

Rating Report

Report Date:
May 31, 2011

Previous Report:
April 26, 2010



Insight beyond the rating.

McMaster University

Analysts

Priscilla Ntiamao

+1 416 597 7356

pntiamoa@dbrs.com

Eric Beauchemin, CFA

+1 416 597 7552

ebeauchemin@dbrs.com

Travis Shaw

+1 416 597 7582

tshaw@dbrs.com

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 724.4 thousand residents 60 kilometers west of Toronto. The University is a comprehensive, research-intensive institution offering a broad range of undergraduate, graduate and continuing education programs. In 2009-2010, McMaster had an estimated enrolment of 25,007 students (FTEs).

Recent Actions

April 26, 2010

Downgrade

Rating

Debt	Rating	Rating Action	Trend
Senior Unsecured Debt	AA (low)	Confirmed	Stable

Rating Rationale

DBRS has confirmed the rating of McMaster University (McMaster or the University) at AA (low) with a Stable trend. The rating reflects the University's solid academic profile and improved operating performance, and acknowledges that strong endowment resources provide resilience to the credit. Furthermore, the overall financial position compares well with peers in the same rating category. McMaster posted a consolidated surplus of \$11.7 million at year-end April 30, 2010, rebounding from the reported 2009 deficit of \$54.0 million, which contributed to a rating downgrade in April 2010. Revenue growth exceeded the growth in expenditures, reversing the trend of the previous two fiscal years. However, similar to other Canadian universities rated by DBRS, the University is challenged by significant operating pressures, posed by cost inflation and rising employee benefit liabilities.

The consolidated surplus of \$11.7 million in 2009-10 ended two years of consecutive deficits. Good cost containment measures contributed to the positive results, however, the extent of the operating surplus was also attributable to the unbudgeted receipt of year-end funding from the provincial government of \$5.5 million. Total revenue growth of 13.2% was assisted by increases in tuition fees, significant year-over-year growth in investment income and the upward trend in the number of full-time equivalent (FTE) students with a gain of 3.7%. Increases in labour costs and student aid expenses contributed to a year-over-year increase in operating expenses of 3.9%. The improved operating results led to the resurgence of interest coverage, at 7.7 times. The stock market rebound in 2009 and 2010 provided some relief to previous investment losses realized during the financial crisis, maintaining financial resources at a high level. (Continued on page 2.)

Rating Considerations

Strengths

- (1) Diversified and stable revenue base
- (2) High level of expendable and financial resources
- (3) Sound university enrolment outlook in Ontario and for McMaster
- (4) Innovative and high demand program offerings

Challenges

- (1) Inflationary labour costs, including rising unfunded pension and post-employment benefit liabilities
- (2) Limited fee-setting autonomy
- (3) Rising projected debt level

Financial Information

	For the year ended April 30				
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Consolidated surplus (deficit) (\$ millions)	11.7	(54.0)	(13.5)	23.7	8.6
Long-term debt (\$ millions)	153.3	154.3	155.3	156.3	157.1
Interest costs/total expenditures	1.2%	1.3%	1.4%	1.6%	1.7%
Interest coverage ratio (times)	7.7	0.3	4.2	7.0	5.9
Total endowment (\$ millions) (1)	460.7	417.1	490.1	498.5	449.3
Capital expenditures (\$ millions)	93.9	101.7	94.8	105.4	127.5
Total enrolment (FTEs) (2)	25,007	24,104	23,530	22,903	22,140
Long-term debt per FTE (\$)	6,129	6,403	6,601	6,823	7,098
Endowment per FTE (\$)	18,424	17,304	20,829	21,766	20,294

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

Rating Rationale (Continued from page 1.)

