

In the opinion of Foley & Lardner LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Series 2009A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. See the heading “TAX MATTERS” herein for a more detailed discussion of some of the federal tax consequences of owning the Series 2009A Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto. Prospective Bondholders should consult with their own financial advisors on the impact of federal and Florida law on their particular situations.

\$167,035,000

ORANGE COUNTY HEALTH FACILITIES AUTHORITY

Revenue Bonds

(The Nemours Foundation Project)

Series 2009A



Dated: Date of Delivery

Due: As set forth on the inside front cover

The Orange County Health Facilities Authority (the “Authority”) is issuing its Revenue Bonds (The Nemours Foundation Project), Series 2009A (the “Series 2009A Bonds”) as registered bonds without coupons, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2009A Bonds. The Series 2009A Bonds will be issued bearing interest at the interest rates and with the maturity dates set forth on the inside front cover. The Series 2009A Bonds are issuable as fully registered bonds in denominations of \$5,000 and integral multiples thereof. The Series 2009A Bonds will be initially available to purchasers only under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not receive delivery of certificated Series 2009A Bonds. So long as any purchaser is the beneficial owner of a Series 2009A Bond, such beneficial owner must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on such Series 2009A Bonds. See “THE SERIES 2009A BONDS - Book-Entry Only System” herein. Principal of and interest on the Series 2009A Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”), to DTC, which will remit such payments in accordance with its normal procedure, as described herein.

The Series 2009A Bonds will be issued pursuant to a Bond Trust Indenture dated as of October 1, 2009 (the “Bond Indenture”) between the Authority and the Bond Trustee and will be payable from and secured by (i) payments to be made by The Nemours Foundation (“Nemours”) pursuant to a Loan Agreement dated as of October 1, 2009 between Nemours and the Authority (the “Loan Agreement”) and (ii) moneys held by the Bond Trustee pursuant to the Bond Indenture. The obligations of Nemours to make such payments pursuant to the Loan Agreement are secured by the Series 2009-1 Master Note to be issued by Nemours pursuant to a Master Trust Indenture dated as of January 1, 2005, as supplemented by a Fourth Supplemental Master Trust Indenture dated as of October 1, 2009 (as supplemented, the “Master Indenture”) each between Nemours, as the sole member of the Obligated Group (as described herein), and The Bank of New York Mellon Trust Company, N.A., as Master Trustee. Interest on the Series 2009A Bonds will be payable on the first business days of January and July of each year, commencing January 1, 2010. The Series 2009-1 Master Note will be an unsecured obligation of Nemours.

THE SERIES 2009A BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF ORANGE COUNTY, FLORIDA (“ORANGE COUNTY”), THE STATE OF FLORIDA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF, OR A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY, ORANGE COUNTY OR THE STATE OR THE TAXING POWERS OF ORANGE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009A BONDS EXCEPT FROM THE INCOME, REVENUES AND RECEIPTS RECEIVED BY THE AUTHORITY UNDER THE BOND INDENTURE, INCLUDING, WITHOUT LIMITATION, THE PAYMENTS MADE PURSUANT TO THE LOAN AGREEMENT AND THE SERIES 2009-1 MASTER NOTE. THE AUTHORITY HAS NO TAXING POWER.

The Series 2009A Bonds are subject to optional, extraordinary optional and mandatory redemption prior to maturity. See “THE SERIES 2009A BONDS – Redemption” herein.

Proceeds of the Series 2009A Bonds will be applied by Nemours to (a) finance a portion of the cost of the acquisition, construction, installation and equipping of a 95-bed freestanding children’s hospital and an outpatient clinic to be owned and operated by Nemours, and related facilities, equipment, fixtures and furnishings, to be located in Orlando, Florida, all as more particularly described herein, and (b) pay certain expenses of issuing the Series 2009A Bonds.

Only selected information is presented on this cover. It is not intended to be a summary of the transaction. A prospective investor should read this Official Statement in its entirety to make an informed decision regarding the Series 2009A Bonds.

MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS

(See Inside Front Cover)

The Series 2009A Bonds are offered in book-entry form only when, as and if issued and received, subject to the approving legal opinion of Foley & Lardner LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Authority by Lowndes, Drosdick, Doster, Kantor & Reed, P.A., Orlando, Florida, General Counsel to the Authority, and for Nemours by Steven R. Sparks, General Counsel to Nemours. Certain legal matters will be passed upon for the Underwriter by Ballard Spahr LLP, counsel to the Underwriter. It is expected that the Series 2009A Bonds will be available for delivery through DTC, New York, New York, on or about October 15, 2009.

MORGAN STANLEY

OFFICIAL STATEMENT

\$167,035,000
Orange County Health Facilities Authority
Revenue Bonds
(The Nemours Foundation Project)
Series 2009A

Maturities, Amounts, Interest Rates, Prices or Yields and CUSIP Numbers

\$27,775,000 Serial Bonds

<u>Maturity</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
2013	\$1,885,000	4.000%	2.110%	105.835	6845036G5
2014	2,205,000	4.000%	2.450%	106.163	6845036H3
2015	2,065,000	4.000%	2.700%	106.276	6845036J9
2016	2,375,000	4.000%	2.950%	105.915	6845036K6
2017	2,360,000	4.000%	3.220%	104.979	6845036L4
2018	2,370,000	5.000%	3.390%	111.450	6845036M2
2019	2,695,000	5.000%	3.520%	111.551	6845036N0
2020	2,645,000	5.000%	3.640%	110.557*	6845036P5
2021	2,965,000	5.000%	3.760%	109.572*	6845036Q3
2022	2,945,000	5.000%	3.850%	108.841*	6845036R1
2023	3,265,000	5.000%	3.930%	108.196*	6845036S9

\$36,430,000 5.000% Term Bonds due January 1, 2029, Price: 106.682* CUSIP 6845036U4

\$102,830,000 5.000% Term Bonds due January 1, 2039, Price: 104.343* CUSIP 6845036T7

*
Priced to the first optional redemption date

No dealer, broker, salesman or other person has been authorized by the Authority, Nemours or the Underwriter to give any information or to make any representation other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2009A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Authority, Nemours or any other entity described herein since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2009A Bonds.

The CUSIP numbers on the inside front cover page of this Official Statement are copyright 2009 by the American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. and neither the Authority nor the Underwriter nor Nemours takes any responsibility for the accuracy hereof. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service.

NEITHER THE SERIES 2009A BONDS NOR THE SERIES 2009-1 MASTER NOTE HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE BOND INDENTURE OR MASTER INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2009A BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2009A BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement contains certain "forward-looking statements" concerning the operations and financial condition of Nemours. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of Nemours. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," "estimate" and similar expressions are meant to identify these forward-looking statements. *The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Nemours does not plan to issue any updates or revisions to these forward-looking statements if or when changes to its expectations, or events, conditions or circumstances on which such statements are based, occur.*

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

Neither the Authority, its counsel, nor any of its members, agents, employees or representatives has reviewed this Official Statement or investigated the statements or representations contained herein, except for those

statements relating to the Authority set forth under the captions “THE AUTHORITY” and “LITIGATION – The Authority” herein. Except with respect to the information contained under such captions, neither the Authority, its counsel, nor any of its members, agents, employees or representatives makes any representation as to the completeness, sufficiency and truthfulness of the statements set forth in this Official Statement. Members of the Authority and any other persons executing the Series 2009A Bonds are not subject to personal liability by reason of the issuance of the Series 2009A Bonds.

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OFFICIAL STATEMENT

\$167,035,000

**Orange County Health Facilities Authority
Revenue Bonds
(The Nemours Foundation Project)
Series 2009A**

INTRODUCTION

Purpose

This Official Statement, including the cover page and the Appendices, is provided to furnish information relating to the issuance by the Orange County Health Facilities Authority (the “Authority”) of \$167,035,000 aggregate principal amount of its Revenue Bonds (The Nemours Foundation Project), Series 2009A (the “Series 2009A Bonds”). The Series 2009A Bonds are being issued for the purpose of providing funds which, together with proceeds of the Variable Rate Bonds (as hereinafter defined) and other available funds, will be used to (a) finance a portion of the cost of the acquisition, construction, installation and equipping of a pediatric healthcare facility to be owned and operated by The Nemours Foundation (“Nemours”), including a 95-bed freestanding children’s hospital to be known as Nemours Children’s Hospital and an outpatient clinic, and related facilities, equipment, fixtures and furnishings, to be located in Orlando, Florida (as more specifically described herein and referred to as the “Project”), and (b) pay certain expenses of issuing the Series 2009A Bonds.

The Series 2009A Bonds are being issued by the Authority in accordance with the Constitution of the State of Florida, Chapter 154, Part III, Florida Statutes, the Health Facilities Law of the State (the “Act”) and Chapter 159, Part II, Florida Statutes, as amended (the “Industrial Act”) and pursuant to a Bond Trust Indenture dated as of October 1, 2009 (the “Bond Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”).

Concurrently with the issuance of the Series 2009A Bonds, the Authority and Nemours will enter into a Loan Agreement dated as of October 1, 2009 (the “Loan Agreement”), pursuant to which the Authority will lend the proceeds of the Series 2009A Bonds to Nemours. Nemours will agree to make loan payments directly to the Bond Trustee at the times and in the amounts sufficient to pay the principal of, premium, if any, and interest on the Series 2009A Bonds.

Orange County Health Facilities Authority

The Authority is a public body corporate and politic of the State of Florida (the “State”), duly created and existing under the provisions of the Act and is authorized and empowered under the Act to issue bonds and loan the proceeds thereof to a “health facility,” as defined in the Act, to provide funds to pay all or a part of the “cost” of any “project,” as defined in the Act. The Authority is also a local agency as defined in the Industrial Act and is authorized and empowered thereunder to issue revenue bonds and loan the proceeds thereof to private not for profit corporations for the purpose of financing and refinancing the “cost” of a “project” comprising a “health care facility,” as defined in the Industrial Act.

Nemours

Nemours is a not for profit corporation organized and existing under the laws of the State, which has been determined by the Internal Revenue Service to be an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). Nemours was created pursuant to the terms of the Last Will and Testament and Codicils of Alfred I. duPont, of Duval County, Florida, now deceased, pursuant to which the Alfred I. duPont Testamentary Trust (the “Trust”) was established. Nemours is the primary beneficiary of the Trust. For a more detailed description of Nemours, its purposes, mission, operations and governance and the Nemours facilities (the “Facilities”), see “NEMOURS” and APPENDIX A. For a more detailed description of Nemours relationship with the Alfred I. DuPont Testamentary Trust, see APPENDIX A.

Nemours is currently the only member of an obligated group (the “Obligated Group”) created under a Master Trust Indenture dated as of January 1, 2005 (the “Original Master Indenture”), between Nemours, as the sole member of the Obligated Group, and The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, as master trustee thereunder (the “Master Trustee”). See APPENDIX C – “Definitions of Certain Terms and Summary of the Bond Indenture, the Loan Agreement and the Master Indenture.”

Security

Pursuant to the Fourth Supplemental Master Trust Indenture dated as of October 1, 2009, by and between Nemours and the Master Trustee (the “Fourth Supplement”), Nemours will issue the Series 2009-1 Master Note (the “Series 2009-1 Master Note”) in the principal amount equal to the aggregate principal amount of the Series 2009A Bonds in order to secure Nemours’ obligations under the Loan Agreement with respect to the Series 2009A Bonds. The Original Master Indenture, as supplemented by the First Supplement (hereinafter defined), the Second Supplement (hereinafter defined), the Third Supplement (hereinafter defined) and the Fourth Supplement is referred to herein as the “Master Indenture”). Pursuant to the Master Indenture, all members of the Obligated Group will be jointly and severally liable for the indebtedness represented by the Series 2009-1 Master Note. As of the date of issuance of the Series 2009A Bonds, Nemours will be the only member of the Obligated Group.

Limited Obligations of Authority

THE SERIES 2009A BONDS, TOGETHER WITH INTEREST THEREON, WILL BE LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL NOT CONSTITUTE A DEBT OR LIABILITY OR OBLIGATION OF ORANGE COUNTY, FLORIDA (“ORANGE COUNTY”), THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, OR A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY, ORANGE COUNTY OR THE STATE OF FLORIDA OR TAXING POWERS OF ORANGE COUNTY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009A BONDS EXCEPT FROM THE INCOME, REVENUES AND RECEIPTS RECEIVED BY THE AUTHORITY UNDER THE BOND INDENTURE, INCLUDING, WITHOUT LIMITATION, THE PAYMENTS MADE PURSUANT TO THE LOAN AGREEMENT AND THE SERIES 2009-1 MASTER NOTE. THE AUTHORITY HAS NO TAXING POWER.

Parity Debt

The Obligated Group is permitted under the Master Indenture and the Loan Agreement to incur additional debt and to issue notes under the Master Indenture which may or may not be secured on a parity basis with the Series 2009-1 Master Note. Nemours has executed master notes under the Master Indenture to secure its obligations related to the Series 2005 Delaware Bonds (as defined below), which master notes are secured on a parity basis with the Series 2009-1 Master Note, and as of the date of issuance of the Series 2009A Bonds, Nemours will execute additional master notes under the Master Indenture to secure its obligations related to the Variable Rate Bonds (as defined below), which will be secured on a parity basis with the Series 2009-1 Master Note. See “MASTER NOTES; OBLIGATED GROUP” and “OUTSTANDING LONG TERM INDEBTEDNESS” herein.

Concurrent Financing

Simultaneously with the issuance of the Series 2009A Bonds, the Authority will issue its (a) Revenue Bonds (The Nemours Foundation Project), Series 2009B, in the aggregate principal amount of \$100,000,000 (the “Series 2009B Bonds”), (b) Revenue Bonds (The Nemours Foundation Project), Series 2009C-1 in the aggregate principal amount of \$25,555,000 (the “Series 2009C-1 Bonds”), and (c) Revenue Bonds (The Nemours Foundation Project), Series 2009C-2 in the aggregate principal amount of \$24,445,000 (the “Series 2009C-2 Bonds”, and together with the Series 2009C-1 Bonds, the “Series 2009C Bonds”). The Series 2009B Bonds, the Series 2009C-1 Bonds and the Series 2009C-2 Bonds are referred to collectively herein as the “Variable Rate Bonds”. The Variable Rate Bonds and the Series 2009A Bonds are referred to collectively herein as the “Series 2009 Bonds”. The proceeds of the Variable Rate Bonds will be loaned to Nemours to finance a portion of the cost of the Project; with respect to the Series 2009C-2 Bonds, to refund the Jacksonville Health Facilities Authority Health Care Facilities Revenue Bonds (The Nemours Foundation Project) Series 2007 issued for the benefit of Nemours (the “Series 2007

Bonds”), in the current outstanding principal amount of \$24,350,000; and to pay certain expenses of issuing the Variable Rate Bonds.

The obligations of Nemours under the Series 2009B Bonds will be secured by the Series 2009-2 Master Note (the “Series 2009-2 Master Note”) issued by Nemours pursuant to the Fourth Supplement. The timely payment of the principal of and interest on, and the purchase price of, the Series 2009B Bonds will be secured by an irrevocable direct-pay letter of credit issued by Bank of America, N.A. (the “Bank”) to the Bond Trustee pursuant to a Letter of Credit and Reimbursement Agreement between Nemours and the Bank (the “Letter of Credit Agreement”). The obligations of Nemours under the Letter of Credit Agreement will be secured by the Series 2009-4 Master Note (the “Series 2009-4 Master Note”) issued by Nemours pursuant to the Fourth Supplement.

The obligations of Nemours under the Series 2009C Bonds will be secured by the Series 2009-3 Master Note (the “Series 2009-3 Master Note”) issued by Nemours pursuant to the Fourth Supplement. Upon issuance of the Series 2009C Bonds, no Liquidity Facility or Credit Facility will be delivered which would provide funds to purchase the Series 2009C Bonds that have been tendered for purchase but not remarketed. In the event that remarketing proceeds are not sufficient to purchase such Series 2009C Bonds, Nemours has agreed to pay to the trustee for the Series 2009C Bonds the amount necessary to purchase such Series 2009C Bonds.

The Series 2009-1 Master Note, the Series 2009-2 Master Note, the Series 2009-3 Master Note and the Series 2009-4 Master Note are collectively referred to herein as the “Series 2009 Master Notes”.

The Variable Rate Bonds are not being offered for sale by this Official Statement.

Continuing Disclosure

Nemours has agreed on behalf of itself and the other members of the Obligated Group to provide certain continuing disclosure information pursuant to Rule 15c2-12 of the Securities and Exchange Commission related to the Series 2009A Bonds. See “CONTINUING DISCLOSURE” herein.

Document Descriptions and Summaries

This Official Statement and the Appendices hereto contain descriptions of the Series 2009A Bonds, the Bond Indenture, the Master Indenture, the Loan Agreement and the Series 2009-1 Master Note. Such information, descriptions and summaries do not purport to be complete or definitive, and reference is made to each such document for the complete details of all the terms and conditions thereof. All references herein to the Series 2009A Bonds, the Bond Indenture, the Master Indenture, the Loan Agreement and the Series 2009-1 Master Note are qualified in their entirety by such documents, copies of which may be obtained from Morgan Stanley & Co. Incorporated, telephone (212) 762-9385, prior to the delivery of the Series 2009A Bonds and will be available for inspection at the offices of the Bond Trustee after delivery of the Series 2009A Bonds.

All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in APPENDIX C — “Definitions of Certain Terms and Summary of the Bond Indenture, the Loan Agreement and the Master Indenture” hereto or, if not defined therein, will have the same meanings ascribed to such terms in the Bond Indenture, the Master Indenture or the Loan Agreement.

Appendices

For information regarding Nemours and its operations see APPENDIX A; for detailed information concerning financial operations of Nemours, see APPENDIX A – “FINANCIAL INFORMATION”, which sets forth the combined unaudited financial statements of Nemours as of July 31, 2009 and for the seven months then ended, and APPENDIX B, which sets forth the combined financial statements of Nemours as of December 31, 2008 and December 31, 2007 and for the years then ended, respectively, audited by KPMG LLP; for definitions of certain terms and a summary of the Bond Indenture, the Loan Agreement and the Master Indenture, see APPENDIX C - “Definitions of Certain Terms and Summary of the Bond Indenture, the Loan Agreement and the Master Indenture”;

for the proposed form of Bond Counsel Opinion, see APPENDIX D; and for the form of Continuing Disclosure Agreement, see APPENDIX E, all attached to this Official Statement.

MASTER NOTES; OBLIGATED GROUP

The Series 2009 Master Notes and any master notes previously or subsequently issued pursuant to the Master Indenture (collectively, the “Master Notes”) may or may not be secured on a parity basis by any security interests that may be granted by the Obligated Group to the Master Trustee pursuant to the Master Indenture from time to time. The Series 2009 Master Notes will initially be issued as unsecured general obligations of Nemours. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS - Series 2009-1 Master Note” and “- The Master Trust Indenture” herein and APPENDIX C hereto.

Each Member of the Obligated Group, as it may from time to time exist, is jointly and severally obligated under the Master Indenture with respect to the payment of the Master Notes. Nemours currently has no plans to add Members to the Obligated Group. Under certain circumstances as described in APPENDIX C – “Definitions of Certain Terms and Summary of the Bond Indenture, the Loan Agreement and the Master Indenture,” other affiliates and successor corporations of Nemours may become members of the Obligated Group, and, under certain circumstances, members, including Nemours, may withdraw from the Obligated Group. The Master Indenture and the Loan Agreement permit the members of the Obligated Group to incur Indebtedness and to secure such Indebtedness with a Master Note, but such security need not extend to any other Master Notes issued under the Master Indenture including, without limitation, the Series 2009-1 Master Note. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS” herein and APPENDIX C – “Definitions of Certain Terms and Summary of the Bond Indenture, the Loan Agreement and the Master Indenture” hereto.

THE AUTHORITY

The Authority is a public body corporate and politic of the State of Florida (the “State”), duly created and existing under the provisions of the Act and is authorized and empowered under the Act to issue bonds and loan the proceeds thereof to a “health facility,” as defined in the Act, to provide funds to pay all or a part of the “cost” of any “project,” as defined in the Act. The Authority is also a local agency as defined in the Industrial Act and is authorized and empowered thereunder to issue revenue bonds and loan the proceeds thereof to private not for profit corporations for the purpose of financing and refinancing the “cost” of a “project” comprising a “health care facility,” as defined in the Industrial Act.

The Series 2009A Bonds are limited obligations of the Authority payable by the Authority solely from the Trust Estate pledged under the Bond Indenture. The obligations of the Authority do not constitute a debt, liability or obligation of the County, the State or any political subdivision thereof, or a charge against the general credit of the Authority, Orange County, or the State or any political subdivision thereof, or the taxing powers of Orange County, the State or any political subdivision thereof. The Authority has no taxing power.

The Authority was created on December 20, 1977, by the Board of County Commissioners of Orange County, Florida, pursuant to the Act. The Board of County Commissioners designates the five members of the Authority. Members serve staggered terms of four years. Members receive no compensation, but are paid necessary expenses. Members may be directors, officers or employees of health facilities or banks. However, any member who is employed by or receives income from a health facility may not vote on any matter related to such facility. In authorizing the Series 2009A Bonds, the members of the Authority have relied upon information furnished by Nemours and have made no independent investigation of the matters set forth in this Official Statement.

Foley & Lardner LLP, Jacksonville, Florida, is serving as Bond Counsel and will submit its approving opinion as to the legality of the Series 2009A Bonds. The form of such opinion is set forth in APPENDIX D hereto. Lowndes, Drosdick, Doster, Kantor & Reed, P.A., Orlando, Florida, is general counsel to the Authority. Public Financial Management, Inc. is serving as financial advisor to the Authority in connection with the issuance of the Series 2009A Bonds.

Section 517.051 Florida Statutes and Rule 69W-400.003, Florida Administrative Code, provide for the exemption from registration of certain governmental securities and require that, if an issuer or guarantor of governmental securities has been in default at any time after December 31, 1975 as to principal and interest on any obligation issued or guaranteed by it, its securities may not be offered or sold in Florida except by means of an offering circular containing full and fair disclosure, as prescribed by rules of the Florida Department of Financial Services, Office of Financial Regulation, Division of Securities (the “Department of Financial Services”). Under the rules of the Department of Financial Services, the prescribed disclosure is not required if the information is not an appropriate disclosure in that the information would not be considered material by a reasonable investor.

As described above, the Authority has the power to issue bonds for the purpose of financing projects for other borrowers, which bonds are payable from the revenues of the particular project or borrower. Revenue bonds issued by the Authority for other projects may be in default as to principal and interest. The source of payment, however, for any such defaulted bond is separate and distinct from the source of payment for the Series 2009A Bonds and, therefore, any default on such bonds would not, in the good faith belief of the Authority, be considered material by a reasonable investor in the Series 2009A Bonds.

PLAN OF FINANCE

The proceeds of the Series 2009 Bonds will be used (a) to finance a portion of the cost of the Project (described below), (b) with respect to the Series 2009C-2 Bonds, to refund the Series 2007 Bonds, and (c) to pay a portion of the expenses incurred in connection with the issuance of the Series 2009 Bonds.

The Series 2007 Bonds have been called for redemption in full on October 21, 2009 (the “Redemption Date”). Simultaneously with the issuance of the Series 2009 Bonds, the proceeds of the Series 2009C-2 Bonds in an amount sufficient to pay the principal of the Series 2007 Bonds on the Redemption Date, and moneys from Nemours in an amount sufficient to pay the accrued interest of the Series 2007 Bonds on the Redemption Date, will be deposited in the Redemption Account of the Bond Fund under the Bond Trust Indenture dated as of October 1, 2007, between the Jacksonville Health Facilities Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Series 2007 Bond Trustee”), relating to the Series 2007 Bonds. The Series 2007 Bond Trustee will apply the moneys on deposit in the Redemption Account of the Bond Fund to pay the principal of and interest accrued on the Series 2007 Bonds on the Redemption Date.

The monies deposited with the Series 2007 Bond Trustee will be pledged only to the payment of the Series 2007 Bonds and will not be available for the payment of the Series 2009 Bonds.

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ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Series 2009 Bonds are as follows:

<u>Sources of Funds</u>	<u>Series 2009A Bonds</u>	<u>Series 2009B Bonds</u>	<u>Series 2009C-1 Bonds</u>	<u>Series 2009C-2 Bonds</u>	<u>Total</u>
Par Amount of Bonds	\$167,035,000	\$100,000,000	\$25,555,000	\$24,445,000	\$317,035,000
Original Issue Premium ...	9,207,000	-	-	-	9,207,000
Total Sources	<u>\$176,242,000</u>	<u>\$100,000,000</u>	<u>\$25,555,000</u>	<u>\$24,445,000</u>	<u>\$326,242,000</u>
<u>Uses of Funds</u>					
Project Fund Deposits:					
Project Costs	\$174,955,000	\$99,589,000	\$25,456,000	-	\$300,000,000
Redemption of Series 2007 Bonds	-	-	-	\$24,350,000	24,350,000
Costs of Issuance ⁽¹⁾	1,287,000	411,000	99,000	95,000	1,892,000
Total Uses	<u>\$176,242,000</u>	<u>\$100,000,000</u>	<u>\$25,555,000</u>	<u>\$24,445,000</u>	<u>\$326,242,000</u>

⁽¹⁾ Includes Underwriter's discount, legal, financial and consulting fees, rating agency fees, printing fees, letter of credit fees, remarketing fees and other costs of issuance of the Series 2009 Bonds.

THE PROJECT

The Project consists of the acquisition, construction and installation of certain health care facilities consisting of a 95-bed pediatric hospital to be known as Nemours Children's Hospital and an outpatient clinic to be owned and operated by Nemours and used to provide pediatric health care and related services, including the construction of a multi-story building containing approximately 582,632 square feet and related multi-story parking garage providing approximately 899 spaces, and the acquisition and installation of related facilities, equipment, fixtures and furnishings, including medical and ambulatory surgical fixtures, information systems and communication equipment, on a site containing approximately 60 acres, to be located at 13535 Nemours Parkway, Orlando, Florida 32927. For a more detailed description of the Project, see APPENDIX A.

NEMOURS

Nemours is a not for profit corporation organized and existing under the laws of the State, which has been determined by the Internal Revenue Service to be an organization described in Section 501(c)(3) of the Code. Nemours was created pursuant to the terms of the Last Will and Testament and Codicils of Alfred I. duPont, of Duval County, Florida, now deceased, pursuant to which the Alfred I. duPont Testamentary Trust (the "Trust") was established. Each year since 1939 Nemours has received a portion of its revenues from the Trust. The members of Nemours are also the trustees of the Trust. For a detailed description of Nemours, its mission, operations and facilities, see APPENDIX A to this Official Statement, and for a description of the relationship between Nemours and the Trust, see APPENDIX A – "ORGANIZATION AND MISSION – Relationship between Nemours and the Alfred I. duPont Testamentary Trust."

THE SERIES 2009A BONDS

General

The following is a summary of certain provisions of the Series 2009A Bonds. Reference is made to the Series 2009A Bonds for their complete text and to the Bond Indenture for a more detailed description of the provisions of the Series 2009A Bonds.

The Series 2009A Bonds will be issued in the amounts and with maturity dates shown on the inside cover page of this Official Statement.

As described below under the caption “Book-Entry Only System,” when issued, the Series 2009A Bonds will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company (“DTC”), New York, New York. So long as DTC, or its nominee, is the registered owner of all of the Series 2009A Bonds, all payments on the Series 2009A Bonds will be made directly to DTC.

The Series 2009A Bonds will be dated the date of their delivery, and shall bear interest from such date, payable on January 1 and July 1 of each year, commencing January 1, 2010.

The principal or Redemption Price of the Series 2009A Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Bond Trustee. Payment of the interest on any Series 2009A Bond shall be made to the person whose name appears on the bond registration books of the Bond Trustee as the Holder thereof as of the close of business on the fifteenth day (whether or not a Business Day) immediately preceding the interest payment date (the “Record Date”). Interest will be paid by check or draft mailed on each interest payment date to the Holder at the address shown on the Bond Trustee’s registration books or at such other address furnished in writing by such Holder to the Trustee or, at the option of any owner of at least \$1,000,000 in aggregate principal amount of the Series 2009A Bonds, interest shall be paid by wire transfer to such owner. As long as the book-entry system is in effect and DTC is the Securities Depository, Cede & Co. (or another nominee as has been specified by DTC) is the Holder.

Any such interest not so punctually paid or duly provided for shall cease to be payable to the Holder on the applicable Record Date and shall be paid to the person in whose name the Series 2009A Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest. The Special Record Date will be fixed by the Bond Trustee and notice will be given to the Holders not less than ten (10) days prior to such Special Record Date.

Interest shall be calculated based on a year of 360 days and twelve 30-day months.

Redemption

Optional Redemption. Series 2009A Bonds maturing after January 1, 2019 are subject to redemption prior to their respective stated maturities at the direction of Nemours, upon prior written notice to the Trustee and the Authority as set forth in the Loan Agreement, from funds deposited for such purpose in the Redemption Account of the Bond Fund under the Bond Indenture, on any date on or after January 1, 2019, as a whole or in part, in such maturities as are designated by Nemours (or if Nemours fails to designate such maturities, in inverse order of maturity), and by random selection within a maturity, at a redemption price of 100% (expressed as a percentage of principal amount of Series 2009A Bonds to be redeemed), plus accrued interest thereon to the date of redemption.

Term Bond Redemption. The Series 2009A Bonds maturing on January 1, 2029 and January 1, 2039 are subject to redemption prior to their respective stated maturities, in part, from Term Bond Payments deposited in the Principal Payment Account of the Bond Fund under the Bond Indenture, on any January 1 of the years set forth below, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, in the amounts indicated below:

Series 2009A Bonds Maturing January 1, 2029

<u>Year</u>	<u>Amount</u>
2024	\$5,340,000
2025	5,610,000
2026	5,910,000
2027	6,160,000
2028	6,585,000
2029*	6,825,000

*Maturity date

Series 2009A Bonds Maturing January 1, 2039

<u>Year</u>	<u>Amount</u>
2030	\$ 7,265,000
2031	7,575,000
2032	8,025,000
2033	8,410,000
2034	8,830,000
2035	9,305,000
2036	12,370,000
2037	13,005,000
2038	13,670,000
2039*	14,375,000

*Maturity date

Extraordinary Optional Redemption. The Series 2009A Bonds are callable for redemption prior to maturity in the event of damage to or destruction of the Property of Nemours or any part thereof or a condemnation or sale consummated under threat of condemnation of the Property of Nemours or any part thereof, from proceeds of insurance, condemnation or sale received in connection therewith. If called for redemption as a result of the events referred to above, the Series 2009A Bonds shall be subject to redemption by Nemours at any time, in whole or in part, and, if in part by the maturity date to be selected by Nemours (less than all of the Series 2009A Bonds with the same maturity date to be selected by the Bond Trustee by lot), at the principal amount thereof plus accrued interest to the redemption date and without premium.

Purchase In Lieu of Redemption. In lieu of optionally redeeming Series 2009A Bonds, the Bond Trustee may, at the written request of Nemours delivered at least 15 Business Days prior to the day on which notice of redemption is to be given, use such funds otherwise available under the Bond Indenture for redemption of Series 2009A Bonds to purchase Series 2009A Bonds in the open market at a price not exceeding the redemption price then applicable, such Series 2009A Bonds to be delivered to the Bond Trustee for the purpose of cancellation.

Notice of Redemption. **As long as the book-entry system is in effect with respect to the Series 2009A Bonds and DTC is the then current Securities Depository with respect to that Series, any redemption notice shall be given to Cede & Co. (or such other nominee as has been specified by DTC), as Holder of that Series 2009A Bond.**

No redemption of less than all of the Series 2009A Bonds at the time outstanding shall be made pursuant to the Bond Indenture unless (a) the aggregate principal amount of Series 2009A Bonds to be redeemed is at least \$100,000, and (b) the aggregate principal amount of Series 2009A Bonds to be redeemed is an integral multiple of an Authorized Denomination for such Series 2009A Bonds. If less than all of the Series 2009A Bonds of any

maturity are called for redemption, the Bond Trustee, as directed by and at the expense of Nemours, shall select the Series 2009A Bonds to be redeemed from all Series 2009A Bonds subject to redemption in such manner as may be designated by Nemours or, if Nemours shall have failed to so designate, by random selection.

Not less than 30 days prior to the redemption date, notice of the call for any redemption identifying the Series 2009A Bonds to be redeemed shall be given to the Holders of Series 2009A Bonds designated for redemption by first-class mail, postage prepaid at their addresses appearing on the registration books maintained by the Bond Trustee as of the close of business on the day before the notice is given. Failure to give notice to any Holder of Series 2009A Bonds, or any defect therein, shall not affect the validity of the redemption of any other Series 2009A Bonds.

In the event of any partial redemption of the Bonds as set forth above, the Term Bond Payments shall be reduced in such order as Nemours shall elect prior to such redemption or, if no such election is made, in the inverse order thereof. The Bond Trustee shall (in such manner as it in its sole discretion shall choose) adjust the amount of each such reduction in required Term Bond Payment, so that each such required Term Bond Payment is made in integral amounts of \$5,000.

Registration, Transfer and Exchange

So long as the Book-Entry Only System is continued, transfers and exchanges will be effectuated as described herein under the caption, "THE SERIES 2009A BONDS - Book-Entry Only System."

Subsequent to the discontinuance of the Book-Entry Only System, upon surrender for transfer of any Series 2009A Bond at the designated corporate trust office of the Bond Trustee together with an assignment duly executed by the Holder or such Holder's duly authorized attorney in a form satisfactory to the Bond Trustee, the Authority shall execute and the Bond Trustee shall authenticate and deliver in the name of the transferee or transferees a new Series 2009A Bond or Series 2009A Bonds of the same maturity of authorized denomination or denominations in the aggregate principal amount equal to the principal amount of such Series 2009A Bonds surrendered or exchanged and of like tenor. Series 2009A Bonds may be exchanged at the designated corporate trust office of the Bond Trustee for the same aggregate principal amount of Series 2009A Bonds of other authorized denominations and of like tenor. The Bond Trustee shall require the Holder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The Bond Trustee shall not be required to transfer or exchange Series 2009A Bonds during a period beginning at the opening of business 15 days before the date of the mailing of a notice of redemption of Series 2009A Bonds of the same maturity and ending at the close of business on the date of such mailing or to transfer or exchange any Series 2009A Bonds so selected for redemption in whole or in part.

The Authority and the Bond Trustee may charge the registered owner of a Series 2009A Bond a reasonable sum to cover expenses incurred by Nemours or the Bond Trustee in connection with such transfer or exchange. In each case, the Bond Trustee shall require the payment, by the registered owner requesting exchange or transfer, of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Acceleration

Upon the occurrence of certain events of default under the Bond Indenture, including, but not limited to, nonpayment of the principal of or interest on the Outstanding Series 2009A Bonds when the same shall become due and payable, the principal of and accrued interest on the Series 2009A Bonds are subject to acceleration as provided in the Bond Indenture. For a description of the Events of Default and the circumstances under which acceleration may occur and other remedies available to the Bond Trustee and the Holders of the Series 2009A Bonds, see "SUMMARY OF THE BOND INDENTURE, THE LOAN AGREEMENT AND THE MASTER INDENTURE - Default and Remedies" in APPENDIX C hereto.

Book-Entry Only System

General

The information provided under this caption, “THE SERIES 2009A BONDS - Book-Entry Only System – *General*” has been provided by the Depository Trust Company (“DTC”). No representation is made by the Authority, Nemours, any other Member of the Obligated Group, the Bond Trustee or the Underwriter as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, New York, New York, will act as securities depository for the Series 2009A Bonds. The Series 2009A Bonds will be issued as fully registered securities registered in the name of Cede & Co., DTC's partnership nominee. One fully registered Series 2009A Bond certificate will be issued for each maturity of the Series 2009A Bonds set forth on the cover page of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has S&P's highest rating: AAA. The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2009A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009A Bonds on DTC's records. The ownership interest of each actual owner of a Series 2009A Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009A Bonds, except in the event that use of the book-entry only system for the Series 2009A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other nominee as requested by an authorized representative of DTC. The deposit of Series 2009A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2009A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2009A Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents.

Redemption notices shall be sent to DTC. If less than all of the Series 2009A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2009A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Authority as soon as possible after the record date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009A Bonds are credited on the record date (identified in a listing attached to the "Omnibus Proxy").

Principal, premium and interest payments on the Series 2009A Bonds will be made to Cede & Co. (or such other nominee as requested by an authorized representative of DTC). DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Nemours or the Bond Trustee on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC (or its nominee), the Bond Trustee, the Authority, Nemours or the other members of the Obligated Group, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and interest to Cede & Co. (or such other nominee as requested by an authorized representative of DTC) is the responsibility of the Bond Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2009A Bonds at any time by giving reasonable notice to the Authority and Nemours. In addition, Nemours may decide to discontinue the use of DTC or any successor as securities depository for the Series 2009A Bonds. Under such circumstances, in the event that a successor securities depository is not required under the Bond Indenture or obtained, Series 2009A Bond certificates are required to be printed and delivered in accordance with the Bond Indenture.

Limitation

For so long as the Series 2009A Bonds are registered in the name of DTC or its nominee, Cede & Co., the Authority, Nemours and the Bond Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Series 2009A Bonds for all purposes, including payments, notices and voting. So long as Cede & Co. is the registered owner of the Series 2009A Bonds, references herein to the Holders or registered owners of the Series 2009A Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2009A Bonds.

Because DTC is treated as the owner of the Series 2009A Bonds for substantially all purposes under the Bond Indenture, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the Authority, Nemours, the Bond Trustee or to DTC, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Series 2009A Bonds that may be transmitted by or through DTC.

Under the Bond Indenture, payments made by the Bond Trustee to DTC or its nominee shall satisfy the Authority's obligations under the Bond Indenture and Nemours' obligation under the Loan Agreement and other

Members of the Obligated Group's obligations under the Series 2009-1 Master Note to the extent of the payments so made.

None of the Authority, Nemours, the other Members of the Obligated Group or the Bond Trustee shall have any responsibility or obligation with respect to:

- (i) the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any beneficial ownership interest in any Series 2009A Bonds;
- (ii) the delivery to any Direct Participant or Indirect Participant or any other Person, other than an Holder, as shown in the Bond Register, of any notice with respect to any Series 2009A Bond including, without limitation, any notice of redemption with respect to any Series 2009A Bond;
- (iii) the payment to any Direct Participant or Indirect Participant or any other Person, other than an Holder, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on, any Series 2009A Bond; or
- (iv) any consent given by DTC or its nominee as registered owner.

Prior to any discontinuation of the book-entry only system hereinabove described, the Authority, Nemours and the Bond Trustee may treat Cede & Co. (or such other nominee of DTC) as, and deem Cede & Co. (or such other nominee) to be, the absolute Holder of the Series 2009A Bonds for all purposes whatsoever, including, without limitation:

- (i) the payment of principal, premium, if any, and interest on the Series 2009A Bonds;
- (ii) giving notices of redemption and other matters with respect to the Series 2009A Bonds;
- (iii) registering transfers with respect to the Series 2009A Bonds; and
- (iv) the selection of Series 2009A Bonds for redemption.

The Authority and the Bond Trustee cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Series 2009A Bonds, paid to DTC or its nominee, as the registered owner of the Series 2009A Bonds, or any redemption or other notices, to the Beneficial Owner or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

The Authority may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Series 2009A Bonds without the consent of Beneficial Owners or Holders of the Series 2009A Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS

Limited Obligations of Authority

THE SERIES 2009A BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED UNDER THE BOND INDENTURE. THE SERIES 2009A BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF ORANGE COUNTY, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER ORANGE COUNTY, THE STATE NOR ANY SUCH POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON NOR IN ANY EVENT SHALL THE SERIES 2009A BONDS AND THE INTEREST THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTY OTHER THAN THE TRUST ESTATE CREATED UNDER THE BOND INDENTURE. THE SERIES 2009A BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT

LIMITATION OF THE LAWS OF THE STATE. THE SERIES 2009A BONDS DO NOT, DIRECTLY OR INDIRECTLY, OBLIGATE THE AUTHORITY, ORANGE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATIONS FOR THEIR PAYMENT, AND SUCH SERIES 2009A BONDS DO NOT AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE AUTHORITY, ORANGE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY HAS NO TAXING POWER.

The Loan Agreement

Pursuant to the Loan Agreement, Nemours will agree, among other things, to make loan payments to the Authority in such amounts and at such times as will be sufficient to pay, when due, the principal of, premium, if any, and interest on the Series 2009A Bonds and all other amounts due under the Loan Agreement. See APPENDIX C - "Definitions of Certain Terms and Summary of the Bond Indenture, the Loan Agreement and the Master Indenture" hereto for a further description of these covenants.

The obligations of Nemours to make payments under the Loan Agreement are secured only by the Series 2009-1 Master Note and the Master Indenture. See SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS – "The Series 2009-1 Master Note" and "The Master Indenture". The Series 2009-1 Master Note and the obligations of Nemours to make payments under the Loan Agreement are unsecured general obligations of Nemours. The Loan Agreement does not contain any financial covenants.

The Bond Indenture

Pursuant to the Bond Indenture, the Authority will assign to the Bond Trustee as security for repayment of the Series 2009A Bonds the following:

(a) All right, title and interest of the Authority in and to the Series 2009-1 Master Note and all sums payable in respect of the indebtedness evidenced thereby; and

(b) All right, title and interest of the Authority in, to and under the Loan Agreement and the amounts payable to the Authority thereunder, (except for certain rights retained by the Authority, including the Authority's rights to indemnification, to receive notices and payment of its expenses); and

(c) All right, title and interest of the Authority in and to all moneys and securities held by the Bond Trustee from time to time under the Bond Indenture, other than moneys held in the Rebate Fund.

Upon the occurrence of certain "events of default" under the Bond Indenture, the Series 2009A Bonds shall be subject to acceleration in accordance with the provisions of the Bond Indenture. See APPENDIX C – "Definitions of Certain Terms and Summary of the Bond Indenture, the Loan Agreement and the Master Indenture" attached hereto for further information regarding provisions of the Bond Indenture.

Series 2009-1 Master Note

To secure Nemours' obligations under the Loan Agreement, Nemours will issue and deliver the Series 2009-1 Master Note pursuant to the Master Indenture to the Authority for assignment to the Bond Trustee pursuant to the Bond Indenture. The Series 2009-1 Master Note will be payable in the same amounts and at the same times as the loan payments under the Loan Agreement, and such payments on the Series 2009-1 Master Note will constitute payment under the Loan Agreement. The Series 2009-1 Master Note is an unsecured general obligation of Nemours as described in APPENDIX C – "Definitions of Certain Terms and Summary of the Bond Indenture, the Loan Agreement and the Master Indenture".

The Master Trust Indenture

Master Notes. The Master Indenture permits the Obligated Group (currently Nemours only) to issue Master Notes in addition to the Series 2009 Master Notes, and permits, but does not require, Nemours to secure Master Notes issued under the Master Indenture on a parity with one another. AS OF THE DATE OF ITS EXECUTION AND DELIVERY, THE SERIES 2009-1 MASTER NOTE AND, THEREFORE, THE OBLIGATIONS OF NEMOURS TO MAKE PAYMENTS UNDER THE LOAN AGREEMENT, WILL BE UNSECURED, GENERAL OBLIGATIONS OF NEMOURS. OTHER MASTER NOTES SUBSEQUENTLY ISSUED PURSUANT TO THE MASTER INDENTURE MAY BE SECURED, AS PROVIDED IN THE MASTER INDENTURE.

