STANDARD & POOR'S

RATINGSDIRECT®

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McMaster University

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McMaster University

Major Ratings Factors

Issuer Credit Rating
AA/Stable/--

Strengths:

- Strong demand and research profile
- Good balance sheet strength
- Healthy provincial support

Weaknesses:

- Expected rising debt and lower net assets
- Operating challenges

Rationale

The ratings on McMaster University, in Hamilton, Ont., reflect the university's strong demand and research profile, healthy provincial support, and good balance-sheet strength. Constraining the ratings are anticipated rising debt, lower operating net assets, and ongoing operating challenges.

Supporting the ratings are:

- McMaster's strong demand and research profile. Enrollment increased 3.4% in fiscal 2007 to 22,903 full-time equivalents (FTEs), meeting the university's enrollment target for the year. Even with 2.9% undergraduate growth, the quality of entering students further strengthened in fiscal 2007. Graduate enrollment accounted for 11.5% of the total enrollment. The province has committed to fund the capital and operational expansion of up to 14,000 additional graduate spaces provincewide by 2009. Aligned with this funding commitment is McMaster's plan to increase its graduate enrollment by 30% by fiscal 2010 from fiscal 2006 levels. In fiscal 2007, McMaster increased its graduate enrollment by almost 200 FTEs. Although this is lower than its target of 245, many Ontario universities also did not reach targets. McMaster and most other university administrators in Ontario nevertheless believe that many students are delaying graduate enrollment, and that these students will eventually enroll. McMaster's reputation as one of Canada's reputable research institutions should also help it reach its graduate enrollment target. McMaster ranked second, after the University of Toronto (AA/Stable/--) in research intensity (measured by research funding per full-time faculty), according to a 2007 Infosource Inc. report based on Statistics Canada data;
- Good balance-sheet strength. Total unrestricted financial resources (internally restricted endowment plus internally restricted net assets) were about 141% of debt and C$9,646 per FTE. In fiscal 2007, the market value of McMaster's total endowment increased 11.6% to C$498.5 million, or C$21,766 per FTE. McMaster's debt in fiscal 2007 was C$156.3 million, or C$6,823 per FTE and 23% of adjusted revenue. These net asset and debt metrics are strong compared with those of domestic peers. The majority of McMaster's debt consists of the C$120 million in senior unsecured bullet maturity debentures, for which the university voluntarily set up an internal sinking fund. McMaster's debt service coverage ratio (DSCR; interest only) was about 5.3x, which is consistent with the ratings; and
- Good operating and policy support from the province that largely helps underpin the ratings. Ministry of Training, Colleges and Universities (MTCU) operating grants account for about 45% of McMaster's operating

revenues. For fiscal 2008, of the province's C$220 million in annual operating funding for graduate expansion, McMaster should receive C$7 million-C$8 million, and of the C$550 million available for capital funding, McMaster's should receive about C$35 million. The university also received C$35 million in fiscal 2007 for accessibility funding, which relates to increased enrollment from both the double cohort (when two classes graduated together in 2003-2004) and increased participation rates. Further supporting operations is the province's tuition policy that began September 2006. Ending a two-year tuition freeze, the policy provides universities with limited tuition flexibility by allowing tuition for domestic students to increase by a maximum annual average of 5% institutionwide. McMaster's tuition schedule for the 2007-2008 academic year is slightly less than the overall 5% maximum.