Despite the strong operating results posted in 2009-10, salary increases and rising employee benefit deficiencies combined with a lack of inflation indexation in operating grants, limited fee-setting autonomy and upcoming capital and deferred maintenance expenditures will lead to the continuation of tight fiscal climates. To that point, McMaster projects a minor deficit for the 2010-11 fiscal year. Unfunded pension and post-employment liabilities reached \$589.9 million in 2009-10, partly due to a decrease in the discount rate, and DBRS expects that McMaster's next pension valuation, due July 1, 2011, will show a significant increase in the amount of pension liabilities because of the low interest rate environment. The University has made efforts to change its pension and post retirement benefits, particularly for new employees, although these changes will have little impact on the near term as upcoming obligations cannot be easily amended for current pensioners and long-serving staff. The impact of these liabilities and inflationary labour costs will create some operating pressure over the near term.

Overall, the University maintains a solid credit profile, supported by its superior academic reputation, substantial financial resources, and management's efforts to resolve inflationary operating expenditures. Debt remains low relative to rated peers, at \$153.3 million or \$6,129 per FTE, as at April 30, 2010, down slightly from the previous year. The debt advantage could erode should the University choose to move ahead with its consideration to issue up to \$100 million in debt for capital projects, though at present, there are no formal plans to do so. At AA (low), however, the credit profile maintains flexibility for new debt.

Rating Considerations Details

Strengths

(1) McMaster's successful fundraising efforts, sizeable funding from the Ontario government which accounted for 30% of total revenues in 2009-10, and increasing tuition revenues due to enrolment growth and the introduction of new innovative programming, provide a diversified and fairly stable revenue base.

(2) The credit profile of the University is strengthened by the considerable pool of expendable resources, which amounted to \$196.6 million, or nearly 1.3 times total debt at April 30, 2010, and are likely to have increased further in 2010-11 thanks to favourable market conditions. The holdings consist of \$107.8 million in internally restricted endowment assets, most of which can be un-endowed by the Board of Governors to meet debt servicing requirements if needed.

(3) Population growth, continued migration from regional areas to large urban centres, increasing educational requirements in the labour market, and McMaster's strong reputation as a credible academic institution, will all contribute to the strong demand for enrolment. However, the University's limited space capacity could curb enrolment growth over the medium term. Plans are underway to make investments into infrastructure to accommodate the growing demand.

(4) The University benefits from a strong academic profile, ranking among the top four universities in Canada and among the top 100 in the world according to the 2010 Academic Ranking of World Universities. McMaster offers programming in all of the major high demand disciplines, and boasts the second-largest school of medicine in Ontario, the largest co-operative education MBA program in Canada and is a top-ranked engineering school. These attributes, as well as its research intensive activities, translate into strong student applications and lend considerable support to enrolment stability and fundraising.

Challenges

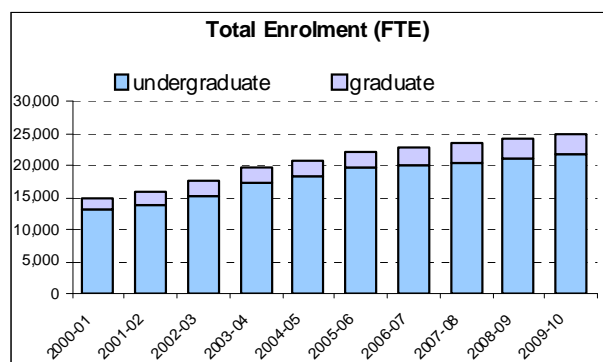
(1) Labour costs and rising pension benefits liabilities continue to put pressure on McMaster's operating performance. Annual increases in salaries and benefits expenditures have averaged 6.7% per year over the past five years, and represent the largest portion of the university's expenditures. Unfunded pension liabilities reached \$375 million in 2009-10, maintaining its position as one of the highest in the sector. Strong demand for academics continues to promote labour cost inflation making salary and benefit expenses difficult to manage going forward.

(2) Since 2006-2007, the Province has restricted universities to an average annual increase in fees for regulated programs of 5%, leaving universities with little flexibility to grow revenues. The current regulation is in place until 2011-12, after which point it is unknown whether the Province will change the limitations.