The Obligated Group. All members of the Obligated Group covenant to jointly and severally guarantee payment of each Note issued under the Master Indenture. The Obligated Group currently includes only Nemours. See APPENDIX A for a general description of Nemours. The Master Indenture provides that affiliates or successor corporations may become members of the Obligated Group provided certain conditions set forth therein are satisfied. See APPENDIX C – “Definitions of Certain Terms and Summary of the Bond Indenture, the Loan Agreement and the Master Indenture” hereto for a summary of the conditions that must be satisfied for the addition of members to the Obligated Group and for the withdrawal of such members from the Obligated Group. The Master Indenture prohibits Nemours from withdrawing from the Obligated Group while the Series 2009A Bonds are outstanding. Nemours does not currently intend to add any other Members to the Obligated Group.

No Restrictions on Incurrence of Additional Indebtedness. Except as may be expressly provided by any supplement to the Master Indenture, the right of the Obligated Group to incur Indebtedness is not limited by the provisions of the Master Indenture.

No Restrictions on Transfer of Assets. Except as may be expressly provided in any supplement to the Master Indenture, the right of the Obligated Group to sell, lease or otherwise dispose of any Property is not limited by the provisions of the Master Indenture.

Liens on Property. Pursuant to the Master Indenture, the Obligated Group agrees that they will not create or incur, or permit to be created or incurred, or to exist any Lien securing Indebtedness on their Property except for Permitted Encumbrances. For a description of Permitted Encumbrances under the Master Indenture, see APPENDIX C – “Definitions of Certain Terms and Summary of the Bond Indenture, the Loan Agreement and the Master Indenture.”

OUTSTANDING LONG TERM INDEBTEDNESS

Upon the issuance of the Series 2009 Bonds and the redemption of the Series 2007 Bonds, the only outstanding long term indebtedness of Nemours will consist of (a) its Master Note, Series 2005-2 (Delaware Health Facilities Authority) issued under the Original Master Indenture, as supplemented by the First Supplemental Master Trust Indenture dated as of January 1, 2005 (the “First Supplement”) by and between Nemours and the Master Trustee, as security for its obligations under the Loan Agreement it executed and delivered in connection with the Delaware Health Facilities Authority Revenue Bonds (The Nemours Foundation Project), Series 2005, in the outstanding aggregate principal amount of \$46,530,000 (the “Series 2005 Delaware Bonds”), (b) its Master Note, Series 2008 (Bank of America, N.A.) issued under the Original Master Indenture, as supplemented by the Third Supplemental Master Trust Indenture dated as of August 1, 2008 (the “Third Supplement”) by and between Nemours and the Master Trustee, as security for its obligations to Bank of America, N.A. under the Standby Bond Purchase Agreement executed and delivered in connection with the Series 2005 Delaware Bonds, and (c) the Series 2009 Master Notes.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each year beginning on January 1, the amounts required to be made available for the payment of principal due on the Series 2009A Bonds, at maturity or by mandatory sinking fund redemption, for the payment of the total interest on the Series 2009A Bonds, for the total debt service on the Series 2009A Bonds, for the combined total debt service on the Variable Rate Bonds and the Series 2005 Delaware Bonds and for the total combined debt service on the foregoing.

<u>Year Beginning</u> <u>(January 1)</u>	<u>Series 2009A Bonds</u>			<u>Debt Service on</u> <u>Variable Rate Bonds</u> <u>and Series 2005</u> <u>Delaware Bonds</u> ⁽¹⁾⁽²⁾	<u>Combined Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
2010	-	\$5,861,582	\$5,861,582	\$7,452,183	\$13,313,765
2011	-	8,242,850	8,242,850	7,595,626	15,838,476
2012	-	8,242,850	8,242,850	7,309,237	15,552,087
2013	\$1,885,000	8,205,150	10,090,150	11,274,601	21,364,751
2014	2,205,000	8,123,350	10,328,350	11,006,831	21,335,181
2015	2,065,000	8,037,950	10,102,950	11,324,345	21,427,295
2016	2,375,000	7,949,150	10,324,150	11,087,645	21,411,795
2017	2,360,000	7,854,450	10,214,450	11,272,088	21,486,538
2018	2,370,000	7,748,000	10,118,000	11,442,737	21,560,737
2019	2,695,000	7,621,375	10,316,375	11,310,245	21,626,620
2020	2,645,000	7,487,875	10,132,875	11,455,085	21,587,960
2021	2,965,000	7,347,625	10,312,625	11,400,068	21,712,693
2022	2,945,000	7,199,875	10,144,875	11,565,317	21,710,192
2023	3,265,000	7,044,625	10,309,625	11,440,533	21,750,158
2024	5,340,000	6,829,500	12,169,500	9,607,167	21,776,667
2025	5,610,000	6,555,750	12,165,750	9,696,564	21,862,314
2026	5,910,000	6,267,750	12,177,750	9,695,061	21,872,811
2027	6,160,000	5,966,000	12,126,000	9,749,914	21,875,914
2028	6,585,000	5,647,375	12,232,375	9,714,687	21,947,062
2029	6,825,000	5,312,125	12,137,125	9,888,998	22,026,123
2030	7,265,000	4,959,875	12,224,875	9,761,752	21,986,627
2031	7,575,000	4,588,875	12,163,875	9,904,101	22,067,976
2032	8,025,000	4,198,875	12,223,875	9,914,456	22,138,331
2033	8,410,000	3,788,000	12,198,000	9,998,800	22,196,800
2034	8,830,000	3,357,000	12,187,000	10,062,425	22,249,425
2035	9,305,000	2,903,625	12,208,625	10,088,738	22,297,363
2036	12,370,000	2,361,750	14,731,750	7,532,667	22,264,417
2037	13,005,000	1,727,375	14,732,375	7,614,387	22,346,762
2038	13,670,000	1,060,500	14,730,500	7,639,165	22,369,665
2039	14,375,000	359,375	14,734,375	7,534,531	22,268,906
TOTALS	\$167,035,000	\$172,850,457	\$339,885,457	\$298,396,020	\$638,281,477

⁽¹⁾ The Variable Rate Bonds and the Series 2005 Delaware Bonds are assumed to bear interest at a rate of 3.06%.

⁽²⁾ The amounts included with respect to the Series 2009B Bonds represent annual optional redemptions of Series 2009B Bonds required pursuant to the Letter of Credit Agreement, which redemptions may be waived by the Bank or otherwise amended by Nemours and the Bank in accordance with the Letter of Credit Agreement.

INVESTMENT CONSIDERATIONS

General

The purchase and ownership of the Series 2009A Bonds involve certain investment risks, some of which are discussed throughout this Official Statement. Each prospective purchaser of the Series 2009A Bonds (or a beneficial ownership interest therein) should make an independent evaluation of the information presented in this Official Statement.

Some of the risks that could affect the Series 2009A Bonds and the future financial condition of Nemours are described below. This description of various risks is not, and is not intended to be, exhaustive.

Any of the risk factors described herein may affect Nemours' revenues and impair Nemours' ability to make required payments on the Loan Agreement and the Series 2009-1 Master Note when due. Any such impairment may adversely affect the Bond Trustee's ability to pay the principal of and interest on the Series 2009A Bonds when those payments are due. There can be no assurance that the financial condition of Nemours and/or the utilization of the Facilities will not be adversely affected by any of these factors.

For information concerning the financial condition of Nemours, see APPENDIX A – "FINANCIAL INFORMATION" and APPENDIX B – "The Nemours Foundation Combined Financial Statements for the Fiscal Years ended December 31, 2008 and 2007" attached to this Official Statement.

Contributions from the Trust

Nemours received approximately 20.7%, 20.9%, 20.4% and 20.4% of its total revenues and support from the Trust for the fiscal years ended December 31, 2008, 2007, 2006 and 2005, respectively. Such contributions represented 3% of the value of the Trust as of December 31, 2007, 2006, 2005 and 2004, respectively. A reduction in the value of the Trust could result in a decrease in the amount of contributions made by the Trust to Nemours, which could have a substantial adverse effect on Nemours. There can be no assurances that the value of the Trust will continue to be maintained at its current level. See APPENDIX A – "Relationship between Nemours and the Alfred I. duPont Testamentary Trust".

Unsecured Obligations

Neither the Facilities nor the revenues of Nemours are pledged as security for the Series 2009A Bonds or the Series 2009-1 Master Note. In the event of a default and the exercise by the Bond Trustee or the Master Trustee of remedies available to them, the Bond Trustee or the Master Trustee, as applicable, would be unsecured creditors with no rights to any specific revenues or Facilities of Nemours or any other member of the Obligated Group, if any.

Factors That Could Affect the Enforceability of the Loan Agreement, the Series 2009-1 Master Note and the Master Indenture

The legal right and practical ability of the Bond Trustee to enforce its rights and remedies against Nemours under the Loan Agreement and the Series 2009-1 Master Note and of the Master Trustee to enforce its rights and remedies against the Obligated Group under the Master Indenture may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors' rights. In addition, the Bond Trustee's and the Master Trustee's ability to enforce such terms will depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or may be limited. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS."

Federal, State and Local Legislation

The Facilities of Nemours are subject to a wide variety of federal, state and local regulatory actions and legislative and policy changes which could have a significant impact on Nemours. Federal, state and local legislative bodies have broad discretion in altering or eliminating programs that contribute significantly to the revenues of Nemours. In addition, such legislative bodies may enact legislation which imposes significant new burdens on the operations of Nemours. There can be no assurance that such legislative bodies will not make legislative policy changes (or direct governmental agencies to promulgate regulatory changes) that have adverse effects upon the ability of Nemours to generate revenues or upon the favorable utilization of the Facilities.

Tax Matters

Tax-Exempt Status of Interest on the Series 2009A Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations such as the Series 2009A Bonds to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds of the Series 2009A Bonds, limitations on the investment earnings of proceeds of the Series 2009A Bonds prior to expenditure, a requirement that certain investment earnings on proceeds of the Series 2009A Bonds be paid periodically to the United States, and a requirement that the Authority file an information report with the Internal Revenue Service (“IRS”). The Authority, to the extent so required, and Nemours have covenanted in the Bond Indenture and Loan Agreement that they will comply with such requirements. Failure by Nemours to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Series 2009A Bonds as taxable, retroactively to the date of issuance. The Series 2009A Bonds are not subject to redemption as a result of interest on the Series 2009A Bonds being includable in the gross income of the holders thereof for federal income tax purposes.

The Series 2009A Bonds may, from time to time, be subject to audits by the IRS. IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds, including the use of bond proceeds, in the charitable organization sector, with specific review of private use.

In addition, the IRS sent post-issuance compliance questionnaires to several hundred nonprofit corporations that borrowed on a tax-exempt basis regarding their post-issuance compliance with various requirements for maintaining the federal tax exemption of interest on their bonds. The questionnaire includes questions relating to the borrower’s (i) record retention, which the IRS has particularly emphasized, (ii) qualified use of bond-financed property, (iii) arbitrage yield restriction and rebate requirements, (iv) debt management policies and (v) voluntary compliance and education. IRS representatives indicate that, after analyzing responses from the first wave of questionnaires, more will be sent to additional nonprofit organizations. In addition to such questionnaires, the IRS has commenced a number of examinations of hospital tax-exempt bond issuances to determine if these bond issuances qualify for their tax-exempt status.

The IRS has added a new Schedule H to Form 990, on which hospitals and health care facilities will be required to report how they provide community benefit and to specify certain billing and collection practices. The IRS has also added a new Schedule K to form 990, on which hospitals and health care systems that are 501(c)(3) organizations will be required to provide information relating to tax-exempt bonds issued for their benefit, including, for bonds issued after 2002, detailed information regarding physician contracts, management contracts, research agreements and other matters concerning private use compliance.

There can be no assurance that responses by Nemours to a questionnaire or Form 990 will not lead to an IRS review that could adversely affect the tax-exempt status or the market value of the Series 2009A Bonds or other outstanding tax-exempt indebtedness of Nemours. Additionally, the Series 2009A Bonds or other tax-exempt obligations issued for the benefit of Nemours may be, from time to time, subject to examinations or audits by the IRS.

Nemours believes that the Series 2009A Bonds comply with applicable federal and state tax laws. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2009A Bonds, as described under the caption “TAX MATTERS.” No ruling with respect to the tax-exempt status of the Series 2009A Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS.

or the courts. There can be no assurance that an audit of the Series 2009A Bonds, if conducted, would not adversely affect the Series 2009A Bonds.

See “ADDITIONAL RISK FACTORS REGARDING FEDERAL INCOME TAX MATTERS” for information regarding the tax-exempt status of Nemours.

State Income Tax Exemption and Local Property Tax Exemption. Loss by Nemours of federal tax exemption could also result in a challenge to the state tax exemption of Nemours. Depending on the circumstances, such event could be adverse and material.

In recent years, state, county, and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt healthcare providers with respect to their real property tax exemptions. In some cases, particularly where such authorities are dissatisfied with the amount of services provided to indigents, the real property tax-exempt status of the healthcare providers has been questioned. The majority of the real property of Nemours is exempt from real property taxation. Such challenges will not have a material adverse effect on the financial condition of Nemours, taken as a whole.

Unrelated Business Income. The IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt hospitals with respect to their exempt activities and the generation of unrelated business taxable income (“UBTI”). Nemours participates in activities which generate UBTI. Management believes it has properly accounted for and reported UBTI; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of Nemours as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2009A Bonds and other tax-exempt debt of Nemours.

Certain Healthcare Investment Risks

General. The future financial condition of Nemours and its ability to pay obligations under the Loan Agreement could be affected adversely by, among other things, legislation, regulatory actions, economic conditions, increased competition from other health care providers, changes in the demand for health care services, demographic changes and professional liability claims and other litigation costs and claims.

The risk factors discussed below should be considered in evaluating the ability of Nemours to make payments in amounts sufficient to meet its obligations under the Loan Agreement. This discussion is not, and is not intended to be, exhaustive.

Net Patient Revenues. A substantial portion of the net patient service revenues of Nemours is derived from third-party payors which pay for the services provided to patients covered by such third parties for such services. These third-party payors include state Medicaid programs and private health plans and insurers, including health maintenance organizations and preferred provider organizations. Many of those programs make payments to Nemours in amounts that may not reflect the direct and indirect costs of Nemours of providing services to patients.

The financial performance of Nemours has been and could be in the future adversely affected by the financial position or the insolvency or bankruptcy of or other delay in receipt of payments from third-party payors that provide coverage for services to their patients.

Medicare. Since Nemours provides services primarily to children, the Medicare program represents less than 1% of the Corporation’s net patient services revenues for the fiscal year ended December 31, 2008. While Nemours does not receive a significant portion of revenue from Medicare, changes in Medicare policies affecting reimbursement are often adopted by Medicaid and private third-party payors.

Medicaid. For the fiscal year ended December 31, 2008, Nemours received approximately 32.7% of net patient service revenues from Medicaid. Of such 32.7%, 9.4% was from Medicaid and 23.3% was from Medicaid managed care arrangements. Medicaid is a health insurance program for certain low-income and needy individuals

that is jointly funded by the federal government and the states. Pursuant to broad federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the payment rates for such services; and administers its own programs.

Under the Medicaid program, the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for such medical and health services is made to providers in amounts determined in accordance with procedures and standards established by state law under federal guidelines. Fiscal considerations of both federal and state governments in establishing their budgets directly affect the funds available to the providers for payment of services rendered to Medicaid beneficiaries.

Private Health Plans and Managed Care. Managed care plans generally use discounts and other economic incentives to reduce or limit their cost and utilization of health care services. Payments to Nemours from managed care plans typically are lower than those received from traditional indemnity/commercial insurers. There is no assurance that Nemours will maintain managed care contracts or obtain other similar contracts in the future. Failure to maintain contracts could have the effect of reducing the market share of Nemours and Nemours' net patient services revenues. Conversely, participation may maintain or increase the patient base but could result in lower net income or operating losses to Nemours if Nemours is unable to adequately contain its costs.

Many preferred provider organizations, or PPOs, and health maintenance organizations, or HMOs, currently pay providers on a negotiated fee-for-service basis or on a fixed rate per day of care, which, in each case, usually is discounted from the typical charges for the care provided. The discounts offered to HMOs and PPOs may result in payment to a provider that is less than its actual cost.

As a consequence of the above factors, the effect of managed care on Nemours' financial condition is difficult to predict and may be different in the future than the financial statements for the current periods reflect.

Anti-Kickback Law. The federal "Anti-Kickback Law" is a criminal statute that prohibits anyone from soliciting, receiving, offering or paying any remuneration directly or indirectly, overtly or covertly, in cash or in kind, in return for a referral (or to induce a referral) for any item or service that is paid by any federal or state health care program. The Anti-Kickback Law applies to many common health care transactions between persons and entities with which a hospital does business, including hospital-physician joint ventures, medical director agreements, physician recruitment agreements, physician office leases and other transactions.

Violation or alleged violation of the Anti-Kickback Law most often results in settlements that require multi-million dollar payments and compliance agreements. The Anti-Kickback Law can be prosecuted either criminally or civilly. Violation is a felony, subject to a fine of up to \$25,000 for each act (which may be each item or each bill sent to a federal program), imprisonment for up to five years and/or exclusion from the Medicare and Medicaid programs. In addition, civil monetary penalties of \$10,000 per item or service in noncompliance (which may be each item or each bill sent to a federal program or an "assessment" of three times the amount claimed may be imposed.

Civil and Criminal Fraud and Abuse Laws and Enforcement. Federal and state healthcare fraud and abuse laws regulate both the provision of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered to such beneficiaries. Under these laws, individuals and organizations can be penalized for submitting claims for services that are not provided, billed in a manner other than as actually provided, not medically necessary, provided by an improper person, accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, or billed in a manner that does not otherwise comply with applicable government requirements.

Based upon the prohibited activity in which the provider has engaged, governmental agencies and officials may bring actions against providers under civil or criminal statutes prohibiting referrals for compensation or fee-splitting, the federal False Claims Act, the federal Anti-Kickback Law or the federal Stark Law. Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate healthcare fraud and abuse, including exclusion of the provider from participation in the Medicare or Medicaid programs, fines, civil monetary penalties, and suspension of payments and, in the case of individuals, imprisonment. Fraud and abuse cases may be prosecuted by one or more government entities and/or private individuals, and more

than one of the available penalties may be imposed for each violation. If and to the extent Nemours engaged in a prohibited activity and judicial or administrative proceedings are concluded adversely to Nemours, such outcome could materially adversely affect Nemours.

False Claims Act. The federal False Claims Act (“FCA”) makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government, and may include claims that are simply erroneous. FCA investigations and resulting cases have become common in the healthcare field and may cover a wide range of activities from intentionally inflated billings, to highly technical billing and coding infractions, to allegations of inadequate care. Violation or alleged violation of the FCA can result in settlements that require multimillion dollar payments and compliance agreements with the federal government. The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called “qui tam” actions. Qui tam plaintiffs, or “whistleblowers,” can share in the damages recovered by the government or recover independently if the government does not participate. The FCA has become one of the government’s primary weapons against healthcare fraud. FCA violations or alleged violations can lead to settlements, fines, exclusion from participation in the Medicare/Medicaid program or reputation damage that could have a material adverse impact on a hospital or other healthcare provider.

On May 20, 2009, the Fraud Enforcement and Recovery Act (“FERA”) was signed into law, which expands the reach of the FCA and strengthens the government’s ability to combat health care and other program fraud. A health care provider now may face severe penalties for the knowing retention of government overpayments even though the provider or contractor made no false or improper claim for such payments. Under FERA, the FCA now applies even if a false claim was not submitted directly to the government. In addition, FERA enhances whistleblowers’ ability to investigate alleged FCA violations and provides them enhanced protections.

In addition, the Civil Money Penalties law under the Social Security Act (“CMP Law”) provides for the imposition of civil money penalties against any person who submits a claim to Medicare, Medicaid or any other federal health care program that the person knows or should know is for items or services not provided as claimed, is false or fraudulent, is for services provided by an unlicensed or uncertified physician or by an excluded person, or represents a pattern of claims that are based on a billing code higher than the level of service provided or are for services that are not medically necessary. Penalties under the CMP Law include up to \$50,000 for each item or service claimed, and damages of up to three times the amount claimed for each item or service, and exclusion from participation in the federal health care programs. The Program Fraud and Civil Remedies Act (“PFCRA”) also creates administrative remedies for making false claims and false statements. These penalties are in addition to any liability that may be imposed under the False Claims Act.

Recent federal legislation creates financial incentives for states to enact analogous state false claims acts. This legislation also imposes financial penalties on any state that does not require healthcare providers receiving more than \$5 million in annual Medicaid revenues to adopt policies about the elements of both federal and state false claim acts and their strategies for detecting and preventing fraud, waste and abuse.

The threats of large monetary penalties and exclusion from participation in Medicare, Medicaid and other federal health care programs, and the significant costs of mounting a defense, may create pressures on providers that are targets of false claims actions or investigations to settle. Therefore, an action under the False Claims Act, CMP Law or PFCRA could have a material and adverse financial impact on Nemours, regardless of the merits of the case.

Patient Records and Patient Confidentiality. The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) addresses the confidentiality of individuals’ health information. Disclosure of certain broadly defined protected health information is prohibited unless expressly permitted under the provisions of the HIPAA statute and regulations or authorized by the patient. HIPAA’s confidentiality provisions extend not only to patient medical records, but also to a wide variety of health care clinical and financial settings where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These add costs and create potentially unanticipated sources of legal liability.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The penalties range from \$50,000 to \$250,000 and/or imprisonment if the information was obtained or used with the intent to sell, transfer or use the information for

commercial advantage, personal gain or malicious harm. Failure of Nemours to comply with the provisions of HIPAA could result in the imposition of such penalties.

Patient Transfers. A federal “anti-dumping” statute imposes certain requirements which must be met before transferring a patient to another facility. Failure to comply with the law can result in exclusion from the Medicare and/or Medicaid programs as well as civil and criminal penalties. Failure of Nemours to meet its responsibilities under the law could adversely affect the financial condition of Nemours.

Indigent Care. Tax-exempt hospitals often treat large numbers of “indigent” patients who, for various reasons, are unable to pay for their medical care. These hospitals may be susceptible to economic and political changes which could increase the number of indigent persons or the responsibility for caring for this population. General economic conditions which affect the number of employed individuals who have health insurance coverage will similarly affect the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, state and federal healthcare programs (including Medicare and Medicaid) may increase the frequency and severity of indigent treatment in such hospitals. It is also possible that future legislation could require that tax-exempt hospitals maintain minimum levels of indigent care as a condition to federal income tax exemption or local property tax exemption. In sum, indigent care commitments of Nemours could constitute a material and adverse financial risk in the future.

Healthcare Reform Initiatives. Healthcare reform has been identified as a priority by business leaders, public advocates, political leaders and candidates for office at the federal, state and local levels. Proposals include: (1) insurance market reforms; (2) making healthcare coverage with a broad range of benefit options affordable through tax credits; (3) creating a public health insurance option for non-disabled individuals under 65 years of age; (4) Medicaid program reforms; (5) establishing universal healthcare coverage or purchasing pools; (6) improvements to access of preventive services; (7) increasing eligibility and access to long term care services; and (8) improving quantity and quality of data collected regarding health disparities in population subgroups. The current administration has urged Congress to enact healthcare reform legislation in 2009. As of the date of this Official Statement it is not possible to predict whether or in what form such legislation may be enacted. However, virtually all of the proposals currently being debated have a stated goal of reducing overall healthcare costs and, if enacted, could have the effect of reducing the revenues of healthcare providers, including Nemours.

Certain Other Healthcare Industry Risks

The following factors, among others, may also adversely affect Nemours, to an extent that cannot be determined at this time:

- (1) Changes in key management personnel.
- (2) Reductions in utilization of health care facilities as a result of preventive medicine, improved occupational health and safety, development and utilization of medical and scientific research and technological advances and other developments.
- (3) Increased costs of attracting and retaining or decreased availability of a sufficient number of physicians, registered nurses and other allied health professionals, particularly as a result of an existing and growing national shortage of health professionals.
- (4) Increased costs resulting from unionization of the employees of Nemours or the utilization by a non-union employee of Nemours of proceedings available under the National Labor Relations Act.
- (5) The health care facilities owned by Nemours are comprised of special-purpose facilities with limited alternative possible uses based upon design and construction of the buildings, zoning and other factors; consequently, it could be difficult to find a buyer or lessee for such health care facilities if Nemours seeks to sell any of their facilities.

(6) Increased shift of health care costs from employer-based commercial insurance plans to employees, who may have insufficient resources to pay for health care services.

(7) Inability of Nemours to obtain future governmental approvals to undertake additional projects necessary to remain competitive as to rates, charges and the quality and scope of care or any limitation on the availability of tax-exempt or other financing for future projects.

(8) The occurrence of natural disasters, including floods, hurricanes, tornadoes and earthquakes, or the occurrence of criminal or terrorist acts or other calamities that could damage the facilities of Nemours, interrupt utility service to their facilities or otherwise impair the operations of Nemours and the generation of revenues from their facilities, as well as any failure of the insurance carried by Nemours to cover any losses resulting from the occurrence of any such event.

(9) Imposition of wage and price controls for the health care industry, such as those that were imposed and adversely affected health care facilities in the early 1970s.

(10) Changes in physician referrals such that patients are referred to providers other than Nemours.

(11) Changes in the standard of care with respect to various health care technology, requiring substantial expenditures to acquire and maintain equipment consistent with the prevailing standard of care.

The paragraphs above discuss certain Bondholders' risks, but are not intended to be a complete enumeration of all risks associated with the purchase or holding of the Bonds.

Bond Ratings

There is no assurance that the ratings assigned to the Series 2009A Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Series 2009A Bonds. See the information herein under the caption "RATINGS."

LITIGATION

The Authority

There is no litigation or any other proceeding before any court or governmental body or agency pending or, to the knowledge of the Authority, threatened against or involving the Authority to restrain or enjoin the issuance or delivery of the Series 2009A Bonds or any proceedings of the Authority taken with respect to the issuance thereof, or the pledge or application of any money or security provided for the payment of the Series 2009A Bonds, the execution or delivery by the Authority of the Bond Indenture, the Bonds, the Loan Agreement, the Bond Purchase Agreement (as defined herein) and the performance of its obligations thereunder.

Nemours

There is no action, suit, proceeding, or investigation at law or in equity before or by any court, public board or body, pending or, to Nemours' knowledge, threatened, against or affecting Nemours, challenging the validity of the Bond Indenture, the Loan Agreement, the Master Indenture, the Series 2009-1 Master Note or the Bond Purchase Agreement (collectively, the "Nemours Documents") or the transactions contemplated thereby, or challenging the accuracy or completeness of this Official Statement or the validity of the transactions described herein or, to the knowledge of Nemours, threatened against Nemours, in which any liability of Nemours is not adequately covered by insurance or any self-insurance reserves reasonably established by Nemours, or in which any judgment or order would have a material adverse effect on the condition (financial or otherwise) or operations of

Nemours or affect its existence or authority to do business or the performance by Nemours of its obligations under Nemours Documents.

Nemours is a defendant in a number of malpractice and other legal actions. Based upon the opinions of the respective counsel representing Nemours in those cases, Nemours has recorded estimated liabilities for these risks such that additional exposure for uninsured damages in those suits would be in an amount that would not have a material adverse effect on the financial condition of Nemours.

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2009A Bonds and with regard to the tax-exempt status of the interest on the Series 2009A Bonds (see “TAX MATTERS” herein) are subject to the legal opinion of Foley & Lardner LLP, Bond Counsel. The signed legal opinion, dated and premised on law in effect as of the date of original delivery of the Series 2009A Bonds, will be delivered to the Authority and the Underwriter at the time of original delivery.

The proposed text of the legal opinion is set forth in APPENDIX D hereto. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

Certain legal matters pertaining to the Authority will be passed upon by Lowndes, Drosdick, Doster, Kantor & Reed, P.A., general counsel for the Authority. Certain legal matters will be passed upon for Nemours by its General Counsel, Steven R. Sparks, Esq. Certain legal matters will be passed upon for the Underwriter by its counsel, Ballard Spahr LLP.

ENFORCEABILITY OF REMEDIES

The remedies available to the Bond Trustee, the Master Trustee, the Authority or the owners of the Series 2009A Bonds upon an Event of Default under the Bond Indenture, the Loan Agreement, the Series 2009-1 Master Note or the Master Indenture are in many respects dependent upon judicial actions that are subject to discretion and delay. In addition, the method of enforcement to be taken by the Master Trustee may be directed by the holders of not less than a majority in aggregate principal amount of Master Notes then outstanding under the Master Indenture. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies provided in the Bond Indenture, the Loan Agreement and the Master Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2009A Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture and the Series 2009-1 Master Note will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

TAX MATTERS

In the opinion of Foley & Lardner LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Series 2009A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2009A Bonds. The Authority and Nemours have covenanted to comply with certain restrictions, conditions and requirements designed to ensure

that interest on the Series 2009A Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series 2009A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2009A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) or any matters coming to Bond Counsel's attention after the date of issuance of the Series 2009A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2009A Bonds.

The opinion of Bond Counsel relies on factual representations made by the Authority, Nemours and other persons, including but not limited to the Underwriter. These factual representations include but are not limited to certifications by Nemours regarding the investment of proceeds of the Series 2009A Bonds and regarding use of property financed and refinanced with proceeds of the Series 2009A Bonds that is reasonably expected to occur during the entire term of the Series 2009A Bonds. Bond Counsel has not verified these representations by independent investigation. Bond Counsel does not purport to be an expert in financial analysis, financial projections or similar disciplines. Failure of any of these factual representations to be correct may result in interest on the Series 2009A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2009A Bonds.

In addition, Bond Counsel has relied, among other things, on the opinion of Steven R. Sparks, Esq., General Counsel to Nemours, regarding the current qualifications of Nemours as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations and is not binding on the Internal Revenue Service.

Certain requirements and procedures contained or referred to in the Bond Indenture, the Loan Agreement and the Tax Agreement, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2009A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2009A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Foley & Lardner LLP.

Although Bond Counsel is of the opinion that interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of Florida taxation to the extent described herein, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009A Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2009A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2009A Bonds. Prospective purchasers of the Series 2009A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authorities, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2009A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts, and is not a guarantee of result. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or Nemours or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and Nemours have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2009A Bonds ends with the issuance of the Series 2009A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, Nemours or the Beneficial Owners regarding the tax-exempt status of the Series 2009A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, Nemours and their appointed

counsel, including the Beneficial Owners, may have little, if any, right to participate in the examination process. Moreover, because achieving judicial review in connection with an examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or Nemours legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2009A Bonds for examination, or the course or result of such examination, or an examination of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2009A Bonds, and may cause the Authority, Nemours or the Beneficial Owners to incur significant expense.

De Minimis Safe Harbor Exception for Tax-Exempt Interest Expense of Financial Institutions

In the case of a financial institution, the Code generally disallows that portion of the taxpayer's interest expense that is allocable to tax-exempt interest. The amount of interest that is disallowed is an amount which bears the same ratio to such interest expense as the taxpayer's average adjusted bases of tax-exempt obligations acquired after August 7, 1986 bears to the average adjusted bases of all assets of the taxpayer. The general rule of section 265(b) of the Code denying financial institutions' interest expense deductions allocable to tax-exempt obligations does not apply to "qualified tax-exempt obligations". The Series 2009A Bonds are not "qualified tax-exempt obligations" for this purpose.

The American Recovery and Reinvestment Act of 2009 generally provides that tax-exempt obligations issued during 2009 and 2010 and held by a financial institution, in an amount not to exceed two percent of the adjusted basis of the financial institution's assets, are not taken into account for the purpose of determining the portion of the financial institution's interest expense subject to the pro rata interest disallowance rule of section 265(b). For the purposes of this rule, a refunding bond (whether a current or advance refunding) is treated as issued on the date of issuance of the refunded bond (or, in a case of a series of refundings, the original bond).

The American Recovery and Reinvestment Act also amends section 291(e) of the Code to provide that tax-exempt obligations issued during 2009 and 2010, and not taken into account for purposes of calculation of a financial institution's interest expense subject to the pro rata interest disallowance rule, are treated as having been acquired on August 7, 1986. As a result, such obligations are financial institution preference items, and the amount allowable as a deduction by a financial institution with respect to interest incurred to carry such obligations is reduced by 20 percent.

Bond Counsel is of the opinion that, for purposes of this new provision of the American Recovery and Reinvestment Act of 2009 (set forth in section 265(a)(7) of the Code), the Series 2009A Bonds are obligations issued in 2009 that are not refunding bonds.

Original Issue Discount

Some of the Series 2009A Bonds may have an issue price that is less than the amount payable at the maturity of such Series 2009A Bonds (hereinafter called the "Discount Bonds"). Under existing law, the original issue discount in the selling price of the Discount Bonds, to the extent properly allocable to each owner of a Discount Bond, is excluded from gross income for federal income tax purposes to the same extent that any interest payable on such Discount Bond is or would be excluded from gross income for federal income tax purposes. The original issue discount is the excess of the stated redemption price at maturity of such Discount Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discount Bonds were sold (the "issue price").

Under Section 1288 of the Code, original issue discount on tax-exempt obligations accrues on a compound interest basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of each accrual period), less (iii) any interest payable on such Discount Bond during such accrual period.

The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, and will increase the owner's tax basis in such Discount Bond. The adjusted tax basis in a Discount Bond will be used to determine taxable gain or loss upon a disposition (e.g., upon a sale, exchange, redemption, or payment at maturity) of such Discount Bond.

Owners of Discount Bonds who did not purchase such Discount Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of the Discount Bonds. It is possible that under the applicable provisions governing the determination of state and local income taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual, even though there will not be a corresponding cash payment until a later year.

Original Issue Premium

Some of the Series 2009A Bonds may have an issue price that is greater than the amount payable at the maturity of such Series 2009A Bonds (hereinafter called the "Premium Bonds"). Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the owner held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (e.g., upon a sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at an issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of the Premium Bonds.

ADDITIONAL RISK FACTORS REGARDING FEDERAL INCOME TAX MATTERS

The tax-exempt status of the Series 2009A Bonds currently depends, among other things, upon the maintenance by Nemours of its status as an organization described in Section 501(c)(3) of the Code. The maintenance by Nemours of its status as an organization described in Section 501(c)(3) of the Code is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable purposes and their avoidance of transactions that may cause their assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities that do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by organizations such as Nemours. The Internal Revenue Service has announced that it intends to closely scrutinize transactions between not-for-profit corporations and for-profit entities. In addition, neither Bond Counsel nor counsel to Nemours has rendered any opinion relating to whether actions that may be taken upon default by Nemours under covenants relating to the Series 2009A Bonds or other obligations of Nemours may adversely affect the status of Nemours as an organization described in section 501(c)(3) of the Code.

If a tax-exempt entity is found to have operated in such a manner as to result in an inurement or unlawful private benefit, the only remedy available to the IRS under the Code against that entity is revocation of that entity's tax-exempt status. Although the IRS has not often revoked such 501(c)(3) tax-exempt status of an organization, it could do so in the future. The loss of tax-exempt status by Nemours could result in loss of the tax exempt status of the Series 2009A Bonds and of other tax-exempt debt of Nemours retroactively to the date of issuance of such Series 2009A Bonds or debt, and, in turn, could cause defaults in Nemours' covenants relating to the Series 2009A Bonds and other Nemours tax-exempt debt.

With increasing frequency, the IRS has imposed substantial monetary penalties and future charity care or public benefit obligations on tax-exempt organizations that own and operate hospitals in lieu of revoking tax-exempt status, as well as requiring that certain transactions be altered, terminated or avoided in the future and/or requiring governance or management changes. These penalties and obligations typically are imposed on the tax-exempt organization pursuant to a “closing agreement.” The imposition of such penalties could have an adverse effect on Nemours.

Less onerous sanctions have been enacted, which sanctions focus enforcement on private persons that transact business with an exempt organization rather than the exempt organization itself, but these sanctions do not replace the other remedies available to the IRS as mentioned above. For example, the Taxpayers Bill of Rights 2, referred to for purposes of this Official Statement as the Intermediate Sanctions Law, allows the Internal Revenue Service to impose “intermediate sanctions” against certain individuals in circumstances involving the violation by tax-exempt organizations of the prohibition against private inurement. Intermediate sanctions may be imposed in situations in which a “disqualified person” (such as an “insider”) (i) engages in a transaction with a tax-exempt organization on other than a fair market value basis, (ii) receives unreasonable compensation from a tax-exempt organization or (iii) receives payment in an arrangement that violates the prohibition against private inurement. These transactions are referred to as “excess benefit transactions.” Intermediate sanctions may be imposed in addition to revocation of tax-exempt status.

In recent years, the Internal Revenue Service and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income. An investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported unrelated business taxable income and in some cases could ultimately affect the tax-exempt status of Nemours as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2009A Bonds and other tax-exempt debt of Nemours. In addition, legislation, if any, which may be adopted at the federal, state and local levels with respect to unrelated business income cannot be predicted. Any legislation could have the effect of subjecting a portion of the income of Nemours to federal or state income taxes.

In 1990, the former Employee Plans and Exempt Organizations Division of the Internal Revenue Service expanded the Coordinated Examination Program (“CEP”) of the Internal Revenue Service to tax-exempt health care organizations. CEP audits are conducted by teams of revenue agents. The CEP audit teams consider a wide range of possible issues, including the community benefit standard, private inurement and private benefit, partnerships and joint ventures, retirement plans and employee benefits, employment taxes, tax-exempt bond financing, political contributions and unrelated business income. The IRS recently closed a CEP audit of Nemours for the years ended December 31, 2004 and 2005, and concluded that Nemours continues to qualify for exemption from federal income tax. Nemours may be the subject of subsequent CEP audits in the future. Management of Nemours believes it has properly complied with the tax laws. Nevertheless, because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, a CEP audit could result in additional taxes, interest and penalties. A CEP audit could ultimately affect the tax-exempt status of Nemours as well as the exclusion from gross income for federal income tax purposes of the interest payable with respect to the Series 2009A Bonds and other tax-exempt debt of Nemours.

Federal legislative health care reform initiatives proposed by certain members of Congress have included provisions to revise the requirements for hospitals to qualify as organizations described in Section 501(c)(3) of the Code. These proposals have in certain cases included such new provisions as a requirement for a period community needs assessment, requirements not to charge the maximum rate for patients who would qualify and requirements for minimum amounts of charity care. Current legislative proposals generally do not include transitional rules for hospitals, and tax-exempt bonds issued for the benefit of hospitals, qualifying under the existing community benefit standard. The effect of any of these proposed revisions, if enacted, is uncertain.

In addition to the foregoing proposals with respect to income by not-for-profit corporations, various state and local governmental bodies have challenged the tax-exempt status of not-for-profit institutions and have sought to remove the exemption from real estate taxes of part or all of the property of various not-for-profit institutions on the grounds that a portion of its property was not being used to further the charitable purposes of the institutions or that the institutions did not provide sufficient care to indigent persons so as to warrant exemption from taxation as a

charitable institution. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of not for profit corporations. There can be no assurance that future changes in the laws and regulations of federal, state or local governments will not materially adversely affect the operations and financial condition of Nemours by requiring it to pay income or local property taxes.

CONTINUING DISCLOSURE

In accordance with Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, Nemours has undertaken for the benefit of the holders of the Series 2009A Bonds to provide certain annual financial information (the “Annual Report”), and to provide notices of the occurrence of certain events. Pursuant to a Continuing Disclosure Agreement by and among Nemours and Digital Assurance Certification, L.L.C., as disclosure dissemination agent (the “Dissemination Agent”), the form of which is attached to this Official Statement as APPENDIX E, the Annual Report will be filed by the Dissemination Agent on behalf of Nemours with the Municipal Securities Rulemaking Board. The notices of material events will be filed by the Dissemination Agent on behalf of Nemours with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the notices of events is set forth in APPENDIX E – “Form of Continuing Disclosure Agreement.”

UNDERWRITING

The Series 2009A Bonds are to be purchased by Morgan Stanley & Co. Incorporated (the “Underwriter”) at a purchase price of \$175,304,402.60, which is the principal amount of the Series 2009A Bonds (\$167,035,000.00), plus an original issue premium of \$9,207,302.20, less the Underwriter’s discount of \$937,899.60. The bond purchase agreement by and among the Authority, Nemours and the Underwriter (the “Bond Purchase Agreement”) provides that the Underwriter will not be obligated to purchase any Series 2009A Bonds if all of the Series 2009A Bonds are not available for purchase.

The Bond Purchase Agreement also provides that the Underwriter will purchase all of the Series 2009A Bonds, if any are purchased, and requires Nemours to indemnify the Underwriter and the Authority against losses, claims, damages and liabilities arising out of any incorrect statements or information contained in this Official Statement pertaining to Nemours, its operations, the Facilities, the Project, and other matters.

Morgan Stanley, parent company of the Underwriter, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, the Underwriter will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, the Underwriter will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2009A Bonds.

RATINGS

Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies (“S&P”) and Fitch Inc. (“Fitch”) have assigned underlying ratings to the Series 2009A Bonds of “AA+” and “AA+,” respectively. These ratings reflect the view of such organizations, and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance that such ratings will remain in effect for any given period of time or that they may not be lowered, suspended or withdrawn entirely by the rating agencies, or either of them. Neither Nemours nor the Underwriter has undertaken any responsibility to bring to the attention of the Holders of the Series 2009A Bonds any proposed revision or withdrawal of either such rating. Any such downward change in or suspension or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Series 2009A Bonds.

Such ratings reflect only the respective views of S&P and Fitch and an explanation of the significance of the ratings may be obtained only from S&P and Fitch, respectively.

INDEPENDENT AUDITORS

Nemours' combined audited financial statements and combining information as of December 31, 2008 and 2007, and for the years then ended, included in APPENDIX B to this Official Statement have been audited by KPMG LLP, independent accountants as stated in their report appearing herein.

KPMG LLP's audit report covering the December 31, 2008 and 2007, combined financial statements contains an explanatory paragraph that states as discussed in notes 2(t), 7, and 13 to the combined financial statements, effective January 1, 2008, Nemours adopted the recognition and disclosure provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* and Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* and FSP FAS 117-1, *Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure for All Endowment Funds*. As discussed in the notes 2(t) and 8 to the combined financial statements, Nemours adopted the recognition and disclosure provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, effective December 31, 2007.

FINANCIAL ADVISOR

Public Financial Management, Inc. (the "Financial Advisor") has been retained by the Authority as financial advisor in connection with the financing contemplated by the issuance of the Series 2009A Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

MISCELLANEOUS

The Authority assumes no responsibility for the accuracy or completeness of the information in this Official Statement except for the sections "THE AUTHORITY," and "LITIGATION - The Authority".

The references herein to the Act, the Loan Agreement, the Bond Indenture, the Master Indenture and materials are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and for a full and complete statement of such provisions reference is made to such instruments, documents, and other materials, copies of which are on file at Nemours, the office of the Authority and the Corporate Trust Office of the Bond Trustee.

