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Memorial Sloan Kettering Cancer Center, NY's 2017 Series 1 Health Care Revenue Bonds Rated 'AA-'

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NEW YORK (S&P Global Ratings) Dec. 6, 2017--S&P Global Ratings assigned its 'AA-' rating on the New York State Dormitory Authority's 2017 Series 1 health care revenue bonds issued for Memorial Sloan Kettering Cancer Center (MSKCC), N.Y. In addition, S&P Global Ratings affirmed its 'AA-' long-term and underlying ratings (SPUR) on various series of health care revenue bonds issued for MSKCC. The outlook on all of MSKCC's rated debt is stable.

"The rating reflects MSKCC's generally consistent operating performance over the past several years, with improved operating results through the nine month interim period ended Sept. 30, 2017, following some margin compression and slight deficit operations in fiscal 2016," said S&P Global Ratings Credit analyst Stephen Infranco. S&P Global Ratings operating calculations exclude investment income and philanthropy, which historically have been substantial contributors to MSKCC's bottom line. We do not consider the presence of an operating loss a negative credit factor as long as the loss remains manageable within the context of MSKCC's nonoperating income sources and any significant increase in operating losses is temporary and not a shift in the underlying operations or business model.

The outlook is stable. We believe MSKCC's operating and excess income can be quite volatile in any given year due to the variability of nonoperating income, which includes realized gains and losses and contributions. However, we believe operating losses have historically been manageable and understand they are planned as part of the normal business model. Cash flow, as measured by S&P Global Ratings, has improved over the past several years and is expected to remain strong over the longer term, in part due to the expected benefit of the incremental revenue and cash flow once the projects are complete and operations ramp up. Furthermore, management has demonstrated a willingness to delay projects to preserve financial stability should operational performance or market conditions shift.

In our opinion, MSKCC's still large balance sheet resources and management's operating flexibility (due to its ability to control certain discretionary patient services, if needed) help stabilize the current outlook. However, if cash flow weakens beyond current levels; or if MSKCC's capital spending exceeds projected levels such that it weakens the overall financial profile, a negative outlook or lower rating could be warranted.

A higher rating during the two-year outlook period is very unlikely due to the current phase of capital spending and ongoing project risk associated with MSKCC's growth initiatives. However, over time we believe MSKCC can achieve a positive outlook or higher rating as the period of sizable capital spending subsides and if MSKCC realizes the benefits from its growth strategies such that it leads to an overall stronger financial profile. Given the strength of the enterprise profile already reflected in the rating, we do not expect

significant changes over the outlook period that would drive the rating higher in this aspect of the rating assessment.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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