(3) The University is contemplating the option of borrowing up to \$100 million over the next few years to take advantage of low interest rates for the purpose of funding capital projects and repaying internal loans, although there is no formal plan in place to do so. Should they decide to move ahead with this initiative, it would push total debt up to about \$250 million, or around \$10,000 per full-time equivalent (FTE), making the debt load the highest among DBRS-rated universities. DBRS notes that the credit profile has the flexibility to obtain new debt, as long as operating results remain sound and unfunded pension liabilities are managed.

2009-2010 Operating Performance

The University's operating performance strengthened in 2009-10 as the year ended with an \$11.7 million dollar surplus, contrary to the significant deficits of the prior two years. Total expenses rose by almost 4.0%, outpaced by total revenue growth of 13.2% for the first time in three years. Salaries and benefits, utilities and student aid expenditures rose significantly, while all other major cost categories declined slightly. Amounting to 62% of expenditures, compensation costs continue to be an increasing and predominant cost driver. To address increasing labour costs, McMaster closed access to the hourly defined-benefit plans and post-employment benefit plans to some new members, who will now participate in group RRSP plans. This constitutes a significant accomplishment for the University, although the benefits will be realized over the longer term. Access to the defined pension plan has also been closed for some time to new full-time non-union staff. Alternatively, supplies and other expenses, the second major cost driver amounting to 19% of expenditures, experienced a modest decline of about 1.6% owed to diligent cost containment efforts.



The increase in total revenues was largely as a result of higher tuition fees, a 3.7% increase in FTE enrolment, a significant increase in investment income from a negative value in 2008-09 to \$48.7 million in 2009-10, in addition to increases in government operating grants and donations of 6.8% and 17.4%, respectively. Increases in revenues were offset by only minor declines in research grants and contracts, and earned capital contributions. Research revenue fell slightly year-over-year, and ancillary revenues equally experienced a modest decline.

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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.

2010-11 Operating Budget

Results for the recently ended 2010-11 fiscal year will be available in a few months. The consolidated deficit is projected at \$10 million, which is significantly less than the \$51 million deficit budgeted the prior year, and preliminary information suggests that the actual results are ahead of the 2010-11 projection. Opportunities for significant revenue growth remain limited for the sector due to fiscal challenges faced by the Province, the lack of inflation indexation in basic operating grants and limited tuition fee-setting autonomy. However, at the time of budget preparations, total revenue was projected to increase modestly by 2.2% in 2010-11, on the strength of a meaningful boost in provincial grants of \$21.2 million, or 9.2%. Nearly \$10 million in additional tuition revenue was also expected, partly from maximum tuition fee increases permitted under the provincial



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tuition fee framework, amidst a fairly stable enrolment outlook. McMaster's budget relied on investment returns of 7.5%, and as at December 2010, annualized investment returns were 9.7%, indicating that by year end 2010-11 actual investment returns would have likely exceeded the budget.

The growth in expenditures was expected to slow to 2.8%. The University continued to make modifications to reduce academic and non-academic staff and service levels, and defer hiring in the 2010-2011 fiscal year, to absorb some of the inflationary pressures on its expenditures. Already, the University shed over 90 administrative positions in the current fiscal year. Despite these efforts, salaries and benefits were poised to jump by \$17 million or 3.7% in 2010-11, highlighting the continued inflationary pressure of salary and employee benefit packages in the sector.

Medium-Term Outlook

The University intends to focus its attention on improving operating results and stabilizing reserves over the years to come. However, DBRS doubts that McMaster will be able to balance its operating budget over the medium term, given the weak government funding outlook faced by Ontario universities, rising employee benefit costs, contractual salary increases and sizeable deferred maintenance needs. The University has identified numerous strategies aimed at mitigating budget pressures, including pursuing enrolment only in areas funded by the Province and eliminating programs with low enrolment. Furthermore, there are no plans to hire new administrative staff and only marginal additions will be made to faculty staff over 2011-12. As mentioned, significant changes have been made to benefit plan designs for many new employee groups and strategies to slow future labour cost increases will continue to be pursued. However, these changes will have limited impact on costs in the near term, as McMaster is already faced with large plan deficiencies that will put growing pressure on the budget. As such, more aggressive actions will likely be needed in order to bring spending growth more in line with revenue growth on a consistent basis and maintain fiscal soundness.