So far as any statements made in this Official Statement or in the Appendices hereto involve matters of opinion, projections or of estimates, whether or not expressly stated, they are set forth as such and not as representations of facts. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Series 2009A Bonds.

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APPENDIX A

THE NEMOURS FOUNDATION

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THE NEMOURS FOUNDATION

INTRODUCTION

The Nemours Foundation (“Nemours”) is a Florida not-for-profit corporation and has received a determination letter from the Internal Revenue Service that it is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the “Code”), as an organization described in Section 501(c)(3) of the Code and is not a private foundation as defined in Section 509(a) of the Code.

ORGANIZATION AND MISSION

Overview

Nemours is the legacy of Mr. Alfred I. duPont—industrialist, inventor and philanthropist. In his Last Will and Testament, Mr. duPont directed that his assets be placed in trust to provide support for the establishment of Nemours as a charitable institution. Nemours was to provide for “the care and treatment of crippled children, but not of incurables” or the care of the elderly, particularly couples, with first consideration being given to beneficiaries who are residents of Delaware; maintain duPont’s 300-acre estate in Delaware; and erect on the estate a hospital for such children. Nemours was established in 1936 and has pursued these purposes since that time. Nemours’ purposes were further advanced by Edward Ball, duPont’s loyal associate and brother-in-law. Mr. Ball devoted his life to building the assets of the trust left by Mr. duPont, to the ultimate benefit of Nemours. Upon his death in 1981, Mr. Ball left the greatest portion of his own estate to Nemours to be used for the care and treatment of children in Florida.

Today, Nemours’ mission is “To provide leadership, institutions, and services to restore and improve the health of children through care and programs not readily available, with one high standard of quality and distinction regardless of the recipient’s financial status.” Pursuant to its mission, Nemours provides health services to children in Delaware and surrounding states of the Delaware Valley, and in Florida, and funds selected health services for the needy elderly in Delaware. In addition, Nemours supports the promotion of children’s health and disease prevention through advocacy and a holistic system of health and health care for the children of Delaware.

The vision of Nemours is summarized in a 2015 strategic destination statement, which holds that the organization will be recognized as a leading children’s health system as defined by being in the top five percent of institutions for patient satisfaction and targeted health and quality outcomes. The strategic goals for Nemours include:

- Care for every child as if they were our own
- Be a leader in improving children’s health through our integrated health system, becoming a preeminent voice for children
- Be a great place to work

- Be effective stewards of all of our assets, continually improving them to advance our Mission

Nemours owns and operates the Alfred I. duPont Hospital for Children (the “Institute” or “AIDHC”) in Wilmington, Delaware, as well as four major children's specialty clinics in Wilmington, Delaware and in Jacksonville, Orlando, and Pensacola, Florida. In addition, construction is underway for the Nemours Children’s Hospital (“NCH”) in Orlando, Florida, with a planned opening in 2012 (see page A-16 for additional information).

Nemours employs more than 380 subspecialty physicians and surgeons dedicated to providing treatment and curative services to acutely and chronically ill children. This is in addition to the many ongoing health promotion, research and education programs conducted at Nemours. See further discussion under “Nemours Foundation Operations.”

Relationship between Nemours and the Alfred I. duPont Testamentary Trust

Alfred I. duPont died in 1935 leaving a Will and Testament dated November 19th, 1932; a Codicil dated March 4th, 1933; and a Second Codicil dated January 15th, 1935 (collectively, the “Will”). In 1935, the Will was admitted to probate in the Circuit Court, Fourth Judicial Circuit for Duval County, Florida (the “Court”). In the Will, after providing for certain specific gifts, duPont left the residue of his estate to the Alfred I. duPont Testamentary Trust (the “Trust”), a perpetual trust established in the Will. Under the continuing supervision of the Court, the Will has been interpreted and modified several times to clarify the operations of the Trust, the charitable purposes and obligations of the Trust and Nemours, and the rights and duties of the Trustees. In the Will, duPont granted his wife a life interest in the income of the Trust, subject to certain annuities that were to be paid from such income to various family members and other individuals. The Will directed that, upon the death of duPont’s wife, Nemours was to be established; in fact, although Mrs. duPont did not die until 1971, she and the other Trustees established Nemours in 1936, and it was first funded by monies from the Trust in 1939. The Will further provided that, once established, Nemours should receive the net income of the Trust “at convenient intervals,” subject only to the annuities mentioned above. The annuities are currently being paid to 14 individual beneficiaries, ranging in age from 55 to 90. In the aggregate, the annuities now amount to less than \$60,000 annually. Upon the termination of the last of these annuities, Nemours will be the only remaining beneficiary of the Trust.

Pursuant to an order of the Court and a Florida statute, the Trust for many years distributed annually to Nemours an amount equal to 3% of the value of the Trust, whereas the Will by its terms requires the annual distribution only of net income of the Trust. “Net income” for this purpose is the sum of interest, dividends and other income, less operating expenses determined on a cash basis. The Florida statute requiring the 3% annual distributions was repealed in 2002; however, the Trust continued, as a matter of policy, to make annual distributions to Nemours equal to 3% of the value of the Trust. On December 28, 2004, the Trustees received a court order formally setting the annual distribution to Nemours at 3% of the value of the Trust.

Summary historical financial data of the Trust are presented below and are derived from the Trust’s financial statements for the three most recent fiscal years. The Trust’s financial

statements are prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. The Trust has received an opinion of its accountants that the financial statements present fairly, in all material respects, the assets and fund balance of the Trust as of December 31, 2007 and 2006, and its revenues and gains, distributions, expenses and changes in fund balance for the years then ended, in accordance with the rules pertaining to such presentation method. The audit report for the year ended December 31, 2008 has not been finalized. The financial statements for the seven months ended July 31, 2009 have not been audited by the Trust accountants and are presented as unaudited.

Alfred I. duPont Testamentary Trust
Condensed Statements of Operations and Fund Balance

	<u>2006</u>	<u>2007</u>	<u>2008 (Unaudited)</u>	<u>As of 7/31/09</u> <u>(Unaudited)</u>
Fund balance, beginning of year	\$ 3,967,139,827	\$ 4,413,990,784	\$ 4,594,003,142	\$ 3,144,467,361
Total revenues and gains	583,336,788	329,855,897	(1,295,909,604)	339,668,982
Operating expenses and other distributions	17,471,636	17,423,816	15,806,083	5,922,993
Distribution to Nemours (3% of Trust value)	119,014,195	132,419,723	137,820,094	94,334,021 ¹
Total distributions and expenses	136,485,831	149,843,539	153,626,177	100,257,014
Fund balance, end of year	<u>\$ 4,413,990,784</u>	<u>\$ 4,594,003,142</u>	<u>\$ 3,144,467,361</u>	<u>\$ 3,383,879,329</u>

¹ The Trust will distribute \$94.3 million to Nemours in 2009.

There can be no assurances that the Trust will continue to grow in value. In particular, Nemours and its management have no control over the investment policies of the Trust. **THE BONDS ARE NOT A DEBT OF THE TRUST, AND THE TRUST HAS NO OBLIGATION WHATSOEVER TO MAKE ANY PAYMENT WITH RESPECT TO THE BONDS.**

GOVERNANCE/MANAGEMENT OF NEMOURS

Governance

Board of Directors. Nemours is currently governed by a Board of Directors (“Directors”) consisting of a majority of Trustees of the Trust (“Member Directors”) and also Non-Member Directors appointed by the Member Directors. The Directors have full responsibility to employ and discharge officers, physicians, professional advisors or assistants, employees and agents. The Directors elect a Chairman and a Vice-Chairman at the annual meeting. The Directors also elect a President and Chief Executive Officer, a Secretary and a Treasurer, who need not be Members of the Board of Directors. The Directors may appoint one or more Vice Presidents and Assistant Secretaries, and an Assistant Treasurer.

The current Member Directors and Non-Member Directors of the Board of Directors, their office, principal business affiliation and term are as follows:

Member Directors	Affiliation	Term
Hugh M. Durden	President Wachovia Corporate Services (retired)	July 1997 - Present
John S. Lord (Chairman)	President, Central Florida Operations Bank of America (retired)	July 2000 - Present
John F. Porter III	Chairman and CEO Delaware Trust Company (retired)	January 1995-Present
William T. Thompson III	Vice President Wachovia Securities	January 1995-Present
Winfred L. Thornton	Chairman, St. Joe Corp. (retired) Chairman, Florida East Coast (retired)	December 1967-Present
Non-Member Directors	Affiliation	Term
Brian P. Anderson	Former Senior Vice President & CFO Baxter International	February 2006 - Present
Leonard L. Berry	Professor, College of Medicine Health Science Center Texas A&M University	February 2006 - Present
Richard T. Christopher (Vice Chairman)	President & CEO Patterson, Schwartz & Assoc.	February 2005 - Present
Rosa B. Hakala	Vice President, Supply Chain Strategy & Transportation Best Buy	February 2006 - Present
Toni Jennings	Former Lieutenant Governor of Florida	February 2007 - Present
Terri L. Kelly	President & CEO W.L. Gore & Associates, Inc.	February 2006 - Present
Robert G. Riney	Senior Vice President & COO Henry Ford Health System	February 2006 - Present
J. Michael McGinnis	Senior Scholar Institute of Medicine of the National Academy of Science	February 2006 - Present

Board Committees. The bylaws require that the Board of Directors establish certain subcommittees to report to the full Board on specific matters. Currently, the following subcommittees exist:

- (a) Operations and Quality Committee, with oversight of health and prevention services, research, education, hospital operations, and clinical practices and their subsidiaries in Florida, Delaware (including the Nemours Health Clinic) and elsewhere; the Delaware and Florida Boards of Managers report to this committee.
- (b) Critical Support Committee, with oversight of human resources and compensation.
- (c) Directors' Nominating and Governance Committee, with responsibility for nominating officers of the Corporation, Chairmen and members of all committees created by the Board of Directors, and members of the Board of Managers-Delaware Valley and the Board of Managers-Florida.
- (d) Business and Ethics Committee, with responsibility for audit, risk management, finances and compliance.
- (e) Mansion and Gardens Committee, with the responsibility to provide supervision of the management and maintenance of the Nemours mansion house and the surrounding gardens and grounds, and to the improvement of the said property as funds warrant, for the benefit of the public.¹

Board of Managers. The Will required that a Board of Managers ("Managers") be established to provide system-wide oversight of Nemours' healthcare operations, including the professional credentialing system, external and internal audit process, corporate compliance program, and quality of clinical care programs.

The Delaware Board of Managers ("Delaware Managers") provides governing oversight for the AIDHC. The Delaware Managers consist of five members appointed by the Directors for terms of five years, which can be renewed. Three of the five Delaware Managers must be residents of Delaware. The current members of the Delaware Managers are:

Delaware Managers	Affiliation	Term
Kathleen D. Wilhere CPA, Chair	Partner, Cover and Rossiter (retired) Associate Professor, University of Delaware	1998 - Present
Richard T. Christopher	President & CEO Patterson, Schwartz & Assoc.	1990 - Present
J. H. Baumann, Esquire	Director, Richards, Layton & Finger	1995 - Present
Catherine M. Bonuccelli, MD	Vice President, External Scientific Affairs AstraZeneca Pharmaceuticals	May 2006 - Present
Hinton J. Lucas	Associate General Counsel & Chief Administration Counsel E. I. duPont de Nemours and Company	May 2006 - Present

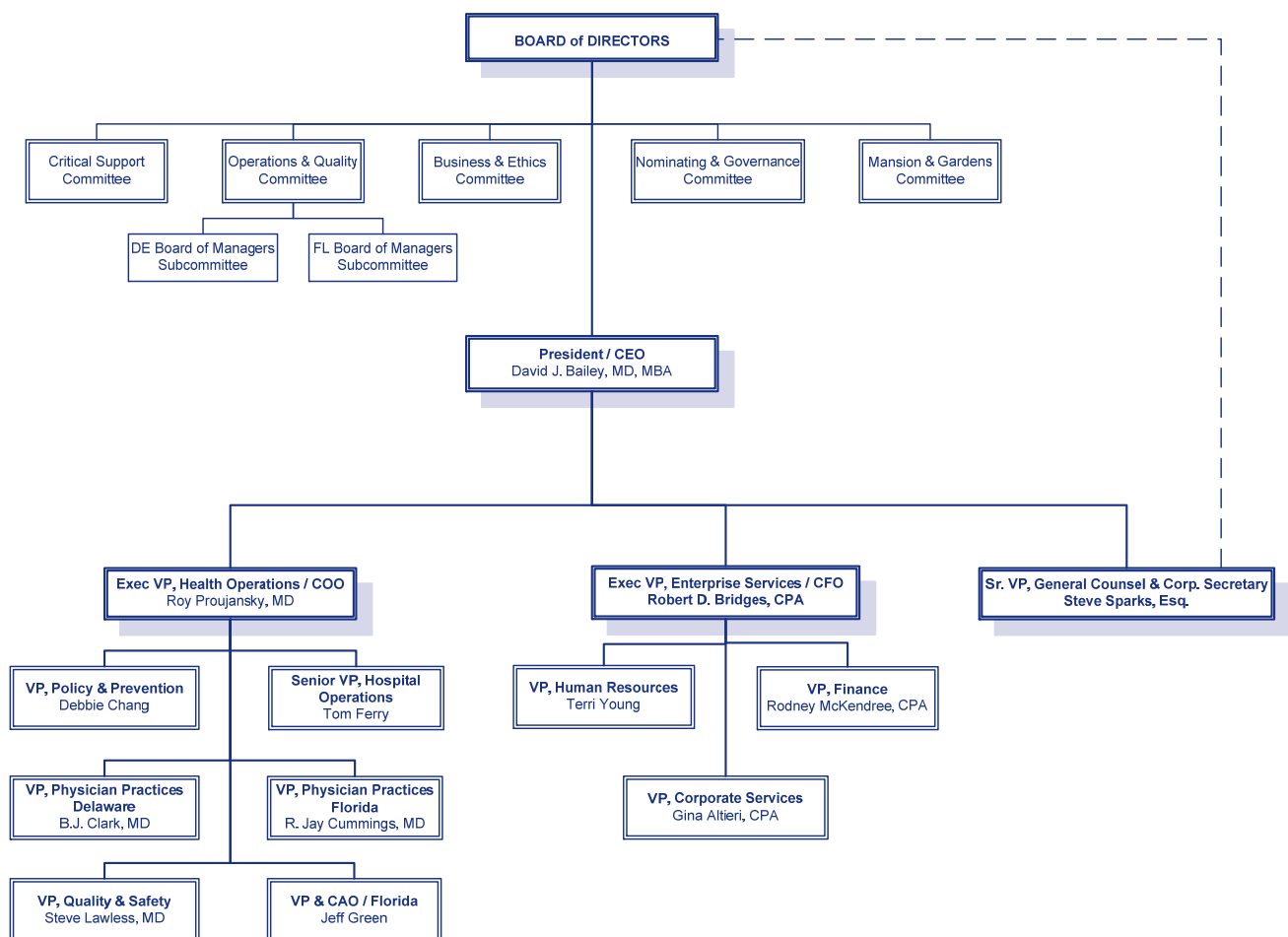
¹ Mr. duPont directed in the Will that the mansion house and the surrounding gardens and grounds be maintained for the pleasure of the public in their original condition. The Committee monitors the Corporation's policies relating to the admission of the public and establishing appropriate rules and regulations for the governance of the tours by the public. Also refer to Other Activities under Nemours Foundation Operations.

The Florida Board of Managers (“Florida Managers”) was created by the Directors in May, 2006 to provide leadership and guidance for the Florida outpatient children’s clinics and to serve as the governing body for the future NCH. The Florida Managers currently consist of eight members appointed by the Directors for terms of one to five years, which can be renewed. At least half of the Florida Managers must reside in Florida. The current members of the Florida Managers are:

Florida Managers	Affiliation	Term
Charles E. Hughes, Chair	President & CEO Florida Capital Group, Inc	2006 – Present Florida Managers
		1997- 2006 Delaware Managers
Gerald F. Banks	President & Owner Rowena Corp.	July 2006 – Present
Cathy Brown-Butler	Senior Vice President Bank of America	July 2006 - Present
David Dizney	President and Chief Executive Officer of United Medical Corporation	February 2009 - Present
Leonard H. Habas	Chairman & CEO Advance Publishers, L.C.	July 2006 – Present
Toni Jennings	Former Florida Lieutenant Governor	February 2009 – Present
J. Malcolm Jones, Jr.	Chairman & CEO Jones Financial Group Vice Chairman Board of Directors, Florida Capital Group, Inc.	July 2006 – Present
Craig M. McAllaster	Dean and Professor of Management Roy E. Crummer Graduate School of Business Rollins College in Winter Park, Florida	February 2009 - Present
Robert Wilson, MD	Co-Director Pediatrics, Pensacola Campus Florida State University, College of Medicine, Department of Clinical Sciences	February 2009 - Present

Management

The executive officers of Nemours (“Executive Team”) serve at the will of the Directors. The President and Chief Executive Officer has charge and supervision of Nemours and is responsible for ensuring that all orders and resolutions of the Directors are implemented. The Executive Team is responsible for the day-to-day operations of Nemours and for initiating policy and program decisions that are forwarded to the Directors for approval as necessary. The Executive Team holds regular administrative staff meetings. The following organizational chart and biographical information describe the Executive Team of Nemours:



David J. Bailey was elected President and Chief Executive Officer of Nemours in 2006. From 2003 until 2006, he served as Executive Vice President & Chief Operating Officer. Prior to that time, he served as Chief Executive of the Practice for all of the Nemours Clinics in Florida. Dr. Bailey joined Nemours in 1997 as Chairman of the Department of Pediatrics for the Nemours Children's Clinic in Orlando, Florida. He received an undergraduate degree in biology from West Virginia University, his Medical Degree from Pennsylvania State University and an MBA from the University of South Florida. He completed a fellowship in pediatric gastroenterology and nutrition at the University of Florida and his pediatric internship and residency at Walter Reed Army Medical Center in Washington, D.C. where he was also a Chief Resident. He served in the

United States Army Medical Corps, reaching the rank of Major. He has held various positions at numerous medical centers and schools including Uniformed Services University of the Health Sciences in Bethesda, Maryland, and Tripler Army Medical Center and the University of Hawaii John A. Burns School of Medicine in Honolulu, Hawaii. Dr. Bailey is a Diplomate of the American Board of Pediatrics and National Board of Medical Examiners. In addition, he serves on the Florida State University College of Medicine's Community Advisory Board.

Robert D. Bridges was appointed Executive Vice President, Enterprise Services and Chief Financial Officer of Nemours in 2008, responsible for financial leadership and management accountability for the effective operation of the business. Mr. Bridges joined Nemours in 1999 as Vice President for Business Operations and Chief Financial Officer. In 2003, he was appointed Executive Vice President, Business Operations and Chief Financial Officer. Prior to joining Nemours, Mr. Bridges served as Senior Manager with KPMG LLP, performing audit and consulting work in the healthcare and insurance industries. He received his undergraduate degree from the University of North Florida and also achieved the CPA certification. He is a member of numerous organizations including American Medical Group Association (AMGA), Medical Group Management Association, Florida Institute of Certified Public Accountants (FICPA), and Healthcare Financial Management Association (HFMA), and is Past Chair of the Child Guidance Center Board of Directors. He is past president/director of the Northern Region of the HFMA.

Roy Proujansky was appointed Executive Vice President, Health Operations and Chief Operating Officer of Nemours in 2008. In his position, he oversees all patient care, research and education activities in the organization. Dr. Proujansky joined Nemours in 1989 as Chief of the Division of Gastroenterology and Nutrition at the AIDHC. In 1999, he was named the Chief Executive of the Practice, Nemours Children's Clinic in Wilmington, Delaware. In 2005, he was appointed to the Executive Group as a Vice President. In this role he continued duties as Chief Executive of the Practice, as the Robert L. Brent Professor and Chairman, Department of Pediatrics, and as Associate Dean of Jefferson Medical College of Philadelphia. In 2006, he was appointed Executive Vice President, Patient Operations and Chief Operating Officer. Dr. Proujansky received his Medical Degree from Northwestern University in Chicago, Illinois and completed a Clinical and Research fellowship in the Combined Program in Gastroenterology and Nutrition at the Children's Hospital, Massachusetts General Hospital, Harvard Medical School. Dr. Proujansky also completed a Research Fellowship in Infectious Diseases in the Combined Infectious Disease Training Program at Harvard Medical School. Upon completion of his training, Dr. Proujansky joined the faculty at the Children's Hospital of Pittsburgh as Assistant Professor of Pediatrics at the University of Pittsburgh School of Medicine.

Steven R. Sparks was appointed Senior Vice President, General Counsel and Corporate Secretary for Nemours in 2009, where he oversees the legal services, audit and compliance, and government relations. Mr. Sparks joined Nemours in 2000 as Staff Counsel. Mr. Sparks received a BS in psychology from Duke University in Durham, North Carolina and his JD from the University of Pennsylvania in Philadelphia in 1985. He spent the first 15 years of his legal career in private practice in Jacksonville, Florida and Philadelphia, Pennsylvania. Mr. Sparks is a member of the American Health Lawyers Association, the Pennsylvania Bar, the Florida Bar, and the Association of Corporate Counsel.

Debbie I. Chang joined Nemours in 2004 to develop and implement Nemours Health and Prevention Services, our prevention arm in Delaware. Having completed that work, she was appointed Vice President, Policy and Prevention in 2009 where she is responsible for strategy and national recognition to improve the health and well being of children through health promotion and disease prevention strategies and activities. Ms. Chang also works on Nemours' policy and advocacy activities at the national level. She has 17 years of Federal and State experience working on a range of key health programs and issues including Medicaid, the State Children's Health Insurance Program ("S-CHIP"), Medicare, maternal and child health, national health care reform and financing coverage for the uninsured. Prior to joining Nemours, she was Deputy Secretary for Health Care Financing at the Maryland Department of Health where she oversaw Medicaid and S-CHIP. She has held several high-level positions with the federal government, including leading the national implementation of S-CHIP. She is a graduate of MIT with a master's degree in public health from the University of Michigan.

Gina Altieri was appointed Vice President of Corporate Services in 2006. She earned a BS in accounting from Drexel University and achieved the CPA designation in 1988. Ms. Altieri is responsible for leadership of Nemours' Corporate Services. Ms. Altieri joined Nemours in 1996 as Practice Administrator of Nemours Children's Clinic in Wilmington, Delaware. Prior to joining Nemours, she worked at AIDHC on a consulting basis while employed by Thomas Jefferson University. Ms. Altieri is a member of the Healthcare Information and Management Systems Society (HIMSS), Pennsylvania Institute of Certified Public Accountants (PICPA), HFMA and AMGA.

Bernard J. Clark, III was appointed Vice President, Chief Executive of the Practice (CEP) and Physician-in-Chief for Nemours Children's Clinic-Delaware in 2006. He is the Physician in Chief, at AIDHC and a Professor of Pediatrics, Jefferson Medical College. Prior to that, Dr. Clark was the Associate Chief Executive of the Practice for Nemours Children's Clinic - Delaware Valley. Dr. Clark is a graduate of the University of Pennsylvania School of Medicine. He served his residency in pediatrics as well as his fellowship in pediatric cardiology at The Children's Hospital of Philadelphia. In 1996 he completed a fellowship in clinical epidemiology at the Center for Clinical Epidemiology and Biostatistics at the University of Pennsylvania. Prior to joining Nemours, Dr. Clark was a senior cardiologist at The Cardiac Center, The Children's Hospital of Philadelphia, and Professor of pediatrics, University of Pennsylvania, School of Medicine.

R. Jay Cummings was appointed Vice President of Physician Practices for Florida and Medical Director for the Nemours Children's Clinic-Jacksonville in 2006. Dr. Cummings is responsible for clinic operations in Jacksonville, Orlando and Pensacola. He holds the academic title of Associate Professor, Department of Orthopedics, at Mayo Graduate School of Medicine. Dr. Cummings received his undergraduate degree from the University of Georgia in Athens, Georgia, a medical degree from the Medical College of Georgia in Augusta, Georgia, and completed an internship at Baylor University Medical Center in Dallas, Texas, as well as an orthopedic residency at the Combined Georgia Baptist-Scottish Rite Residency Training Program in Atlanta, Georgia. Dr. Cummings is a member of and served on the Board of

Directors for the Pediatric Orthopaedic Society of North America. He is also a member of numerous other professional groups such as the American Orthopaedic Association, the Scoliosis Research Society, American Medical Association, American Academy of Orthopaedic Surgeons, and Societe International de Chirurgie Orthopedique et de Traumatologie.

Thomas P. Ferry is the Senior Vice President for Hospital Operations and is the Chief Executive Officer of AIDHC. Dr. Ferry joined Nemours in 1979 as Assistant Administrator at what was then called the Alfred I. duPont Institute. In 1981, while still at the Institute, he established the Nemours Health Clinic and was its first Executive Director. In 1982, he became Administrator of the Institute. He received his bachelor's degree from the University of Maryland and masters and doctoral degrees from George Washington University. He is active in several professional and community organizations including the American College of Healthcare Executives, the National Association of Children's Hospitals and Related Institutions, Delaware Healthcare Association, the Tatnall School, Blood Bank of Delaware, and the University and Whist Club.

Jeffrey E. Green was appointed Vice President and Chief Administrative Officer for Florida in 2006 and is responsible for the establishment of NCH in Florida. Mr. Green brings more than twenty years of hospital leadership experience to Nemours. Most recently, he served as Chief Executive Officer for St. Christopher's Hospital for Children in Philadelphia, PA. In addition, Mr. Green previously served as Executive Director for Humana Hospital Lucerne, where he was selected to the Humana Club, the company's highest honor for exceptional performance. Mr. Green has also played an integral role in the design and development of two hospitals for Tenet Healthcare - the Tenet/Cleveland Clinic Hospital in Ft. Lauderdale, Fla. and the USC University Hospital in Los Angeles, California. Mr. Green has a Bachelor of Arts and Masters of Health Administration from Duke University.

Stephen T. Lawless was appointed Vice-President of Quality and Safety for Nemours in 2006 where he provides enterprise-wide oversight and coordination of quality and safety within all of Nemours. Dr. Lawless earned his BS in biology from Fordham University in Bronx, NY, and his medical degree from University of Medicine and Dentistry, New Jersey Robert Wood Johnson Medical School. He completed a pediatric residency at St. Christopher's Hospital for Children and a pediatric critical care fellowship at Children's Hospital of Pittsburgh. Dr. Lawless subsequently earned an MBA from the Wharton School of Business at the University of Pennsylvania. Dr. Lawless is a Professor of Pediatrics at Thomas Jefferson University and Staff Intensivist in the Department of Anesthesiology and Critical Care Medicine at AIDHC. He holds certifications in Pediatrics from the American Board of Pediatrics and Pediatric Critical Care. He is also a Fellow in the American College of Critical Care Medicine.

Rodney A. McKendree was appointed Vice President of Finance for Nemours and is responsible for leadership of the operational dimensions of the organization's finance function. He received his undergraduate and masters degrees in accounting from the University of Florida, earned the CPA designation in 1991 and joined Nemours in 1999. Prior to joining Nemours, he worked nine years in public accounting with KPMG LLP performing audit and consulting work in the healthcare, insurance and not-for-profit industries. Mr. McKendree is a member of the

FICPA and the HFMA. He has also served on the Baker County Development Commission after an appointment from former Florida Governor Lawton Chiles.

Terri M. Young joined Nemours in 2000 as the Vice President for Human Resources. She is responsible for all Human Resource functions organization-wide. She received her undergraduate degree in elementary education from the University of Delaware and her MBA from Widener University. She is a member of the Society of Human Resource Management, American Society of Healthcare Human Resource Administration, World at Work and Forum of Executive Women of Delaware. In addition, Ms. Young is a member of the Board of Directors for Catholic Charities and a participant in the Mid Atlantic Leadership Consortium.

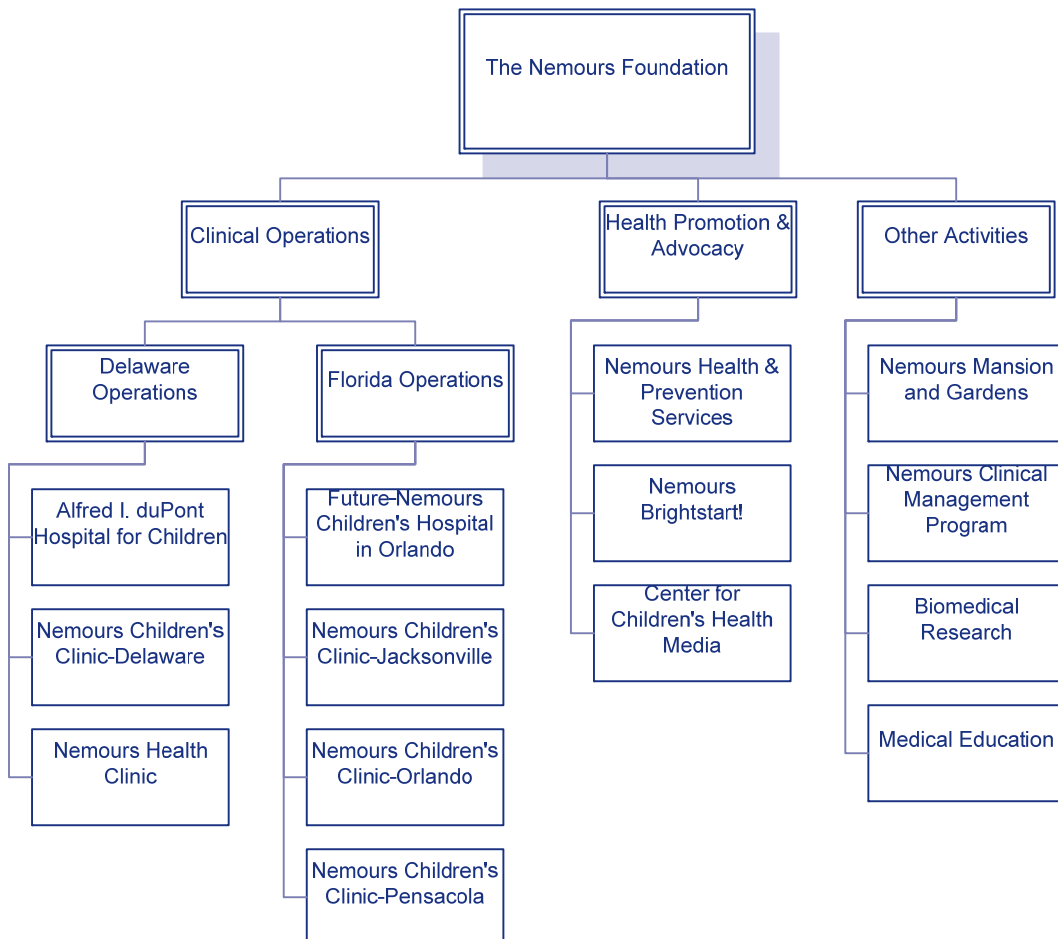
Conflicts of Interest

The Board of Directors has adopted a conflict of interest policy for the officers and directors of Nemours. The policy requires periodic reporting to the Directors of potential conflicts of interest.

NEMOURS FOUNDATION OPERATIONS

General Overview

Nemours' focus is on two major areas: Clinical Operations and Services and Health Promotion. Clinical Operations and Services include a children's hospital and outpatient pediatric clinic on the grounds of Mr. duPont's estate in Wilmington, Delaware, specialty and primary care children's clinics in and around Delaware, a health clinic for the elderly, also in Delaware, and three specialty children's clinics in Florida. Additionally, construction is underway for NCH in Orlando, Florida with a planned opening in 2012. Health Promotion and Advocacy includes Nemours Health and Prevention Services, the Center for Children's Health Media, and Nemours Brightstart!. Other activities supported by Nemours include Biomedical Research, Medical Education, Nemours Clinical Management Program, and Nemours Mansion and Gardens.



Clinical Operations and Services

Alfred I. duPont Hospital for Children. In 1940, Nemours opened its first health care institution, The Alfred I. duPont Institute, as a hospital for crippled children on the grounds of Mr. duPont's estate in Wilmington, Delaware. In 1959, the Institute added a new outpatient clinic and research laboratory. Over the next two decades, the demand for hospital services grew, and a new 800,000 square foot facility was opened in 1984. In 1997, the name was changed to the Alfred I. duPont Hospital for Children.

Today, AIDHC is a full service, teaching and research children's hospital with 200 licensed beds offering intensive and acute inpatient care and outpatient services to children from birth through age 17 with acute, chronic and complex health problems. AIDHC covers more than 30 disciplines including all the specialties of pediatric medicine, surgery, and dentistry in a family-focused facility.

Based on its clinical outcomes for liver transplantation, AIDHC operates one of the top three pediatric solid organ transplantation centers in the nation where its one-year survival rate of 92 percent exceeds the national average for pediatric liver transplant centers. AIDHC also operates the nation's largest academic pediatric orthopedic practice as well as a specialized cancer program for children. In addition, AIDHC features internationally recognized magnet programs in blood and bone marrow transplantation, cardiology and neonatology. As the academic partner of Thomas Jefferson University and Jefferson Medical College, AIDHC and Nemours Children's Clinic-Delaware ("NCCD") are committed to training the next generation of pediatricians and pediatric specialists.

Nemours Children's Clinic – Delaware. NCCD provides the physician services of AIDHC at its main campus, and at pediatric primary and specialty care locations throughout Delaware, southeastern Pennsylvania, and southern New Jersey. All physicians of NCCD are employed by Nemours. The specialty pediatric services provided at NCCD include:

- Allergy
- Bone Marrow Transplant
- Dermatology
- Emergency Medicine
- Gastroenterology
- General Surgery
- Hematology & Oncology
- Medical Imaging
- Nephrology
- Neurosurgery
- Orthopedics
- Plastic Surgery
- Psychiatry
- Pulmonology
- Rehabilitation Medicine
- Solid Organ Transplant
- Anesthesiology
- Critical Care
- Developmental Medicine
- Endocrinology
- General Pediatrics
- Genetics
- Infectious Diseases
- Neonatology
- Neurology
- Ophthalmology
- Otolaryngology
- Primary Care
- Psychology
- Radiology
- Rheumatology
- Urology

In addition, NCCD supports Nemours' research activities through an active research department with a long-standing commitment to scholarly and scientific endeavors directed toward improving the health of children.

NCCD has the following primary care clinics and specialty care sites throughout Delaware, southeastern Philadelphia and southern New Jersey to deliver convenient access to health care services in surrounding communities:

Delaware

duPont Hospital for Children
Nemours Pediatrics, St. Francis
Nemours Pediatrics, Peoples Plaza
Nemours Pediatrics, Dover
Nemours Pediatrics, Foulk Road
Nemours Pediatrics, Philadelphia Pike
Nemours Pediatrics, Jessup Street
Nemours Pediatrics, Middletown
Nemours Pediatrics, Milford
Nemours Pediatrics, Seaford

Pennsylvania

Nemours Children's Clinic, Jefferson
Nemours Pediatrics, Jefferson
Nemours Pediatrics - Lankenau
Nemours Children's Clinic, Newtown Square
Nemours Children's Clinic, Lancaster

New Jersey

Nemours Children's Clinic, Voorhees
Nemours Children's Clinic, Egg Harbor Township
Nemours Children's Clinic, Vineland

To provide patients and referring physicians more convenient access to Nemours' specialists and services, NCCD has established affiliations with the following medical centers in Delaware, Pennsylvania and New Jersey.

- **Thomas Jefferson University, Philadelphia, Pennsylvania.** Together AIDHC and NCCD are the academic partner of Thomas Jefferson University and the pediatric provider to the Jefferson Health System and its members and affiliates.
- **Bryn Mawr Hospital in Bryn Mawr, Pennsylvania.** A member of the Main Line Health System, Bryn Mawr is a teaching hospital with a long tradition of meeting the health care needs of its community. Since 1997, Bryn Mawr Hospital and NCCD have collaborated to provide accessible health care for children, close to home.
- **Atlantic City Medical Center, Atlantic City, New Jersey.** A pediatric partnership between Atlantic City Medical Center and NCCD offer southern New Jersey residents access to high quality, specialty pediatric care in their community. The region's only Neonatal Intensive Care Unit is located in Atlantic City Medical Center.
- **Virtua Health, Voorhees, New Jersey.** Virtua/duPont Children's Health Program offers a unique combination of pediatric resources and expertise in the areas of pediatric cardiology, gastroenterology, orthopedics, general surgery and other fields to provide a comprehensive array of services in the Voorhees and surrounding communities.

Nemours Health Clinic. Located on Nemours campus in Wilmington, Delaware, Nemours Health Clinic (“NHC”) provides a variety of outpatient health care services for low-income senior citizens of the state of Delaware. These include comprehensive dental care, eye examinations and eyeglasses, and hearing tests and hearing aids.

Nemours Children’s Clinic in Florida (the “Practice”) is a statewide physician practice with campuses in Jacksonville, Pensacola and Orlando. The Practice was administratively reorganized in 2003 into one statewide entity to focus on integrating, standardizing and refining existing operations. All physicians of the Practice are employed by Nemours. All three clinics deliver critical services through top-ranked accredited programs to ensure patients receive needed treatments and procedures. Taken together, the three clinics provide the following specialty pediatric services:

- Anesthesiology
- Allergy/Immunology
- Cardiology
- Endocrinology
- Genetics and Metabolism
- Hospital Pediatrics
- Nephrology
- Ophthalmology
- Pediatric Surgery
- Psychology & Psychiatry
- Otolaryngology (Ear, Nose & Throat)
- Audiology
- Behavioral Pediatrics
- Critical Care Medicine
- Gastroenterology and Nutrition
- Hematology/Oncology
- Infectious Disease
- Neurology
- Orthopedics
- Radiology
- Pulmonology
- Urology

In 1981, the former Hope Haven Children’s Hospital, founded at the end of the 19th century in Jacksonville, was purchased by Nemours, which established the Nemours Children’s Hospital at the facility. In 1984, Nemours organized a centralized system of care for children by partnering with local hospitals and physicians. Thus, the Nemours Children’s Hospital was transformed into the first Nemours Children’s Clinic: a “Mayo-like” facility for children that would work with its chief inpatient affiliate in close alliance to provide a continuum of children’s medical services.

In 1990, Nemours Children’s Clinic in Jacksonville (“NCCJ”), a modern 11-story building, was completed and sits across Interstate-95 from Wolfson Children’s Hospital (“Wolfson”) of Baptist Medical Center. In 1997, a 660-foot, high-level, pedestrian walkway over Interstate Highway 95 was added, connecting NCCJ to Wolfson. With 17 pediatric divisions, NCCJ provides world-class care to children with complex health problems from Southeast Georgia and Northeast Florida. A satellite clinic located in leased space in Orange Park, Florida extends care south of Jacksonville.

In 1996, Nemours established a working relationship with Arnold Palmer Hospital in Orlando, Florida and opened Nemours Children’s Clinic in Orlando (“NCCO”). NCCO is a pediatric multi-specialty clinic providing specialized medical services for children with complex problems and needs and has served thousands of infants, children, and adolescents from the greater Orlando area, across the country, and around the world. The Orlando-based clinical

operations of NCCO recently relocated to a newly leased and renovated 35,000 square foot facility and two satellite clinics in Lake Mary and Viera, Florida.

Opened in 1998, Nemours Children's Clinic in Pensacola ("NCCP") is the newest addition to Nemours' Florida operations. NCCP partners with Sacred Heart Children's Hospital and offers primary care physicians and families a much-needed resource in caring for children with complex health care needs. Occupying a 69,000 square foot leased building on the Sacred Heart campus and a satellite clinic in Destin, NCCP serves as a specialty center for children with diverse medical care needs in an area that extends from Mobile, Alabama, to Tallahassee, Florida, and from the Gulf of Mexico to the lower five counties in Alabama.

Nemours Children's Hospital. In February 2008, Nemours received final approval of its Certificate of Need applications for a freestanding children's hospital in Orlando, Florida. NCH will be the core component of a fully integrated health system in Central Florida and serve as the anchor for the Nemours system of pediatric subspecialty care encompassing the triangle formed by Orlando, Jacksonville and Pensacola. Once operational, this integrated system, including a state-of-the-art hospital, would serve as Nemours' statement as to how pediatric care should be delivered. Significant opportunities exist for strategic alliances with academic and research institutions such as the Burnham Research Institute and the University of Central Florida. It is anticipated that there will be an aggressive hub and spoke model to assure appropriate referral in addition to efforts to make this system and NCH, in particular, a medical destination. Serving as a hub, the 95-bed facility will be located in Orlando, Florida in close proximity to the developing Medical City in the Lake Nona area that includes a new VA Hospital, Burnham Research Institute, the new University of Central Florida Medical School, as well as other prominent health care organizations. Clinical care will be accomplished through the integration of care and services to provide more effective health care for medically complex and chronically ill pediatric patients requiring significant subspecialty services and by improving patient access for their families. See "CAPITAL PLANS – The Project" herein.

During 2008, the entire Nemours system treated over 247,000 children, during more than 955,000 inpatient and outpatient encounters, with nearly 8,000 inpatient admissions at AIDHC.

Health Promotion and Advocacy

Nemours Health and Prevention Services ("NHPS") was established in 2003 to promote children's health and prevent disease before it arises, rather than treat it after the fact. Nemours' goal is to fashion a holistic system of health and healthcare, starting in Delaware. Located in leased office space in Newark, Delaware, NHPS complements Nemours' hospital and physician services and expands the organization's ability to improve the health and lives of children by addressing child health problems from a broader, community-based perspective. NHPS does not provide treatment for disease but rather employs a comprehensive and systematic approach to addressing the root causes of child health problems.

Center for Children's Health Media ("CHM") produces and distributes nationally acclaimed media tools that inform and educate parents, children and teens about issues concerning children's health and development. Established in 1994, CHM includes the award-

winning web site, Kidshealth.org (“KidsHealth”), which provides current doctor-approved and jargon-free health information about children from before birth through adolescence. KidsHealth has received more than a half-billion visits, and more than 250 hospitals (including 50 children’s hospitals) and the American Academy of Family Physicians actively license KidsHealth content for their own website. In addition, CHM creates family-friendly print, video, and CD-ROM projects about children's health and development for parents, children, and teens. Led by a pediatrician, CHM is unique with its exclusive focus on children's health media; it also offers a post-residency fellowship for physicians seeking to further develop their skills in health communications.

Nemours BrightStart! (“Brightstart!”) is a one-of-a-kind program based in Duval County, Florida that provides universal, individualized screening services to Pre-K children who are at risk for dyslexia along with intensive intervention services for those that need support. Founded in 2005, Brightstart! is a coordinated effort of pediatric specialists in brain science, researchers and early learning experts. Children with dyslexia, between 15-20% of the population according to the International Dyslexia Association, receive the foundation they need to become successful readers before they have the chance to fall behind in school. Specially trained teachers screen children for knowledge of print, letter names, sounds and listening skills that support learning to read. Based on outcomes from the screening and intervention efforts since BrightStart! was established, 69% of the participants reached the normal range in their emergent literacy skills after performing below average at initial screening.