Constraining the ratings are:

- Expected rising debt and lower operating net assets. Some of the balance-sheet strength that helps underpin the ratings on McMaster eroded in fiscal 2007, although remained strong. As a result of drawing C$24.3 million from its employee future benefit reserve, McMaster's available operating net assets weakened by about 17%. McMaster's balance sheet strength should erode further as the university plans to draw about C$27.6 million during the next three years from internal endowments: C$7 million will fund a faculty retirement incentive program, and C$20.6 million for pension deficit payments extending to fiscal 2010, which the university plans to recover in the long term. McMaster's balance sheet will also weaken with a planned issuance of about C$100 million in 2008, lowering the university's unrestricted financial resources to debt by almost half (this incorporates the planned C$15 million drawdown in 2008, as part of the total C$27.6 million during the next three years), and decreasing its DSCR to about 3.6x. Although these debt metrics are very weak for the 'AA' rating, Standard & Poor's will further evaluate the state of McMaster's financial profile once the university issues the additional debt; and
- Operating challenges. McMaster's consolidated operating performance was 3.2% of total revenues in fiscal 2007. The university's surpluses are broadly driven by investment income. Net of investment income, McMaster's consolidated operations have been in deficit since fiscal 2004. In fiscal 2007, endowment income funded about 4% of these expenses, mostly toward student scholarships and bursaries, and faculty compensation. Most of the university's challenges are similar to those of its peers. The university's largest expenditure, salary and benefits, is at almost 62% of total expenses, and increased by 8.4% in fiscal 2007. This stemmed from faculty and staff growth, salary adjustments, and the accelerating costs of providing employee pension and other retirement benefits. Employee benefits increased by 10.5% from fiscal 2006. Some of the increase stemmed from amortization of the deficit related to the university's unfunded pension liability. In particular, the university's salaried pension plan going concern deficit (measured July 1, 2006), requires payments of about C$8 million per year. This commitment is a draw on cash, which could have otherwise been used to advance the institution's core operations and academic goals. Nevertheless, a three-year financial plan that was board approved in June 2007 identified strategies to return the operating budget back to a balanced position. One such strategy was a faculty retirement incentive program. The program, which is planned to have a positive net present value, has a ceiling cost of C$7 million that will be funded from McMaster's internal endowment. The university hopes to balance its operating budget with its estimated savings.

Outlook

The stable outlook reflects Standard & Poor's expectation that McMaster's unrestricted financial resources will not diminish further than expected and that its operating surplus as a percentage of revenue will, at minimum, remain at current levels. Further supporting the outlook is the expectation that the province's good funding and policy support will continue, and that management will continue to be prudent and proactive. Not meeting some of these expectations could prompt a downgrade. We will evaluate the affect of McMaster's additional debt on its credit measures at the time of issuance; although a significant and adverse effect could lower the ratings.