Capital Plan

McMaster is proposing an extended capital renewal and expansion program, inspired by the need to meet the growing demand for enrolment. The capital program will be supported by internal reserves and is not projected to require external borrowings at this time. Cash flows generated from ancillary charges will be directed to a Strategic Reserve, which will ultimately service principal and interest costs associated with future capital projects. The University has applied for partial government funding for its proposed \$95 million Wilson Building, required to support potential enrolment growth, but does not have any expectations regarding additional government support for capital projects, given the Province's fiscal challenges.

Approved priorities for 2011-12 include \$38.0 million for projects funded through the joint federal and provincial Knowledge Infrastructure Program (KIP), where the projects must be completed by October 2011 or the funding will be lost. KIP funds will be applied towards upgrades to the Nuclear Reactor and Nuclear Research Building, and the construction of a new research and rehabilitation centre for spinal cord injuries and cancer. Further investments of \$25.0 million will be made towards other research infrastructure projects funded by the Canada Foundation for Innovation (a federal initiative). Other University sponsored priorities for 2011-12 include \$17.7 million over 2011 to 2015 (approximately \$3.5 million per year) to address accumulations in annual deferred maintenance, and nine small projects with capital values of \$1.0 to \$5.5 million, totaling \$25 million.

McMaster also maintains a long list of potential projects that are in early planning stages but have not yet received Board approval, which includes, \$140 million towards research equipment and renovation projects to be funded by deferred contributions, and \$55 million in operating equipment and renovation projects to be funded by the operating fund, with projects scheduled over the 2011 to 2015 period. The benchmark financial ratios tracked by the University are below required levels which prevent new borrowing from being incurred. However, the University does not intend to defer its capital plans and maintains sufficient internal financial resources to fund new projects.

Debt and Liquidity

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As in the previous fiscal year, the University realized a modest decline in total debt in 2009-10 to \$153.2 million, or \$6,129 per FTE, as a result of minor principal repayments of just over a million dollars. Major expenditures such as capital investments continued to be partly financed by internal loans. An improvement in operating results enhanced the interest coverage ratio to 7.7 times in 2009-10, restoring it back in line with pre-credit crisis levels, although some of the improvement was due to one-time government funding.

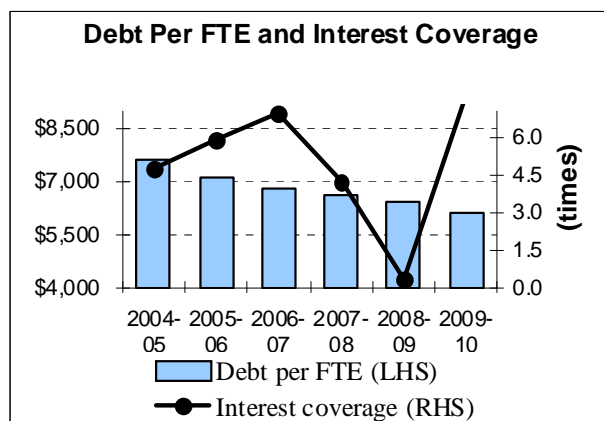
Financial resources have rebounded from the losses experienced during the global equity market downturn. Upon the success of investment performance over the fiscal year, total endowment assets increased notably to \$460.7 million from \$417.1 million in 2008-2009. The upward trend is expected to have continued in 2010-11, solidifying McMaster's position of having the third highest total endowment assets among DBRS rated Canadian universities. Endowments also received a boost from donations, as McMaster's four-year fundraising campaign surpassed the University's target of \$400 million by \$73 million as of September 2010.