Other Activities

Headquartered in Jacksonville, Florida, Nemours’ home office supports the operating divisions through a variety of initiatives and services that embrace and advance enterprise-wide quality programs and improve organizational performance. Other activities supported by Nemours include Biomedical Research, Medical Education, Nemours Clinical Management Program and the Nemours Mansion and Gardens.

Biomedical Research (“Research”) has a long-standing commitment to scholarly and scientific endeavors directed towards improving the health of children. Research is an enterprise-wide endeavor, spanning all campuses and working with all operating divisions of Nemours. Ranked in the top 20 in National Institutes of Health funding to pediatric research programs, Nemours’ Research programs received in excess of \$8 million in external funding (includes federal, state and commercially sponsored research) during 2008.

Medical Education. Nemours trains residents, medical students, and fellows in pediatrics and pediatric subspecialty areas, which are primarily affiliated with Thomas Jefferson University School of Medicine, Mayo Clinic School of Medicine, and the University of Florida School of Medicine. With more than 500 pediatric residents across the enterprise in 2008, Nemours continues to grow in its national reputation of improving the outcome of medical practice and educating the next generation of caregivers. With more than 50 fellows in 2008, Nemours pediatric subspecialty fellowship training has expanded to 15 subspecialties including the recent addition of fellows in Endocrinology, Anesthesia and Neurology. In addition, Nemours sponsors regional and national education conferences each year, providing a forum where participants discuss contemporary issues in general, subspecialty, and surgical pediatrics.

Nemours Clinical Management Program (“NCMP”) promotes excellence through encouraging best practices systematically, enhancing the research and educational value of Nemours’ Electronic Medical Record (“EMR”), tracking the care provided by Nemours’ physicians for evidence of effectiveness, and facilitating health services research. NCMP integrates clinical information from various sources into a system to monitor quality measures and perform outcomes analysis that will include evaluations of clinical and cost effectiveness.

Nemours Mansion and Gardens (“Mansion”), located in Wilmington, Delaware, is the 300-acre country estate of the late industrialist and philanthropist Alfred I. duPont. A major restoration of the Mansion was completed in 2008 that includes the addition of a new Visitor Center and is now reopen to visitors for public tours.

Nemours Employees

Nemours has no unions with which it has to negotiate and has not experienced any strikes or other labor disruptions in the past. The following table summarizes the staffing levels for Nemours as of July 31, 2009:

	<u>Total FTEs⁽¹⁾</u>
Clinical Operations and Services	2,656
Health Promotion and Advocacy	129
Other activities	870
Total	<u><u>3,655</u></u>

⁽¹⁾ Full Time Equivalents (FTEs) is a standard industry measurement of staffing levels. A total of 2,080 hours equals one FTE for one year.

SERVICE AREA AND OTHER PEDIATRIC PROVIDERS

NCCD and AIDHC provide pediatric services throughout the state of Delaware, southeastern Pennsylvania, and southern New Jersey. Significant pediatric providers in NCCD and AIDHC’s service area include the Children’s Hospital of Philadelphia, St. Christopher’s Hospital for Children, and Temple University Children’s Medical Center.

When open in 2012, NCH will focus on providing services to Central Florida, broadly defined as the counties of Orange, Osceola, Seminole, Brevard, Polk, Indian River, Volusia, Lake and Sumter. Because of the broad range of services provided by Nemours facilities and accessibility through various means of transportation, the facilities also operate as regional, national and international referral centers. In Central Florida, other significant pediatric providers in NCH’s service area include Arnold Palmer Hospital for Children and Florida Hospital.

CAPITAL PLANS

Expansion of AIDHC

In 2008, the Board approved an estimated \$200 million facility expansion plan for AIDHC. All components of the expansion at AIDHC will be funded from operating cashflows of Nemours. **No proceeds from the Series 2009 Bonds will be applied to the AIDHC expansion.** The key component of the expansion will be the construction of a new inpatient tower, with a planned opening in 2012. The plans to expand AIDHC's capabilities and efficiencies are necessary to meet the increasingly complex needs of today's hospitalized child. The goal will be to create a physical environment for patients that increases safety, decreases stress and symbolizes caring, healing and respect for patients and their families.

In addition to the new inpatient tower, initial plans for extensive redesign of the existing space include:

- Expanding and renovating the existing pediatric intensive care units
- Constructing an expansive new atrium that will likely encompass the entire side of the hospital
- Completely renovating the outpatient care areas
- Other necessary infrastructure modernization upgrades

The Project

Need for the Project

In 2008, the State of Florida Agency for Health Care Administration (AHCA) approved Nemours' Certificate of Need applications to develop NCH in Orlando, Florida. A key objective of the new hospital is to establish Central Florida as a leading health care region in the country through pediatric research, advocacy, and training. Nemours selected Central Florida as the location for a new facility in order to participate in the region's development into a leader in medical care and research. Nemours also identified achievable synergies from the close proximity to other leading medical organizations.

Planning for the Project

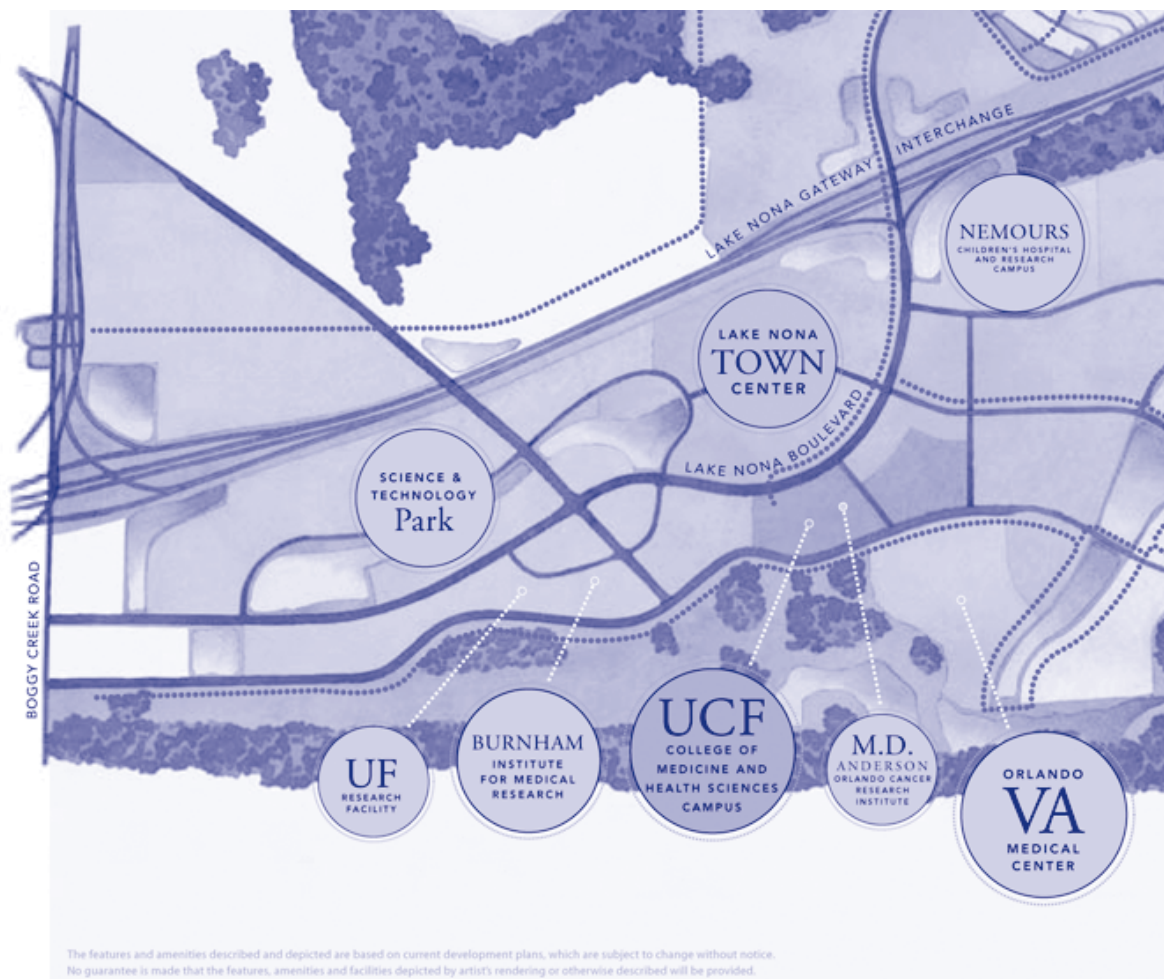
The analysis of the feasibility of NCH took several years. Prior to approaching ACHA for approval, Nemours worked with consultants and advisors to perform extensive market studies and analysis, evaluate future trends in healthcare delivery and examine future need for pediatric healthcare services in the region. Nemours' consultants and advisors included architects, construction managers, financial advisors, real estate consultants, patient care experts and families and patients.

New Site Selection

Lake Nona is a 7,000 acre, master-planned community located within the city limits of Orlando. A major component of the development is the creation of a Science & Technology

Park. In 2008, Nemours purchased approximately 60 acres of land within the Science & Technology Park for construction of NCH. This site is within immediate proximity to the new construction of other facilities including:

- *University of Central Florida (UCF) Health Sciences Campus.* The newly constructed campus includes a College of Medicine, the Burnett School of Biomedical Sciences, a medical library, and other UCF health sciences programs.
- *Burnham Institute for Medical Research.* A new research facility for the San Diego, California-based organization that focuses on finding cures for disease and improving the quality of life.
- *Veterans Affairs (VA) Medical Center.* The VA medical center will include an inpatient diagnostic and treatment hospital, nursing home, and outpatient clinic.
- *M.D. Anderson Orlando Cancer Research Institute.* A new strategic partnership between the Houston, Texas-based University of Texas M.D. Anderson Cancer Center and UCF that brings a world-class cancer center to Central Florida.
- *University of Florida Research Center.* A new research facility to be shared with the Burnham Institute for Medical Research.



Management believes that the contiguous design of the Science & Technology Park will provide Nemours with opportunities to leverage its important academic and research partnerships and create greater synergies. NCH's specific parcel of land at Lake Nona provides the appropriate size and location to fulfill Nemours' clinical, educational, research and advocacy plans. Several major roadways, including State Road 528 and State Road 417, will provide optimal access for patients to NCH.

Project Description

In 2008, Nemours unveiled the master site plan for the NCH campus at Lake Nona. The intent of the design process is to produce an innovative and integrated destination for pediatric health care. The Project will consist of a 630,000 square foot, 95-bed freestanding acute care hospital with 8 levels featuring an outpatient children's clinic, emergency department, diagnostic and ambulatory programs along with education and research centers. Nemours plans to open NCH in 2012.

NCH will focus on the unique and varied needs of medically complex children and bring a comprehensive depth of specialized health care that is not presently offered in Central Florida. Nemours' campus will provide access to a full-line of specialty services and will also improve care to the region through coordinated patient-centered medical services, biomedical research, medical and allied health training, educational programs as well as pediatric prevention services and child advocacy programs.

In addition to being patient and family-friendly, NCH will incorporate high performance, environmentally friendly and sustainable design concepts. The goal for the hospital is to achieve the United States Green Building Council's Leadership in Energy and Environmental Design (LEED) certification.

The design team includes a group of more than 150 internal and external health care business experts, clinicians, architects and individuals that are collaborating to provide critical insight into pediatric care delivery for the new health system. Nemours has also included the public in the design process by developing a family advisory panel comprised of parents with children facing complex medical issues. These individuals were selected to provide input and feedback on the appearance and functionality of the design for NCH based on their personal experiences within the pediatric health care system. Nemours has gained perspective directly from these parents in order to create a facility that meets the actual needs and preferences of patients, families and the wider community.

Project Budget and Sources of Funds

Management developed a project budget for NCH of approximately \$380 million. This cost figure was developed by Nemours in collaboration with various advisors, architects and construction consultants with extensive functional programming and value engineering expertise. The sources of funds includes \$300 million of proceeds from the Series 2009 Bonds with the residual project cost, currently estimated at \$80 million, being funded from Nemours' temporarily restricted Edward Ball Fund.

Overall Management of the Project

The Directors exercise overall oversight of the NCH project and its costs and relies heavily on the expertise provided by the members of the Florida Managers, many of whom have extensive financial, real estate development, or construction management expertise. The Directors monitor and review the financial aspects of NCH including the incurrence of debt and the plan of finance. The Nemours Corporate Facilities project team will oversee the design and construction of NCH, the architects, program manager, construction manager and other consultants. This team has a combined 80 years of health care facilities experience and reports directly to the Chief Financial Officer.

In keeping with Nemours' commitment to excellence, the primary facility design team is a partnership of two of the most highly recognized firms in health care architecture and pediatric design. Stanley Beaman & Sears, located in Atlanta, Georgia, specialize in interiors and architectural facilities for children and has designed many children's hospitals and outpatient centers. Perkins+Will, located in Boston, Massachusetts, has worked with numerous academic medical centers and universities, and completed projects for more than 500 medical institutions in the United States as well as overseas.

Nemours selected Skanska USA Building Inc. as the construction manager that will oversee the construction process of the project. This firm has international and national experience building innovative structures, and the central Florida team brings strong health care facility experience to the NCH project.

Transition Planning

Nemours is actively engaged in transition planning for NCH. Transition planning involves the facilitation of the hiring and relocation of staff, services and patients to NCH in an efficient and effective manner. This process will involve the development of detailed work plans for all involved departments, staff training in new building systems and equipment, staffing plans for the relocation and contingency planning.

FINANCIAL INFORMATION

Summary Financial Information

The following selected financial data for the three years ended December 31, 2008, 2007 and 2006 are derived from the audited combined financial statements of Nemours. The financial data for the seven-month periods ended July 31, 2009 and 2008 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which Nemours considers necessary for a fair presentation of the financial position and the results of operations for these periods.

Operating results for the seven months ended July 31, 2009 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2009. The data should be read in conjunction with the combined financial statements, related notes, and other financial information included in this Official Statement, including this Appendix A and Appendix B hereto.

The Nemours Foundation Combined Statements of Operations (Dollars in thousands)

	Years Ended December 31,			(Unaudited) Seven Months Ended July 31,	
	2006	2007	2008	2008	2009
Unrestricted revenues and other support:					
Net patient service revenue	\$ 411,991	452,582	495,880	290,392	321,265
Distribution from the Alfred I. duPont Testamentary Trust	119,014	132,420	137,820	79,524	54,952
Net assets released from restrictions used for operations	10,176	11,742	14,230	8,467	8,306
Investment return	15,584	13,007	(10,480)	(66)	9,331
Other income, net	25,964	25,295	26,882	14,964	16,748
Total revenues and other support	582,729	635,046	664,332	393,281	410,602
Operating expenses:					
Salaries and benefits	342,014	359,057	391,413	227,086	240,285
Professional fees	28,642	25,592	31,480	16,301	14,821
Supplies	46,799	50,866	60,663	33,656	34,995
Repairs and maintenance	8,130	9,858	11,854	6,106	6,761
Purchased services	22,900	23,608	27,810	14,976	15,736
Depreciation	25,070	26,962	31,664	17,311	20,189
Provision for bad debts	23,546	22,905	20,672	11,700	14,872
Rent and lease expense	9,976	12,282	12,485	7,433	6,657
Utilities and telephone	11,684	13,060	14,294	7,928	8,544
Insurance	16,942	5,688	8,966	9,104	6,954
Interest	1,118	4,048	2,270	1,303	677
Other	16,711	17,010	21,049	8,580	5,085
Total operating expenses	553,532	570,936	634,620	361,484	375,576
Operating income	29,197	64,110	29,712	31,797	35,026
Loss on bond defeasance	—	(415)	(520)	(520)	—
Pension liability adjustment	—	—	(96,170)	—	—
Cumulative effect of the adoption of SFAS 158	—	(28,698)	—	—	—
Contributions received	111	122	135	63	62
Increase (decrease) in unrestricted net assets	\$ 29,308	35,119	(66,843)	31,340	35,088

The Nemours Foundation
Combined Balance Sheets
(Dollars in thousands)

		December 31,			(Unaudited) July 31,
Assets		2006	2007	2008	2008 2009
Current assets:					
Cash and cash equivalents	\$	127,423	138,436	164,860	59,966 112,752
Collateral received for securities lending transactions		59,007	44,974	13,340	45,396 3,107
Accounts receivable, less allowances for doubtful accounts		62,284	72,182	68,246	76,535 78,855
Current portion of assets whose use is limited		6,483	2,554	2,488	6,174 688
Other current assets		6,371	11,093	8,702	90,968 68,239
Total current assets		261,568	269,239	257,636	279,039 263,641
Investments, noncurrent		40,702	40,649	39,129	39,926 41,803
Assets whose use is limited		147,055	136,395	95,771	112,668 98,924
Temporarily restricted assets:					
Cash and investments		470,089	487,251	327,983	441,347 346,078
Land held for investment		106	106	106	106 106
Other assets		144	141	140	(915) (1,001)
		470,339	487,498	328,229	440,538 345,183
Property and equipment, net		274,116	321,305	397,375	381,333 404,672
Permanently restricted cash and investments		—	1,587	1,991	1,587 2,141
Inexhaustible assets		3,387	3,387	3,387	3,387 3,387
Other assets		2,424	3,033	3,470	4,848 3,654
	\$	<u>1,199,591</u>	<u>1,263,093</u>	<u>1,126,988</u>	<u>1,263,326</u> <u>1,163,405</u>
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and accrued expenses	\$	18,281	29,886	25,776	12,022 16,875
Accrued compensation and benefits		30,959	31,793	39,290	37,114 41,199
Liabilities under securities lending transactions		59,007	44,975	13,751	45,396 3,518
Current portion of long-term debt		1,925	10,808	1,300	1,300 1,535
Deferred revenue		2,393	2,944	2,485	2,513 2,586
Total current liabilities		112,565	120,406	82,602	98,345 65,713
Self-insurance reserve		81,275	73,031	69,049	75,329 71,696
Long-term debt		89,538	70,880	106,479	106,499 104,944
Liabilities for pension benefits		—	28,698	124,868	28,698 124,868
Total liabilities		283,378	293,015	382,998	308,871 367,221
Net assets:					
Unrestricted		443,505	478,624	411,781	509,961 446,870
Temporarily restricted		470,338	487,498	327,848	440,538 344,803
Permanently restricted		2,370	3,956	4,361	3,956 4,511
Total net assets		916,213	970,078	743,990	954,455 796,184
Commitments and contingencies					
	\$	<u>1,199,591</u>	<u>1,263,093</u>	<u>1,126,988</u>	<u>1,263,326</u> <u>1,163,405</u>

Management Discussion and Analysis

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the financial performance and condition of Nemours.

Nemours' dedication to quality, value, and service has been the foundation of its financial accomplishments. During the seven months ended July 31, 2009 and the fiscal years ended December 2008, 2007 and 2006, Nemours experienced stable financial performance and continues to benefit from sustained market share, enhanced revenue performance and growth. Nemours is committed to maintaining successful financial operations to assure the continuing availability of sufficient resources to support Nemours' mission.

Results of Operations for the Seven Months Ended July 31, 2009 and 2008 (unaudited)

Overall, total unrestricted revenues and other support for the seven months ended July 31, 2009 increased \$17.3 million or 4.4%, from the seven months ended July 31, 2008. The distribution from the Trust for the seven months ended July 31, 2009 declined by \$24.6 million or 30.9%, from the seven months ended July 31, 2008 due to a decline in the market value of the Trust. Nemours net patient revenue for the seven months ended July 31, 2009 increased \$30.9 million or 10.6%, from the seven months ended July 31, 2008, primarily from year-over-year revenue growth at AIDHC of \$19.9 million and combined physician practices of \$10.6 million.

Total operating expense for the seven months ended July 31, 2009 increased \$14.1 million or 3.9%, from the seven months ended July 31, 2008, primarily due to an increase in the cost for salaries and benefits of \$13.2 million or 5.8% over the same period.

Operating margin increased slightly to 8.5% for the seven months ended July 31, 2009, compared to 8.1% for the seven months ended July 31, 2008. During the first half of the year, Nemours has responded to the economic downturn by managing costs through staffing reductions and tighter control over discretionary spending and ongoing productivity enhancements across all operating segments.

Results of Operations for Fiscal Years Ended December 31, 2008 and 2007

Overall, total unrestricted revenues and other support for the fiscal year ended December 31, 2008 increased \$29.3 million or 4.6%, from the fiscal year ended December 31, 2007. Net patient revenue for the fiscal year ended December 31, 2008 increased \$43.3 million or 9.6%, from the fiscal year ended December 31, 2007, resulting primarily from continued year-over-year revenue growth at AIDHC of \$25.4 million and the combined physician practices of \$17.9 million. This was partially offset by realized and unrealized losses on Nemours investments of \$19.3 million for the fiscal year ended December 31, 2008. As a result, the net loss on investment return totaled \$10.5 million for the fiscal year ended December 31, 2008, compared to a net gain on investment return of \$13.0 million for the fiscal year ended December 31, 2007.

Total operating expense for the fiscal year ended December 31, 2008 increased \$63.7 million or 11.2%, from the fiscal year ended December 31, 2007. The cost for salaries and benefits for the fiscal year ended December 31, 2008 increased \$32.4 million or 9.0%, from the fiscal year ended December 31, 2007 as a result of a 4.8% increase in staff FTEs and a 4.1% increase in the average cost per staff FTE. Bad debt and interest expense for the fiscal year ended December 31, 2008 decreased \$4.0 million from the fiscal year ended December 31, 2007. All other operating expenses for the fiscal year ended December 31, 2008 increased \$35.3

million, from the fiscal year ended December 31, 2007, due to volume and utilization increases and rising costs of health care related expenses.

Operating margin declined to 4.5% for the fiscal year ended December 31, 2008, compared to 10.1% for the fiscal year ended December 31, 2007 primarily from recognition of unrealized losses on investments as noted above. The impact of negative investment returns, whether realized or unrealized, also had a material impact on the valuation of Nemours' pension assets, resulting in a charge to unrestricted net assets of \$96.2 million at December 31, 2008, the measurement date. This charge increased the recognized liability for pension benefits to \$124.9 million as of December 31, 2008. In recognition of the deficit funding status of the pension plan, and other long term strategic considerations, Nemours is taking steps to close the existing plan to new participants effective January 1, 2010, and will offer new associates thereafter a progressive defined contribution plan for their retirement benefit. The impact of this and other plan design changes on the funded status of Nemours' existing defined benefit plan, while expected to be significantly favorable, have not been determined.

Results of Operations for Fiscal Years Ended December 31, 2007 and 2006

Overall, total unrestricted revenues and other support for the fiscal year ended December 31, 2007 increased \$52.3 million or 9.0%, from the fiscal year ended December 31, 2006. Net patient revenue for the fiscal year ended December 31, 2007 increased \$40.6 million or 9.9%, from the fiscal year ended December 31, 2006, resulting primarily from continued year-over-year revenue growth at AIDHC of \$30.4 million and the combined physician practices of \$10.1 million.

Total operating expense for the fiscal year ended December 31, 2007 increased \$17.4 million or 3.1%, from the fiscal year ended December 31, 2006. The cost for salaries and benefits for the fiscal year ended December 31, 2007 increased \$17.0 million or 5.0%, from the fiscal year ended December 31, 2006. Insurance expense for the fiscal year ended December 31, 2007 decreased \$11.3 million or 66.4% from the fiscal year ended December 31, 2006, due to successful risk management initiatives. Supplies expense for the fiscal year ended December 31, 2007 increased \$4.1 million or 8.7%, from the fiscal year ended December 31, 2006, due to volume and utilization increases, which was partially offset by a decrease in professional fees of \$3.1 million or 10.6%.

Operating margin improved to 10.1% for the fiscal year ended December 31, 2007, compared to 5.0% for the fiscal year ended December 31, 2006. Nemours' strong financial performance in 2007 is the result of continued focus on increasing market share in the Delaware Valley and Florida, solid collection efforts, cost control and productivity enhancements. The financial impact from these efforts on the organization's overall business operations is represented by a 9.0% year over year growth in revenue while containing operating expense to a more moderate 3.1% increase. This is an important achievement in light of our extensive commitment to increased capital spending in the near future.

Strategic Planning

Nemours' Executive Team annually updates its strategic plan to reflect current conditions and developing initiatives. In 2007, leadership adopted the Nemours Strategy Management System (SMS), which uses the Kaplan/Norton Balanced Scorecard approach to articulate vision and strategy and translate them into action. The SMS not only provides the framework for updating the Strategic Plan, but is also used by management on an ongoing basis to measure performance, monitor progress on existing strategies and identify new initiatives designed to continue improving clinical and business operations, and to position Nemours as a national leader in the innovative delivery of healthcare for children. Once complete, the Strategic Plan is reviewed and approved by the Directors.

Budgeting and Reporting Process

Nemours is able to exercise a significant degree of flexibility in constructing its operating budget. The operating and capital budgeting process generally commences approximately nine months prior to the beginning of each fiscal year and is linked to the strategic planning cycle through the SMS. The Chief Financial Officer establishes major financial assumptions and guidelines to be employed in budget development, consistent with the Strategic Plan previously reviewed by the Directors. The Director of Budget and Cost promulgates specific budget preparation instructions to each department head. The Director of Budget and Cost consolidates individual departmental budgets into a comprehensive budget document for review by the Executive Team. The budget is then presented to the Directors for approval.

Nemours Investment Policy

The current long-range investment objectives of Nemours are to achieve consistent positive real returns and maximize long-term total return within prudent levels of risk through a combination of income and capital appreciation. Investment funds are managed under the direction of the Chief Investment Officer (the "CIO"), an employee of the Trust.

David D. Gonino was appointed CIO in 2000. Prior to coming to the Trust, Mr. Gonino was the Treasurer of Rensselaer Polytechnic Institute ("Rensselaer") where he had responsibility for management of Rensselaer's various investment portfolios. In addition, Mr. Gonino was responsible for Rensselaer's capital finance activities and banking relationships. He received his bachelor's degree in Finance from the State University of New York at Albany. He also received his MBA from Rensselaer, and is a Chartered Financial Analyst.

Nemours Asset Allocation

Nemours accounts for certain investments, excluding those funds internally designated for self-insurance, based on the concept of pooling. Assets with similar time horizons are merged into a single pool for investment purposes and are managed under various asset diversification strategies depending upon the specific pool's objectives. Nemours designates investments as current or non-current based upon the pool in which they are invested. Nemours has established three pools as follows:

- Short-term pool – composed of cash and money market securities available to be consumed within the next year. As of July 31, 2009, the short-term pool had a balance of \$113 million, which is included in Cash and Cash Equivalents.
- Intermediate pool – composed of fixed income securities with an expected use in greater than one year but less than five years. As of July 31, 2009, the intermediate pool had a balance of \$41.8 million and is included in noncurrent Investments.
- Long-term pool – composed of equity, fixed income securities, partnerships, and hedge funds available for use within a five year horizon. As of July 31, 2009, the long-term pool had a balance of \$371.7 million, of which \$342.8 million is included in Temporarily Restricted Assets, \$26.8 million is included in Assets Whose Use is Limited, and \$2.1 million is included in permanently restricted net assets. The asset allocation for the long-term pool as of July 31, 2009 is presented in the table below, followed by a description of the asset classes.

**The Nemours Foundation
Long-Term Pool
Asset Allocation as of July 31, 2009**

	Value (\$000)	Weight (%)	Target Policy
Global Equities	\$ 137,802	50.5%	50.0%
Real Assets	40,612	14.9%	15.0%
Absolute Return	40,832	15.0%	15.0%
Fixed Income	47,190	17.3%	20.0%
Private Capital	6,456	2.4%	0.0%
Total	\$ 272,892	100.0%	100.0%
Cash Reserves	\$ 98,774		
Total Long-Term Pool	<u>\$ 371,666</u>		

- Global Equities – combination of U.S. and non-U.S. Developed Market public and private equities and Emerging Market equities.
- Real Assets - investments in securities and partnerships that provide exposure to real estate, commodity and timberland markets.
- Absolute Return - investments that emphasize returns not correlated with those of the public equity and fixed income markets.
- Fixed Income - investments in fixed income securities issued by the United States, companies domiciled in the United States, foreign government bonds, or asset backed fixed income securities as well as short term cash holdings or investments in cash-equivalent securities.
- Private Capital – investments include positions in venture capital buyout and lending opportunities.
- Cash Reserves – investments in short term cash holdings such as commercial paper, United States Treasury bills and money market funds, which are set aside for future funding of NCH project and operating cost.

Indebtedness

On January 26, 2005, the Delaware Health Facilities Authority (“Delaware Authority”) issued \$50,950,000 in tax-exempt, auction rate revenue bonds (“Delaware Bonds”) pursuant to a bond trust indenture between the Delaware Authority and Nemours. On August 27, 2008, Nemours converted the Delaware Bonds from auction rate revenue bonds to variable rate demand bonds bearing interest in variable rate weekly mode and secured by a standby bond purchase agreement. The estimated fair value of the outstanding principal of the Delaware Bonds at July 31, 2009 is \$46.53 million.

On January 26, 2005, the Orange County Health Facilities Authority (“Orange County Authority”) issued \$41,865,000 in tax-exempt, fixed rate bonds (“Orange County Bonds”) pursuant to a bond trust indenture between the Orange County Authority and Nemours. On September 14, 2007, Nemours completed a partial legal defeasance of the Orange County Bonds in the amount of \$31,315,000. Accordingly, the partially defeased bonds are not included in the combined financial statements for the year ended December 31, 2007. On May 1, 2008, Nemours defeased the remaining \$9,160,000 outstanding principal of the Orange County Bonds and has included the balance in the current portion of long-term debt in the combined balance sheet for the year ended December 31, 2007. With the completion of the legal defeasance, there is no outstanding principal of the Orange County Bonds as of July 31, 2009.

On October 3, 2007, the Jacksonville Health Facility Authority (“Jacksonville Authority”) issued \$24,550,000 in tax-exempt, weekly auction rate revenue bonds (“Jacksonville Bonds”) pursuant to a bond trust indenture between the Jacksonville Authority and Nemours. On April 9, 2008, the weekly auction rate revenue bonds were converted to a nine-month auction rate bond bearing interest at 2.24%. On January 21, 2009, the Jacksonville Bonds rolled over for another nine-month period bearing interest at 1.1%. The estimated fair value of the outstanding principal of the Jacksonville Bonds as of July 31, 2009 is \$24.35 million. Nemours will use a portion of the proceeds of the Series 2009D Bonds to currently refund the outstanding Jacksonville Bonds on the date of issuance of the Series 2009D Bonds.

In April, 2008, Nemours executed a \$50 million Line of Credit to provide temporary advances for certain capital expenditures associated with the acquisition, design and construction of the NCH project. As of July 31, 2009, the outstanding principal balance of the Line of Credit was approximately \$35.6 million. Nemours will settle any outstanding principal balance on the Line of Credit with the proceeds from the Series 2009 Orange County Health Facilities Authority bonds.

Nemours has not utilized interest rate swap agreements to manage its interest rate exposure.

Pro Forma Debt Service Coverage Ratios

The following table shows the coverage ratio of income available for debt service to annual long-term debt outstanding as of December 31, 2006, 2007 and 2008, as adjusted to reflect the issuance of the Series 2009 Bonds, as if the Series 2009 Bonds had been issued on

December 31, 2006. There can be no assurance that Nemours will generate income available for debt service in future years comparable to historical performance. All dollars are in thousands.

	Fiscal Year Ended December 31,		
	2006	2007	2008
Operating Income	\$ 29,197	\$ 64,110	\$ 29,712
Depreciation and amortization	25,070	26,962	31,664
Income available for debt service	\$ 54,267	\$ 91,072	\$ 61,376
Estimated maximum annual debt service	\$ 23,713	\$ 23,713	\$ 23,713
Pro forma debt service coverage	2.29	3.84	2.59

Fundraising

Nemours created the Nemours Partnership for Children's Health (NPCH) in 2003, with the original intent to perform capital fundraising initiatives for certain activities performed by Nemours, primarily Research related. Currently, NPCH conducts fundraising programs in annual giving, special events, planned giving, and major gifts development, which supports all facets of Nemours' mission.

Litigation

Nemours is involved in litigation arising from the ordinary course of business. In the opinion of management, after consulting with legal counsel, it is expected that these matters will be resolved without a material adverse effect to Nemours' financial position.

PENSION

Nemours sponsors a noncontributory defined benefit pension plan, which covers substantially all employees. The benefits are based on years of service and the employee's highest compensation for five consecutive years out of the ten years preceding termination.

The plan permits early retirement at reduced benefit to participants who have attained age fifty-five and have completed at least ten years of credited service. In addition, the plan allows full retirement without reduced retirement benefits to employees whose attained age plus completed years of credited service equals or exceeds eighty.

During 2009, Nemours is taking steps to close the plan to new participants effective January 1, 2010, and will offer new associates thereafter a progressive defined contribution plan for their retirement benefit.

ACCREDITATIONS

Nemours has accreditations for certain specialized programs and services consistent with its mission and operations. For example, AIDHC is accredited by the Joint Commission (formerly known as the Joint Commission on Accreditation of Healthcare Organizations.) From time to time, accrediting bodies may review their accreditations and recommend certain actions or impose conditions on an existing accreditation. Nemours' Executive Team does not expect any such review to require actions or impose conditions that could not be satisfied or that would adversely affect its continuing accreditation.

INSURANCE

Effective February 22, 1992, Nemours established a self-insurance trust fund to provide for losses sustained on professional and patient care liability claims reported and incurred but not reported during the period subsequent to the effective date. The self-insurance trust fund is administered by a third party trustee and provides for the first layer of coverage of professional and patient care claims for AIDHC, Clinics and NHC. Excess policy coverage has been purchased for losses exceeding the self-insurance trust fund retention and for claims occurring prior to February 18, 2002, from an unrelated commercial insurance company. Effective February 18, 2002, Nemours' excess policy coverage for losses exceeding the self-insurance trust fund retention is secured through Dornoch-Sutherland Assurance, Ltd, a Nemours-owned offshore captive, as well as other unrelated commercial insurance companies.

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APPENDIX B

THE NEMOURS FOUNDATION COMBINED FINANCIAL STATEMENTS

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THE NEMOURS FOUNDATION

Combined Financial Statements

December 31, 2008 and 2007

(With Independent Auditors' Report Thereon)

THE NEMOURS FOUNDATION

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KPMG LLP
Suite 1100, Independent Square
One Independent Drive
Jacksonville, FL 32201-0190

Independent Auditors' Report

The Board of Directors
The Nemours Foundation:

We have audited the accompanying combined balance sheets of The Nemours Foundation (Nemours) as of December 31, 2008 and 2007, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended. These combined financial statements are the responsibility of Nemours' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nemours' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Nemours as of December 31, 2008 and 2007, and the combined results of their operations, changes in net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

As discussed in notes 2(t), 7, and 13 to the combined financial statements, effective January 1, 2008, Nemours adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, and Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, and FSP FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure for All Endowment Funds*. As discussed in the notes 2(t) and 8 to the combined financial statements, effective December 31, 2007, Nemours adopted the provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.

KPMG LLP

May 7, 2009
Certified Public Accountants

THE NEMOURS FOUNDATION

Combined Balance Sheets

December 31, 2008 and 2007

Assets	2008	2007
Current assets:		
Cash and cash equivalents	\$ 164,860,276	138,436,413
Collateral received for securities lending transactions	13,340,303	44,974,495
Accounts receivable, less allowances for doubtful accounts of approximately \$41,550,000 in 2008 and \$35,260,000 in 2007	68,246,303	72,181,615
Current portion of assets whose use is limited	2,487,484	2,554,173
Supplies	1,355,478	1,302,398
Prepaid expenses and other current assets	7,346,228	9,790,005
Total current assets	<u>257,636,072</u>	<u>269,239,099</u>
Investments	<u>39,128,933</u>	<u>40,649,484</u>
Assets whose use is limited:		
Internally designated for self-insurance reserve	67,186,050	75,818,457
Held by trustee under bond indenture	—	18,555,732
Investments	28,584,711	42,021,158
	<u>95,770,761</u>	<u>136,395,347</u>
Temporarily restricted assets:		
Cash and investments	327,982,548	487,250,840
Land held for investment	106,095	106,095
Other assets	139,879	141,491
	<u>328,228,522</u>	<u>487,498,426</u>
Property and equipment:		
Land and land improvements	102,239,463	49,231,449
Buildings and leasehold improvements	317,809,135	265,592,013
Equipment	257,603,393	220,533,634
	<u>677,651,991</u>	<u>535,357,096</u>
Less accumulated depreciation	<u>(300,587,417)</u>	<u>(271,662,763)</u>
	377,064,574	263,694,333
Construction in progress	<u>20,310,869</u>	<u>57,610,032</u>
	<u>397,375,443</u>	<u>321,304,365</u>
Permanently restricted cash and investments	1,991,384	1,586,729
Inexhaustible assets	3,386,733	3,386,733
Other assets	3,469,692	3,032,881
	<u>\$ 1,126,987,540</u>	<u>1,263,093,064</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 25,775,602	29,886,249
Accrued compensation and benefits	39,290,343	31,792,499
Liabilities under securities lending transactions	13,750,794	44,974,495
Current portion of long-term debt	1,300,000	10,808,244
Deferred revenue	2,484,652	2,943,970
Total current liabilities	<u>82,601,391</u>	<u>120,405,457</u>
Self-insurance reserves	69,048,996	73,030,735
Long-term debt	106,478,589	70,880,000
Liabilities for pension benefits	<u>124,867,858</u>	<u>28,698,278</u>
Total liabilities	<u>382,996,834</u>	<u>293,014,470</u>
Net assets:		
Unrestricted	411,781,117	478,623,693
Temporarily restricted	327,848,459	487,498,426
Permanently restricted	4,361,130	3,956,475
Total net assets	<u>743,990,706</u>	<u>970,078,594</u>
Commitments and contingencies		
	<u>\$ 1,126,987,540</u>	<u>1,263,093,064</u>

See accompanying notes to combined financial statements.

THE NEMOURS FOUNDATION
Combined Statements of Operations
Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Unrestricted revenues and other support:		
Net patient service revenue	\$ 495,880,425	452,581,615
Distribution from the Alfred I. duPont Testamentary Trust	137,820,094	132,419,724
Net assets released from restrictions used for operations	14,229,620	11,741,907
Investment return	(10,479,674)	13,007,265
Contracted services revenue	9,354,923	9,737,487
Grant revenue	10,042,327	8,736,911
Other income, net	7,484,630	6,820,964
Total revenues and other support	<u>664,332,345</u>	<u>635,045,873</u>
Operating expenses:		
Salaries and benefits	391,412,617	359,056,928
Professional fees	31,480,436	25,591,805
Supplies	60,662,655	50,865,469
Repairs and maintenance	11,853,923	9,858,089
Purchased services	27,810,499	23,607,487
Depreciation	31,663,725	26,962,155
Provision for bad debts	20,672,624	22,905,013
Rent and lease expense	12,484,903	12,281,998
Utilities and telephone	14,293,895	13,060,235
Insurance	8,966,389	5,688,107
Interest	2,269,623	4,048,069
Other	21,049,032	17,010,204
Total operating expenses	<u>634,620,321</u>	<u>570,935,559</u>
Operating income	29,712,024	64,110,314
Loss on bond defeasance	(520,321)	(415,497)
Pension liability adjustment	(96,169,580)	—
Cumulative effect of the adoption of SFAS 158	—	(28,698,278)
Contributions received	135,301	122,575
(Decrease) increase in unrestricted net assets	<u>\$ (66,842,576)</u>	<u>35,119,114</u>

See accompanying notes to combined financial statements.

THE NEMOURS FOUNDATION
Combined Statements of Changes in Net Assets
Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Unrestricted net assets:		
Operating income	\$ 29,712,024	64,110,314
Loss on bond defeasance	(520,321)	(415,497)
Pension liability adjustment	(96,169,580)	—
Cumulative effect of the adoption of SFAS 158	—	(28,698,278)
Contributions received	135,301	122,575
	<u>(66,842,576)</u>	<u>35,119,114</u>
(Decrease) increase in unrestricted net assets		
Temporarily restricted net assets:		
Net assets released from restrictions used for operations	(14,229,620)	(11,741,907)
Investment return	(147,005,248)	27,963,726
Contributions received	1,584,901	938,176
	<u>(159,649,967)</u>	<u>17,159,995</u>
(Decrease) increase in temporarily restricted net assets		
Permanently restricted net assets:		
Contributions received	404,655	1,586,729
	<u>404,655</u>	<u>1,586,729</u>
Increase in permanently restricted net assets		
(Decrease) increase in net assets	(226,087,888)	53,865,838
Net assets, beginning of year	<u>970,078,594</u>	<u>916,212,756</u>
Net assets, end of year	<u><u>\$ 743,990,706</u></u>	<u><u>970,078,594</u></u>

See accompanying notes to combined financial statements.

THE NEMOURS FOUNDATION
Combined Statements of Cash Flows
Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (226,087,888)	53,865,838
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	31,663,725	26,962,155
Premium amortization	(348,244)	(1,080,307)
Net realized and unrealized losses (gains) on investments	173,462,766	(23,252,346)
Net loss on disposal of property and equipment	528,640	194,376
Provision for bad debts	20,672,624	22,905,013
Restricted contributions received	(1,989,556)	(2,524,905)
Increase in patient accounts receivable, net	(16,737,312)	(32,802,482)
Increase in supplies	(53,080)	(78,151)
Decrease (increase) in prepaid expenses and other assets	2,006,966	(4,970,480)
Decrease in accounts payable and accrued expenses	(9,015,413)	(2,963,441)
Increase in accrued compensation and benefits	7,497,844	833,004
(Decrease) increase in deferred revenue	(459,318)	551,046
Decrease in self-insurance reserves	(3,981,739)	(8,244,129)
Increase in liabilities for pension benefits	96,169,580	28,698,278
Net cash provided by operating activities	<u>73,329,595</u>	<u>58,093,469</u>
Cash flows from investing activities:		
Purchases of property and equipment, net	(103,375,699)	(59,814,731)
Sales of investments	506,986,747	354,577,304
Purchases of investments	(479,374,050)	(335,432,770)
Increase in liabilities under securities lending transactions, net	410,491	—
Decrease in other temporarily restricted assets	1,612	2,039
Proceeds from sale of property and equipment	17,022	52,000
Net cash used in investing activities	<u>(75,333,877)</u>	<u>(40,616,158)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	35,598,589	24,550,000
Payment of debt issue costs	—	(299,139)
Repayments of long-term debt	(9,160,000)	(33,240,000)
Proceeds from restricted contributions	1,989,556	2,524,905
Net cash provided by (used in) financing activities	<u>28,428,145</u>	<u>(6,464,234)</u>
Net increase in cash and cash equivalents	26,423,863	11,013,077
Cash and cash equivalents at beginning of year	<u>138,436,413</u>	<u>127,423,336</u>
Cash and cash equivalents at end of year	<u>\$ 164,860,276</u>	<u>138,436,413</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 3,002,703	4,063,177
Change in construction in progress in accounts payable	4,904,766	14,569,244

See accompanying notes to combined financial statements.