Graduate Enrollment Set To Expand

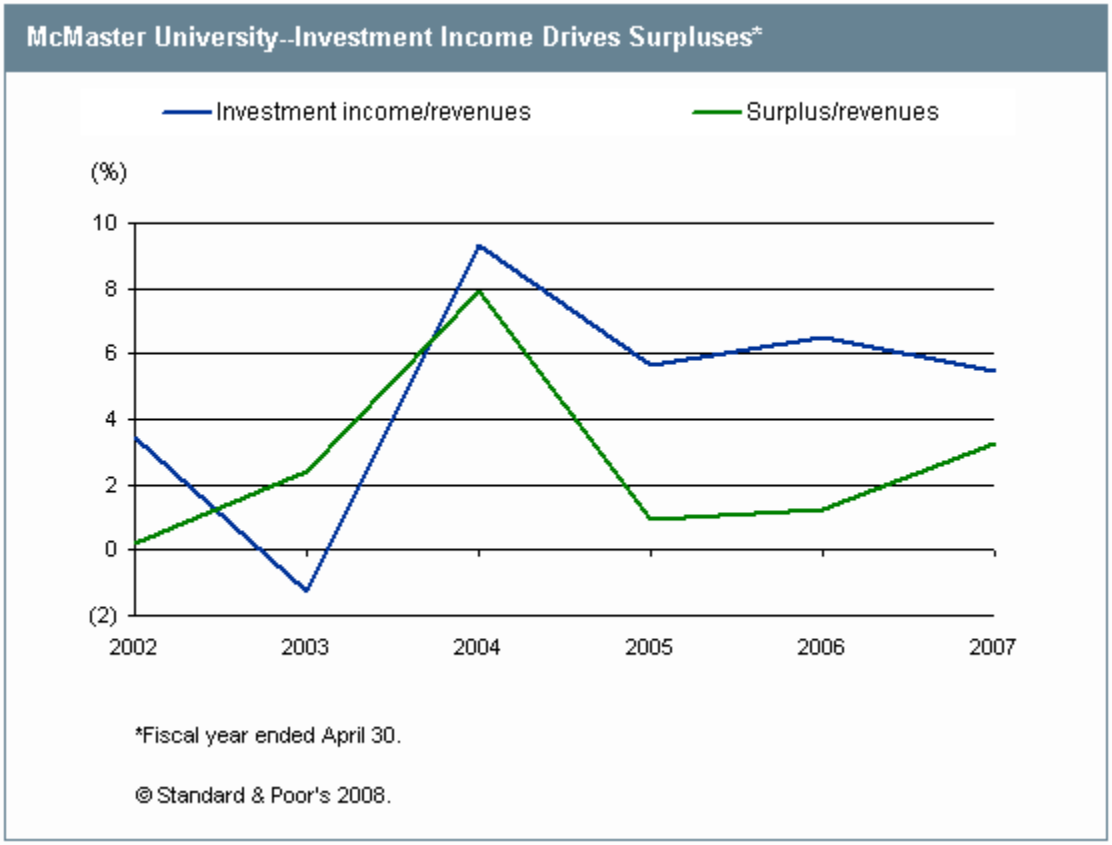
In fiscal 2007 enrollment increased 3.4% to 22,903 FTEs, successfully meeting the university's enrollment target for the year. Student demand remained strong. Undergraduate enrollment grew 2.9% and accounted for 88.5% of total enrollment. Due to a rise in applicants, McMaster's acceptance rate (offers-to-applicants) for fall 2006 dropped to 58% from 62% the previous year. Furthermore, the quality of entering students further strengthened. Undergraduate students with entering averages greater than 80% increased to 73.7% from 69.7% in fiscal 2006, and those with entering averages greater than 90% increased to 15.5% from 12.7% the previous year.

Similar to other Ontario universities, McMaster's international undergraduate enrollment dropped by about 17% in fiscal 2007. This is partially due to the rising Canadian dollar and stringent federal policies on visa students, requiring students to leave if they do not secure jobs within 90 days of graduation. As a destination for international students, Canada is now 14th falling from fifth, according to a study commissioned by the Canadian Bureau for International Education. McMaster's plans for domestic students entail keeping overall undergraduate enrollment essentially flat. International enrollment is planned to eventually increase back to the 2006 level.

Graduate enrollment accounted for 11.5% of total enrollment. Ontario has committed to fund up to 14,000 additional graduate spaces province-wide by 2009, promising up to C$220 million per year for graduate spaces on the operations side and up to C$550 million on the capital side. Aligned with this funding commitment is McMaster's plan to increase its graduate enrollment by 30% from fiscal 2006 to fiscal 2010. In fiscal 2007, McMaster increased its graduate enrollment by almost 200 FTEs, lower than its target of 245 FTEs. Nevertheless, many Ontario universities did not reach their targets, as systemwide demand for graduate programs is lower than expected. McMaster and most other universities across the province nevertheless believe that many students are delaying graduate studies, and that these students will eventually enroll.

Ongoing Operating Challenges

McMaster's consolidated operating performance was 3.2% of total revenues in fiscal 2007, an improvement from 1.2% the previous year. The university's surpluses are broadly driven by investment income (see chart). In fiscal 2004, when investment income was 9.3% of total revenues, the university's operating surpluses were 7.9% of total revenues. As a percentage of revenues, investment income had subsequently softened, as had surpluses. In fact, net of investment income, McMaster's consolidated operations have been in deficit since fiscal 2004.