Unfunded pension liabilities before adjustments for unamortized losses stood at \$375 million in fiscal 2009-10. Although this figure represents only a year-over-year increase of \$2 million, which is marginal considering a year-over-year decline in the discount rate of 1.50 percentage points, the overall amount of \$375 million remains substantial and is the second highest among DBRS rated universities. A notable increase was also recorded in non-pension employee benefit liabilities, bringing the total value to \$214.6 million. The size of the non-pension employee benefit liabilities is particularly concerning given that there are no assets underpinning these liabilities, which will cause them to pose a drain on operating resources and endowments over the foreseeable future. However, the University is showing success in addressing these costs through labour negotiations and staff cooperation.

Medium-Term Outlook

The University remains open to the idea of eventually borrowing up to \$100 million to replenish internal funds used primarily for capital projects. While there are no immediate plans, a new debt issue would have an adverse impact on financial ratios and could push debt up to about \$10,000 per FTE, putting the University in the upper quartile in terms of debt burden amongst its peers. Although interest coverage could regress if more debt is undertaken, the University maintains the flexibility to accommodate new debt if operating results remain sound and unfunded benefit liabilities are controlled.

McMaster intends to pursue further changes in benefit programs through collective bargaining in order to slow the growth in unfunded liabilities, and to date, has been successful in negotiating agreements with some of the labour groups that include initiatives to increase contribution rates by approximately 2%, reduce and/or revise pension benefits, as well as to close defined benefit plans to some new members, and to close post retirement benefits and co-pay programs. Furthermore, an agreement was reached in late April 2011 with the McMaster University Faculty Association (MUFA), one of the University's largest labour groups, that calls for an increase in employee pension contributions. In addition, for all MUFA staff retiring after July 1, 2012, employee contributions towards post-retirement benefits will range from 25% to 75% of total contributions depending on the number of years of service. The next formal actuarial pension valuation in July 2011 is expected by DBRS to be based on a lower discount rate, which will likely still point to substantial employee benefit liabilities and increased budget pressure, as about two-thirds of pension contributions and most post-employment benefit costs are assumed by the University.

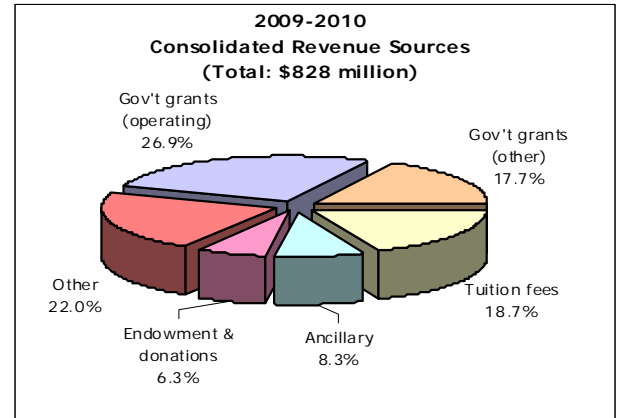


University Funding in Ontario

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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 2009-2010.

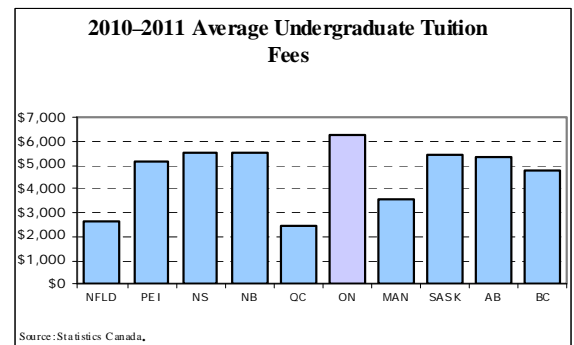
Provincial government funding remains the primary source of revenue for universities across the country, although its relative importance has been under pressure in many provinces due to accelerating cost pressures in competing areas of provincial responsibility, such as health-care programs. In Ontario, lack of indexation in base operating grants also contributed to this trend. In compensation for the budget cuts, Ontario universities were given more fee-setting autonomy, leading to increased reliance on tuition fees and other private-funding sources, as has occurred in other provinces.