THE NEMOURS FOUNDATION

Notes to Combined Financial Statements

December 31, 2008 and 2007

(1) Organization

The Nemours Foundation (Nemours) was formed in 1936, pursuant to the last will and testament of Alfred I. duPont (the Will), for the primary purpose of providing for the care and treatment of crippled children, but not of incurables, and for the care of the elderly, particularly couples. The Will specifically provided for the maintenance of a 300-acre estate in Delaware (the estate) and for the construction of a crippled children's hospital, Alfred I. duPont Hospital for Children (Hospital), on the estate. Nemours includes the estate, the Hospital, a specialty children's clinic in and around Delaware (Nemours Children's Clinic – Wilmington), three specialty children's clinics in Florida (Nemours Children's Clinics in Jacksonville, Orlando, and Pensacola), a health clinic for the elderly in Delaware (Nemours Health Clinic), Nemours Health and Prevention Services and Nemours Children's Hospital (NCH) to be located in Orlando, Florida. Nemours also includes Dornoch Sutherland Assurance, Ltd. (Dornoch), a wholly owned captive insurance company based in the Cayman Islands, Cruden Bay Risk Retention Group, Inc. (Cruden), a wholly owned subsidiary based in the State of Vermont, and a Home Office in Jacksonville, Florida, which provides management for the multidivision corporate structure.

The Hospital, which is an operating division of Nemours, is a full-service, 200-bed children's hospital serving the Delaware Valley.

The Nemours Children's Clinics (Clinics) provide services to children suffering from a multitude of crippling but not incurable disorders.

Nemours Health and Prevention Services (Health and Prevention Services) has been established to promote children's health and strive to prevent disease before it arises by fashioning a holistic system of health and healthcare in Delaware.

On February 19, 2008, a Certificate of Need was issued for Nemours to construct NCH which will be an established 82-bed class II children's hospital in Orange County, Florida, offering subspecialty care to patients with complex pediatric disease issues that require highly specialized resources and integrated patient management. NCH will also have a five-bed Level II NICU and an eight-bed Level III NICU at opening, which is planned for 2012.

Nemours Health Clinic (Health Clinic) provides and supervises care and treatment for the elderly, particularly couples, through its facilities in Delaware. Services provided include dental, ear, and eye care.

Dornoch was established by Nemours through the investment of \$700,000 for 100% of the subsidiary's capital stock. Dornoch provides insurance coverage to Nemours for risks such as general, professional, and patient care liability.

Cruden was established by Nemours through the investment of \$1,000 for 100% of the subsidiary's Class A common stock. Cruden has been recognized as exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Cruden provides insurance coverage to Nemours' physicians practicing in Pennsylvania and Florida.

Cash requirements of the Hospital, Clinics, Health and Prevention Services, NCH, and Health Clinic not met through normal operations are funded by Nemours.

THE NEMOURS FOUNDATION

Notes to Combined Financial Statements

December 31, 2008 and 2007

As provided in the Will, Nemours is the recipient of the income earned by the Alfred I. duPont Testamentary Trust (the Trust) for use in the performance of the above-described activities. The trustees of the Trust are the members of Nemours. During 2008 and 2007, Nemours received total distributions from the Trust amounting to \$137,820,094 and \$132,419,724, respectively, which are recognized as revenues and other support in the accompanying combined statements of operations. Certain trustees of the Trust also serve as directors of Nemours.

(2) Significant Accounting Policies

(a) *Principles of Combination*

The combined financial statements include the accounts of Nemours and its operating divisions, the Hospital, the Clinics, Health and Prevention Services, NHC, the Health Clinic, and its wholly owned subsidiaries, Dornoch and Cruden. The assets and liabilities of the Trust are not included in these combined financial statements. Significant transactions between operating divisions and subsidiaries have been eliminated.

(b) *Basis of Presentation*

These combined financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on Nemours as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions as unrestricted, temporarily restricted, and permanently restricted as follows:

- Unrestricted net assets are resources generated from operations and unrestricted donations and are not subject to donor-imposed stipulations.
- Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.
- Permanently restricted net assets have been restricted by donors to be maintained in perpetuity (see note 7).

(c) *Use of Estimates*

The preparation of combined financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) *Concentrations of Credit Risk*

Financial instruments that potentially expose Nemours to concentrations of credit risk consist primarily of patient accounts receivable. Nemours has not experienced significant losses related to receivables from individual customers or groups of customers in a particular industry or geographic area. Due to these factors, management believes no additional credit risk beyond amounts provided for collection losses is inherent in Nemours' patient accounts receivable.

THE NEMOURS FOUNDATION

Notes to Combined Financial Statements

December 31, 2008 and 2007

(e) Cash and Cash Equivalents

Nemours considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(f) Investments

Investments are measured at fair value in the accompanying combined balance sheets. Partnerships and venture capital are nonmarketable securities – securities for which there is no public market. Partnerships and venture capital are carried at estimated fair value as determined by the general partner of the partnership using the latest available information at the valuation date. Factors considered in valuing individual securities include the financial condition and operating results of the portfolio companies, prices of recent significant private placements of securities of the same issuer, the nature and duration of restriction on disposition of the securities, changes in the circumstances and prospects of the issuer, and any other factors which the general partner considers to be relevant. Hedge funds hold both marketable and nonmarketable illiquid securities and can engage in complex strategies including short selling, margin borrowing, derivatives, and other aggressive investment strategies. At times, the securities markets experience great volatility and unpredictability thus creating some degree of market risk. The valuation of the partnership's securities and other investments may involve uncertainties and judgmental determinations. Securities held by hedge funds may routinely trade with bid-ask spreads that may be significant and certain securities may, occasionally, be valued at the mean between such spreads. If valuations prove to be incorrect, Nemours could be adversely affected. Independent pricing information may not be available at times or may be difficult to obtain and therefore certain investments may be difficult to value and may be subject to varying interpretations of value. In such cases, the value may be determined by utilizing marked to market prices provided by dealers and pricing services and through relative value pricing. Investment return (including realized and unrealized gains and losses on investments, interest, and dividends) is included in operating income unless such earnings are subject to donor-imposed restrictions or by law. Investment return restricted by donor stipulations is reported as an increase in temporarily restricted net assets.

(g) Supplies

Supplies are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

(h) Assets Whose Use is Limited

Assets whose use is limited include assets held by trustees under indenture agreements for future capital improvements and designated assets set aside by the board. These assets consist of cash and cash equivalents and investments as described in note 4.

(i) Debt Issue Costs

Debt issue costs, net of accumulated amortization of \$77,000 and \$444,000, were approximately \$738,000 and \$867,000 and are included in other assets at December 31, 2008 and 2007, respectively. Debt issue costs are being amortized using the straight-line method over the life of the related debt which approximates the effective-interest method. Amortization of debt issue costs during the construction period has been capitalized as a component of construction in progress in the

THE NEMOURS FOUNDATION

Notes to Combined Financial Statements

December 31, 2008 and 2007

combined balance sheets. Amortization of debt issue costs for completed projects is included in interest expense in the combined statements of operations.

(j) Bond Premiums

Bond premiums are amortized using the straight-line method over the life of the related debt which approximates the effective-interest method. Due to the defeasance of the Orange County Health Facilities Authority bonds as described in note 5, the bond premiums and related accumulated amortization were written off during 2008. At December 31, 2007, bond premiums, net of accumulated accretion of \$1,183,000 were approximately \$348,000 and are included with the related long-term debt in the combined balance sheets.

(k) Property and Equipment

Property and equipment have been recorded at historical cost at the date of acquisition or fair value at the date of donation. Major asset classifications and useful lives are generally in accordance with those recommended by the American Hospital Association and range from 3 to 40 years. The straight-line method of computing depreciation is used for all depreciable assets.

Interest costs incurred during the construction period on borrowings for specified construction projects, net of investment income on bond proceeds, are capitalized. Interest costs of approximately \$731,000 and \$70,000, net of related investment income, were capitalized during the years ended December 31, 2008 and 2007, respectively.

(l) Inexhaustible Assets

Inexhaustible assets consist of the Nemours Mansion (Mansion), located on the estate in Delaware, and contents that are primarily paintings and antiques stated at cost if purchased or the appraised value, if determinable, as of the date of donation.

(m) Grant and Deferred Revenue

Nemours defers recognition of grant revenue received from outside parties until expenditures are incurred or patients are seen.

(n) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered.

(o) Contracted Services Revenue

Nemours contracts to provide certain medical services to other healthcare providers. The reimbursement for these services is classified as contracted services revenue, and is recognized when billed.

THE NEMOURS FOUNDATION

Notes to Combined Financial Statements

December 31, 2008 and 2007

(p) Operating Income

The combined statements of operations include operating income. Transactions deemed by Nemours to be ongoing, major, or central to the provision of services pursuant to the Will are reported as operating income.

(q) Charity Care

Nemours, through its overall charitable policies, provides funding for cash requirements of the Hospital, Clinics, and Health Clinic not met through normal operations. In addition, these operating divisions provide care to patients who meet certain criteria under the charity care policies established by Nemours without charge or at amounts less than established rates. Because Nemours does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

(r) Income Taxes

Nemours is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and is also exempt from state income taxes. Management believes that the unrelated business income generated by Nemours is not material to the combined financial statements.

On January 1, 2007, Nemours adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. Nemours determined that FIN 48 did not have a material impact on its financial position or results of operations.

(s) Impairment of Long-Lived Assets

Management regularly evaluates whether events or changes in circumstances have occurred that could indicate an impairment in the value of long-lived assets. In accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, if there is an indication that the carrying amount of an asset is not recoverable, Nemours estimates the projected undiscounted cash flows, excluding interest, to determine if an impairment loss should be recognized. The amount of impairment loss, if any, is determined by comparing the historical carrying value of the asset to its estimated fair value. During the years ended December 31, 2008 and 2007, no impairments were recognized.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are revised, the carrying value of affected assets is depreciated or amortized over the remaining lives. No such adjustments were recorded during the years ended December 31, 2008 and 2007.

(t) New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an Amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS 158). SFAS 158 requires an employer to recognize the overfunded or underfunded status of defined benefit pension and postretirement plans as an asset or liability in its balance sheet and to recognize changes in that funded status in the year in which the changes occur through unrestricted net assets.

THE NEMOURS FOUNDATION

Notes to Combined Financial Statements

December 31, 2008 and 2007

The adoption of SFAS 158 resulted in a charge of approximately \$28,698,000 to unrestricted net assets at December 31, 2007. Total liabilities also increased by approximately \$28,698,000. These adjustments were required to recognize the unfunded projected benefit obligations of Nemours' defined benefit plan in the combined balance sheets. SFAS 158 had no impact on the determination of expense for the defined benefit plan. For 2008, the change in the underfunded status of approximately \$96,170,000 has been reflected as a decline in unrestricted net assets.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, provides a framework for measuring fair value, and expands disclosures about fair value measurements. Subsequent to this issuance additional related guidance has been released which clarifies the application.

Effective January 1, 2008, Nemours adopted the measurement provisions for financial assets and liabilities of SFAS 157. The adoption did not have an impact on the combined financial statements but for required disclosures (see note 13).

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Statement Assets and Financial Liabilities, Including an Amendment of FAS 115* (SFAS 159), which allows entities to choose to measure at fair value many financial instruments and certain other items that are not currently required to be measured at fair value. Effective January 1, 2008, Nemours adopted SFAS 159, yet the adoption had no impact on the combined financial statements as no election was made to measure any additional financial instruments at fair value.

In August 2008, the FASB issued FSP FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure for All Endowment Funds* (the FSP). The FSP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Florida has not enacted the UPMIFA. A key component of the FSP is a requirement to classify the portion of investment return from donor-restricted endowment funds that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. The FSP also requires expanded disclosures for all endowment funds. Effective December 31, 2008, Nemours adopted the enhanced disclosure provisions of the FSP (see note 7). The adoption of the FSP did not have an impact on the combined financial statements.

(u) Reclassifications

Certain reclassifications are reflected in the 2007 combined financial statements to conform to the 2008 presentation.

(3) Net Patient Service Revenue

Nemours has agreements with third-party payers that provide for payment to the Hospital, Clinics, and Health Clinic at amounts different from their established rates. The basis for reimbursement under certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations agreements and for Medicaid program beneficiaries include prospectively determined rates-per-procedure,

THE NEMOURS FOUNDATION

Notes to Combined Financial Statements

December 31, 2008 and 2007

discounts from established charges, and prospectively determined per diem rates. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change in the near term. During the years ended December 31, 2008 and 2007, approximately 33% and 32%, respectively, of net patient service revenue was derived from Medicaid program beneficiaries.

(4) Investments, Assets Whose Use is Limited, Temporarily and Permanently Restricted Assets

Nemours accounts for investments, excluding those funds internally designated for self-insurance and held by trustee under bond indenture, based on the concept of pooling. In pooling, assets with similar time horizons are merged into a single pool for investment purposes and are managed under various asset diversification strategies depending upon the specific pool's objectives.

Investments are designated as current or noncurrent assets based upon the pool in which they are invested. Nemours has established three pools as follows:

- Short-term pool – composed of cash and money market securities and expected to be consumed within the next year.
- Intermediate pool – composed of fixed income securities with an expected use in greater than one year but less than five years.
- Long-term pool – composed of equity, fixed income securities, partnerships, and hedge funds with an expected use that exceeds five years.

Investments, assets whose use is limited, temporarily and permanently restricted cash and investments, excluding those held by trustee under bond indenture, at December 31, 2008 and 2007 are summarized as follows:

	2008	2007
Cash and cash equivalents	\$ 28,904,352	25,836,105
Treasury bills, notes, and bonds	102,560,047	113,270,391
Asset-backed securities	5,353,332	6,899,515
Corporate bonds and notes	47,127,200	113,523,814
Marketable equity securities	180,069,291	296,486,208
Mortgage obligations	327,282	1,026,279
Partnerships	67,112,437	71,637,654
Hedge funds	31,768,426	16,274,628
Interest receivable	1,651,259	2,372,074
	<hr/> 464,873,626	<hr/> 647,326,668
Less temporarily restricted cash and investments	327,982,548	487,250,840
Less permanently restricted cash and investments	<hr/> 1,991,384	<hr/> 1,586,729
Unrestricted cash and investments, excluding investments held by trustee under bond indenture	<hr/> <hr/> \$ 134,899,694	<hr/> <hr/> 158,489,099

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The composition of assets held by trustee under bond indenture at December 31, 2008 and 2007 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 2,487,484	2,554,173
Guaranteed investment contracts	—	18,555,732
	<u>2,487,484</u>	<u>21,109,905</u>
Less current portion of assets whose use is limited	<u>2,487,484</u>	<u>2,554,173</u>
Assets held by trustee under bond indenture, less current portion	<u>\$ —</u>	<u>18,555,732</u>

Investment return on assets whose use is limited, cash and cash equivalents, and investments are comprised of the following for the years ended December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Unrestricted net assets:		
Investment return:		
Interest and dividend income, net	\$ 8,796,343	10,042,506
Realized (losses) gains on sales of securities	(2,844,017)	2,239,553
Net unrealized (losses) gains on investments	<u>(16,432,000)</u>	<u>725,206</u>
	<u>\$ (10,479,674)</u>	<u>13,007,265</u>
Temporarily restricted net assets:		
Investment return:		
Interest and dividend income, net	\$ 7,181,501	7,113,134
Realized (losses) gains on sales of securities	(35,266,959)	24,109,636
Net unrealized losses on investments	<u>(118,919,790)</u>	<u>(3,259,044)</u>
	<u>\$ (147,005,248)</u>	<u>27,963,726</u>

During 2008 and 2007, Nemours had a securities lending agreement with an independent third-party on certain securities for the purpose of increasing investment income. Nemours receives lending fees and continues to earn interest and dividends on the loaned securities. When Nemours lends securities, the risk of failure by the borrower to return the loaned securities is alleviated by such loans being continuously collateralized by securities of the borrower. The collateral securities are in an amount equal to 102% and 106% of the market value of the U.S. and non-U.S. loaned securities, respectively, and are held by a third-party safekeeping agent.

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Included in investments are \$13,082,038 and \$43,652,780 of securities pledged to borrowers as of December 31, 2008 and 2007, respectively. The following provides a summary of securities lent and the related collateral as of December 31, 2008 and 2007:

	2008	2007
Market value of securities on loan against cash collateral	\$ 13,057,835	41,852,532
Market value of securities on loan against noncash collateral	24,203	1,800,248
Total market value of securities on loan	\$ 13,082,038	43,652,780
Total cash collateral value	\$ 13,314,559	43,135,455
Total noncash collateral value	25,744	1,839,040
Total collateral value	\$ 13,340,303	44,974,495

During September 2008, Nemours began a staged exit of the securities lending program due to existing market conditions. The collateral deficiency liability of approximately \$410,000 is included with the related liabilities under securities lending transactions in the combined balance sheet as of December 31, 2008.

(5) Long-Term Debt

On January 26, 2005, the Delaware Health Facilities Authority (Delaware Authority) issued \$50,950,000 in tax-exempt, auction rate revenue bonds (Delaware Bonds) pursuant to a bond trust indenture between the Delaware Authority and Nemours. The proceeds of the Delaware Bonds have been used by Nemours to (a) finance the cost of the acquisition and renovation of an office building adjacent to the Hospital campus; (b) finance the cost of the acquisition and installation of equipment to be used in connection with the operation of the Hospital; (c) finance the construction of a parking garage containing approximately 1,500 spaces located on the campus of the Hospital; and (d) pay certain expenses of issuing the Delaware Bonds. The estimated fair value of the outstanding principal of the Delaware Bonds at December 31, 2008 and 2007 was \$47,630,000. The Delaware Bonds mature in various years beginning January 1, 2006 through January 1, 2035. The interest rate at December 31, 2008 and 2007 was 0.80% and 4.25%, respectively.

During 2008, Nemours converted the Delaware Bonds from auction rate revenue bonds to variable rate demand bonds bearing interest in variable rate weekly mode. In conjunction with the conversion, Nemours entered into a standby bond purchase agreement with Bank of America, N.A. (Bank) which will expire on August 27, 2010, unless extended or terminated. Under the terms of the agreement, the Bank has agreed to purchase those bonds, if any, which have been optionally tendered for purchase or that are subject to mandatory tender for purchase but are not remarketed.

On January 26, 2005, the Orange County Health Facilities Authority (Florida Authority) issued \$41,865,000 in tax-exempt, fixed rate bonds (Orange County Bonds) pursuant to a bond trust indenture between the Florida Authority and Nemours. The proceeds of the Orange County Bonds were to be used by Nemours to (a) finance the cost of the acquisition and construction of a children's clinic in Orlando; (b) finance the cost of the acquisition and installation of equipment, fixtures, and furnishings, including information systems and communication equipment of the new clinic; and (c) pay certain costs of issuing the Orange County Bonds.

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On September 14, 2007, Nemours entered into a partial legal defeasance of \$31,315,000 of the Orange County Bonds as a result of obtaining regulatory approval to build a children's hospital in the Lake Nona area rather than the previously agreed-upon location. The remaining bond proceeds of approximately \$31,415,000 along with a deposit from Nemours of approximately \$1,317,000 were placed into a separate irrevocable trust fund to provide for future debt service payments on the defeased debt. Accordingly, the trust account asset and the liability of the partially defeased bonds are not included in the accompanying combined financial statements. Total loss on defeasance during 2007 was \$415,497. On April 30, 2008, Nemours entered into a legal defeasance for the remaining \$8,990,000 outstanding principal of the Orange County Bonds. A deposit of approximately \$9,883,000 was placed in a separate irrevocable trust fund to provide for future debt service payments on the defeased debt. Total loss on defeasance during 2008 was \$520,321.

On October 1, 2007, the Jacksonville Health Facilities Authority (Jacksonville Authority) issued \$24,550,000 in tax-exempt, auction rate revenue bonds (Jacksonville Bonds) pursuant to a bond trust indenture between the Jacksonville Authority and Nemours. The proceeds of the Jacksonville Bonds have been used by Nemours to (1) finance or refinance construction and equipping of a new Home Office for Nemours located in Jacksonville, Florida and (2) pay the expenses incurred in connection with the sale and issuance of the Series 2007 Bonds. The estimated fair value of the outstanding principal of the Jacksonville Bonds at December 31, 2008 and 2007 was \$24,550,000. The Jacksonville Bonds mature in various years beginning January 1, 2009 through January 1, 2037. The auction rate at December 31, 2008 and 2007 was 2.24% and 3.90%, respectively.

On April 24, 2008, the Jacksonville Bonds were converted from a seven-day auction period to a flexible auction period of 272 days. Concurrent with this conversion, Nemours established an Unconditional Tender Offer to pay 100% of the principal amount outstanding plus accrued unpaid interest through January 20, 2009. Effective January 16, 2009, Nemours entered into a \$25,000,000 Revolving Line of Credit Agreement (Revolving Line) with Bank of America to provide liquidity for the redemption of the Jacksonville Bonds on January 20, 2009. On January 20, 2009, the Jacksonville Bonds were tendered and subsequently remarketed on January 21, 2009. Concurrent with the remarketing, an Unconditional Tender Offer to pay 100% of the principal amount outstanding plus accrued unpaid interest through October 20, 2009 was established. In the event the bondholders of the Jacksonville Bonds exercise their right to tender such bonds, the Revolving Line will be utilized by Nemours to provide liquidity. The Revolving Line expires January 15, 2010.

The master trust agreements and related documents for the Delaware, Orange County, and Jacksonville Bonds contain certain covenants and restrictions with which Nemours is required to comply. Noncompliance with any of these covenants or the occurrence of any other event of default, if not waived or corrected, could accelerate the maturity of the borrowings outstanding under the indenture. Management believes that Nemours is in compliance with such covenants at December 31, 2008.

The principal and interest payments for the Delaware and Jacksonville Bonds are unsecured general obligations of Nemours.

On April 17, 2008, Nemours entered into an unsecured promissory note structured as a \$50,000,000 maximum available line of credit agreement with Bank of America, N.A. On June 17, 2008, Nemours was advanced \$35,598,589 to fund the purchase of land for the NCH site in Lake Nona, Florida. The line of

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credit expires January 15, 2010 without renewal. Amounts due on the line of credit were \$35,598,589 at December 31, 2008. The interest rate at December 31, 2008 was 1.53%.

Long-term debt consists of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Delaware Health Facilities Authority Revenue Bonds, The Nemours Foundation Project, Series 2005	\$ 47,630,000	47,630,000
Orange County Health Facilities Authority Revenue Bonds, The Nemours Foundation Project, Series 2005, including unamortized premium of \$0 and \$348,244 at December 31, 2008 and 2007, respectively	—	9,508,244
Jacksonville Health Facilities Authority Revenue Bonds, The Nemours Foundation Project, Series 2007	24,550,000	24,550,000
Line of credit	<u>35,598,589</u>	<u>—</u>
	107,778,589	81,688,244
Less current portion of long-term debt	<u>1,300,000</u>	<u>10,808,244</u>
Long-term debt, less current portion	<u>\$ 106,478,589</u>	<u>70,880,000</u>

Scheduled principal repayments of long-term debt as of December 31, 2008 are as follows:

2009	\$ 1,300,000
2010	37,133,589
2011	1,595,000
2012	1,485,000
2013	1,695,000
Thereafter	<u>64,570,000</u>
	<u>\$ 107,778,589</u>

(6) Construction in Progress

Construction in progress at December 31, 2008 consists primarily of amounts expended for NCH which amounted to approximately \$11,316,000 and amounts spent related to clinical systems integration which amounted to approximately \$2,026,000. The remaining construction in progress represents ongoing remodeling projects at the Hospital and Clinics.

Construction in progress at December 31, 2007 consists primarily of amounts expended for Mansion refurbishment, which amounted to approximately \$27,834,000, costs associated with the planning and construction of the new Home Office, which amounted to approximately \$9,100,000, and amounts spent related to NCH, which amounted to approximately \$2,300,000. The remaining construction in progress represents ongoing remodeling projects at the Hospital and Clinics.

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At December 31, 2008, the remaining commitment on the various ongoing capital projects currently under contract was approximately \$39,294,000 of which \$22,186,000 remains for NCH and \$6,008,000 remains for the Hospital MRI and CT imaging center. The total NCH project costs will approximate \$380 million.

(7) Restricted Net Assets

Edward Ball, in his last will and testament, instructed his personal representatives, who were also directors of Nemours, to transfer all stock in his estate, not otherwise bequeathed in his will, to Nemours at their discretion at any time during the probate of the estate. He further directed his personal representatives to transfer the remainder of the estate to Nemours upon the completion of probate. All of the net assets at December 31, 2008 and 2007 are restricted to the care and treatment of physically handicapped children in Florida and are considered to be temporarily restricted for financial reporting purposes. The following is a summarization of Edward Ball fund activity since inception:

Contributions received	\$ 160,574,729
Net assets released from restrictions	(244,096,864)
Investment earnings	450,530,310
Unrealized losses on investments	(40,309,795)
Grant	<u>(600,000)</u>
Balance at December 31, 2008	<u><u>\$ 326,098,380</u></u>

In addition to the Edward Ball temporarily restricted assets, Nemours has temporarily restricted gifts from other donors, including temporarily restricted investment return on permanently restricted endowments, of \$1,750,079 and \$1,909,442 at December 31, 2008 and 2007, respectively. Net assets were released from donor restrictions by incurring costs satisfying various restricted purposes in the amount of \$14,229,620 and \$11,741,907 in 2008 and 2007, respectively.

The permanently restricted net assets consist of the following as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Mansion	\$ 2,369,746	2,369,746
Robison D. Harley Research Endowment	1,511,729	1,511,729
Alfred I. duPont Foundation Education Endowment	75,000	75,000
Garrett B. Lyons Dental Program Endowment	379,655	—
William E. Proudford Sickle Cell Endowment	<u>25,000</u>	<u>—</u>
	<u><u>\$ 4,361,130</u></u>	<u><u>3,956,475</u></u>

Nemours' endowment consists of four individual funds established for a variety of purposes in addition to the Mansion. The endowments are all donor-restricted and internally controlled. Nemours has no board-designated endowments. As required by relevant accounting literature, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. There are restrictions on the use of the related income of all endowments. As discussed in note 4, Nemours has established investment pools. The endowment investments are a portion of the long-term pool and have a target allocation of approximately 73% equity, 15% fixed income, and 12% real asset investments.

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Nemours classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Nemours in a manner consistent with the donor designations.

(8) Pension Plan

Nemours sponsors a noncontributory defined benefit pension plan (the Plan) which covers substantially all employees. The benefits are based on years of service and the employee's highest compensation for the five consecutive years out of the last 10 years preceding termination. Nemours funds amounts required to meet or exceed minimum ERISA requirements.

The Plan permits early retirement at reduced retirement benefits to participants who have attained age 55 and have completed at least 10 years of credited service. In addition, the Plan allows full retirement without reduced retirement benefits to employees whose attained age plus completed years of credited service equals or exceeds 80.

The Plan provides annual benefits equal to 1.5% of the average annual earnings (represents the average of the employee's highest compensation for five consecutive years out of the last 10 years of service) for the first 10 years of credited service plus 2.0% of the average annual earnings for years of credited service greater than 10 years. Early retirement benefits are the accrued benefits as of the early retirement date reduced by one-half of 1.0% for each full month prior to the participant reaching age 65.

The following are deferred pension costs that have not yet been recognized in periodic pension expense but instead are accrued in unrestricted net assets, as of December 31, 2008. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investing experience. Unrecognized prior service cost is the impact

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of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the average remaining assumed service period for active employees.

	Amounts recognized in unrestricted net assets at December 31, 2008	Amounts in unrestricted net assets to be recognized during the next fiscal year
Net prior service cost	\$ 2,029,024	299,511
Net actuarial loss	122,838,834	7,090,784
Total	<u>\$ 124,867,858</u>	<u>7,390,295</u>

As discussed in note 2(t), Nemours adopted the recognition and disclosure provisions of SFAS 158 on December 31, 2007. The adoption of SFAS 158 requires recognition in the balance sheet of the actuarially determined funded status of defined benefit pension plans and postretirement plans and the recognition in unrestricted net assets of unrecognized gains or losses, prior service costs or credits and transition assets or obligations existing at the time of adoption. The funded status is measured as the difference between the fair value of the Plan's assets and the projected benefit obligation of the Plan.

Upon adoption of SFAS 158, total liabilities increased by approximately \$28,698,000 for the under-funded plan in the combined balance sheets at December 31, 2007. The adoption of SFAS 158 did not affect earnings from operations and will not have any effect on earnings from operations in future periods; however, it did result in a decrease to unrestricted net assets of approximately \$28,698,000. Presented below are the incremental effects of adopting SFAS 158 to the combined balance sheets for the individual line items impacted from this adoption as of December 31, 2007.

	Prior to adopting SFAS 158	Effect of adopting SFAS 158	After adopting SFAS 158
Total liabilities	\$ 264,316,192	28,698,278	293,014,470
Unrestricted net assets	507,321,971	(28,698,278)	478,623,693

Contributions to the Plan amounted to \$18,003,994 and \$16,880,086 during the years ended December 31, 2008 and 2007, respectively, and are included in salaries and benefits in the accompanying combined statements of operations. Management expects to make contributions of approximately \$32,100,000 during the year ended December 31, 2009. The funding decisions are made based on the actuarial studies performed by consulting actuaries as of January 1 and the disclosures are based on a measurement date of December 31.

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The projected benefit obligation is the actuarial present value of that portion of the projected benefits attributable to employee service rendered to date and includes assumptions about future compensation levels. Benefit cost includes the actuarial present value of the portion of the projected benefits attributable to employee service rendered during the year and the interest cost on the benefit obligation.

The accumulated benefit obligation is the actuarial present value of benefits attributable to employee service rendered to date, which does not include assumptions about future compensation levels. The accumulated benefit obligation for the Plan was \$237,594,976 and \$207,572,856 at December 31, 2008 and 2007, respectively.

The benefits expected to be paid out of the Plan in each year for the years ending December 31, 2009 through December 31, 2013 are approximately \$5,412,000, \$6,441,000, \$7,818,000, \$9,621,000, and \$11,128,000, respectively. The aggregate benefits expected to be paid in the five years from 2014 through 2018 are approximately \$77,199,000. The expected benefits to be paid are based on the same assumptions used to measure the benefit obligation at December 31, 2008.

Weighted average assumptions used to determine the benefit obligation at December 31, 2008 and 2007 were as follows:

	2008	2007
Discount rate	6.00%	6.00%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	3.00% – 6.50%	3.00% – 6.50%

Weighted average assumptions used to determine the net periodic pension cost as of December 31, 2008 and 2007 were as follows:

	2008	2007
Discount rate	6.00%	6.00%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	3.00% – 6.50%	3.00% – 6.50%

The assumption for the discount rate and expected long-term rate of return on assets is an estimate based on the current short-term interest rate environment and historical returns for portfolios heavily weighted toward long-term investments, such as long-term bonds and equity securities. The calculation of these pension benefits is dependent on the significant assumptions listed above. Any changes in the significant assumptions can materially affect the calculation.

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The change in projected benefit obligation for the Plan for the years ended December 31, 2008 and 2007 included the following components:

	2008	2007
Projected benefit obligation, beginning of year	\$ 268,531,889	233,793,046
Service cost	23,495,376	21,777,178
Interest cost	15,941,301	13,993,621
Benefit payments	(4,286,584)	(3,624,602)
Actuarial loss	777,238	2,592,646
Projected benefit obligation, end of year	<u>\$ 304,459,220</u>	<u>268,531,889</u>

The actuarially computed net periodic pension cost for the Plan for the years ended December 31, 2008 and 2007 included the following components:

	2008	2007
Service cost – benefits earned during the period	\$ 23,495,376	21,777,178
Interest cost on projected benefit obligation	15,941,301	13,993,621
Expected return on plan assets	(21,743,233)	(19,192,331)
Amortization of actuarial loss and prior service cost	310,550	301,618
Net periodic pension cost	<u>\$ 18,003,994</u>	<u>16,880,086</u>

The change in plan assets for the Plan for the years ended December 31, 2008 and 2007 included the following components:

	2008	2007
Fair value of plan assets at beginning of year	\$ 239,833,611	211,993,016
Employer contributions	18,003,994	16,880,086
Benefit payments	(4,286,584)	(3,624,602)
Administrative expenses	(728,700)	(834,365)
Actual return on plan assets	(73,230,959)	15,419,476
Fair value of plan assets at end of year	<u>\$ 179,591,362</u>	<u>239,833,611</u>

Plan assets for the pension plan consist principally of money market funds, government securities, asset-backed securities, corporate bonds, common stocks, and marketable debt and equity securities, which are managed by professional investment managers in accordance with an investment policy under the supervision of an independent pension investment committee. The plan assets are long-term in nature and are intended to generate returns while preserving capital. The target allocation for investments is approximately 70% equity and 30% fixed income, with a small portion of the assets held as cash to meet participant payment requirements.

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Plan assets, at fair value, consist of the following as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Money market funds	8%	2%
Government securities	12	10
Asset-backed securities	1	1
Corporate bonds	10	13
Common stocks	8	19
Mortgage obligations	1	1
Partnership invested in fixed income securities	10	9
Other	—	1
Hedge funds	11	4
Common and collective trusts	39	40
Total	<u>100%</u>	<u>100%</u>

The following table summarizes the components of the funded status of the Plan as required by SFAS 158 as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Projected benefit obligation	\$ (304,459,220)	(268,531,889)
Fair value of plan assets	<u>179,591,362</u>	<u>239,833,611</u>
Funded status	<u>\$ (124,867,858)</u>	<u>(28,698,278)</u>

(9) Concentrations of Credit Risk

Nemours grants credit without collateral to its patients, most of whom are local patients and are insured under third-party payer agreements. The percentage of receivables from patients and third-party payers at December 31, 2008 and 2007 was as follows:

	<u>2008</u>	<u>2007</u>
Medicaid	34%	38%
Managed care	33	36
Commercial	2	2
Other third-party payers	4	5
Self-pay	27	19
	<u>100%</u>	<u>100%</u>

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(10) Lease Commitments

Nemours leases certain office space and equipment under cancelable and noncancelable operating leases. Rental expense relating to these leases was approximately \$12,485,000 and \$12,282,000 in 2008 and 2007, respectively. Minimum future rentals on existing noncancelable operating leases as of December 31, 2008 are approximately as follows:

Year ending December 31:	
2009	\$ 7,818,000
2010	6,582,000
2011	5,743,000
2012	5,418,000
2013	4,320,000
Thereafter	3,529,000
	<u>\$ 33,410,000</u>

(11) Commitments

Nemours has partnership interests with hedge funds and various venture capital, buyout, growth capital, real estate, energy, and distressed securities funds. Under the terms of the various partnership agreements, Nemours is potentially obligated to contribute approximately an additional \$57,317,000, in the aggregate, to such partnerships as of December 31, 2008.

(12) Functional Expenses

Nemours provides healthcare services to residents within its respective geographic locations and research and educational activities. Expenses in 2008 and 2007 related to providing these services are as follows:

	2008	2007
Healthcare services	\$ 451,126,330	410,917,730
Research	21,176,028	18,713,810
Education	28,634,475	24,289,472
Fund raising	2,080,533	1,859,603
General and administrative	131,602,955	115,154,944
	<u>\$ 634,620,321</u>	<u>570,935,559</u>

Expenses associated with occupying and maintaining the organization's facilities have been allocated to the respective functional area based on the square footage of space occupied by each program and supporting service.

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(13) Fair Value Measurements

SFAS No. 157 defines fair value as the exit price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. SFAS No. 157 requires investments to be grouped into three categories based on certain criteria as noted below:

- Level 1: Fair value is determined by using quoted prices for identical assets or liabilities in active markets.
- Level 2: Fair value is determined by using other than quoted prices that are observable for the asset (e.g., quoted prices for identical assets in inactive markets, quoted prices for similar assets in active markets, observable inputs other than quoted prices, and inputs derived principally from or corroborated by observable market data by correlation or other means).
- Level 3: Fair value is determined by using inputs based on management assumptions that are not directly observable.

The table below summarizes the fair values of Nemours significant financial assets and liabilities as of December 31, 2008:

	December 31, 2008	Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Investments, assets whose use is limited, temporarily and permanently restricted investments	\$ 467,361,110	53,775,378	327,113,918	86,471,814
Collateral received for security lending transactions	13,340,303	13,340,303	—	—
	<u>\$ 480,701,413</u>	<u>67,115,681</u>	<u>327,113,918</u>	<u>86,471,814</u>
Liabilities:				
Liabilities under securities lending transactions	\$ 13,750,794	13,750,794	—	—

Level 1 assets and liabilities include cash, trading investments in marketable equity securities and interest receivable and are valued at the quoted market prices.

Level 2 assets include trading investments in Treasury bills, notes and bonds, asset-backed securities, corporate bonds and notes, marketable equity securities, mortgage obligations, partnerships, and hedge equity funds with fair values modeled by external pricing vendors.

Level 3 assets include foreign marketable securities, foreign treasury bills, notes and bonds, partnerships, and hedge funds.

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The table below summarizes the changes in Level 3 assets for the year ended December 31, 2008:

	Fair value measurements using significant unobservable inputs (Level 3)				
	Foreign marketable securities	Foreign treasury bills, notes and bonds	Partnerships	Hedge funds	Total
Beginning balance	\$ 532,000	7,875,470	39,662,446	9,217,026	57,286,942
Total gains (losses) (realized/ unrealized) included in changes in net assets	132,938	(1,316,650)	(12,263,031)	(9,203,907)	(22,650,650)
Purchases, sales, issuances, and settlements	92,509	(6,554,102)	32,376,297	25,920,818	51,835,522
Ending balance	<u>\$ 757,447</u>	<u>4,718</u>	<u>59,775,712</u>	<u>25,933,937</u>	<u>86,471,814</u>

Realized and unrealized losses for Level 3 assets included in changes in net assets for the year ended December 31, 2008 are reported in investment return as follows:

Total losses included in investment return	\$ <u>(22,650,650)</u>
Change in unrealized losses relating to assets still held at reporting date	\$ <u>(21,346,641)</u>

Estimates of fair values are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could affect the estimates.

(14) Contingencies

(a) Self-Insurance Reserves

Effective February 22, 1993, Nemours established a self-insurance trust fund to provide for losses sustained on general, professional, and patient care liability claims reported and incurred but not reported during the period subsequent to the effective date. The self-insurance trust fund is administered by a trustee and provides for the first layer of coverage of professional and patient care claims for the Hospital, Clinics, and Health Clinic. Professional insurance consultants have been utilized to determine funding requirements for this first layer. The self-insurance trust fund is reported as assets whose use is limited. Nemours has purchased a policy to cover claims occurring prior to but reported subsequent to February 22, 1993.

Excess policy coverage has been purchased for losses exceeding the self-insurance trust fund's retention and for claims occurring prior to February 18, 2002, from an unrelated insurance company. With the establishment of Dornoch, effective February 18, 2002, Nemours' excess policy coverage for losses exceeding the self-insurance trust fund's retention has been secured through Dornoch and other unrelated insurance companies. Nemours funds Dornoch as required by the laws and regulations of the Cayman Islands.

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Notes to Combined Financial Statements

December 31, 2008 and 2007

The estimated reserves for general, professional, and patient care liabilities presented in the accompanying combined financial statements amounted to approximately \$56,990,000 and \$62,095,000 at December 31, 2008 and 2007, respectively. Reserves are estimated using an actuarial study that calculates the estimated liability for self-insured general, professional, and patient care liabilities. This study provides for estimates of losses from reported claims and incidents incurred but not reported at December 31, 2008 and 2007. These estimates are prepared using the discounted method of accounting for these risks and are discounted at a rate of 3% for 2008 and 2007. Estimated reserves on an undiscounted basis were approximately \$62,852,000 and \$68,412,000 at December 31, 2008 and 2007, respectively. Insurance expense for general, professional, and patient care liabilities recognized for the years ended December 31, 2008 and 2007 was approximately \$8,025,000 and \$4,753,000, respectively.

(b) *Litigation*

Nemours is involved in litigation arising from the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without a material adverse effect to Nemours' financial position.

(c) *Conditional Asset Retirement Obligation*

The Hospital has buildings that were constructed with certain asbestos products that, based on regulations, may require special handling and disposal if the Hospital undergoes major renovations. An asset retirement obligation has not been recorded as the fair value cannot be reasonably estimated. No activity requiring special treatment has occurred in the current year and no such activity is currently planned in future periods.

COMBINING INFORMATION

THE NEMOURS FOUNDATION

Combining Schedule – Balance Sheet Information

December 31, 2008

Assets	The Nemours Foundation	Alfred I. duPont Hospital For Children	Nemours Children's Clinics	Nemours Health Clinic	Nemours Health & Prevention Services	Nemours Children's Hospital	Eliminations	Total
Current assets:								
Cash and cash equivalents	\$ 164,847,461	750	11,665	400	—	—	—	164,860,276
Collateral received for securities lending transactions	13,340,303	—	—	—	—	—	—	13,340,303
Accounts receivable, less allowances	(712,480)	44,962,946	23,976,507	19,330	—	—	—	68,246,303
Current portion of assets whose use is limited	1,349,675	1,137,809	—	—	—	—	—	2,487,484
Supplies	—	1,348,105	7,373	—	—	—	—	1,355,478
Due from affiliates	—	22,289,871	8,433,915	—	52,719	—	(30,776,505)	—
Prepaid expenses and other current assets	4,794,449	1,372,010	1,081,924	—	97,845	—	—	7,346,228
Total current assets	183,619,408	71,111,491	33,511,384	19,730	150,564	—	(30,776,505)	257,636,072
Investments	39,128,933	—	—	—	—	—	—	39,128,933
Assets whose use is limited	95,754,761	—	16,000	—	—	—	—	95,770,761
Temporarily restricted assets	328,228,522	—	—	—	—	—	—	328,228,522
Property and equipment:								
Land and land improvements	24,572,867	10,285,156	28,691,404	—	—	38,690,036	—	102,239,463
Buildings and leasehold improvements	41,083,084	240,520,765	33,130,551	1,004,895	2,069,840	—	—	317,809,135
Equipment	74,837,139	150,877,705	29,332,042	920,429	1,413,467	222,611	—	257,603,393
	140,493,090	401,683,626	91,153,997	1,925,324	3,483,307	38,912,647	—	677,651,991
Less accumulated depreciation	(49,657,345)	(207,887,594)	(39,657,405)	(1,681,310)	(1,618,346)	(85,417)	—	(300,587,417)
	90,835,745	193,796,032	51,496,592	244,014	1,864,961	38,827,230	—	377,064,574
Construction in progress	4,479,773	1,971,452	2,541,546	—	2,276	11,315,822	—	20,310,869
	95,315,518	195,767,484	54,038,138	244,014	1,867,237	50,143,052	—	397,375,443
Permanently restricted cash and investments	1,991,384	—	—	—	—	—	—	1,991,384
Inexhaustible assets	3,386,733	—	—	—	—	—	—	3,386,733
Other assets	1,632,384	1,216,861	607,697	—	12,750	—	—	3,469,692
	<u>\$ 749,057,643</u>	<u>268,095,836</u>	<u>88,173,219</u>	<u>263,744</u>	<u>2,030,551</u>	<u>50,143,052</u>	<u>(30,776,505)</u>	<u>1,126,987,540</u>
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 7,383,680	8,809,770	3,359,586	275,942	658,186	5,288,438	—	25,775,602
Accrued compensation and benefits	9,453,593	6,866,410	22,380,394	137,792	447,183	4,971	—	39,290,343
Liabilities under securities lending transactions	13,750,794	—	—	—	—	—	—	13,750,794
Current portion of long-term debt	200,000	1,100,000	—	—	—	—	—	1,300,000
Deferred revenue	2,207,259	122,427	107,767	—	47,199	—	—	2,484,652
Due to affiliates	19,134,448	—	—	—	—	11,642,057	(30,776,505)	—
Total current liabilities	52,129,774	16,898,607	25,847,747	413,734	1,152,568	16,935,466	(30,776,505)	82,601,391
Self-insurance reserves	69,048,996	—	—	—	—	—	—	69,048,996
Long-term debt	24,350,000	46,530,000	—	—	—	35,598,589	—	106,478,589
Liabilities for pension benefits	124,867,858	—	—	—	—	—	—	124,867,858
Total liabilities	270,396,628	63,428,607	25,847,747	413,734	1,152,568	52,534,055	(30,776,505)	382,996,834
Net assets:								
Unrestricted	146,451,426	204,667,229	62,325,472	(149,990)	877,983	(2,391,003)	—	411,781,117
Temporarily restricted	327,848,459	—	—	—	—	—	—	327,848,459
Permanently restricted	4,361,130	—	—	—	—	—	—	4,361,130
Total net assets	478,661,015	204,667,229	62,325,472	(149,990)	877,983	(2,391,003)	—	743,990,706
	<u>\$ 749,057,643</u>	<u>268,095,836</u>	<u>88,173,219</u>	<u>263,744</u>	<u>2,030,551</u>	<u>50,143,052</u>	<u>(30,776,505)</u>	<u>1,126,987,540</u>

See accompanying independent auditors' report.