In fiscal 2007, approximately 4% of expenses were funded through endowment income, mostly toward student scholarships and bursaries, and faculty compensation. Most of the university's challenges are similar to that of its peers.

- Salaries and benefits, the university's largest expenditure, at almost 62% of total expenses, increased by 8.4% in fiscal 2007. This stemmed from faculty and staff growth, salary adjustments, and accelerating costs of providing employee pension and other retirement benefits. Employee benefits increased by 10.5% from fiscal 2006. Some of the increase stemmed from amortization of the deficit related to the university's unfunded pension liability. In particular, the university's salaried pension plan going concern deficit (measured July 1, 2006), requires payments of about C$8 million per year.
- The university continues to absorb inflationary increases, including salary and wage increases. McMaster estimates compensation increases and other inflationary costs at C$16 million-C$18 million annually.
- McMaster faces rising debt service costs associated with the expected additional C$100 million debt issuance in 2008.
- There are also underfunded indirect costs of federal research. The university estimates indirect costs of research at 40%. For its research, the federal government only funds indirect costs at an average of 26%.
- In the next three years, the start-up costs of the Burlington campus will exceed any new revenues, including those associated with the campus, and other source revenues.
- A three-year financial plan that the university approved in June 2007 identifies strategies to balance the operating budget again. One such strategy was the reduction of 41 faculty and staff positions during a three-year period.

The majority of reductions will be in the administrative and support areas. The university recognizes that there are operational consequences as a result of the budget reductions, such as rationalizing some support services, and increased workload for remaining faculty and staff. One way the university is managing the expected increased workload is by creating the teaching stream faculty positions. In addition, the University has implemented a faculty retirement incentive program. Under this program, faculty retirement incentives will be provided, but only where base budget savings are generated and the departure does not weaken the university's ability to achieve its mission. The program, which is planned to have a positive net present value, has a ceiling cost of C$7 million that will be funded from McMaster's internal endowment. The savings will be used to balance the operating budget. These strategies should allow McMaster to maintain its reputation in teaching and learning more cost effectively.

Operating and policy support from the province is good, however, and in part underpin the ratings. MTCU operating grants account for about 45% of McMaster's operating revenues. The province transferred to the university one-time, year-end funding of C$13 million, representing the flow-through of federal infrastructure funding to the province in a previous federal budget. Also in fiscal 2007, of the C$220 million the province is annually making available for graduate expansion, McMaster should receive C$7 million-C$8 million. The university received C$35 million in fiscal 2007 for Accessibility Funding, which relates to increased enrollment from both the double cohort and increased participation rates. Further supporting operations is the province's tuition policy that began September 2006. Ending a two-year tuition freeze, the policy provides universities with limited tuition flexibility by allowing tuition for domestic students to increase by a maximum annual average of 5% institution-wide. McMaster's tuition schedule for the 2007-2008 academic year is just less than the overall 5% maximum annual average.

The federal government announced C$800 million in new funding for postsecondary education through increased transfer payments to the provinces. The funding will start in fiscal 2009 and will rise at a 3% inflation factor each year. The university expects its starting share to be about C$13 million. There is no certainty, however, that these funds will be flowed from the province.

Postemployment Liabilities Rise

McMaster sponsors a defined benefit plan. On July 1, 2006 the university closed its books for its latest actuarial valuation of its salaried pension plan, which account for the overwhelming majority of the university's plans, (the books for hourly pension plan valuation were closed on July 1, 2007, and the results will be reflected in fiscal 2008). Based on the extrapolated results of each valuation to April 30, 2007, McMaster's unfunded pension liability was C$98.8 million, slightly up from C$92.4 million the previous year. This largely stemmed from a drop in the discount rate to 5.3% from 5.5% applied in the actuarial assumptions. Stronger-than-expected investment returns mitigated the increase in liabilities. As a result of the July 1 2006 valuation, McMaster's actual going concern deficit position was a C$79 million deficit. The Financial Services Commission of Ontario enforces the funding of these deficits. The university's prorated payment in fiscal 2007 was C$5.2 million, funded from internal reserves. Subsequent payments up to fiscal 2010 equal C$20.6 million, and will be funded from internally restricted endowments. The university intends to recover these funds from operating funds over the long term. Nevertheless, given McMaster's ongoing operating challenges recovery of these funds may prove difficult.