Government Funding (provincial and federal – 44.6%): 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 continues to provide Ontario universities with full average funding for enrolment growth, including \$248 million in 2010-11. No other significant new funding initiatives have been introduced since the 2005 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. As part of its Economic Action Plan introduced in January 2009, the federal government created a \$2 billion Knowledge Infrastructure Program to fund up to 50% of qualifying capital expenses incurred by post-secondary institutions across Canada. The deadline for projects to be completed under this program has been extended to October 31, 2011 from March 31, 2011. The budget introduced by the Province in March 2009 also committed \$780 million in capital funding for colleges and universities over a two-year period, which will help institutions address a significant portion of their growth and deferred maintenance needs. However, the larger deficits faced by the Province over the years to come point to limited room for operating funding growth.

Student Fees (18.7%): 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





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framework, originally set to expire in 2009-2010, has been extended for two more years until 2011-2012, with the tuition regime applicable thereafter currently being unclear. At McMaster, tuitions are expected to rise at an average annual rate of 5%. Until notified otherwise, McMaster will continue to assume that the cap on tuition increases will persist at its current level for planning and budgeting purposes.

Fundraising and Endowment Contributions (6.3%): 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 since 2002. Fundraising is expected to continue to contribute to endowment growth, although the weak economic climate is expected to dampen donations over the years to come.

As of April 30, 2010, endowment assets stood at \$460.7 million, or \$18,424 per FTE, up 10.5% year-over-year as a result of improving investment conditions and successful fundraising efforts over the course of the year. In September 2010, McMaster successfully completed its largest fundraising campaign in history, raising \$473 million over a four-year period, surpassing its \$400 million target. McMaster boasts the third largest endowment in Ontario after the University of Toronto and Queen's University, providing sizeable support to the operating fund.



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Consolidated Balance Sheet

(\$ thousands)	As at April 30				
Assets	2010	2009	2008	2007	2006
Cash and short-term investments	170,506	76,182	112,571	88,107	89,231
Receivables	135,170	148,369	125,369	118,115	113,600
Inventories and prepaid expenses	10,783	10,643	9,409	9,481	6,946
Deferred pension asset	212,108	220,811	222,282	222,972	225,409
Long-term investments	573,779	563,211	614,020	588,398	538,112
Other investments	13,318	13,318	13,318	13,318	13,460
Capital assets	715,161	683,777	644,744	613,812	570,842
Total Assets	1,830,825	1,716,311	1,741,713	1,654,203	1,557,600
Liabilities and Equity					
Payables and other current liabilities	155,968	153,502	130,328	105,356	112,277
Employee future benefits (1)	245,250	224,891	205,058	182,651	165,813
Deferred contributions - endowment (2)	65,063	72,125	56,037	53,273	55,881
Other deferred contributions	238,360	210,554	199,514	158,101	147,996
Deferred capital contributions	332,668	314,333	299,489	299,796	284,591
Long-term debt	153,270	154,331	155,329	156,265	157,146
Other long-term liabilities (3)	10,992	12,504	10,070	5,427	5,163
Total liabilities	1,201,571	1,142,240	1,055,825	960,869	928,867
Fund balances					
Unrestricted	2,174	(146)	1,807	4,929	5,651
Committed (4)	(1,740)	9,794	55,790	81,056	79,624
Endowment - internally restricted	107,817	98,832	133,166	154,823	143,878
Endowment - externally restricted	287,854	246,139	300,860	290,420	249,481
Equity in capital assets	233,149	219,452	194,265	162,106	150,099
Total Liabilities and Equity	1,830,825	1,716,311	1,741,713	1,654,203	1,557,600
Contingencies and Commitments	2010	2009	2008	2007	2006
Capital commitments	115,085	70,395	78,960	103,350	99,700
Legal claims	31,000	31,000	31,000	31,000	-
	146,085	101,395	109,960	134,350	99,700

(1) After adjustments for unamortized losses.