THE NEMOURS FOUNDATION

Combining Schedule – Balance Sheet Information

December 31, 2007

Assets	The Nemours Foundation	Alfred I. duPont Hospital For Children	Nemours Children's Clinics	Nemours Health Clinic	Nemours Health & Prevention Services	Nemours Children's Hospital	Eliminations	Total
Current assets:								
Cash and cash equivalents	\$ 138,423,413	600	12,150	250	—	—	—	138,436,413
Collateral received for securities lending transactions	44,974,495	—	—	—	—	—	—	44,974,495
Accounts receivable, less allowances	(432,502)	49,590,306	23,003,582	20,229	—	—	—	72,181,615
Current portion of assets whose use is limited	35,207	2,130,452	388,514	—	—	—	—	2,554,173
Supplies	—	1,293,206	9,192	—	—	—	—	1,302,398
Due from affiliates	—	7,908,613	10,087,184	19,543	205,722	1,328,084	(19,549,146)	—
Prepaid expenses and other current assets	6,385,976	1,321,290	1,112,417	—	857,064	113,258	—	9,790,005
Total current assets	189,386,589	62,244,467	34,613,039	40,022	1,062,786	1,441,342	(19,549,146)	269,239,099
Investments	40,649,484	—	—	—	—	—	—	40,649,484
Assets whose use is limited	136,379,347	—	16,000	—	—	—	—	136,395,347
Temporarily restricted assets	487,498,426	—	—	—	—	—	—	487,498,426
Property and equipment:								
Land and land improvements	11,145,989	9,903,406	28,182,054	—	—	—	—	49,231,449
Buildings and leasehold improvements	945,753	234,268,447	27,330,279	1,004,894	2,042,640	—	—	265,592,013
Equipment	58,021,607	133,988,595	26,116,056	906,627	1,284,560	216,189	—	220,533,634
	70,113,349	378,160,448	81,628,389	1,911,521	3,327,200	216,189	—	535,357,096
Less accumulated depreciation	(42,390,599)	(190,348,590)	(36,015,633)	(1,617,662)	(1,233,333)	(56,946)	—	(271,662,763)
	27,722,750	187,811,858	45,612,756	293,859	2,093,867	159,243	—	263,694,333
Construction in progress	44,380,804	5,743,466	5,124,781	25	16,455	2,344,501	—	57,610,032
	72,103,554	193,555,324	50,737,537	293,884	2,110,322	2,503,744	—	321,304,365
Permanently restricted cash and investments	1,586,729	—	—	—	—	—	—	1,586,729
Inexhaustible assets	3,386,733	—	—	—	—	—	—	3,386,733
Other assets	1,399,345	871,436	761,450	—	650	—	—	3,032,881
	\$ 932,390,207	256,671,227	86,128,026	333,906	3,173,758	3,945,086	(19,549,146)	1,263,093,064
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 12,333,283	12,022,879	4,243,254	212,499	259,949	814,385	—	29,886,249
Accrued compensation and benefits	8,020,176	5,799,963	17,526,968	112,492	329,071	3,829	—	31,792,499
Liabilities under securities lending transactions	44,974,495	—	—	—	—	—	—	44,974,495
Current portion of long-term debt	200,000	1,100,000	9,508,244	—	—	—	—	10,808,244
Deferred revenue	2,367,979	85,253	293,733	—	197,005	—	—	2,943,970
Due to affiliates	19,549,146	—	—	—	—	—	(19,549,146)	—
Total current liabilities	87,445,079	19,008,095	31,572,199	324,991	786,025	818,214	(19,549,146)	120,405,457
Self-insurance reserves	73,030,735	—	—	—	—	—	—	73,030,735
Long-term debt	24,350,000	46,530,000	—	—	—	—	—	70,880,000
Liabilities for pension benefits	28,698,278	—	—	—	—	—	—	28,698,278
Total liabilities	213,524,092	65,538,095	31,572,199	324,991	786,025	818,214	(19,549,146)	293,014,470
Net assets:								
Unrestricted	227,411,214	191,133,132	54,555,827	8,915	2,387,733	3,126,872	—	478,623,693
Temporarily restricted	487,498,426	—	—	—	—	—	—	487,498,426
Permanently restricted	3,956,475	—	—	—	—	—	—	3,956,475
Total net assets	718,866,115	191,133,132	54,555,827	8,915	2,387,733	3,126,872	—	970,078,594
	\$ 932,390,207	256,671,227	86,128,026	333,906	3,173,758	3,945,086	(19,549,146)	1,263,093,064

See accompanying independent auditors' report.

THE NEMOURS FOUNDATION

Combining Schedule – Revenue and Expense Information

Year ended December 31, 2008

	The Nemours Foundation	Alfred I. duPont Hospital For Children	Nemours Children's Clinics	Nemours Health Clinic	Nemours Health & Prevention Services	Nemours Children's Hospital	Eliminations	Total
Unrestricted revenues and other support:								
Net patient service revenue	\$ 943,178	285,701,710	208,621,828	613,709	—	—	—	495,880,425
Distribution from the Alfred I. duPont Testamentary Trust	137,820,094	—	—	—	—	—	—	137,820,094
Net assets released from restrictions used for operations	14,229,620	—	—	—	—	—	—	14,229,620
Contributions from The Nemours Foundation	—	—	57,814,485	5,189,119	15,334,694	999,901	(79,338,199)	—
Investment loss	(10,479,674)	—	—	—	—	—	—	(10,479,674)
Contracted services revenue	1,806,008	288,636	7,260,279	—	—	—	—	9,354,923
Grant revenue	8,432,620	317,328	944,535	—	347,844	—	—	10,042,327
Other income, net	7,657,090	3,723,658	10,697,924	944	128,353	—	(14,723,339)	7,484,630
Total revenues and other support	160,408,936	290,031,332	285,339,051	5,803,772	15,810,891	999,901	(94,061,538)	664,332,345
Operating expenses:								
Salaries and benefits	44,712,595	131,484,233	204,000,380	2,718,926	8,402,815	93,668	—	391,412,617
Professional fees	10,509,989	15,367,138	6,904,301	1,701,345	3,650,360	1,001,257	(7,653,954)	31,480,436
Supplies	3,030,879	43,597,332	12,991,734	530,547	499,093	13,070	—	60,662,655
Repairs and maintenance	1,188,086	5,576,560	4,860,218	77,243	151,816	—	—	11,853,923
Purchased services	2,482,576	17,202,928	7,129,558	42,258	813,785	139,394	—	27,810,499
Management fees	—	2,927,431	3,361,316	66,226	195,232	—	(6,550,205)	—
Depreciation	3,811,648	20,568,090	6,661,909	108,419	485,188	28,471	—	31,663,725
Provision for bad debts	(4,993)	5,647,729	15,029,888	—	—	—	—	20,672,624
Rent and lease expense	1,127,742	2,673,183	7,778,254	581,655	843,249	—	(519,180)	12,484,903
Utilities and telephone	882,542	9,330,901	3,917,874	43,625	118,953	—	—	14,293,895
Insurance	236,046	2,085,988	6,581,185	52,341	10,829	—	—	8,966,389
Interest	152,852	1,976,601	140,170	—	—	—	—	2,269,623
Other	3,997,336	4,092,043	5,472,584	39,922	2,205,231	5,241,916	—	21,049,032
Contributions to Nemours Children's Clinics	57,814,485	—	—	—	—	—	(57,814,485)	—
Contributions to Nemours Health & Prevention Services	15,334,694	—	—	—	—	—	(15,334,694)	—
Contributions to Nemours Health Clinic	5,189,119	—	—	—	—	—	(5,189,119)	—
Contributions to Nemours Children's Hospital	999,901	—	—	—	—	—	(999,901)	—
Total operating expenses	151,465,497	262,530,157	284,829,371	5,962,507	17,376,551	6,517,776	(94,061,538)	634,620,321
Operating income (loss)	8,943,439	27,501,175	509,680	(158,735)	(1,565,660)	(5,517,875)	—	29,712,024
Loss on bond defeasance	—	—	(520,321)	—	—	—	—	(520,321)
Pension liability adjustment	(96,169,580)	—	—	—	—	—	—	(96,169,580)
Net asset transfers (to) from affiliates	(207,122)	—	207,122	—	—	—	—	—
Contributions received	135,301	—	—	—	—	—	—	135,301
Contributions from (to) The Nemours Foundation for property acquisitions	6,338,174	(13,967,078)	7,573,164	(170)	55,910	—	—	—
(Decrease) increase in unrestricted net assets	\$ (80,959,788)	13,534,097	7,769,645	(158,905)	(1,509,750)	(5,517,875)	—	(66,842,576)

See accompanying independent auditors' report.

THE NEMOURS FOUNDATION

Combining Schedule – Revenue and Expense Information

Year ended December 31, 2007

	The Nemours Foundation	Alfred I. duPont Hospital For Children	Nemours Children's Clinics	Nemours Health Clinic	Nemours Health & Prevention Services	Nemours Children's Hospital	Eliminations	Total
Unrestricted revenues and other support:								
Net patient service revenue	\$ 1,052,532	260,330,922	190,721,957	476,204	—	—	—	452,581,615
Distribution from the Alfred I. duPont Testamentary Trust	132,419,724	—	—	—	—	—	—	132,419,724
Net assets released from restrictions used for operations	11,741,907	—	—	—	—	—	—	11,741,907
Contributions from The Nemours Foundation	—	—	48,663,820	5,376,427	13,398,374	5,283,766	(72,722,387)	—
Investment return	13,007,265	—	—	—	—	—	—	13,007,265
Contracted services revenue	1,860,364	314,112	7,563,011	—	—	—	—	9,737,487
Grant revenue	7,895,719	171,460	669,732	—	—	—	—	8,736,911
Other income, net	7,339,630	3,488,676	10,616,357	1,534	(12,047)	—	(14,613,186)	6,820,964
Total revenues and other support	175,317,141	264,305,170	258,234,877	5,854,165	13,386,327	5,283,766	(87,335,573)	635,045,873
Operating expenses:								
Salaries and benefits	40,137,302	119,906,316	189,212,250	2,693,543	7,037,455	70,062	—	359,056,928
Professional fees	4,313,249	15,509,863	7,462,029	1,536,335	2,823,522	1,600,755	(7,653,948)	25,591,805
Supplies	2,603,325	36,435,114	10,834,671	572,414	415,401	4,544	—	50,865,469
Repairs and maintenance	1,168,400	4,303,026	4,156,978	115,464	114,221	—	—	9,858,089
Purchased services	2,471,818	14,980,502	5,749,661	32,104	253,555	119,847	—	23,607,487
Management fees	—	2,853,550	3,338,751	66,084	181,673	—	(6,440,058)	—
Depreciation	2,751,662	18,302,836	5,239,912	108,290	531,004	28,451	—	26,962,155
Provision for bad debts	(4,746)	7,273,113	15,636,646	—	—	—	—	22,905,013
Rent and lease expense	1,701,653	1,893,587	7,584,117	600,983	786,430	234,408	(519,180)	12,281,998
Utilities and telephone	749,748	8,736,082	3,440,702	39,832	93,871	—	—	13,060,235
Insurance	212,702	1,453,219	3,978,773	33,380	10,033	—	—	5,688,107
Interest	—	1,797,523	2,250,546	—	—	—	—	4,048,069
Other	3,640,871	4,391,383	5,411,482	63,161	1,143,827	2,359,480	—	17,010,204
Contributions to Nemours Children's Clinics	48,663,820	—	—	—	—	—	(48,663,820)	—
Contributions to Nemours Health & Prevention Services	13,398,374	—	—	—	—	—	(13,398,374)	—
Contributions to Nemours Health Clinic	5,376,427	—	—	—	—	—	(5,376,427)	—
Contributions to Nemours Children's Hospital	5,283,766	—	—	—	—	—	(5,283,766)	—
Total operating expenses	132,468,371	237,836,114	264,296,518	5,861,590	13,390,992	4,417,547	(87,335,573)	570,935,559
Operating income (loss)	42,848,770	26,469,056	(6,061,641)	(7,425)	(4,665)	866,219	—	64,110,314
Loss on bond defeasance	—	—	(415,497)	—	—	—	—	(415,497)
Cumulative effect of the adoption of SFAS 158	(28,698,278)	—	—	—	—	—	—	(28,698,278)
Net asset transfers from (to) affiliates	1,140,145	(1,163,455)	(208,561)	—	58,353	173,518	—	—
Contributions received	122,575	—	—	—	—	—	—	122,575
Contributions from (to) The Nemours Foundation for property acquisitions	(2,697,124)	(15,136,091)	15,509,478	56,563	180,039	2,087,135	—	—
Increase in unrestricted net assets	\$ 12,716,088	10,169,510	8,823,779	49,138	233,727	3,126,872	—	35,119,114

See accompanying independent auditors' report.

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE BOND INDENTURE, THE LOAN AGREEMENT AND THE MASTER INDENTURE

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DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE BOND INDENTURE, THE LOAN AGREEMENT AND THE MASTER INDENTURE

The following is a summary of the definitions and certain provisions of the Bond Indenture, the Loan Agreement and the Master Indenture. This summary is qualified in its entirety by reference to the respective documents and should not be considered a full statement thereof. Copies of the Bond Indenture, the Loan Agreement and the Master Indenture are on file with the Bond Trustee.

DEFINITIONS

“Act” means Chapters 159, Part II, of the Florida Statutes, as amended, as now in effect and as it may from time to time be amended or supplemented.

“Accelerable Instrument” means any Master Note or any mortgage, indenture, loan agreement or other instrument under which there has been issued or incurred, or by which there is secured, any Indebtedness evidenced by any Master Note, which Master Note or instrument provides that, upon the occurrence of an event of default under such Master Note or instrument, the holder thereof may request that the Master Trustee declare such Master Note or Indebtedness due and payable prior to the date on which it would otherwise become due and payable.

“Additional Indebtedness” means Indebtedness incurred by any Member after January 26, 2005.

“Additional Master Notes” means any Master Note issued after January 26, 2005 authorized to be issued by a Member pursuant to the Master Indenture which has been authenticated by the Master Trustee pursuant to Section 204 of the Master Indenture.

“Adjusted Unrestricted Net Assets” means the Unrestricted Net Assets, adding back any reductions for (a) net unrealized losses resulting from periodic valuation of investments and Interest Rate Agreements or similar agreements and (b) any “other temporary” impairments losses recorded pursuant to FAS No. 115, as shall be determined in accordance with GAAP.

“Affiliate” means a corporation, partnership, joint venture, association, business trust or similar entity: (a) which controls or which is controlled, directly or indirectly, by a Member; or (b) a majority of the members of the Governing Body of which are the same as the Governing Body of a Member. For the purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (b) a not for profit corporation not having stock, having the power to elect, approve nominations for election or appoint, directly or indirectly, a majority of the Governing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate, approve nominations for election or elect at least a majority of the members of its Governing Body, by contract or otherwise. For the purposes of this definition, “Governing Body” means with respect to: (a) a corporation having stock, such corporation’s board of directors and the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporation’s directors (both of which groups shall be considered a Governing Body); (b) a not for profit corporation not having stock, such corporation’s members if the members have complete discretion to elect the corporation’s directors, or the corporation’s directors if the corporation’s members do not have such discretion; and (c) any other

entity, its governing board or body. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

“Authority” means the Orange County Health Facilities Authority, a public body corporate and politic of the State of Florida created and existing under the Health Facilities Authorities Law and a “local agency” under and with the power to issue revenue bonds pursuant to the Act, and its successors and assigns.

“Authority Representative” means each of the persons at the time designated to act on behalf of the Authority in a written certificate furnished to Nemours and the Trustee, which certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of the Authority by its Chairman or Vice Chairman.

“Authorized Denomination” means \$5,000 and integral multiples thereof.

“Board” means any of the boards of directors, trustees, governors or the like of any of the Members.

“Bond Counsel” means Foley & Lardner LLP or any other nationally recognized municipal bond counsel acceptable to the Authority and Nemours, as applicable.

“Bond Fund” means the fund by that name established pursuant to Section 4.2 of the Indenture.

“Bondholder,” “Holder” or “owner of the Bonds” means, whenever used with respect to a Bond, the Person in whose name such Bond is registered.

“Bond Indenture” or “Indenture” means that certain Bond Trust Indenture, dated as of October 1, 2009, by and between the Authority and the Trustee, as originally executed and amended from time to time.

“Bond Register” means the registration books of the Authority kept by the Trustee to evidence the registration and transfer of Bonds.

“Bond Registrar” means the Trustee, as keeper of the Bond Register.

“Bonds” means the Orange County Health Facilities Authority Revenue Bonds (The Nemours Foundation Project), Series 2009A, initially authorized to be issued by the Authority pursuant to the terms and conditions of Article II of the Indenture.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday or any other day on which banking institutions in the State or the State of New York or any city in which the Corporate Trust Office of the Trustee is located are authorized by law to close or (b) a day on which the New York Stock Exchange is closed.

“Capitalized Lease” means any lease of real or personal property which, in accordance with GAAP, is required to be capitalized on the balance sheet of the lessee.

“Certificate” or “Request” means a certificate or request, respectively, signed by an Authority Representative or a Nemours Representative, as the case may be. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other

instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“*Code*” means the Internal Revenue Code of 1986, as amended. Each reference to a Section of the Code shall be deemed to include the United States Treasury Regulations, including temporary or proposed regulations relating to such Section which are applicable to the Bonds or the use of the proceeds thereof.

“*Commitment Indebtedness*” means the obligation of any Member to repay amounts disbursed pursuant to a commitment from a financial institution to refinance or purchase when due, when tendered or when required to be purchased (a) other Indebtedness of such Member or (b) Indebtedness of a Person who is not a Member, which Indebtedness is guaranteed by a Guaranty of such Member or secured by or payable from amounts paid on Indebtedness of such Member, and the obligation of any Member to pay interest payable on amounts disbursed for such purposes, plus any fees or expenses payable to such financial institution for, under or in connection with such commitment, in the event of disbursement pursuant to such commitment or in connection with enforcement thereof, including without limitation any penalties payable in the event of such enforcement.

“*Corporate Trust Office*” means the office or offices of the Trustee at which the corporate trust services relating to the Bonds are performed, which on the date of the Indenture is located in Jacksonville, Florida, and as may be designated by the Trustee from time to time.

“*Counsel*” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include independent or in-house legal counsel for the Trustee.

“*County*” means Orange County, a political subdivision of the State.

“*DTC*” means The Depository Trust Company.

“*DTC Participant*” means those broker dealers, banks and other financial institutions reflected on the books of DTC.

“*Encumbered*” means, with respect to Property subject to a Lien described in subsections (b), (d) (including only leases whereunder any Member is lessor entered into in accordance with the disposition of Property provisions of the Master Indenture), (k) (ii) and (r) (ii) of the definition of Permitted Encumbrances and all other Liens not described in the definition of Permitted Encumbrances; provided that any amounts on deposit in a construction fund created in connection with the issuance of any Master Note which are held as security for the payment of such Master Note or any Indebtedness incurred to purchase such Master Note or the proceeds of which are advanced or otherwise made available in connection with the issuance of such Master Note, shall not be deemed to be Encumbered if the amounts are to be applied to construct or otherwise acquire Property which is not subject to a Lien.

“*Escrow Obligations*” means, (i) with respect to any Master Note which secures a series of Related Bonds, the obligations permitted to be used to refund or advance refund such series of Related Bonds under the Related Bond Indenture and (ii) with respect to any other Master Note, those securities identified in the Supplemental Master Indenture pursuant to which such Master Notes were issued, or, in the absence of such identification, direct, noncallable obligations of the United States of America maturing not later than the applicable maturity or redemption date.

“*Expense Fund*” means the fund by that name established pursuant to Section 3.1 of the Indenture.

“Facilities” means all land, leasehold interests and buildings and all fixtures and equipment (as defined in the Uniform Commercial Code or equivalent statute in effect in the state where such fixtures or equipment are located) of a Person.

“Favorable Opinion” means an opinion of Bond Counsel addressed to the Authority and the Trustee to the effect that the action proposed to be taken is authorized or permitted by this Indenture and will not, in and of itself, adversely affect the validity of the Bonds or the exclusion from gross income, for federal income tax purposes, of the interest on the Bonds.

“Fiscal Year” means any 12 month period beginning on January 1 of any calendar year and ending on December 31 of the same calendar year or such other 12 month period selected by the Obligated Group Agent as the fiscal year for the Members.

“Fitch” means Fitch Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency which has been designated by Nemours by notice to the Trustee under the Bond Indenture and notice to the Master Trustee under the Master Indenture.

“GAAP” means generally accepted accounting principles, as in effect from time to time.

“Governing Body” means, with respect to a Member, the board of directors, the board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested.

“Government Obligations” means (a) United States Government Obligations or (b) evidences of a direct ownership in future interest or principal payments on United States Government Obligations, which United States Government Obligations are held in book-entry form on the books of the Department of the Treasury.

“Guaranty” means all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness, dividend or other obligation of any Primary Obligor in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person: (a) to purchase such Indebtedness or obligation or any Property constituting security therefor; (b) to advance or supply funds: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition; (c) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation; or (d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

“Health Facilities Authorities Law” means Chapter 154, Part III, Florida Statutes, as amended, as now in effect and as it may from time to time hereafter be amended or supplemented.

“Indebtedness” means, for any Person, (a) all Guaranties by such Person, (b) all liabilities (exclusive of reserves such as those established for deferred taxes or litigation) recorded or required to be recorded as such on the audited financial statements of such Person as of the end of the then most recent fiscal year for which financial statements reported upon by independent certified public accountants are available, (c) all obligations for the payment of money incurred or assumed by such Person (i) due and payable in all events or (ii) if incurred or assumed primarily to assure the repayment of money borrowed or credit extended, due and payable upon the occurrence of a condition precedent or upon the performance of work, possession of Property as lessee, rendering of services by others or otherwise, and shall include, without limitation, Non-Recourse Indebtedness and (d) Synthetic Lease Obligations;

provided that Indebtedness shall not include (v) any obligation of a Member under an Interest Rate Agreement or any obligation to reimburse a bond insurer, financial institution or other Person which has guaranteed or otherwise assured the performance of the obligations of a Member under an Interest Rate Agreement, (w) indebtedness of one Member to another Member, (x) any Guaranty by any Member of Indebtedness of any other Member, (y) the joint and several liability of any Member on Indebtedness issued by another Member, or (z) liabilities or guaranties of liabilities that do not arise from borrowings, capitalized leases, installment purchases or other functional equivalents of borrowings.

“Indenture” or “Bond Indenture” means that certain Bond Trust Indenture, dated as of October 1, 2009, by and between the Authority and the Trustee, as originally executed and amended from time to time.

“Independent Counsel” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include independent legal counsel for the Authority, Nemours, any other Member, the Trustee or the Master Trustee.

“Interest Payment Date” means January 1 and July 1 of each year, commencing January 1, 2010.

“Interest Rate Agreement” means an interest rate exchange, hedge or similar agreement, expressly identified in an Officer’s Certificate of the Member entering the Interest Rate Agreement or a duly authorized resolution of the Governing Body of the Member entering the Interest Rate Agreement delivered to the Master Trustee as being entered into in order to hedge or manage the interest payable on all or a portion of any Indebtedness, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent. Master Notes of a Member under an Interest Rate Agreement are not Indebtedness for purposes of the Master Indenture.

“Lien” means any mortgage, pledge or lease of, security interest in or lien, charge, restriction or encumbrance on any Property of the Person involved in favor of, or which secures any obligation to, any Person other than any Member and any Capitalized Lease under which any Member is lessee and the lessor is not another Member.

“Loan Agreement” means that certain Loan Agreement dated as of October 1, 2009, by and between the Authority and Nemours relating to the Bonds, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture.

“Loan Default Event” means any of the events specified in the section in this Appendix C entitled *“Loan Agreement—Defaults and Remedies”*.

“Loan Repayments” means the payments required to be made by Nemours pursuant to Section 5.1 of the Loan Agreement.

“Master Indenture” means that certain Master Trust Indenture dated as of January 1, 2005, by and between Nemours and the Master Trustee, as originally executed and as amended from time to time.

“Master Notes” means any direct note obligation issued, authenticated and delivered pursuant to the Master Indenture or any direct note obligation issued in exchange therefor.

“Master Note holder”, “holder” or “owner of the Master Notes” means the registered owner of any fully registered or book entry Master Note unless alternative provision is made in the Supplemental

Master Indenture pursuant to which such Master Note is issued for establishing ownership of such Master Note in which case such alternative provision shall control.

“Master Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association, or its successor, as trustee under the Master Indenture.

“Member,” “Member of the Obligated Group” or *“Obligated Group Member”* means any person that has executed the Master Indenture after designation or substitution as a Member of the Obligated Group pursuant to the terms of the Master Indenture.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, *“Moody’s”* shall be deemed to refer to any other nationally recognized securities rating agency which has been designated by Nemours by notice to the Trustee under the Bond Indenture and notice to the Master Trustee under the Master Indenture.

“Nemours” means The Nemours Foundation, a not for profit corporation duly organized and existing under the laws of the State of Florida, or any entity which is the surviving, resulting or transferee entity in any merger, consolidation or transfer of assets permitted under the Master Indenture.

“Nemours Representative” means, with respect to Nemours or any other Member of the Obligated Group, each of the persons at the time designated to act on behalf of Nemours or other Member of the Obligated Group, as the case may be, in a Certificate furnished to the Authority and the Trustee, which Certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of Nemours or such other Member of the Obligated Group, as the case may be, by its President, any Executive Vice President or other designated officer.

“Net Proceeds” means, when used with respect to any insurance or condemnation award or sale consummated under threat of condemnation, the gross proceeds from the insurance or condemnation award or sale with respect to which that term is used less all expenses (including attorney’s fees, adjuster’s fees and any expenses of the Master Trustee) incurred in the collection of such gross proceeds.

“Net Rentals” means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under a lease or sublease of real or personal Property excluding any amounts required to be paid by the lessee (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Net Rentals for any future period under any so-called “percentage lease” shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period; provided that the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage called for by the terms of such lease.

“Non-Recourse Indebtedness” means any Indebtedness the liability for which is effectively limited to Property, Plant and Equipment and the income therefrom with no recourse, directly or indirectly, to any other Property of any Obligated Group Member.

“Obligated Group” means Nemours and any other Person which has fulfilled the requirements for entry into the Obligated Group set forth in the section in this Appendix C entitled *“Master Indenture—*

Entrance into the Obligated Group” and which has not ceased such status pursuant to the section in this Appendix C entitled “*Master Indenture—Cessation of Status as a Member of the Obligated Group*.”

“*Obligated Group Agent*” means Nemours or such other Member as may be designated from time to time pursuant to written notice to the Master Trustee, each Related Bond Trustee and each Related Issuer executed by the President or Chairman of the Governing Body of Nemours.

“*Officer’s Certificate*” means a written certificate signed, in the case of a certificate delivered by a corporation, by the President, any Vice-President or any other officer authorized to sign by resolution of the Governing Body of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person, in either case whose authority to execute such Certificate shall be evidenced to the satisfaction of the Master Trustee.

“*Opinion of Bond Counsel*” means a written opinion of Bond Counsel in form and substance acceptable to the Trustee and the Authority, which opinion may be based on a ruling or rulings of the Internal Revenue Service.

“*Opinion of Counsel*” means a written opinion of Counsel (who may be counsel for the Authority or Nemours or the Trustee) selected by Nemours, the Authority or the Trustee.

“*Outstanding*” means, in the case of Indebtedness of a Person other than Related Bonds or Master Notes, all such Indebtedness of such Person which has been issued except any such portion thereof cancelled after purchase on the open market or surrendered for cancellation or because of payment at or redemption prior to maturity, any such Indebtedness in lieu of which other Indebtedness has been duly issued and any such Indebtedness which is no longer deemed outstanding under its terms and with respect to which such Person is no longer liable under the terms of such Indebtedness.

“*Outstanding Bonds*” or “*Bonds Outstanding*” means all Bonds which have been duly authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds for the payment or redemption of which cash, Government Obligations or Prerefunded Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in accordance with Article XI of the Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) Bonds in lieu of which others have been authenticated under Sections 2.7 and 2.8 of the Indenture.

“*Outstanding Master Notes*” or “*Master Notes outstanding*” means all Master Notes which have been duly authenticated and delivered by the Master Trustee under the Master Indenture, except:

(a) Master Notes cancelled after purchase in the open market or because of payment at or prepayment or redemption prior to maturity;

(b) (i) Master Notes for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with the Master Trustee (whether upon or prior to the maturity or

redemption date of any such Master Notes); provided that if such Master Notes are to be prepaid or redeemed prior to the maturity thereof, notice of such prepayment or redemption shall have been given or irrevocable arrangements satisfactory to the Master Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Master Trustee shall have been filed with the Master Trustee and (ii) Master Notes securing Related Bonds for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Master Notes); provided that if such Master Notes are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been made therefor, or waiver of notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(c) Master Notes in lieu of which others have been authenticated under the Master Indenture; and

(d) Master Notes held by a Member.

Notwithstanding the foregoing, any Master Note securing Related Bonds shall be deemed outstanding if such Related Bonds are Outstanding.

“Outstanding Related Bonds” or *“Related Bonds outstanding”* means all Related Bonds which have been duly authenticated and delivered by the Related Bond Trustee under the Related Bond Indenture, except:

(a) Related Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Related Bonds for the payment or redemption of which cash or Escrow Obligations of the type described in clause (i) of the definition thereof shall have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in accordance with the Related Bond Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(c) Related Bonds in lieu of which others have been authenticated under the Related Bond Indenture; and

(d) Related Bonds held by a Member.

“Paying Agent” means the Trustee and the bank or banks, if any, designated pursuant to the Indenture to receive and disburse the principal of and interest on the Bonds.

“Permitted Encumbrances” means the Master Indenture and any liens or encumbrances created by it, any Related Loan Document, any Related Bond Indenture and, as of any particular time:

(a) liens arising by reason of good faith deposits with a Member in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or

governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;

(b) any Lien on Property if such Lien equally and ratably secures all of the Master Notes and only the Master Notes;

(c) any Lien or Liens on Property which secure Indebtedness in an aggregate principal amount not exceeding 25% of Adjusted Unrestricted Net Assets of the Obligated Group, tested at the time of the creation of such Lien or Liens;

(d) any Lien on Property if prior to the creation of such Lien Nemours shall have received evidence from each Rating Agency then rating any outstanding Master Notes and/or Related Bonds to the effect that immediately following the creation of such Lien such outstanding Master Notes and/or Related Bonds will be assigned a rating by such Rating Agency in one of the three highest rating categories (currently at least "A3" from Moody's or "A-" from Standard & Poor's or Fitch);

(e) leases which relate to Property of the Obligated Group which is of a type that is customarily the subject of such leases, such as office space for physicians and educational institutions, food service facilities, parking facilities, gift shops and radiology or other hospital-based specialty services, pharmacy and similar departments; leases entered into in accordance with the disposition of Property provisions of the Master Indenture; leases, licenses or similar rights to use Property to which Nemours is a party existing as of the date of the Master Indenture and any renewals and extensions thereof; and any leases, licenses or similar rights to use Property whereunder a Member is lessee, licensee or the equivalent thereof upon fair and reasonable terms no less favorable to the lessee or licensee than would obtain in a comparable arm's-length transaction;

(f) liens for taxes and special assessments which are not then delinquent, or if then delinquent are being contested in accordance with the terms of the Master Indenture;

(g) utility, access and other easements and rights-of-way, restrictions, encumbrances and exceptions which do not materially interfere with or materially impair the operation of the Property affected thereby (or, if such Property is not being then operated, the operation for which it was designed or last modified);

(h) any mechanic's, laborer's, materialman's, supplier's or vendor's Lien or right in respect thereof if payment is not yet due under the contract in question or if such Lien is being contested in accordance with the provisions of the Master Indenture;

(i) such Liens, defects, irregularities of title and encroachments on adjoining property as normally exist with respect to property similar in character to the Property involved and which do not materially adversely affect the value of, or materially impair, the Property affected thereby for the purpose for which it was acquired or is held by the owner thereof, including without limitation statutory liens granted to banks or other financial institutions, which liens have not been specifically granted to secure Indebtedness and which do not apply to Property which has been deposited as part of a plan to secure Indebtedness;

(j) zoning laws and similar restrictions which are not violated by the Property affected thereby;

(k) statutory rights under Section 291, Title 42 of the United States Code, as a result of what are commonly known as Hill-Burton grants, and similar rights under other federal statutes or statutes of the state in which the Property involved is located;

(l) all right, title and interest of the state where the Property involved is located, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way;

(m) liens on or in Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, provided that (i) such Liens consist solely of restrictions on the use thereof or the income therefrom, or (ii) such Liens secure Indebtedness which is not assumed by any Member and such Liens attach solely to the Property including the income therefrom which is the subject of such gift, grant, bequest or devise;

(n) liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which any Member shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall be in existence;

(o) liens on moneys deposited by patients or others with a Member as security for or as prepayment of the cost of patient care or any rights of residents of life care or similar facilities to endowment or similar funds deposited by or on behalf of such residents;

(p) liens on Property due to rights of third party payors for recoupment of excess reimbursement paid;

(q) any security interest in any fund or account from which rebate payments pursuant to Section 148 of the Code are to be made with respect to any series of Related Bonds, any depreciation reserve, debt service or interest reserve, debt service fund or any similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer or the holder of the Indebtedness issued pursuant to such Supplemental Master Indenture, Related Bond Indenture or Related Loan Document or the holder of any related Commitment Indebtedness;

(r) any Lien on any Related Bond or any evidence of Indebtedness of any Member acquired by or on behalf of any Member which secures Commitment Indebtedness and only Commitment Indebtedness;

(s) such Liens, covenants, conditions and restrictions, if any, which do not secure Indebtedness and which are other than those of the type referred to above, which (i) in the case of Property owned by Nemours on the date of execution of the Master Indenture, do not and will not, so far as can reasonably be foreseen, materially adversely affect the value of the Property currently affected thereby or materially impair the same, and (ii) in the case of any other Property, do not materially impair or materially interfere with the operation or usefulness thereof for the purpose for which such Property was acquired or is held by a Member;

(t) liens on accounts receivable arising as a result of sale of such accounts receivable with or without recourse, provided that the principal amount of Indebtedness secured by any such Lien does not exceed the aggregate sales price of such accounts receivable received by the Member selling the same;

(u) any lien on the Property of any Person who becomes a Member of the Obligated Group or who merges with a Member of the Obligated Group, as provided in the Indenture, but only if (i) such lien was created prior to such Person's decision to become a Member of the Obligated Group, (ii) such lien was not created in order to avoid the limitations of the Master Indenture, (iii) such lien is not increased, extended, renewed or modified to apply to such additional Property or Indebtedness (unless otherwise permitted under the Master Indenture), and (iv) no Master Note is given to secure any indebtedness secured by such lien; and

(v) any purchase money security interest in movable personal property.

"Permitted Investments" means, with respect to the Bonds, subject to the Tax Agreement and only to the extent permitted by applicable law:

(i) Government Obligations;

(ii) Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from Government Obligations and receipts, certificates or other similar documents evidencing ownership of future principal or interest payments due on Government Obligations which are held in a custody or trust account by a commercial bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$20,000,000;

(iii) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Federal Home Loan Banks; Federal Home Loan Mortgage Corporation (including participation certificates); Federal National Mortgage Association; Government National Mortgage Association; Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Export-Import Bank of the United States; or Federal Land Banks;

(iv) All other obligations issued or unconditionally guaranteed as to the timely payment of principal and interest by an agency or Person controlled or supervised by and acting as an instrumentality of the United States government pursuant to authority granted by Congress;

(v) (a) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee or any affiliate thereof), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or (b) interest-bearing time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Trustee or any affiliate thereof), provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution whose (or whose parent's) long-term unsecured debt is rated in either of the two highest long term Rating Categories by Moody's or Standard & Poor's, and provided further that with respect to (a) and (b) any such obligations are held by, or are in the name of, the Trustee or a bank, trust company or national banking association (other than the issuer of such obligations);

(vi) Repurchase agreements collateralized by securities described in subparagraphs (i), (ii), (iii) or (iv) above with any financial institution that has an uninsured, unsecured and unguaranteed obligation rated, or is, itself rated, in one of the three highest Rating Categories by Moody's or by Standard & Poor's (including the Trustee or any affiliate of the Trustee), provided that (1) a specific written repurchase agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third

party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25,000,000, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) a perfected first security interest under the Uniform Commercial Code of the State, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. in such securities is created for the benefit of the Trustee, (4) the repurchase agreement has a term of thirty days or less, or provides that the Trustee or its agent will value the collateral securities no less frequently than monthly and the Trustee will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation, and (5) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%;

(vii) Money market accounts rated in one of the three highest long term Rating Categories by Standard & Poor's or Moody's or investment agreements with a financial institution (including the Trustee or any affiliate thereof) whose long term debt (or the long-term debt of such institution's parent company) is rated in either of the two highest long term Rating Categories by Standard & Poor's or Moody's;

(viii) Commercial paper rated in the highest Rating Categories by Moody's or Standard & Poor's;

(ix) Shares of investment companies rated in one of the three highest long term rating categories by Standard & Poor's or Moody's (including any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (b) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates), or cash equivalent investments which are authorized to invest only in assets or securities described in subparagraphs (i), (ii), (iii), (iv) and (vi) above;

(x) Advance-Refunded Municipal Bonds rated in the highest Rating Category by Moody's or Standard & Poor's; and

(xi) Obligations that are exempt from Federal income taxation that are rated in one of the three highest rating categories by Moody's or Standard & Poor's;

(xii) Forward delivery agreements, forward supply contracts, or similar products that provide for the delivery of the securities listed in paragraphs (i), (ii), (iii), (iv), (viii), (x) and (xi) above; and

(xiii) Investment agreements, including guaranteed investment contracts, or corporate notes or bonds (with a maturity of not more than five years) that are obligations or indebtedness, as the case may be, of an entity whose senior long-term debt obligations or claims-paying ability are rated, or guaranteed by an entity whose obligations are rated (at the time the investment is entered into), not lower than AA- or the equivalent thereof by at least two Rating Agencies.

"Permitted Investments" means (i) with respect to a Master Note which secures a series of Related Bonds, the obligations in which the Related Bond Trustee may invest funds under the Related Bond Indenture, (ii) with respect to any Master Notes for which a Supplemental Master Indenture specifies certain permitted investments, the investments so specified, and (iii) with respect to any other

Master Note, such legal and prudent investments as are agreed upon by the Obligated Group Agent and the Master Trustee.

“*Person*” means any natural person, firm, joint venture, association, partnership, business trust, corporation, limited liability company, public body, agency or political subdivision thereof or any other similar entity.

“*Prerefunded Obligations*” means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are (a) not callable prior to maturity or (b) as to which irrevocable instructions have been given to the fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or Government Obligations which are secured as set forth in the section in this Appendix C entitled “*Bond Indenture—Defeasance*” which fund may be applied only to the payment of such principal of, redemption premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, (3) as to which the principal of and interest on the Government Obligations deposited in such fund with any cash on deposit in such fund, are sufficient, as verified by an independent certified public accountant, to pay principal of, redemption premium, if any, and interest on the bonds or other obligations on the maturity date or dates which are rated in the highest Rating Category by at least two Rating Agencies.

“*Primary Obligor*” means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

“*Principal Payment Date*” means each date on which principal of the Bonds is required to be paid (whether by reason of maturity, redemption or acceleration).

“*Project*” has the meaning ascribed thereto in the section entitled “THE PROJECT” in this Official Statement.

“*Project Fund*” means the fund by that name created in Section 3.2 of the Indenture.

“*Property*” means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible or intangible (including cash), wherever situated and whether now owned or hereafter acquired.

“*Property, Plant and Equipment*” means all Property of each Member which is classified as property, plant and equipment under GAAP.

“*Qualifying Master Note Holder*” means any Related Issuer or the holder or holders of 10% or more in aggregate principal amount of the outstanding Master Notes of any series.

“*Rating Agency*” means Moody’s, Fitch or Standard & Poor’s and their respective successors and assigns and any other Person now or hereafter created meeting the criteria established by the Securities and Exchange Commission as a “rating agency.”

“*Rating Category*” means one of the general rating categories of any Rating Agency, without regard to any refinement or gradation of such Rating Category by a numerical modifier or otherwise.

“*Rebate Fund*” means the fund by that name created in Section 4.4 of the Indenture.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) day of the calendar month immediately preceding such Interest Payment Date.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion thereof) payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

“Related Bonds” means any revenue bonds or similar obligations issued by any state of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or otherwise made available to any Member in consideration, whether in whole or in part, of the execution, authentication and delivery of any Master Note or Master Notes to such governmental issuer.

“Related Bond Indenture” means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

“Related Bond Trustee” means any trustee under any Related Bond Indenture and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Indenture, the Related Issuer.

“Related Issuer” means any issuer of a series of Related Bonds.

“Related Loan Document” means any document or documents (including without limitation any lease, sublease or installment sales contract) pursuant to which any proceeds of any Related Bonds are advanced to any Member (or any Property financed or refinanced with such proceeds is leased, subleased or sold to a Member).

“Representation Letter” means Blanket Issuer Letter of Representations, dated June 24, 1999, from the Authority accepted by DTC.

“Request” means with reference to the Authority, a request in writing signed by the Chairperson or Vice Chairperson of the Authority and with reference to Nemours or any other Member of the Obligated Group, a request in writing signed by the President or Vice President of Nemours or such Member of the Obligated Group, as the case may be, or any other officers designated by the Authority or Nemours or such other Member of the Obligated Group, as the case may be.