McMaster has implemented numerous measures beginning in fiscal 2007 that should help lower pension and non pension future benefits expenses.

- Postretirement benefits will not be extended to new hires in the management group and the majority of hourly workers.
- Most new employees, including faculty members, must work a minimum of 10 years before retirement to receive the benefits.
- New employees are not eligible for the employer share of pension contributions if they leave McMaster within two years.
- The university will increase the employee contribution rate by 0.75% of pensionable salary for each of fiscals 2007 and 2008, and for some employees an additional 0.50% of salary in fiscal 2009.
- Factor 80 (which allows a member to retire early with an unreduced pension if that member's age plus his or her years of credit in the Plan totals exactly 80 by a certain date) retirements for early unreduced pension will increase to factor 85 for some faculty and management by fiscal 2011.
- The university will administer some new hourly pension plan employees through a defined contribution pension plan
- McMaster also had C$223.3 million in unfunded liabilities related to employee dental and medical benefits, an increase of about 21% from fiscal 2006. McMaster does not have any assets to offset these liabilities; it funds them on a pay-as-you-go basis.

The university's total liabilities (postemployment liabilities plus debt) as a percentage of total revenue were 69% in fiscal 2007, slightly up from 66% the previous year, and consistent with the ratings.

Capital Expansion

To continue to meet its growth objectives in enrollment, research, and program innovation, the university has planned several projects to expand and improve physical capacity. Part of the funding for some projects would qualify for a portion of the province's C$550 million in capital funding it is making available systemwide for graduate expansion. One such project is a new engineering building, which is estimated at C$38 million, would facilitate 280 graduate students, and would add much needed research space. Other funding sources include donations and borrowing. The project should be complete in 2009.

The university is buying back the second floor of the Michael G. DeGroote Centre for Learning & Discovery and refitting it for the faculty of health sciences. The buyback and conversion should cost C$26 million. The refitting component of the project is estimated at C$18.5 million and will be funded from a variety of sources; the remaining will be debt financed.

With a C$10 million donor secured, construction is under way on the C$22 million, 6,000-seat Ronald Joyce Stadium, which the university plans to pay for with fundraising proceeds. The C$10 million donation and other fundraising required for the stadium will arrive during a 10-year period. Beneath the stadium, and not included in the $22 million cost, is a C$10.5 million, 340 spot underground parking facility. A staff levy on parking will fund the repayments associated with the facility. The university would fund interim financing for the stadium and underground parking through internal borrowing.

The university has completed the expansion of the David Braley Athletic Complex at a cost of C$31 million, C$20 million of which the proceeds of the expected C$100 million debt issuance would finance. The C$20 million would be supported by incremental revenue generated by a student-approved levy that will contribute C$20 million plus interest and user fee proceeds during the debenture's life. The remaining C$10 million will come from fundraising,

C$5 million of which David Braley has already contributed.

Following McMaster's board approval for a new campus in nearby Burlington, Ont., the city's council gave its approval for the campus in principal. The campus will facilitate the DeGroote School of Business MBA program and other executive education programs. The Burlington campus could be ready in 2009 and enroll 500-1,000 students in its first few years. McMaster estimates the campus' cost at C$35 million. Initial funding for the satellite campus will come from a C$10 million contribution from Burlington. The university intends to raise the remaining C$25 million through fundraising, C$10 million of which has already been identified by a gift from Ron Joyce.