(2) Endowment-related deferred contributions represent expendable externally restricted grants and donations.

(3) Includes nuclear reactor decommissioning costs and the unrealized cost on interest rate swap contracts.

(4) Funds set aside for specific purposes (e.g. departmental carry-forwards, pension cost deferral, etc.).



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Consolidated Financial Summary (DBRS-Adjusted)

(\$ thousands)	For the year ended April 30				
	<u>2010-2009</u>	<u>2008-2009</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>2005-2006</u>
Total revenue	828,373	731,819	735,034	730,966	685,372
Total expenditures	816,723	785,772	748,553	707,304	676,810
Recurring Surplus (Deficit)	11,650	(53,953)	(13,519)	23,662	8,562
Net contributions from (to) endowments	(8,985)	33,334	21,657	(10,945)	(12,863)
Net contributions from (to) committed funds (1)	11,534	45,996	25,266	13,514	24,312
Change in investment in capital assets	(13,697)	(25,187)	(32,159)	(26,953)	(28,345)
Net change in unrealized losses on interest rate swaps	1,818	(2,143)	(482)	-	-
Net change in unrestricted assets	2,320	(1,953)	763	(722)	(8,334)
Revenue					
Tuition fees	154,696	141,323	132,723	123,761	116,963
Government operating grants	222,865	208,673	199,915	200,340	167,864
Research grants and contracts	164,918	170,333	155,166	155,297	151,959
Ancillary operations	68,756	65,602	64,408	64,138	58,094
Investment income	48,748	(14,739)	23,112	40,052	44,703
Donations & other grants	33,817	28,799	37,695	38,023	43,136
Earned capital contributions	36,386	37,146	41,047	38,268	40,753
Other revenue	98,187	94,682	80,968	71,087	61,900
Total Revenue	828,373	731,819	735,034	730,966	685,372
Expenditures					
Salaries and benefits	507,687	477,355	468,282	436,447	402,622
Student aid	43,161	39,547	37,373	35,437	34,204
Cost of goods sold	12,837	13,830	14,463	15,440	21,570
Utilities	25,346	24,531	22,000	21,806	17,354
Other supplies and expenses	155,249	157,816	132,461	124,599	130,871
Amortization	62,474	62,659	63,846	62,430	58,806
Interest	9,969	10,034	10,128	11,145	11,383
Total Expenditures	816,723	785,772	748,553	707,304	676,810
Gross Capital Expenditures	93,858	101,692	94,778	105,400	127,547

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

Statement of Cash Flow (DBRS-Adjusted)

(\$ thousands)	For the year ended April 30				
	<u>2009-2010</u>	<u>2008-2009</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>2005-2006</u>
Operating balance before fund contributions	11,650	(53,953)	(13,519)	23,662	8,562
Amortization	62,474	62,659	63,846	62,430	58,806
Other non-cash adjustments	(7,324)	(15,842)	(17,950)	(18,851)	(11,044)
Cash flow from operations	66,800	(7,136)	32,377	67,241	56,324
Change in working capital	36,269	26,068	75,711	(6,474)	22,170
Operating cash flow after working capital	103,069	18,932	108,088	60,767	78,494
Net capital expenditures*	(39,137)	(49,702)	(54,038)	(51,927)	(86,362)
Free cash flow	63,932	(30,770)	54,050	8,840	(7,868)

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



Rating

Debt	Rating	Rating Action	Trend
Senior Unsecured Debt	AA (low)	Confirmed	<trend>

Rating History

	Current	2010	2009	2008	2007	2006
Senior Unsecured Debt	AA (low)	AA (low)	AA	AA	AA	AA

Related Research

- [Rating Canadian Universities](#), March 22, 2011.

Note:

All figures are in Canadian unless otherwise noted.

This rating did not include issuer participation and is based solely on publicly available information.

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