19,989	20,664	19,090	16,754	16,466
Cash and cash equivalents ($ millions)	112.6	88.1	89.2	114.4	139.1
- As % of current liabilities	86%	84%	79%	150%	199%
Interest costs as % of total expenditures	1.5%	1.6%	1.7%	1.6%	1.8%
Interest coverage ratio (times)	3.9	7.0	5.9	4.8	6.6
Endowment Funds					
Total market value ($ millions)	490.1	498.5	449.3	385.5	334.0
- Per FTE student ($)	20,829	21,766	20,294	18,527	16,888
- Annual change	(1.7%)	11.0%	16.5%	15.4%	22.4%

(1) Full-time equivalent, excluding continuing education. (2) Headcount; excludes teaching assistants and sessional lecturers.
(3) Includes accrued employee future benefits.

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Rating

Debt	Rating	Rating Action	Trend
Senior Unsecured Debt	AA	Confirmed	Negative

Rating History

	Current	2007	2006	2005
Senior Unsecured Debt	AA	AA	AA	AA

Note:
All figures are in Canadian dollars unless otherwise noted.

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