McMaster also has a few projects under review for which it is in the process of developing funding plans. These projects include a liberal arts building at about C$30 million. Another project is the McMaster Medicine building in downtown Hamilton, which would have a teaching component and is estimated at C$48 million; the university has received a C$15 million gift for the project. McMaster is also considering the second phase in main entrance improvements, estimated at C$50 million.

Deferred capital maintenance

McMaster estimates its deferred capital maintenance at C$136 million. As many other universities face this challenge, a measure of the deferred capital backlog across Ontario's universities was created. It is called the Facilities Condition Index (FCI). As of March 2006, McMaster's FCI was 0.15, which is higher than the system FCI average of 0.12 (a rating above 0.10 is poor).

A December 2007 report from Ontario's Auditor-General indicated that Ontario's universities need C$1.6 billion in repairs. Although the province has not moved on this matter, coordinated lobbying efforts are under way across the province to secure more provincial funding for deferred capital maintenance. The C$1.7 million per year McMaster typically receives from the province to address deferred maintenance issues is insignificant. McMaster is addressing at least part of the backlog by identifying C$57 million of priority items to tackle during the next five years. About C$11.5 million has been targeted for the Arthur Bourns, General, and Burke Science buildings, which should be complete by 2008. The vast majority of these renovations will be fully funded upon completion as a result of C$8.9 million fiscal 2007 grant money, which was a flow-through of federal infrastructure money.

McMaster Innovation Park (MIP)

In 2005, the university purchased a strategically located site in west Hamilton for C$13 million on which to build MIP. The research park is envisioned to facilitate more than a million square feet of laboratory, office, teaching, training, and conference facilities, in support of research and development in areas such as advanced manufacturing and materials, nanotechnology, and biotechnology. The province provided C$10 million for development of the park, and the City of Hamilton (AA/Positive/--) funded C$5 million in 2005. The project represents a potential long-term investment of C$300 million-C$400 million, the majority of which will come from the private sector and government partnerships. A portion of the park is expected to be leased to the federal government to house the CANMET Material Technology Laboratory. General Motors Corp. (B/Stable/B-3) announced it would establish the Canada Centre for Corrosion Engineering Research at MIP. The park is to be completed in several phases.

In December 2007, the university's board of governors received a development plan for the next phase of MIP. The plan entails five buildings that total 500,000 square feet and requires a capital investment of C$111 million. Of that amount, McMaster could guarantee up to C$50 million or provide other forms of financial support including direct borrowing by McMaster on behalf of MIP. The business development model for MIP is based on property development and leasing revenues to service any associated debt. The university would manage the timing of the

associated debt within the constraints of its debt management policy. This will ensure that MIP projects requiring debt are prioritized relative to other university projects and that the associated revenues, expenses and net assets are sufficient to maintain the policy targets. Nevertheless, Standard & Poor's would perform its own credit analysis at the time the potential debt is issued. Furthermore, Standard & Poor's would include in the university's debt metrics any potential guarantees made by McMaster for borrowings by MIP.

To manage the MIP undertaking, McMaster established two trusts: one for operations and one to hold the land. The trusts are separate legal entities, which the university tightly controls. To record its MIP investment, McMaster adopted the equity method of accounting in 2006. In contrast with embedding the investment in consolidated capital assets, the equity method distinctly presents the accounting related to the university's investment in MIP. The assets and liabilities of the park are not on the university's balance sheet. Instead, net income is recognized in the university's operating statement and unrestricted net assets.

Stellar Balance Sheet Losing Some Sheen

Unrestricted financial resources decline

Some of the balance-sheet strength that helps underpin the ratings on McMaster eroded in fiscal 2007, although remained strong. As a result of drawing C$24.3 million from its employee future benefit reserve, McMaster's available operating net assets decreased by about 17%, to C$66.1 million, mitigated by a C$8.6 million increase in departmental carry forwards. McMaster also had C$154.8 million in internally restricted endowments. Total unrestricted financial resources (internally restricted endowment plus internally restricted net assets) were C$220.9 million, or 141% as a percentage of debt and C$9,646 per FTE. These are strong ratios compared with those of domestically rated peers. We expect McMaster's balance-sheet strength to further erode as the university plans to draw about C$27.6 million during the next three years from internal endowments: C$7 million will fund a faculty retirement incentive program, and C$20.6 million will fund pension deficit payments extending to fiscal 2010, which the university plans to recover in the long term.