“Series 2009-1 Master Note” means The Nemours Foundation Series 2009-1 Master Note, dated as of October 15, 2009, issued under the Master Indenture and the Supplemental Indenture for Series 2009 Master Notes, evidencing Nemours’ obligation to make payments sufficient to pay the principal of and interest on the Bonds.

“Short-Term”, when used in connection with Indebtedness, means having an original maturity less than or equal to one year and not renewable at the option of the debtor for a term greater than one year beyond the date of original issuance.

“Standard & Poor’s” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency which has been designated by Nemours by notice to the Trustee under the Bond Indenture and the Master Trustee under the Master Indenture.

“*State*” means the State of Florida.

“*Supplemental Indenture for Series 2009 Master Notes*” means the Fourth Supplemental Master Trust Indenture dated as of October 1, 2009, by and between Nemours and the Master Trustee, pursuant to which the Series 2009-1 Master Note is issued.

“*Supplemental Master Indenture*” means an indenture amending or supplementing the Master Indenture entered into pursuant to the terms of Article VII of the Master Indenture.

“*Synthetic Lease Obligation*” means any arrangement in which (a) a lessor, which (i) is under common or overlapping ownership or control with any Member of the Obligated Group, or (ii) has a contingent residual guarantee within the meaning of GAAP from any Member of the Obligated Group or its Affiliate, leases either newly constructed or existing real property to a Member of the Obligated Group or its Affiliate, (b) such lease is recognized as an operating lease under GAAP, and (c) the assets being leased are not recorded, after the completion of the transaction, on the balance sheet of any Member of the Obligated Group or any of its subsidiaries or any of its Affiliates and the lease supports or secures indebtedness used to acquire or finance the leased asset.

“*Tax Agreement*” means the Tax Regulatory Agreement dated the date of delivery of the Bonds, concerning certain matters pertaining to the use and investment of proceeds of the Bonds, by and among Nemours, the Trustee and the Authority, including any and all exhibits attached thereto, as originally executed and as it may be amended or supplemented from time to time in accordance with its terms.

“*Tax-Exempt Organization*” means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxes under Section 501(a) of the Code and which is not a “private foundation” within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

“*Term Bond Payment*” means, with respect to Term Bonds of any maturity, the amount required by the Indenture to be paid by the Authority on any single date for the retirement of Bonds of such maturity pursuant to the section of this Official Statement entitled “THE SERIES 2009A BONDS—Redemption; *Term Bond Redemption*”.

“*Term Bonds*” means the Bonds payable at or before their specified maturity date or dates from Term Bond Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., a national banking association, or any successor trustee under the Indenture.

“*Unassigned Rights*” means the rights of the Authority described in paragraphs (a) – (f) of Section 5.5 of the Loan Agreement.

“*Underwriter*” means Morgan Stanley & Co. Incorporated, as the original purchaser of the Bonds, and its successors and assigns.

“*United States Government Obligations*” means direct obligations of, or obligations the full and timely payment of the principal of and interest on which are fully guaranteed by, the United States of America.

Bond Indenture

Bonds are Limited Obligations. The principal of, premium, if any, and interest on the Bonds are not general obligations of the Authority but are limited obligations of the Authority payable solely from (i) all right, title and interest of the Authority in and to the Series 2009-1 Master Note and all sums payable in respect of the indebtedness evidenced thereby; (ii) all right, title and interest of the Authority in and to the Loan Agreement and the amounts payable to the Authority under the Loan Agreement (excluding the Unassigned Rights); (iii) all right, title and interest of the Authority in and to all moneys and securities held by the Trustee from time to time under the Indenture, other than moneys held in the Rebate Fund; and (iv) any and all other property of every kind and nature from time to time, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security under the Indenture by the Authority, Nemours, any other Members of the Obligated Group or by anyone on their behalf to the Trustee, including without limitation funds of Nemours or any other Member of the Obligated Group held by the Trustee in any of the funds established under the Indenture as security for the Bonds; there is however, expressly excepted and excluded from the oien and operation of the Indenture amounts held by the Trustee in the Rebate Fund (collectively, the “Trust Estate”).

Bonds Not a Liability of the State of Florida or Any Political Subdivision Thereof. In accordance with the Health Facilities Authority Law and the Act, the Bonds and all obligations of the Authority under the Indenture and the transactions contemplated thereby are limited obligations of the Authority payable solely from the trust estate pledged therefor in accordance with the Indenture. The Bonds and all other obligations of the Authority under the Indenture and the transactions contemplated thereby shall not constitute an indebtedness of the Authority, the County, the State or any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation. The Bonds and all other obligations of the Authority under the Indenture and the transactions contemplated thereby shall not be a charge against the general credit or taxing powers of the Authority, the County, the State or any political subdivision thereof. The Bonds and all other obligations of the Authority under the Indenture and the transactions contemplated thereby shall not give rise to a pecuniary liability of the Authority, the County, the State or any political subdivision thereof.

Application of Bond Proceeds. There shall be deposited with the Trustee all of the proceeds (net of original issue discount or premium, if any, and Underwriter’s discount) from the sale of the Bonds, together with any moneys deposited by Nemours. The Trustee shall dispose of such moneys approximately as set forth in the forepart of this Official Statement under “ESTIMATED SOURCES AND USES OF FUNDS.”

Establishment and Application of Bond Fund. Pursuant to the provisions of the Loan Agreement, Nemours will remit Loan Repayments directly to the Trustee for the account of the Issuer and deposited into the Bond Fund created pursuant to the Indenture. Such Loan Repayments, sufficient in an amount to insure the prompt payment of the principal of and interest on the Bonds, are assigned to such payment. The Authority shall have no interest in the moneys or Permitted Investments in the Bond Fund.

The Indenture provides that upon receipt of the Loan Repayments by Nemours, and after payment of any fees due the Trustee, there shall be deposited by the Trustee into the Bond Fund as follows:

(a) Into the Interest Payment Account, not less than the amount necessary, together with the moneys on deposit in the Interest Payment Account and available for that purpose on that date, to pay in full the interest due on the Bonds on the next succeeding Interest Payment Date.

(b) Into the Principal Payment Account, not less than the amount necessary to pay in full the principal of the Bonds that will become due and payable on the next succeeding Principal Payment Date

(whether by payment at stated maturity or by a Term Bond Payment); less (1) each case, the moneys on deposit in the Principal Payment Account and available for that purpose on that date, and (2) in the case of redemption of a Term Bond pursuant to the Term Bond Payment requirements described in Section 5.1(b) of the Indenture the amount, if any, of credit described in this paragraph; provided that, in lieu of a Term Bond Payment the Trustee may, at the written request of Nemours, purchase an equal principal amount of Bonds with the same Principal Payment Date in the open market at prices not exceeding the principal amount of the Bonds being purchased plus accrued interest. In addition, the amount of Bonds to be redeemed on any Principal Payment Date shall be reduced by the principal amount of Bonds with the same Principal Payment Date, which are acquired by Nemours and delivered to the Trustee for cancellation. The principal amount of any Bonds so purchased or redeemed shall satisfy and be credited against the unsatisfied balance of Term Bond Payments in the order determined by Nemours.

(c) Into the Redemption Account, (i) moneys received by the Trustee pursuant to an optional prepayment of any installment of principal by Nemours under the Loan Agreement or moneys transferred from the Project Fund to the Redemption Account pursuant to Section 3.2 of the Indenture, in either case accompanied by a Certificate of Nemours stating that such moneys are to be applied to redeem Bonds by optional redemption pursuant to the provisions set forth in Section 5.1(a) or Section 5.1(c) of the Indenture specifying the amount, series, maturities, if applicable, of the Bonds to be redeemed or (ii) moneys received by the Trustee accompanied by a Certificate of Nemours stating that such moneys are to be applied to redeem Bonds in accordance with Section 5.1(a) of the Indenture and specifying the amount, the Series and maturities, if applicable, of Bonds to be redeemed, the amount to be applied pursuant to either clause shall be credited to the Redemption Account and applied promptly by the Trustee to retire Bonds by purchase, redemption or both purchase and redemption in accordance with Nemours' directions. Any such purchase shall be made at the best price obtainable with reasonable diligence and no Bond shall be so purchased at a cost or price (including brokerage fees or commissions or other charges) which exceeds the redemption price at which such Bond could be redeemed on the date of purchase or on the next succeeding date upon which such Bond is subject to redemption plus accrued interest to the date of purchase. Any such redemption shall be of Bonds then subject to redemption at the redemption price then applicable for redemption of such Bonds. Any balance remaining in the Redemption Account after the purchase or redemption of Bonds in accordance with Nemours' directions shall be transferred to the Interest Payment Account.

If by 5:00 p.m. New York City time on the Business Day immediately preceding any Interest Payment Date, there is not enough money in the Bond Fund to make the payments of principal and interest due and payable on the Bonds on such date, then the Trustee agrees to notify Nemours of the difference of the amounts then held in the Principal Payment Account and the Interest Payment Account and the amounts due and payable on the immediately succeeding Interest Payment Date.

Upon the refunding or providing for payment of less than all Bonds so that the Bonds refunded or provided for are no longer outstanding, amounts in the Bond Fund which would have been applied to payments on the Bonds refunded or provided for shall upon Nemours' written directions be released for application in accordance with those directions.

For the purposes of transferring to any other Paying Agents moneys which are necessary to pay the principal of and interest on the Bonds on or before the date when they become due and payable, the Trustee shall withdraw from the Bond Fund moneys which are available for the purpose of paying, and which are sufficient to pay, principal of and interest on the Bonds as and when they become due and payable (whether at stated maturity or by redemption).

In addition to the deposits to be made in the Bond Fund as contemplated otherwise in the Indenture, there shall be deposited into the Bond Fund, as and when received, all moneys received by the

Trustee which are to be deposited in the Bond Fund under the Agreement, or any other instrument or document. Amounts so deposited in the Bond Fund shall be applied by the Trustee on the next Interest Payment Date to pay principal of and interest on the Bonds.

Rebate Fund. (a) Under the Indenture, the Trustee shall establish and maintain a fund separate from any other fund established and maintained thereunder designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as are specified by the Tax Agreement. Subject to the transfer provisions provided in paragraph (E) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Agreement), for payment to the federal government of the United States of America, and neither the Authority nor Nemours nor the Holder of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section, by Section 6.8 of the Indenture and by the Tax Agreement (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of Nemours including supplying all necessary information in the manner provided in the Tax Agreement to the extent such information is reasonably available to the Trustee, and shall have no liability or responsibility to monitor or enforce compliance by Nemours or the Authority with the terms of the Tax Agreement.

(b) Upon Nemours' written direction, an amount shall be deposited to the Rebate Fund by the Trustee from deposits by Nemours if and to the extent required, so that the balance of the Rebate Fund after such deposit shall equal the Rebate Amount. Computations of the Rebate Amount shall be furnished by or on behalf of Nemours in accordance with the Tax Agreement.

(c) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the Rebate Fund or from other moneys provided to it by Nemours.

(d) The Trustee shall invest all amounts held in the Rebate Fund in Permitted Investments as directed in writing by Nemours in one or more Requests of Nemours, subject to the restrictions set forth in the Tax Agreement. The Trustee shall not be liable for any consequence arising from such investment. Money shall not be transferred from the Rebate Fund except as provided in paragraph (E) below.

(e) Upon receipt of Nemours' written directions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if Nemours so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by Nemours' written direction. Any amounts remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Amount, or provision having been made therefor satisfactory to the Trustee, shall be withdrawn and remitted to Nemours.

(f) Notwithstanding any other provision of this Bond Indenture, including in particular Article X hereof, the obligation to remit the Rebate Amounts to the United States and to comply with all other requirements of this Section, Section 6.8 of the Indenture and the Tax Agreement shall survive the defeasance or payment in full of the Bonds.

Investment of Moneys in Funds and Accounts. Moneys in the Bond Fund, Project Fund, Expense Fund and Rebate Fund shall be invested in Permitted Investments upon a Request of Nemours filed with the Trustee; provided, however, that moneys held in the Redemption Account shall only be invested in United States Government Obligations with a term not exceeding the earlier of 30 days from the date of investment of such moneys or the date such moneys are anticipated to be required. Such investments

shall be made so as to mature on or prior to the date or dates that moneys therefrom are anticipated to be required. The Trustee, when authorized by Nemours, may trade with itself, its affiliates and subsidiaries in the purchase and sale of securities for such investments. In no case shall Nemours direct any investment to be made otherwise than in accordance with the investment limitations contained in the Indenture and in the Tax Agreement. The Trustee shall not be liable or responsible for any loss resulting from any such investments and may charge its ordinary and customary fees for such trades, including cash sweep account fees. Any purchase or sale of securities may be accomplished through the Trustee's bond department.

The Trustee may conclusively rely upon Nemours' written instructions as to both the suitability and legality of the directed investments. Ratings of investments shall be determined at the time of purchase of such investments and without regard to ratings subcategories. The Trustee shall have no responsibility to monitor the ratings of investments after the initial purchase of such investments. To the extent that the Trustee has not received a Request from Nemours regarding investment of moneys, the Trustee shall, until such written directions are received, invest such moneys pursuant to standing written instructions delivered to the Trustee by Nemours upon the original issuance of the Bonds, as such written instructions may be amended from time to time; provided however, if no such written standing instructions are received by the Trustee upon the original issuance of the Bonds, then the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested in Permitted Investments.

All income received from the investment of moneys in the Bond Fund, Expense Fund and Rebate Fund shall be retained in such fund. All income in excess of the requirements of the funds specified in the preceding paragraph derived from the investment of moneys on deposit in any such funds shall be deposited in the following funds, in the order listed:

- (i) the Interest Payment Account and the Principal Payment Account (in that order) to the extent, with respect to the Interest Payment Account, of the amount required to be deposited in the Interest Payment Account to be necessary to make the estimated interest payments on the Bonds occurring within one year of the date of deposit, and to the extent, with respect to the Principal Payment Account, of the amount required to be deposited in the Principal Payment Account to make the next required principal payment on the Bonds occurring within one year of the date of deposit; and
- (ii) the balance, if any, in the Redemption Account.

Release and Substitution of Series 2009-1 Master Note. The Indenture provides that the Trustee shall, unless objected to in writing by the Authority within 20 days of receipt of the notice from the Master Trustee hereinafter described, surrender the Series 2009-1 Master Note to the Master Trustee upon presentation to the Trustee of the following:

- (a) an original replacement note or similar obligation issued by Nemours (the "Substitute Note") under and pursuant to and secured by a master trust indenture (the "Replacement Master Indenture") executed by Nemours, all other Members of the Obligated Group under the Master Indenture and certain other parties named therein (collectively, the "New Group") and an independent corporate trustee (the "New Trustee") meeting the eligibility requirements of the Master Trustee as set forth in Article VI of the Master Indenture, which Substitute Note has been duly authenticated by the New Trustee;
- (b) an opinion of Independent Counsel addressed to the Trustee and the Authority (in form and substance acceptable to the Trustee and the Authority) to the effect that the Replacement Master

Indenture and the Substitute Note each contain terms, covenants, representations and provisions, including without limitation provisions relating to security, identical to the Master Indenture and the Series 2009-1 Master Note, respectively, except for (i) such non-substantive differences as are acceptable to the Trustee and (ii) such other differences as the Trustee shall determine grant to or confer upon the New Trustee for the benefit of the holders of the notes issued under the Replacement Master Indenture any additional rights, remedies, powers or authority or add to the covenants of the New Group for the benefit of such holders (1) provided that in making any determination related to the release and substitution of the Series 2009-1 Master Note, the Trustee shall be entitled to the protections, exculpations and indemnifications of the Indenture and may rely on the opinion of Independent Counsel, (including without limitation the provisions of Article VII of the Indenture); (2) the Replacement Master Indenture has been duly authorized, executed and delivered by each member of the New Group, the Substitute Note has been duly authorized, executed and delivered by Nemours and the Replacement Master Indenture and the Substitute Note is a legal, valid and binding obligation of each member of the New Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity; (3) all requirements and conditions to the issuance of the Substitute Note set forth in the Replacement Master Indenture have been complied with and satisfied, including the perfection of any security interest created thereunder; and (4) registration of the Substitute Note under the Securities Act of 1933, as amended, is not required;

(c) evidence from each Rating Agency then rating the Bonds to the effect that the surrender of the Series 2009-1 Master Note and the acceptance by the Trustee of the Substitute Note will not result in a reduction or withdrawal of its rating then assigned to the Bonds;

(d) an Opinion of Bond Counsel that the surrender of the Series 2009-1 Master Note and the acceptance by the Trustee of the Substitute Note will not adversely affect the validity of the Bonds or any exemption for the purposes of federal income taxation to which interest on the Bonds would otherwise be entitled;

(e) an original executed counterpart of the Replacement Master Indenture; and

(f) such other opinions and certificates as the Trustee may reasonably require, together with such reasonable indemnities as the Trustee may request, which indemnities shall include the Authority as an indemnified party.

The Trustee shall give prompt written notice to the Authority of a request to surrender the Series 2009-1 Master Note.

Arbitrage; Compliance with Tax Agreement. The Trustee covenants and agrees in the Indenture that it will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds issued under this Indenture (regardless of the source thereof and whether or not held under this Indenture) or with respect to the payments derived from the Series 2009-2 Master Note or the Loan Agreement or any other moneys regardless of source or where held which may, notwithstanding compliance with the other provisions of this Indenture, Loan Agreement and the Tax Agreement, to its actual knowledge, result in causing the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code; provided, however, that the Trustee shall be fully protected and shall not be liable under this Section so long as it acts in good faith in reliance upon the written direction of Nemours. The Authority and the Trustee each covenant and agree in the Indenture that, at the sole expense of Nemours, it will comply with and take all actions required of it by the Tax Agreement, provided however, that the Authority and the Trustee shall be fully protected and shall not be liable so long as each acts in good faith in reliance upon the written direction of Nemours with respect to actions required of it in the Tax

Agreement and the Authority is furnished with satisfactory indemnity from Nemours for liability and expenses associated therewith.

Events of Default and Remedies. Each of the following events is declared an “event of default” under the Indenture:

(a) payment of any installment of interest on any of the Bonds shall not be made when the same shall become due and payable; or

(b) payment of the principal of or the redemption premiums, if any, on any of the Bonds shall not be made when the same shall become due and payable, either at maturity, by proceedings for redemption or through failure to make any payment to any Fund under the Indenture or otherwise; or

(c) the Authority shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or

(d) any event of default as defined in the section in this Appendix C entitled “*Loan Agreement—Defaults and Remedies*” or in the section in this Appendix C entitled “*Master Indenture—Defaults and Remedies*” shall occur and such event of default shall be continuing; or

(e) the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds, the Tax Agreement or in the Indenture or in any indenture supplemental hereto on the part of the Authority to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority, Members of the Obligated Group and Nemours by the Trustee; provided, that, if such default cannot with due diligence and dispatch be wholly cured within thirty (30) days but can be wholly cured, the failure of the Authority to remedy such default within such 30-day period shall not constitute a default under the Indenture if the Authority shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch.

Upon the happening of any event of default specified in paragraphs (c) through (e) above and the continuance of the same for the period, if any, specified in said paragraphs, the Trustee may, but without any action on the part of the Bondholders, and upon the happening of any event of default specified in paragraph (a), or (b) above, or upon the happening and continuance of any other event of default and the written request of the holders of not less than 25% in principal amount of the Bonds then outstanding under the Indenture exclusive of Bonds then owned by the Authority or any Member of the Obligated Group, and upon being indemnified to its satisfaction, the Trustee shall, by notice in writing delivered to the Authority, each member of the Obligated Group and the Master Trustee, declare the entire principal amount of the Bonds then outstanding under the Indenture and the interest accrued thereon, immediately due and payable, and the entire principal and interest shall thereupon become and be immediately due and payable, subject, however, to the provisions of the Indenture with respect to waivers of events of default.

The Trustee shall give notice thereof by first class mail, postage prepaid, to all owners of outstanding Bonds; provided, however, that the giving of such notice shall not be considered a precondition to the Trustee declaring the entire principal amount of the Bonds then outstanding and the interest accrued thereon immediately due and payable. The Bonds shall cease to accrue interest on the date of acceleration if they are paid on such date.

Upon the occurrence of any event of default under the Indenture, the Trustee may take whatever action at law or in equity it deems necessary or desirable (i) to collect any amounts then due under the Indenture, the Bonds, the Master Indenture or the Series 2009-1 Master Note, (ii) to enforce performance of any obligation, agreement or covenant of the Authority under the Indenture and the Bonds, the obligations of Nemours under the Series 2009-1 Master Note, or the Loan Agreement, the obligations of the Members under the Master Indenture, of a guarantor under any guaranty given with respect to any Bond or the Series 2009-1 Master Note or of the grantor of any other collateral given to secure the payment of the Bonds or the Series 2009-1 Master Note or (iii) to otherwise enforce any of its rights.

If an event of default under the Indenture shall have occurred, and if it shall have been requested so to do by the holders of twenty-five percent (25%) in aggregate principal amount of the Bonds outstanding, and if it shall have been indemnified as provided in 8.1 of the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this section as the Trustee shall deem most expedient in the interests of the holders of the Bonds; provided, however, that the Trustee shall have the right to decline to comply with any such request if the Trustee shall be advised by counsel (who may be its own counsel) that (i) the action so requested may not lawfully be taken or (ii) such action would be unjustly prejudicial to the holders of the Bonds not parties to such request or would subject the Trustee to personal liability.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the holders of the Bonds) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the holders of the Bonds under the Indenture now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default, under the Indenture, whether by the Trustee, the holders of the Bonds, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Successor Trustee. The Trustee may resign at any time in accordance with the terms of the Indenture. The Trustee also may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee, the Authority and Nemours, and signed by the registered owners of not less than a majority in aggregate principal amount of the Bonds then outstanding. So long as no event of default has occurred and is continuing under the Indenture and no event shall have occurred which with the passage of time or the giving of notice or both would become such an event of default under the Indenture, the Trustee may be removed for any reason at any time by Request of the Authority, with the written consent of Nemours, and delivered to the Trustee. The foregoing notwithstanding, the Trustee may not be removed by the Authority unless written notice of the delivery of such instrument or instruments signed by the Authority is mailed to the owners of all Bonds outstanding under the Indenture, which notice indicates the Trustee will be removed and replaced by the successor trustee named in such notice, such removal and replacement to become effective on the 90th day next succeeding the date of such notice, unless the owners of not less than 10% in aggregate principal amount of such Bonds then outstanding under the Indenture object to such succession. Any successor trustee shall be a commercial bank or trust company organized under the laws of the United States of America or any state thereof, authorized to exercise corporate trust powers, and having a reported capital and surplus of not less than \$50,000,000 or assets under administration of not less than \$200,000,000.

Supplemental Indentures Not Requiring Consent of Bondholders; Release and Substitution of Series 2009-1 Master Note. The Authority and the Trustee may, without the consent of, or notice to, any of the Bondholders, enter into an indenture or indentures supplemental to the Indenture, as shall not be inconsistent with the terms and provisions thereof, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in the Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders and the Trustee, or either of them;
- (c) to assign and pledge under the Indenture additional revenues, properties or collateral;
- (d) to evidence the appointment of a separate Trustee or the succession of a new trustee under the Indenture;
- (e) to modify, amend or supplement the Indenture or any indenture supplemental hereto in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America;
- (f) to modify, amend or supplement the Indenture or any indenture supplemental hereto in such manner as to permit the issuance of coupon Bonds of any series under the Indenture and to permit the exchange of Bonds from fully registered form to coupon form and vice versa;
- (g) to provide for the refunding or advance refunding of the Bonds, including the right to establish and administer an escrow fund and to take related action in connection therewith;
- (h) to modify, amend or supplement the Indenture or any indenture supplemental hereto in such manner as to permit certificated Bonds;
- (i) to modify, amend or supplement the Indenture or any indenture supplemental hereto in such manner as to permit continued compliance with the Tax Agreement;
- (j) to modify, amend or supplement the provisions of the Indenture in any other way which does not materially adversely affect the rights or interests of any Bondholder.

The Authority and the Trustee may not enter into an indenture or indentures supplemental to the Indenture pursuant to subsection (f) above unless the Authority and the Trustee shall have received an Opinion of Bond Counsel to the effect that the issuance of coupon Bonds will not adversely affect the validity of such Bonds or any exemption from federal income tax to which the interest on the Bonds would otherwise be entitled.

If at any time the Authority requests the Trustee to consent to any amendment pursuant to subsection (i) above, the Trustee shall cause notice of the proposed execution of such amendment, change or modification to the Indenture to be given to each Rating Agency then maintaining a rating on the Bonds by first class mail, postage prepaid, at least 15 days prior to the execution of such amendment, change or modification to the Indenture, which notice shall include a copy of the proposed amendment, change or modification. In addition, if at any time the Authority requests the Trustee to consent to any amendment pursuant to this section, the Trustee shall cause a copy of such amendment, change or modification to be mailed to each Rating Agency then maintaining a rating on the Bonds upon the

execution and delivery of such amendment, change or modification, and the Trustee shall be entitled to receive a Favorable Opinion with respect to such amendment, change or modification.

The Authority and the Trustee may also, without the consent of or notice to the owners of the Bonds, enter into an indenture or indentures supplemental to the Indenture in order to permit the delivery of substitutes for the Series 2009-1 Master Note should Nemours and any other member of the Obligated Group become members of a different obligated group under a different master trust indenture. The substitution will not be effective unless the Trustee has mailed written notice of the proposed transaction to the registered owners of all Outstanding Bonds not less than 30 days prior to its consummation and the Trustee has received (i) written confirmation from all Rating Agencies then rating the Bonds that, upon consummation of the proposed transactions, all of the Bonds will be rated at the level at which they are rated immediately prior thereto or better, (ii) an Opinion of Bond Counsel to the effect that the proposed transactions will not adversely affect the validity of the Bonds or any exemption for the purposes of federal income taxation to which interest on the Bonds would otherwise be entitled, and (iii) an unconditional assumption of the indebtedness represented by the Series 2009-1 Master Note by the members of the new obligated group. Upon satisfaction of the conditions set forth above, the Trustee shall accept a note or other comparable instrument issued under the new master trust indenture to secure indebtedness of members of the new obligated group in order to secure the Bonds and shall cancel and return the Series 2009-1 Master Note and, upon such acceptance and substitution, there shall be made such amendments hereto as may be appropriate to reflect the fact that remedies upon the occurrence of an event of default are to be exercised by the new master trustee (or its successor under the new master trust indenture) for the benefit of the holders of all new master trust indenture obligations (including the Trustee), and to make other conforming changes in order to ensure consistency between the Indenture and the new master trust indenture and to entitle the Trustee to all benefits available under the new master trust indenture.

The Trustee shall surrender for substitution any master note pledged under the Indenture to the Master Trustee in the event of the withdrawal of the Member of the Obligated Group which issued such master note as provided in the Master Indenture, upon presentation to the Trustee prior to such surrender of the following:

(a) an original executed counterpart of a supplemental Master Indenture providing for the issuance of the substitute master note by an Obligated Group Member;

(b) an original substitute master note issued by an Obligated Group Member duly authenticated by the Master Trustee (the "Substitute Obligation");

(c) an Opinion of Counsel addressed to the Trustee (in form and substance not unacceptable to the Trustee) to the effect that: (1) the supplemental Master Indenture has been duly authorized, executed and delivered by each Obligated Group Member, the Substitute Obligation has been duly authorized, executed and delivered by an Obligated Group Member and the supplemental Master Indenture and the Substitute Obligation are legal, valid and binding obligations of the Obligated Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity; (2) all requirements and conditions to the issuance of the Substitute Obligation set forth in the supplemental Master Indenture have been complied with and satisfied; and (3) registration of the Substitute Obligation under the Securities Act of 1933, as amended, is not required or, if registration is required, the Substitute Obligation has been so registered;

(d) an Opinion of Bond Counsel that the surrender of the master note pledged under the Indenture and the acceptance by the Trustee of the Substitute Obligation is permitted by the

Indenture and will not adversely affect the validity of the Bonds or any exemption for the purposes of federal income taxation to which interest on the Bonds would otherwise be entitled; and

(e) such other opinions and certificates as the Trustee may reasonably require, together with such reasonable indemnities as the Trustee may request.

The Trustee shall give prompt notice to the Authority of any request to surrender a master note pursuant hereto.

Supplemental Indentures Requiring Consent of Bondholders. In addition to supplemental indentures covered by the section above entitled “*Supplemental Indentures Not Requiring Consent of Bondholders; Release and Substitution of Series 2009-1 Master Note*” and subject to the terms and provisions contained in this section, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Bonds which are outstanding under the Indenture at the time of the execution of such indenture or supplemental indenture shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or if any supplemental indenture; provided, however, the following is not permitted: (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bonds, without the consent of the holders of such Bonds, (b) a reduction in the amount or extension of the time of any payment required to be made to or from the Interest Payment Account or the Principal Payment Account provided in the Indenture, without the consent of the holders of all the Bonds at the time outstanding, (c) the creation of any lien prior to or on a parity with the lien of the Indenture, without the consent of the holders of all the Bonds at the time outstanding, (d) a reduction in the aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all the Bonds at the time outstanding, or (e) the modification of the rights, duties or immunities of the Trustee without the written consent of the Trustee.

If at any time the Authority shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by registered or certified mail to the registered owners of the Bonds at their addresses as the same shall appear on the Bond Register. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the Corporate Trust Office of the Trustee for inspection by all Bondholders. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such supplemental indenture when consented to and approved as provided in this section. If the holders of not less than a majority in aggregate principal amount of the Bonds which are outstanding under the Indenture at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the Indenture, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this section permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Anything in the Indenture to the contrary notwithstanding, so long as the Obligated Group is not in default under the Series 2009-1 Master Note and the Master Indenture, a supplemental indenture which adversely affects the rights of the Obligated Group under the Master Indenture shall not become effective unless and until the Obligated Group shall have consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture to which the Obligated Group has not already consented, together with a copy of the proposed supplemental indenture and a written consent form to be signed by the Obligated Group, to be mailed by certified or registered mail to the Obligated Group, at least thirty days prior to the proposed date of execution and delivery of any such supplemental indenture.

Amendments to the Loan Agreement and Series 2009-1 Master Note Not Requiring Consent. The Authority, Nemours and the Trustee may, pursuant to the other clauses below, but without the consent of or notice to the holders of the Bonds, consent to any amendment, change or modification of the Loan Agreement and Series 2009-1 Master Note as may be required (i) by the provisions of the Loan Agreement and the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) for the purpose of complying with the provisions of the Tax Agreement, or (iv) in connection with any other change therein which, in the judgment of the Trustee (which judgment may be based on such opinions of Independent Counsel and factual certificates as the Trustee deems necessary), does not materially adversely affect the rights of the Trustee or the owners of the Bonds; provided, however, that nothing in this section shall permit, or be construed as permitting, any amendment, change or modification of the Loan Agreement or the Series 2009-1 Master Note that may result in anything described in the lettered clauses of the section in this Appendix C entitled “*Bond Indenture—Supplemental Indentures Not Requiring Consent of Bondholders; Release and Substitution of Series 2009-1 Master Note*”, without the consent of each Bondholder affected.

Amendments to the Loan Agreement and Series 2009-1 Master Note Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in the section above entitled “*Amendments to the Loan Agreement and Series 2009-1 Master Note Not Requiring Consent*”, neither the Authority nor the Trustee shall consent to any other amendment, change or modification of the Loan Agreement or the Series 2009-1 Master Note without the written approval or consent of the holders of not less than a majority in aggregate principal amount of the Bonds which are outstanding under the Indenture at the time of execution of any such amendment, change or modification; provided, however, that no such amendment, change or modification shall ever affect the obligation of Nemours to make payments on the Series 2009-1 Master Note as they become due and payable. If at any time the Authority or Nemours shall request the consent of the Trustee to any such proposed amendment, change or modification of the Loan Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by the Indenture with respect to supplement indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all Bondholders. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such amendment, change or modification when consented to and approved as provided in this section. If the holders of not less than a majority in aggregate principal amount of the Bonds outstanding under the Indenture at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution thereof as provided in the Indenture, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

If at any time Nemours shall request the Authority and the Trustee to consent to any amendment, change or modification of the Loan Agreement pursuant to the Indenture, the Trustee shall cause notice of the proposed execution of such amendment, change or modification to the Loan Agreement to be given to each Rating Agency maintaining a rating on the Bonds, in the manner provided in the Indenture at least ten (10) days prior to the execution of such amendment, change or modification to the Loan Agreement, which notice shall include a copy of the proposed amendment, change or modification to the Loan Agreement and the Trustee shall be entitled to receive a Favorable Opinion with respect to such amendment, change or modification.

Defeasance. If the Authority shall pay or provide for the payment of the entire indebtedness on all or a portion of the Bonds outstanding under the Indenture (including any Bonds held by the Authority) in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all or a portion of the Bonds outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all or a portion of the Bonds outstanding (including the payment of premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested in Government Obligations and/or Prerefunded Obligations which are not prepayable or callable prior to the date the moneys therefrom are anticipated to be required in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all or a portion of the Bonds outstanding at or before their respective maturity dates (it being understood that the investment income on such Government Obligations and/or Prerefunded Obligations may be used for any other purpose under the Act);

(c) by delivering to the Trustee, for cancellation by it, all or a portion of the Bonds outstanding; or

(d) by depositing with the Trustee, in trust, cash, Government Obligations and/or Prerefunded Obligations which are not prepayable or callable prior to the date the moneys therefrom are anticipated to be required in such amount as the Trustee shall determine, in sole reliance on a certificate, opinion or report of a nationally recognized firm of certified public accountants, will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof and any uninvested cash, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all or a portion of the Bonds at or before their respective maturity dates;

and if the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority with respect to all or such portion of such Bonds and if all fees and expenses of the Authority and the Trustee due under the Indenture and the Loan Agreement shall have been paid, then and in that case the Indenture and the estate and rights granted under the Indenture shall cease, determine and become null and void related to all or such portion of the Bonds, and thereupon the Trustee shall, upon Request of the Authority, and upon receipt by the Trustee of a Certificate of the Authority and an opinion of Independent Counsel, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Indenture and the lien thereof related to such portion, provided, however, that the Indenture shall not be discharged until all of the Bonds and all other sums payable thereunder have been paid. The satisfaction and discharge of the Indenture shall be without prejudice to the rights of the Trustee to charge and be reimbursed by Nemours for any expenditures which

it may thereafter incur in connection herewith. In no event shall the Authority have any obligation to pay any of the sums contemplated by this section except from the trust estate pledged under the Indenture.

All moneys, funds, securities, or other property remaining on deposit in the Expense Fund, Bond Fund or the Project Fund or in any other fund or investment under the Indenture (other than said Government Obligations or other moneys deposited in trust as above provided) shall, upon the full satisfaction of the Indenture, forthwith be transferred, paid over and distributed to Nemours.

The Authority or Nemours may at any time surrender to the Trustee for cancellation by it any Bonds previously authenticated and delivered which the Authority or Nemours may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Upon the deposit with the Trustee, in trust, at or before maturity, of moneys, Government Obligations and/or Prerefunded Obligations in the necessary amount to pay or redeem all outstanding Bonds (whether upon or prior to maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article V of the Indenture provided, or provisions satisfactory to the Trustee shall have been made for the giving of such notice, and compliance with the other payment requirements of this section, the Indenture may be discharged in accordance with the provisions thereof, but the liability of the Authority in respect of such Bonds shall continue provided that the holders thereof shall thereafter be entitled to payment only out of the moneys, Government Obligations and/or Prerefunded Obligations deposited with the Trustee as aforesaid.

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LOAN AGREEMENT

Payments in Respect of Series 2009-1 Master Note and Loan Agreement. Nemours covenants and agrees in the Loan Agreement to make the following payments on the Series 2009-1 Master Note or under the Loan Agreement, as the case may be, directly to the Trustee for deposit into the appropriate fund established by the Indenture, on the following dates:

Interest. On or before 5:00 p.m. New York City time on the Business Day immediately preceding the next Interest Payment Date, beginning on December 31, 2009, an amount which, taking into account any amount on deposit in the Interest Payment Account and available for such purpose on such date, will not be less than the amount of interest to become due on the Bonds on the next Interest Payment Date;

Principal. On or before 5:00 p.m. New York City time on the Business Day immediately preceding the next Principal Payment Date, beginning on December 31, 2010, an amount which, taking into consideration any amount on deposit in the Principal Payment Account and available for such purpose on such date, will not be less than the amount of principal to become due on the Bonds on the next Principal Payment Date; and

Rebate. Any rebate amount required to be paid on behalf of the Authority to the U.S. Treasury pursuant to Section 148 of the Code and Section 4.5 of the Indenture.

Credits for Payments on the Series 2009-1 Master Note. Nemours shall receive credit against Loan Repayments and payments on the Series 2009-1 Master Note, in addition to any credits resulting from payment or repayment from other sources, as follows:

(a) On installments of interest in an amount equal to moneys deposited in the Bond Fund which amounts are available to pay interest on the Bonds and to the extent such amounts have not previously been credited against Loan Repayments and payments on the Series 2009-1 Master Note;

(b) On installments of principal in an amount equal to moneys deposited in the Bond Fund, including Term Bond Payments, which amounts are available to pay principal of the Bonds and to the extent such amounts have not previously been credited against Loan Repayments and payments on the Series 2009-1 Master Note;

(c) On installments of principal and interest, respectively, in an amount equal to the principal amount of Bonds and the interest thereon for which cash or Government Obligations have been irrevocably deposited with the Trustee in an amount sufficient (determined in accordance with Section 11.1 of the Indenture) to pay the principal of and interest thereon, when due, to the extent such amounts have not been previously credited against Loan Repayments and payments on the Series 2009-1 Master Note. Such credits shall be made against the Loan Repayments and installments of principal of and interest on the Series 2009-1 Master Note which would have been used, but for such deposit, to pay the principal of and interest on such Bonds, when due, at maturity or upon mandatory redemption; and

(d) On installments of principal and interest, respectively, in an amount equal to the principal amount of Bonds acquired by Nemours and surrendered to the Trustee for cancellation, or purchased by the Trustee and cancelled, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against Loan Repayments and the installments of principal of and interest on the Series 2009-1 Master Note which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due.

Additional Payments. In addition to all other payments under the Loan Agreement, Nemours agrees in the Loan Agreement to pay directly all costs incurred by or on behalf of the Authority or Nemours in connection with or incident to the issuance and sale of the Bonds which exceed the amount on deposit in the Expense Fund described in Section 3.1 of the Indenture.

Nemours also agrees to pay the following items to the following Persons as additional payments under the Loan Agreement:

(a) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated thereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments), but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that Nemours shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at Nemours' expense, to protest and contest any such taxes or assessments levied upon them, and that Nemours shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee;

(b) To the Trustee, when due, all reasonable fees and expenses of the Trustee for services rendered under the Indenture and all reasonable fees and charges of any Paying Agent, registrars, counsel, accountants, consultants, engineers and other persons incurred in the performance of services under the Indenture on request of the Trustee for which the Trustee and such other persons are entitled to payment or reimbursement and, to the extent incurred, upon request or with the approval of the Trustee, the reasonable fees and expenses of the Master Trustee;

(c) To the Authority, on demand, all fees, expenses and disbursements incurred by the Authority in connection with the Loan Agreement, the Bonds, the Indenture or the Series 2009-1 Master Note which are not otherwise required to be paid by Nemours under the terms of the Loan Agreement, and all other fees, expenses, taxes and assessments of the Authority as provided for under the Health Facilities Authorities Law and the Act, including any and all expenses incurred in connection with any litigation, whether at trial, on appeal, in bankruptcy proceedings or otherwise, which may at any time be instituted involving the Loan Agreement, the Bonds, the Indenture, the Series 2009-1 Master Note or any of the other documents contemplated thereby, or by the Attorney General of the State in connection with the supervision or inspection of Nemours, its properties, assets or operations or otherwise in connection with the administration of the Loan Agreement;

(d) To the Master Trustee or the Trustee, as the case may be, the amount of all advances of funds made by either of them under the provisions of the Master Indenture or the Indenture, with interest thereon from the date of each such advance at the lesser of (i) Master Trustee's or Trustee's or the affiliated bank of the Trustee or the Master Trustee, as the case may be, announced prime rate per annum from time to time in effect plus two percent (2%) or (ii) the highest amount then allowed by law;

(e) To the Person entitled thereto, when due and payable, an amount equal to the costs, if any, associated with the printing of the Bonds to be delivered in accordance with the terms of the Indenture; and

(f) To any other Person, all other reasonable and necessary fees and expenses attributable to the Bonds, the Indenture and the Loan Agreement, including without limitation, DTC.

Prepayment of Loan Repayments; Credit for Bonds Surrendered.

(a) Nemours shall have the right from time to time to make Loan Repayments in advance which shall be paid to the Trustee and shall, as directed in writing by Nemours, be applied as credits upon the next ensuing Loan Repayments or, upon payment by Nemours of the amount required to pay the redemption premiums (if any), be used to redeem or to purchase Bonds in the open market prior to maturity. Nemours shall also have the right to surrender Bonds acquired by it to the Trustee. Bonds so redeemed, purchased or surrendered shall be forthwith canceled and the principal amounts thereof shall be applied as credits to Nemours upon the next ensuing Loan Repayments due and payable with respect to the date or dates upon which any such Bonds become due and payable pursuant to the Redemption Requirements applicable thereto.

(b) To make a prepayment pursuant to this section, Nemours shall give the Trustee and the Authority not less than 60 days prior written notice of any prepayment (or such lesser notice as the Trustee may permit), which notice shall designate the date of prepayment and the amount thereof and direct the redemption of Bonds in the amounts corresponding to the amount of the Loan to be prepaid.

Effect of Partial Prepayment. Upon any partial prepayment of the Loan, each installment of principal which shall thereafter be payable on such obligation shall be reduced in a manner consistent with the reduction in the amount of principal payable on the Bonds to which such installment of principal corresponds after redemption of Bonds in the amounts corresponding to the amount of the Loan to be prepaid. In addition, upon each such prepayment of the Loan, each installment of interest which shall thereafter be payable on the Loan shall be reduced, taking into account the interest rate or rates on the Bonds remaining outstanding after the redemption of Bonds from the proceeds of such partial prepayment and after the purchase and delivery and cancellation of Bonds described in the section above entitled “Credits for Payments on the Series 2009-1 Master Note” so that the interest remaining payable on the Loan shall be sufficient to pay the interest on the outstanding Bonds when due.

Extraordinary Prepayment.

(a) Nemours shall have the option to prepay the unpaid aggregate amount of the Loan in whole on any date or in part upon not less than 45 days prior notice to the Trustee and the Authority, together with accrued interest to the date of prepayment of the Bonds, in the event of damage to or destruction of the Property of Nemours or any part thereof or a condemnation or sale consummated under threat of condemnation of the Property of Nemours or any part thereof, from proceeds of insurance, condemnation or sale received in connection therewith.