Nevertheless, in fiscal 2007, the market value of McMaster's total endowment increased 11.6% to C$498.5 million, or C$21,766 per FTE. As usual, the increase stemmed from externally restricted non expendable endowments, as a result of donations and investment income. About 69% of McMaster's endowments carry external restrictions. But even these funds provide strength, through producing spendable endowment income and freeing up other operating funds that can be used for other purposes. Furthermore, endowments restricted for scholarships or faculty chairs enhance a university's profile, and further attract quality students and faculty.

McMaster's net assets also included C$4.9 million in unrestricted operating funds. Although we do not include this in our calculation of unrestricted financial resources, we acknowledge this as an additional source of balance-sheet strength.

Debt will rise

McMaster's debt in fiscal 2007 was C$156.3 million, or C$6,823 per FTE and 23% of adjusted revenue. These debt metrics are strong, and have improved from the previous year. The majority of McMaster's debt consists of the C$120 million in senior unsecured bullet maturity debentures, issued in 2002 and maturing in 2052. McMaster has an internal sinking fund to provide for debt retirement of the C$120 million debenture, although it is not required by any covenant to do so. As of fiscal 2007, McMaster had C$10.5 million contributed to the fund. The remainder of the university's debt consists of bank loans and a student residence mortgage. McMaster's DSCR (interest only)

and interest expense-to-adjusted revenue were about 5.3x and 1.6%, respectively, which are consistent with the ratings.

McMaster's balance sheet will further weaken after a planned issuance of about C$100 million in 2008. This will bring total debt to about C$256 million, or C$11,189 per FTE and 37% of adjusted revenues. Unrestricted financial resources to debt would drop by almost half, to 80 % (this incorporates the planned C$15 million draw down in 2008, of the total C$27.6 million drawdown during the next three years), and DSCR would drop to 3.6x. Since these debt metrics are very weak for the 'AA' rating, further weakening could result in a downgrade.

As a reflection of its attentive and diligent approach to debt management, McMaster's management has established a debt monitoring policy. The policy, which will guide internal financial planning at the University, closely tracks the performance of two debt ratios. The first is the DSCR, which McMaster's policy targets between 2.75x and 3.25x. The second is expendable resources (similar to Standard & Poor's unrestricted financial resources measure) to debt, which the policy targets at greater than 80%. The lower end of these policy targets together would not support the current rating and could prompt a downgrade. Even the DSCR's upper boundary would be low for the rating. Although McMaster' DSCR was 3.2x in fiscal 2005, its unrestricted financial resources were stronger, at about 150% of total debt, or C$11,409 per FTE. If DSCR averaged about 3.25x in the near-to-medium term, to remain consistent with the 'AA' rating, unrestricted financial resources should be about 80% of debt.

Fundraising On Track

As of November 2007, McMaster has raised C$258 million into the second year of a four-year C$400 million campaign that ends in 2010. These fundraising efforts should help the university restore some of its internally restricted endowment balances in the medium term and provide funding for some academic capital projects that are under review.

McMaster's rate of return on its endowed funds was 10.7%, as measured at March 31, 2007, slightly above the policy benchmark return. The fund earned investment income of C$45 million. The university's spending policy is set at 4% of the three-year average market value of endowment capital. The fund's investment policy mix is 40% fixed income and 60% equity securities, similar to that of its Canadian rated peers.

Strong research profile, but funding is flat

McMaster carried its reputation as one of Canada's reputable research institutions in to fiscal 2007. The 2007 Infosource Inc. report, based on Statistics Canada data, ranked McMaster second, after the University of Toronto, in the research intensity (measured by research funding per full-time faculty). The university received C$171.7 million in research funding in fiscal 2007. Nevertheless, growth in research funding slowed to about 2.0% in fiscal 2007, down from 3.4% the previous year; the university expects funding to be flat for fiscal 2008. Research revenue has been an important driver in the university's total revenue growth and diversification. Furthermore, despite being restricted, research grants significantly contribute to McMaster's operations by attracting faculty and covering the costs of expanding faculty and capital, which relate to research.

McMaster University--Peer Comparison

	McMaster University		University of British Columbia		University of Toronto	
Thou. C$ (except FTE and ratios)	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Issuer credit rating	AA/Stable/--	AA/Stable/--	AA+/Stable/--	AA+/Stable/--	AA/Stable/--	AA/Stable/--
Applicants	40,849	38,636	24,317	22,141	N/A	82,872
Offers	23,881	23,841	14,052	12,571	N/A	44,599
Registrants	5,281	5,252	7,984	7,083	N/A	14,971
Acceptance rate (offers/applicants; %)	58	62	58	57	N/A	54
Matriculation rate (registrants/offers; %)	13	14	33	32	N/A	18
FTEs	22,903	22,140	38,264	37,443	61,210	60,203
Total revenue	730,966	685,372	1,593,662	1,572,091	1,942,000	1,784,300
Deferred capital	38,268	40,753	66,429	55,737	36,700	42,600
Adjusted revenue	692,698	652,964	1,527,233	1,516,354	1,905,300	1,741,700
Total expenditure	707,304	676,810	1,496,532	1,432,670	1,807,500	1,709,300
Interest	11,145	11,383	20,162	32,827	31,000	29,300
Depreciation	62,430	58,806	132,880	116,648	99,100	91,400
Adjusted expenditure (For DSCR)	633,729	614,966	1,343,490	1,283,195	1,677,400	1,588,600
Consolidated surplus (%)	3.2	1.2	6.1	8.9	6.9	4.2
Consolidated surplus (for calculating DSCR; %)	6.9	5.4	10.7	13.2	10.3	7.1
DSCR (interest only; x)	5.29	3.34	9.11	7.10	7.35	5.23
Total debt	156,265	157,146	282,437	305,090	556,700	483,700
Unfunded postemployment liabilities	322,141	276,600	4,607	4,750	580,300	688,900
Interest expense to adjusted revenue	1.6	1.7	1.3	2.2	1.6	1.7
Debt to FTE	6,822.9	7,097.8	7,381.3	8,148.1	9,094.9	8,034.5
Debt to adjusted revenue (%)	22.6	24.1	18.5	20.1	29.2	27.8
(Debt plus unfunded)/adjusted revenue (%)	69.1	66.4	18.8	20.4	59.7	67.3
Internally restricted net assets	66,110	79,624	100,491	138,698	266,700	134,800
Internally restricted endowments	154,823	143,878	266,900	227,400	309,300	285,800
Externally restricted endowments	343,700	305,400	484,138	463,209	1,513,400	1,343,000
Unrestricted financial resources	220,933	237,205	367,391	366,098	576,000	420,600
As % of total debt	141.4	150.9	130.1	120.0	103.5	87.0
As % of total debt plus unfunded postemployment liabilities	46.2	54.7	128.0	118.2	50.7	35.9
Per FTE	9,646	10,714	9,601	9,777	9,410	6,986
Total endowment value per FTE (at market value)	21,766	20,289	26,471	22,138	29,778	27,055

FTE--Full-time equivalent. DSCR--Debt service coverage ratio. N/A--Not applicable.

Ratings Detail (As Of January 11, 2008)*

McMaster University	
Issuer Credit Rating	AA/Stable/--
Senior Unsecured	
Local Currency	AA

Ratings Detail (As Of January 11, 2008)***(cont.)**

Issuer Credit Ratings History

09-Sep-2002	AA/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.