(b) Nemours shall have the option to prepay the unpaid aggregate amount of the Loan in whole on any date upon the occurrence of changes in the Constitution of the United States of America or of the State or of legislative action by the United States or the State or any agency or political subdivision of either thereof, or by reason of any judicial decision, in either event, to such extent that in the opinion of the Board of Directors of Nemours (i) the Loan Agreement is impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities not being imposed on the date of the Loan Agreement are imposed on Nemours.

Subject to the provisions of the Supplemental Indenture for the Series 2009 Master Notes, Nemours shall not be prohibited from applying insurance proceeds with respect to any casualty loss or condemnation awards or payments in lieu thereof to the optional prepayment of the Loan in accordance with the provisions of the section above entitled “Prepayment of Loan Repayments; Credit for Bonds Surrendered”.

Compliance with Covenants, Conditions and Agreements in Master Indenture. Nemours covenants and agrees in the Loan Agreement that it will at all times do and perform all actions and things permitted by law and the Loan Agreement which are necessary for the Bonds to satisfy the requirements of Section 103 and 141 through 150 of the Code in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes and will take no action that would result in failure of the Bonds to satisfy the requirements of Section 103 and 141 through 150 of the Code. Nemours and the Authority (in reliance upon the written direction of Nemours), each covenants that it will comply with the provisions of the Tax Agreement. These covenants shall survive payment in full or defeasance of the Bonds. Nemours agrees in the Loan Agreement that it will not take any action or fail to take any action with respect to the purchase of other Authority obligations which may result in constituting the Bonds as “arbitrage bonds” and that neither it nor any related person, as defined in Section 144(a)(3) of the Code, shall, pursuant to an arrangement, formal or informal, purchase obligations of the Authority in an amount related to the amount of the Series 2009-1 Master Note delivered in connection with the transaction contemplated by the Indenture.

Continuing Disclosure. The Bonds, upon original issuance, are subject to the requirements of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended (the “Rule”). Nemours covenants and agrees in the Loan Agreement that it will provide the continuing disclosure required by the Rule and will comply with and carry out all of the provisions of the Continuing Disclosure Agreement, as such certificate may be amended from time to time in accordance with the terms thereof (the “Continuing Disclosure Agreement”); provided, however, that neither failure of Nemours to comply with the Rule nor failure of Nemours to comply with or carry out the provisions of the Continuing Disclosure Agreement shall be an Event of Default under the Loan Agreement; however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Rule) or the holders of at least 25% aggregate principal amount in Bonds, shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause Nemours to comply with obligations under this section. For purposes of this paragraph, “Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Maintenance of Existence. Nemours covenants and agrees in the Loan Agreement that, so long as any Bonds remaining Outstanding, (i) Nemours shall maintain its existence as (a) a Tax-Exempt Organization, and (b) a corporation organized under the laws of the State of Florida and (ii) Nemours shall not merge or consolidate with any other entity and shall not transfer or convey all or substantially all of its Property; provided, however, Nemours may, without violating any provision of the Loan Agreement, consolidate with or merge into another domestic entity (i.e. an entity existing under the laws of one of the states of the United States of America, the District of Columbia or the United States of America) or permit one or more other domestic entities to consolidate with or merge into it, or transfer all or substantially all of its assets to another domestic entity, but only on the condition that:

(a) Nemours complies with the section in this Appendix C entitled “*Master Indenture—Covenants as to Corporate Existence, Maintenance of Properties, and Similar Matters; Right to Contest*”; and

(b) the assignee entity or the entity resulting from or surviving such merger (if other than Nemours) or consolidation or the entity to which such transfer is made expressly assumes in writing and agrees to perform all of Nemours’ obligations under the Loan Agreement and under the Master Indenture, the Tax Agreement, the Supplemental Indenture for Series 2009-1 Master Note, the Indenture and the Series 2009-1 Master Note; and

(c) the surviving entity shall preserve and keep (or cause to be preserved and kept) in full force and effect all licenses and permits necessary to the proper conduct of its business; and

(d) Nemours obtains and delivers to the Authority and the Trustee an Opinion of Bond Counsel to the effect that the proposed transaction will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The foregoing shall not however apply to the merger of any Person wholly owned by Nemours into Nemours where the surviving entity is Nemours and continues to be described in the first sentence of this section, which such merger may occur without limitation.

Nemours covenants in the Loan Agreement that so long as the Bonds are outstanding it shall comply with, and with respect to the other Members of the Obligated Group (as defined in the Master Indenture) so long as they shall continue as Members of the Obligated Group covenants to cause each Member of the Obligated Group to comply with, each and every covenant, condition and agreement in the Master Indenture and in the Loan Agreement that is applicable to it.

Provisions calling for or referring to the delivery by Nemours and each other Member of the Obligated Group of financial statements for any given period shall be deemed satisfied if the combined or consolidated financial statements for such period, prepared in accordance with GAAP, of such entities are so delivered.

Defaults and Remedies. The term “Event of Default” under the Loan Agreement shall mean any one or more of the following events:

(a) Nemours shall fail to pay, or cause to be paid, in full any payment required under the Loan Agreement or under the Series 2009-1 Master Note when due, whether at maturity, redemption, acceleration or otherwise pursuant to the terms of the Loan Agreement; or

(b) Nemours shall fail duly to perform, observe or comply with any covenant, condition or agreement on its part under the Loan Agreement (other than a failure to make any payment under lettered paragraph (a) above), including any covenant, condition or agreement in the Master Indenture applicable to any Member of the Obligated Group, and such failure continues for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to Nemours by the Trustee or the Authority; provided, however, that if such performance, observation or compliance requires work to be done, action to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, Nemours shall commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion; or

(c) The Master Trustee shall have declared the aggregate principal amount of either of the Series 2009-1 Master Note and all interest due thereon immediately due and payable in accordance with the section in this Appendix C entitled “*Master Indenture—Defaults and Remedies*”; or

(d) The occurrence of an “Event of Default” under the section in this Appendix C entitled “*Bond Indenture—Defaults and Remedies*.”

Whenever any Event of Default under the Loan Agreement shall have happened and be continuing, the Trustee or the Authority with the consent of the Trustee may take one or more of the following remedial steps:

(a) Subject to the provisions of the Indenture contained in the section in this Appendix C entitled “*Bond Indenture—Defaults and Remedies*”, in the case of an Event of Default described in this section, take whatever action at law or in equity is necessary or desirable to collect the payments then due under the Loan Agreement and under the Series 2009-1 Master Note, whether by installment payment, at maturity, with respect to proceedings for redemption, by acceleration of the Loan and the Bonds, or otherwise; or

(b) In the case of any other Event of Default described in this section, take whatever action at law or in equity that is necessary or desirable to enforce the performance, observance or compliance by Nemours with any covenant, condition or agreement by Nemours under the Loan Agreement; or

(c) In the case of any Event of Default described this section, and pursuant to the limitations of the Master Indenture contained in the section in this Appendix C entitled “*Master Indenture—Defaults and Remedies*” declare all obligations outstanding and payments due under the Loan Agreement, immediately due and payable, whereupon such obligations and payments due under the Loan Agreement shall become and be immediately due and payable; or

(d) In case proceedings shall be pending for the bankruptcy or reorganization of Nemours under federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of Nemours, or in the case of any other similar judicial proceedings relative to Nemours, or the creditors or property of Nemours, then the Trustee shall be entitled and empowered (by intervention in such proceedings or otherwise) to file and prove a claim or claims for the whole amount owing and unpaid under this Loan Agreement and, in the case of any judicial proceedings, to file such proofs of claims and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to Nemours, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts, as provided in the Indenture, after the deduction of its reasonable charges and expenses, to the extent permitted by the Indenture. Any receiver, assignee or trustee in bankruptcy or reorganization is authorized by the Loan Agreement to make such payments to the Trustee, and to pay to the Trustee any amount due to it for reasonable compensation and expenses, including reasonable expenses and fees of counsel incurred by it up to the time of such distribution.

With respect to clause (b) above, the Authority need not obtain the consent of the Trustee with respect to the enforcement of the Authority’s rights under the Loan Agreement which have not been assigned to the Trustee.

Non-Liability of the Authority. The Authority shall not be obligated to pay the principal of, or interest on the Bonds, except from the payments to be made by Nemours under the Loan Agreement and the Series 2009-1 Master Note and other assets pledged for such payment as provided in the Indenture. Neither the members, officers, agents nor employees of the Authority shall be personally liable for the payment of any sum or for the performance of any obligation under the Loan Agreement. Neither the faith and credit nor the taxing power of the State, the County or any political subdivision or public authority thereof is pledged to the payment of the principal of or interest on the Bonds. No obligation of the Authority under or arising out of the Loan Agreement, or any document executed by the Authority in connection with any Property of Nemours financed, directly or indirectly, out of Bond proceeds or the issuance, sale, or delivery of any Bonds shall impose, give rise to or be construed to authorize or permit a debt or pecuniary liability of, or a charge against the general credit of the Authority, the State, the County or any political subdivision of the State.

Nemours acknowledges in the Loan Agreement that the Authority’s sole source of moneys to repay the Bonds are the payments to be made by Nemours under the Loan Agreement and under the

Series 2009-1 Master Note, as provided in the Indenture, and agrees that if the payments under the Loan Agreement and under the Series 2009-1 Master Note shall ever prove insufficient to pay all of the principal of and interest on the Bonds, when due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, Nemours shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Master Trustee, Nemours, the Authority or any third party.

MASTER INDENTURE

Issuance of Master Notes. The Master Indenture permits each member of the Obligated Group to secure Indebtedness through the issuance of Master Notes. The total principal amount of Master Notes, the number of Master Notes and the series of Master Notes that may be created under the Master Indenture is not limited and as shall be set forth with respect to any other series of Master Notes in the Supplemental Master Indenture providing for the issuance thereof. Each series of Master Notes shall be issued pursuant to a Supplemental Master Indenture. Each series of Master Notes shall be designated so as to differentiate the Master Notes of such series from the Master Notes of any other series. Unless provided to the contrary in a Supplemental Master Indenture, Master Notes shall be issued as fully registered Master Notes with the Master Notes of each series to be lettered and numbered R-1 and upward. As a condition precedent to the issuance of any Master Note or series of Master Notes, the Obligated Group Agent shall deliver to the Master Trustee a written statement executed by each Member consenting to the issuance of such Master Note or series of Master Notes.

Security for Master Notes. Any one or more series of Master Notes issued under the Master Indenture may be secured by security (including without limitation letters or lines of credit, insurance or Liens on Property, including health care Facilities of the Obligated Group, or security interests in depreciation reserve, debt service or interest reserve or debt service or similar funds). Such security need not extend to any other Indebtedness (including any other Master Notes or series of Master Notes). Consequently, the Supplemental Master Indenture pursuant to which any one or more series of Master Notes is issued may provide for such supplements or amendments to the provisions of the Master Indenture, as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Master Notes entitled thereto.

Prepayment or Redemption Dates and Prices. Master Notes shall be subject to optional and mandatory prepayment or redemption in whole or in part and may be prepaid or redeemed prior to maturity as provided in the Master Indenture or the Supplemental Master Indenture pertaining to the series of Master Notes to be prepaid or redeemed, but not otherwise.

To the extent not otherwise provided in the Master Indenture or in a Supplemental Master Indenture, the Obligated Group shall have the right to prepay or redeem all or such portion of the Master Notes of any particular series as shall be necessary to effect the payment, prepayment, redemption, refunding or advance refunding of the series of Related Bonds secured by such Master Notes or any portion thereof in the manner provided in the Related Bond Indenture. If called for prepayment or redemption in such events, the Master Notes of such series shall be subject to prepayment or redemption in such amount, and at such times, in the manner and with the premium necessary to effect the refunding, advance refunding or redemption of all or the portion of the series of Related Bonds to be refunded, advance refunded or redeemed.

Except to the extent that contrary provision is made in the Supplemental Master Indenture pursuant to which a series of Master Notes is issued, redemption of less than all of the Master Notes of a particular series at the time outstanding may be made in any dollar amount and in respect of whatever maturities the Obligated Group Agent shall designate.

Unless contrary provision is made in the Supplemental Master Indenture pursuant to which such Master Notes are issued, Master Notes may be called for optional prepayment or redemption by the Master Trustee pursuant to this section upon receipt by the Master Trustee at least 45 days prior to the redemption date of a certificate of the Obligated Group Agent requesting such prepayment or redemption and a resolution of a Member designating funds for such prepayment or redemption. Such certificate shall specify the particular series and the principal amount of such series of Master Notes so to be called

for prepayment or redemption (and if less than all of a series is to be prepaid, the maturities or portions thereof), the applicable prepayment or redemption price or prices and the provision or provisions of the Master Indenture or any Supplemental Master Indenture pursuant to which such Master Notes are to be called for prepayment or redemption.

Master Notes of any series with respect to which a sinking fund has been established shall be redeemed by the Master Trustee pursuant to the provisions of such sinking fund and Master Notes to be mandatorily redeemed or paid at maturity shall be redeemed or paid at maturity, as the case may be, in accordance herewith and with any Supplemental Master Indenture pursuant to which such Master Notes were issued, in both cases without any notice from or direction of any Member.

In lieu of prepaying or redeeming Master Notes pursuant to this section, the Master Trustee shall, at the request of the Obligated Group Agent, use funds otherwise available under the Master Indenture for the redemption of such Master Notes to purchase such Master Notes in the open market at a price not exceeding the redemption price then applicable under the Master Indenture.

Notice of Prepayment or Redemption. Unless contrary provision is made with respect to a particular series of Master Notes in the Supplemental Master Indenture pursuant to which such Master Notes are issued, notice of the call for any such prepayment or redemption identifying the Master Notes to be prepaid or redeemed shall be given by mailing a copy of such notice by registered or certified mail to each Related Issuer and to the registered owner of Master Notes to be prepaid or redeemed to the address shown on the registration books maintained by the Master Trustee not less than 30 days prior to the prepayment or redemption date unless otherwise provided in the particular Master Note; provided, however, that failure to give such notice by mailing or a defect in the notice or the mailing to any particular Master Note holder will not affect the validity of the prepayment or redemption of any other Master Note. Upon the happening of the above conditions and if sufficient moneys have been deposited with the Master Trustee and are available to pay the principal of, premium, if any, and interest on the Master Note to be prepaid or redeemed to the prepayment or redemption date, the Master Notes, or portions thereof, thus called shall not bear interest after the applicable prepayment or redemption date, shall no longer be protected by the Master Indenture and shall not be deemed to be outstanding under the provisions of the Master Indenture. The Master Trustee shall prepay or redeem, in the manner provided in this Article, such an aggregate principal amount of such Master Notes of the series to be prepaid or redeemed at the principal amount thereof plus accrued interest to the prepayment or redemption date and premium, if any, as will exhaust as nearly as practicable such funds. At the written direction of the Obligated Group Agent, such funds may be invested in Escrow Obligations until needed for prepayment or redemption payout.

Partial Prepayment or Redemption of Master Notes. Upon surrender of any Master Note for prepayment or redemption in part only, the Member issuing such Master Note shall execute and the Master Trustee shall authenticate and deliver to the holder thereof, at the expense of the Obligated Group, a new registered Master Note or Master Notes of the same series and maturity of authorized denominations in aggregate principal amount equal to the unpaid portion of the Master Note surrendered. Such Member and the Master Trustee may agree with any holder of any Master Note that such holder may, in lieu of surrendering the same for a new registered Master Note, endorse on such Master Note a notice of such partial prepayment or redemption to be made on the form provided in the Master Indenture. Such partial prepayment or redemption shall be valid upon payment of the amount thereof to the registered owner of any such registered Master Note and the Obligated Group and the Master Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of such Master Note by the owner thereof and irrespective of any error or omission in such endorsement.

Effect of Call for Prepayment or Redemption. On the date designated for prepayment or redemption by notice (given as provided in the section in this Appendix C entitled “*Notice of Prepayment or Redemption*”, the Master Notes so called for prepayment or redemption shall become and be due and payable at the prepayment or redemption price provided for prepayment or redemption of such Master Notes on such date. If on the date fixed for prepayment or redemption moneys for payment of the prepayment or redemption price and accrued interest are held by the Master Trustee or any other Paying Agent as provided in the Master Indenture, interest on such Master Notes so called for prepayment or redemption shall cease to accrue, such Master Notes shall cease to be entitled to any benefit or security under the Master Indenture except the right to receive payment from the moneys held by the Master Trustee or the Paying Agents and the amount of such Master Notes so called for prepayment or redemption shall be deemed paid and no longer outstanding.

Payment of Principal, Premium, if any, and Interest. Each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the section in this Appendix C entitled “*Master Indenture—Cessation of Status as a Member of the Obligated Group*”), jointly and severally covenants, subject to the exceptions set forth in Exhibit B to the Master Indenture, that it will promptly pay the principal of, premium, if any, and interest on every Master Note issued under the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture and in said Master Notes according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Master Notes set forth in the Master Indenture or in the Master Notes, each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the section in this Appendix C entitled “*Master Indenture—Cessation of Status as a Member of the Obligated Group*”), jointly and severally agrees to make payments upon each Master Note pledged to secure Related Bonds and be liable therefor at the times and in the amounts (including principal, interest and premium, if any) equal to the amounts to be paid as interest, principal at maturity or by mandatory sinking fund redemption, or premium, if any, upon any Related Bonds from time to time outstanding.

Representations and Warranties by the Members. Each of the Members of the Obligated Group makes the following representations and warranties with respect to itself as the basis for its covenants in the Master Indenture:

(a) The Member is a not for profit corporation duly incorporated under the laws of a state of the United States of America, is in good standing and duly authorized to conduct its business and affairs in each jurisdiction where its ownership of Property or the conduct of its business require such qualifications, is duly authorized and has full power under the laws of Florida and all other applicable provisions of law and its articles of incorporation and by-laws to create, issue, enter into, execute and deliver this Master Indenture and the Master Notes, and all action on the part of such Member necessary for the valid execution and delivery of this Master Indenture and the valid creation, issuance and delivery of the Master Notes, has been duly and effectively taken; and the Master Notes in the hands of the holders thereof will be the legal and valid obligations of such Member.

(b) The execution and delivery of the Master Indenture by the Member, the consummation of the transactions contemplated thereby, and the fulfillment of the terms and conditions of the Master Indenture do not and will not conflict with or result in a breach of any of the terms or conditions of any corporate restriction or of any agreement or instrument to which the Member is now a party, and do not and will not constitute a default under any of the foregoing, or result in the creation or imposition of any Lien of any nature upon any of the Property of the Member except for Permitted Encumbrances.

(c) The Member is a Tax-Exempt Organization; it has received determination letters from the Internal Revenue Service to the foregoing effect which letters are still in full force and effect; and the Member has no “unrelated business taxable income” as defined in Section 512 of the Code which could have a material adverse effect on its status as an organization described in Section 501(c) (3) of the Code or its exemption from federal income taxation under Section 501(a) of the Code or which, if such income were subject to federal income taxation, would have a material adverse effect on its condition, financial or otherwise.

Entrance into the Obligated Group. Any Person may become a Member of the Obligated Group if:

(a) Such Person is a corporation;

(b) Such Person shall execute and deliver to the Master Trustee a Supplemental Master Indenture acceptable to the Master Trustee which shall be executed by the Master Trustee and each then current Member, containing (i) the agreement of such Person (A) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master Indenture and (B) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the section in this Appendix C entitled “*Master Indenture—Cessation of Status as a Member of the Obligated Group*”) to jointly and severally make payments upon each Master Note at the times and in the amounts provided in each such Master Note and (ii) representations and warranties by such Person substantially similar to those set forth in the section in this Appendix C entitled “*Master Indenture—Representations and Warranties by the Members*” (but with such deviations as are acceptable to the Master Trustee);

(c) Each of the other Members shall, by appropriate action of its Governing Body, have approved the admission of such Person to the Obligated Group; and

(d) The Master Trustee shall have received (1) a certificate of the Obligated Group Agent which demonstrates that, immediately upon such Person becoming a Member of the Obligated Group, the Members would not, as a result of such transaction, be in default in the performance or observance of any covenant or condition to be performed or observed by them under the Master Indenture and (2) an opinion of Independent Counsel to the effect that (i) the instrument described in paragraph (b) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors’ rights and application of general principles of equity and to the exceptions set forth in Exhibit B hereto and (ii) the addition of such Person to the Obligated Group will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status; (3) evidence from each Rating Agency then rating any outstanding Master Notes and/or Related Bonds to the effect that the admission of such Person to the Obligated Group will not, by itself, result in a reduction or withdrawal of its rating then assigned to the respective Master Notes and/or Related Bonds; and (4) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Bond Indentures, an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee), to the effect that under then existing law the consummation of such transaction, whether or not contemplated on the date of delivery of any such Related Bond, would not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Bond otherwise entitled to such exemption.

Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the above-described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status.

Cessation of Status as a Member of the Obligated Group. Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture to cease to be a Member of the Obligated Group unless:

(a) the Member proposing to withdraw from the Obligated Group is not a party to any Related Loan Documents with respect to Related Bonds which remain outstanding;

(b) prior to cessation of such status, there is delivered to the Master Trustee evidence from each Rating Agency then rating any outstanding Master Notes and/or Related Bonds to the effect that the cessation by the Member of its status as a Member will not, by itself, result in a reduction or withdrawal of its rating then assigned to the respective Master Notes and/or Related Bonds;

(c) prior to cessation of such status, there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Bond would otherwise be entitled;

(d) prior to and immediately after such cessation, no event of default exists under the Master Indenture and no event shall have occurred which with the passage of time or the giving of notice or both would become such an event of default;

(e) prior to such cessation there is delivered to the Master Trustee an opinion of Independent Counsel (which Counsel and opinion, including without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that the cessation by such Member of its status as a Member will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status; and

(f) prior to cessation of such status, each Member of the Obligated Group consents in writing to the withdrawal by such Member.

Notwithstanding the foregoing, Nemours may not cease to be a Member of the Obligated Group.

Covenants as to Corporate Existence, Maintenance of Properties, and Similar Matters; Right of Contest. Each Member covenants in the Master Indenture to:

(a) Except as otherwise expressly provided in the Master Indenture, (i) preserve its corporate or other separate legal existence, (ii) preserve all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and (iii) be qualified to do business and conduct its affairs in each jurisdiction where its ownership of Property or the conduct of its business or affairs requires such qualification; provided, however, that nothing contained in this section shall be construed to obligate such Member to retain, preserve or keep in effect the rights, licenses or qualifications no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(b) With respect to any Member which was, on the date it becomes a Member, a Tax-Exempt Organization, either maintain its status as a Tax-Exempt Organization throughout the term of the Master Indenture or provide to the Master Trustee an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee), to the effect that under then existing law the failure of the Member to maintain its status as a Tax-Exempt Organization would not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Bond otherwise entitled to such exemption.

(c) At all times use its Facilities only in furtherance of its lawful corporate purposes and cause its business to be carried on and conducted and its Property and each part thereof to be maintained, preserved and kept in good repair, working order and condition and in as safe condition as its operations will permit and make all necessary and proper repairs (interior and exterior, structural and non-structural, ordinary as well as extraordinary and foreseen as well as unforeseen), renewals and replacements thereof so that its operations and business shall at all times be conducted in an efficient, proper and advantageous manner; provided, however, that nothing contained in this section shall be construed (i) to prevent it from ceasing to operate any portion of its Property, if (x) in its reasonable judgment (evidenced, in the case of such a cessation other than in the ordinary course of business, by a determination by its Governing Body) it is advisable not to operate the same, or (y) it intends to sell or otherwise dispose of the same, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(d) Pay or cause to be paid: (i) all taxes, levies, assessments and charges on account of the use, occupancy or operation of its Property, including but not limited to all sales, use, occupation, real and personal property taxes, all permit and inspection fees, occupation and license fees and all water, gas, electric, light, power or other utility charges assessed or charged on or against its Property or on account of its use or occupancy thereof or the activities conducted thereon or therein; and (ii) all taxes, assessments and impositions, general and special, ordinary and extraordinary, of every name and kind, which shall be taxed, levied, imposed or assessed during the term of the Master Indenture upon all or any part of its Property, or its interest or the interest of any Related Issuer or either of them in and to its Property, or upon its interest or the interest of any Related Issuer or the interest of either of them in the Master Indenture or the amounts payable under the Master Indenture or under the Master Notes. If under applicable law any such tax, levy, charge, fee, rate, imposition or assessment may at the option of the taxpayer be paid in installments, any Member may exercise such option.

(e) At its sole cost and expense, promptly comply with all present and future laws, ordinances, orders, decrees, decisions, rules, regulations and requirements of every duly constituted governmental authority, commission and court and the officers thereof which may be applicable to it or any of its affairs, business, operations and Property or any part thereof, or to the use or manner of use, occupancy or condition of any of its Property or any part thereof.

(e) At all times comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

(f) Procure and maintain all necessary licenses and permits.

(g) In the case of Nemours and each Member which is a Tax-Exempt Organization at the time it becomes a Member, not distribute any of its revenues, income or profits, whether realized or unrealized, to any of its members, directors or officers or allow the same to inure to the benefit of any private person, association or corporation, other than for the lawful corporate purposes of Nemours or such Member, as the case may be; provided further, that no such distribution shall be made which is not

permitted by the legislation pursuant to which Nemours or such Member is governed or which would result in the loss or alteration of its status as a Tax-Exempt Organization.

The foregoing notwithstanding, any Member may (i) cease to be a not for profit corporation, (ii) take actions which could result in the alteration or loss of its status as a Tax-Exempt Organization or (iii) distribute its revenues, income or profits to any of its members, directors or officers or allow the same to inure to the benefit of a private person, association or corporation if prior thereto there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including without limitation the scope, form and other aspects thereof, are acceptable to the Master Trustee) to the effect that such actions would not adversely affect the validity of any Related Bond, the exemption from federal or state income taxation of interest payable on any Related Bond otherwise entitled to such exemption or adversely affect the enforceability in accordance with its terms of the Master Indenture against any Member.

No Member shall be required to pay any tax, levy, charge, fee, rate, assessment or imposition referred to above, to remove any Lien required to be removed under this Section, pay or otherwise satisfy and discharge its obligations, Indebtedness (other than any Master Notes), demands and claims against it or to comply with any Lien, law, ordinance, rule, order, decree, decision, regulation or requirement referred to in this Section, so long as such Member shall contest, in good faith and at its cost and expense, in its own name and behalf, the amount or validity thereof, in an appropriate manner or by appropriate proceedings which shall operate during the pendency thereof to prevent the collection of or other realization upon the tax, levy, charge, fee, rate, assessment, imposition, obligation, Indebtedness, demand, claim or Lien so contested, and the sale, forfeiture, or loss of its Property or any part thereof, provided, that no such contest shall subject any Related Issuer, any Master Note holder or the Master Trustee to the risk of any liability. While any such matters are pending, such Member shall not be required to pay, remove or cause to be discharged the tax, levy, charge, fee, rate, assessment, imposition, obligation, Indebtedness, demand, claim or Lien being contested unless such Member agrees to settle such contest. Each such contest shall be promptly prosecuted to final conclusion (subject to the right of such Member engaging in such a contest to settle such contest), and in any event the Member will save all Related Issuers, all Related Bond Trustees, all Master Note holders and the Master Trustee harmless from and against all losses, judgments, decrees and costs (including attorneys' fees and expenses in connection therewith) as a result of such contest and will, promptly after the final determination of such contest or settlement thereof, pay and discharge the amounts which shall be levied, assessed or imposed or determined to be payable therein, together with all penalties, fines, interests, costs and expenses thereon or incurred in connection therewith. The Member engaging in such a contest shall give the Master Trustee prompt written notice of any such contest. Each Member waives, to the extent permitted by law, any right which it may have to contest (i) any Master Note issued for the benefit of another Member or (ii) any Master Note issued to secure or in connection with Related Bonds.

If the Master Trustee shall notify such Member that, in the opinion of Independent Counsel, by nonpayment of any of the foregoing items the Property of such Member or any substantial part thereof will be subject to imminent loss or forfeiture, then such Member shall promptly pay all such unpaid items and cause them to be satisfied and discharged.

The Master Trustee agrees, at the request of Nemours, to execute and deliver any documents Nemours may reasonably request to subordinate any lien created by the Master Indenture to any Permitted Encumbrance.

Permitted Indebtedness. Except as may be expressly provided in any Supplemental Master Indenture, the right of the Members of the Obligated Group or any Affiliate to incur Indebtedness is not limited by the provisions of the Master Indenture.

Sale, Lease or Disposition of Property. Except as may be expressly provided in any Supplemental Master Indenture, the right of the Members of the Obligated Group or any Affiliate to sell, lease or otherwise dispose of any Property is not limited by the provisions of the Master Indenture.

Liens on Property. Each Member of the Obligated Group covenants and agrees in the Master Indenture that it will not create, grant or permit to exist any Lien other than Permitted Encumbrances on any Property of the Members of the Obligated Group and their Affiliates.

Extension of Payment; Penalty. In case the time for the payment of principal of or the interest on any Master Note shall be extended, whether or not such extension be by or with the consent of the Master Trustee, such principal or such interest so extended shall not be entitled in case of default under the Master Indenture to the benefit or security of the Master Indenture except subject to the prior payment in full of the principal of all Master Notes then outstanding and of all interest thereon, the time for the payment of which shall not have been extended.

Defaults and Remedies. Each of the following events is declared an “event of default” under the Master Indenture:

(a) failure of the Obligated Group to pay any installment of interest or principal, or any premium, on any Master Note when the same shall become due and payable, whether at maturity, upon any date fixed for prepayment or by acceleration or otherwise and the continuance of such failure for five days; or

(b) failure of any Member to comply with, observe or perform any of the covenants, conditions, agreements or provisions of the Master Indenture and to remedy such default within 30 days after written notice thereof to such Member and the Obligated Group Agent from the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Master Notes; provided, that, if such default cannot with due diligence and dispatch be wholly cured within 30 days but can be wholly cured, the failure of the Member to remedy such default within such 30-day period shall not constitute a default under the Master Indenture if the Member shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; or

(c) any representation or warranty made by any Member in the Master Indenture or in any statement or certificate furnished to the Master Trustee or the purchaser of any Master Note in connection with the sale of any Master Note or furnished by any Member pursuant hereto proves untrue in any material respect as of the date of the issuance or making thereof and shall not be corrected or brought into compliance within 30 days after written notice thereof to the Obligated Group Agent by the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Master Notes; or

(d) default in the payment of the principal of, premium, if any, or interest on any Indebtedness for borrowed money (other than any Master Note or Non-Recourse Indebtedness) of any Member, including without limitation any Indebtedness created by any Related Loan Document, as and when the same shall become due, or an event of default as defined in any mortgage, indenture, loan agreement or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Indebtedness (including any Master Note) of any Member, and which default in payment or event of default entitles the holder thereof to declare or, in the case of any Master Note, to request that the Master Trustee declare, such Indebtedness due and payable prior to the date on which it would otherwise become due and payable; provided, however, that if such Indebtedness is not evidenced by any Master Note or issued, incurred or secured by or under a Related Loan Document, a default in

payment thereunder shall not constitute an “event of default” under the Master Indenture unless the unpaid principal amount of such Indebtedness, together with the unpaid principal amount of all other Indebtedness so in default, exceeds 5% of the unrestricted fund balance of the Obligated Group as shown on or derived from the then latest available audited combined financial statements of the Obligated Group; or

(e) any judgment, writ or warrant of attachment or of any similar process shall be entered or filed against any Member or against any Property of any Member and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 30 days; provided, however, that none of the foregoing shall constitute an event of default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds 5% of the unrestricted fund balance of the Obligated Group as shown on or derived from the then latest available audited combined financial statements of the Obligated Group and with respect to which the Member does not carry adequate insurance; or

(f) any Member admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for such Member, or for the major part of its Property; or

(f) a trustee, custodian or receiver is appointed for any Member or for the major part of its Property and is not discharged within 30 days after such appointment; or

(g) bankruptcy, dissolution, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against any Member (other than bankruptcy proceedings instituted by any Member against third parties), and if instituted against any Member are allowed against such Member or are consented to or are not dismissed, stayed or otherwise nullified within 60 days after such institution; or

(h) payment of any installment of interest or principal, or any premium, on any Related Bond shall not be made when the same shall become due and payable under the provisions of any Related Bond Indenture.

If an event of default has occurred and is continuing, the Master Trustee may, and if requested by either the holders of not less than 25% in aggregate principal amount of outstanding Master Notes or the holder of any Accelerable Instrument under which Accelerable Instrument an event of default exists (which event of default permits the holder thereof to request that the Master Trustee declare such Indebtedness evidenced by any Master Note due and payable prior to the date on which it would otherwise become due and payable), shall, by notice in writing delivered to the Obligated Group Agent, declare the entire principal amount of all Master Notes then outstanding under the Master Indenture and the interest accrued thereon immediately due and payable, and the entire principal and such interest shall thereupon become immediately due and payable, subject, however, to the provisions of Section 511 of the Master Indenture with respect to waivers of events of default.

Upon the occurrence of any event of default, the Master Trustee may pursue any available remedy including a suit, action or proceeding at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Master Notes outstanding under the Master Indenture and any other sums due under the Master Indenture and may collect such sums in the manner provided by law out of the Property of any Member wherever situated.

If an event of default shall have occurred, and if it shall have been requested so to do by either the holders of 25% or more in aggregate principal amount of Master Notes outstanding or the holder of an Accelerable Instrument upon whose request pursuant to this section has accelerated the Master Notes and if it shall have been indemnified as provided in Section 601 of the Master Indenture, the Master Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as the Master Trustee shall deem most expedient in the interests of the holders of Master Notes; provided, however, that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by counsel (who may be its own counsel) that the action so requested may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of Master Notes not parties to such request.

No remedy by the terms of the Master Indenture conferred upon or reserved to the Master Trustee (or to the holders of Master Notes) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Master Trustee or to the holders of Master Notes under the Master Indenture now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default under the Master Indenture, whether by the Master Trustee or by the holders of Master Notes shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Direction of Proceedings by Holders. The holders of a majority in aggregate principal amount of the Master Notes then outstanding which have become due and payable in accordance with their terms or have been declared due and payable pursuant to the section above entitled “*Master Indenture—Defaults and Remedies*” and have not been paid in full in the case of remedies exercised to enforce such payment, or the holders of a majority in aggregate principal amount of the Master Notes then outstanding in the case of any other remedy, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings thereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Indenture and that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by counsel (who may be its own counsel) that the action so directed may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of the Master Notes not parties to such direction. Pending such direction from the holders of a majority in aggregate principal amount of the Master Notes outstanding, such direction may be given in the same manner and with the same effect by the holder of an Accelerable Instrument upon whose request pursuant to the section above entitled “*Master Indenture—Defaults and Remedies*” the Master Trustee has accelerated the Master Notes.

The foregoing notwithstanding, the holders of a majority in aggregate principal amount of the Master Notes then outstanding which are entitled to the exclusive benefit of certain security in addition to that intended to secure all or other Master Notes shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture, the Supplemental Master Indenture or Indentures pursuant to which

such Master Notes were issued or so secured or any separate security document in order to realize on such security; provided, however, the holders of a majority in aggregate principal amount of the Master Notes then outstanding shall not include a Member or Member Affiliate that holds such Master Note or Notes; provided further, however, that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Indenture.

Application of Moneys upon Default. All moneys received by the Master Trustee pursuant to any right given or action taken under Article V of the Master Indenture relating to remedies (except moneys held for the payment of Master Notes called for prepayment or redemption which have become due and payable) shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees of, expenses, liabilities and advances incurred or made by the Master Trustee, any Related Issuers and any Related Bond Trustees, be applied as follows:

(a) Unless the principal of all the Master Notes shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Master Notes, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal and premium, if any, on the Master Notes which shall have become due (other than Master Notes called for redemption or payment for payment of which moneys are held pursuant to the provisions of the Master Indenture), in the order of the scheduled dates of their payment, and, if the amount available shall not be sufficient to pay in full Master Notes due on any particular date, then to the payment ratably, according to the amount of principal and premium due on such date, to the persons entitled thereto without any discrimination or privilege; and

Third: To the payment to the persons entitled thereto of all unpaid principal and interest on Master Notes, payment of which was extended by such persons as described in the section in this Appendix C entitled “*Master Indenture—Extension of Payment; Penalty.*”.

(b) If the principal of all the Master Notes shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Master Notes without preference or priority of principal, premium or interest over the others, or of any installment of interest over any other installment of interest, or of any Master Note over any other Master Note, ratably, according to the amounts due respectively for principal, premium, if any, and interest to the persons entitled thereto without any discrimination or privilege; provided that no amount shall be paid to any Master Note holder who has extended the time for payment of either principal or interest as described in the section in this Appendix C entitled “*Master Indenture—Extension of Payment; Penalty*” until all other principal, premium, if any, and interest owing on Master Notes has been paid; and

(c) If the principal of all the Master Notes shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the applicable provisions of the

Master Indenture then, subject to the provisions of paragraph (b) of this section in the event that the principal of all the Master Notes shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any unpaid Master Note until such Master Note shall be presented to the Master Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Master Notes and interest thereon have been paid under the provisions of this section and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the person entitled to receive the same; if no other person shall be entitled thereto, then the balance shall be paid to the Obligated Group Agent on behalf of the Members.

Rights and Remedies of Master Note Holders. No holder of any Master Note shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Master Indenture or for the execution of any trust or for the appointment of a receiver or any other remedy under the Master Indenture, unless a default shall have become an event of default and (a) the holders of 25% or more in aggregate principal amount (i) of the Master Notes which have become due and payable in accordance with their terms or have been declared due and payable pursuant to the section in this Appendix C entitled “*Master Indenture—Defaults and Remedies*” and have not been paid in full in the case of powers exercised to enforce such payment or (ii) the Master Notes then outstanding in the case of any other exercise of power or (b) the holder of an Accelerable Instrument upon whose request pursuant to the section in this Appendix C entitled “*Master Indenture—Defaults and Remedies*” the Master Trustee has accelerated the Master Notes, shall have made written request to the Master Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and unless also, in each case, such holders have offered to the Master Trustee indemnity as provided in Section 601 of the Master Indenture, and unless the Master Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every case at the option of the Master Trustee to be conditions precedent to the execution of the powers and trusts of the Master Indenture and to any action or cause of action for the enforcement of the Master Indenture, or for the appointment of a receiver or for any other remedy under the Master Indenture; it being understood and intended that no one or more holders of the Master Notes shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Master Indenture by its, his or their action or to enforce any right under the Master Indenture except in the manner provided in the Master Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Master Indenture and for the equal benefit of the holders of all Master Notes outstanding. Nothing in the Master Indenture contained shall, however, affect or impair the right of any holder to enforce the payment of the principal of, premium, if any, and interest on any Master Note at and after the maturity thereof, or the obligation of the Members to pay the principal, premium, if any, and interest on each of the Master Notes issued under the Master Indenture to the respective holders thereof at the time and place, from the source and in the manner in said Master Notes expressed.

Related Bond Trustee or Bondholders Deemed To Be Master Note Holders. For all purposes of the Master Indenture, unless a Related Bond Trustee elects to the contrary or contrary provision is made in a Related Bond Indenture, each Related Bond Trustee shall be deemed the holder of the Master Note or Master Notes pledged to secure the Related Bonds with respect to which such Related Bond Trustee is acting as trustee. If such a Related Bond Trustee so elects or the Related Bond Indenture so provides, the owners of each series of Related Bonds shall be deemed the holders of the Master Notes to the extent of the principal amount of the Master Notes to which their Related Bonds relate.

Successor Master Trustee. The Master Trustee and any successor Master Trustee may at any time resign from the trusts created by the Master Indenture upon notice in accordance with the Master Indenture. The Master Trustee also may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Master Trustee and to the Obligated Group Agent, and signed by the owners of a majority in aggregate principal amount of Master Notes then outstanding; provided that, if any Related Issuer so elects, it may sign such an instrument as the owner of the Master Note or Master Notes pledged to secure the Related Bonds issued by such Related Issuer. A successor master trustee shall be a bank or trust company organized under the laws of the United State of America or any state thereof, authorized to exercise corporate trust powers having a reported combined capital and surplus of at least \$10,000,000 or assets under administration of at least \$500,000,000.

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FORM OF OPINION OF BOND COUNSEL

(Closing Date)

Orange County Health Facilities Authority
Orlando, Florida

Morgan Stanley & Co. Incorporated
New York, New York

The Bank of New York Mellon Trust
Company, N.A., as Trustee
Jacksonville, Florida

The Nemours Foundation
Jacksonville, Florida

Re: \$167,035,000 Orange County Health Facilities Authority
Revenue Bonds (The Nemours Foundation Project), Series 2009A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Orange County Health Facilities Authority (the “Authority”) of its Revenue Bonds (The Nemours Foundation Project), Series 2009A, in the aggregate principal amount of \$167,035,000 (the “Series 2009A Bonds”), pursuant to a Bond Trust Indenture dated as of October 1, 2009 (the “Bond Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Trustee”).

The Authority loaned the proceeds of the Series 2009A Bonds to The Nemours Foundation, a Florida not for profit corporation (“Nemours”), pursuant to a Loan Agreement dated as of October 1, 2009 (the “Loan Agreement”), between the Authority and Nemours. Nemours’ obligations under the Loan Agreement are secured by The Nemours Foundation Master Note, Series 2009-1 (Orange County Health Facilities Authority) dated as of October 1, 2009 (the “Master Note”), issued pursuant to a Master Trust Indenture dated as of January 1, 2005, between Nemours and The Bank of New York Mellon Trust Company, N.A., formerly The Bank of New York Trust Company, N.A., as master trustee (the “Master Trustee”), as supplemented, particularly by a Fourth Supplemental Master Trust Indenture dated as of October 1, 2009 (the “Fourth Supplement”), between Nemours and the Master Trustee. The Master Note has been executed and delivered to the Authority in an aggregate principal amount equal to the aggregate principal amount of the Series 2009A Bonds. Under the Loan Agreement and by the Master Note, Nemours agreed to make payments sufficient to pay when due the principal of, premium, if any, and interest on the Series 2009A Bonds in the manner provided in the Bond Indenture, and such payments and the rights of the Authority under the Loan Agreement (except for the right to enforce certain limited provisions of the Loan Agreement) and Master Note were pledged and assigned by the Authority to the Trustee as security for the Series 2009A Bonds.

The Series 2009A Bonds are payable solely from (i) payments made by Nemours pursuant to the Loan Agreement and the Master Note (except any reimbursement or indemnity payments payable to the Authority), and (ii) all cash and securities held by the Trustee from time to time in specified trust funds under the Bond Indenture, all in the manner and to the extent provided in the Bond Indenture (collectively, the “Pledged Revenues”).

For purposes of this opinion we have examined (i) the resolutions of the Authority authorizing the issuance of the Series 2009A Bonds, (ii) the resolution of the Board of County Commissioners of Orange

County, Florida, approving the issuance of the Series 2009A Bonds, (iii) executed counterparts of the Bond Indenture and the Loan Agreement and the executed Master Note, (iv) the opinion of even date herewith of Lowndes, Drosdick, Kantor & Reed, P.A., as counsel to the Authority, (v) the opinion of even date herewith of Steven R. Sparks, Esq. General Counsel to Nemours (the “Nemours’ Counsel Opinion”), and (vi) such certified proceedings and other papers as we have considered necessary and appropriate to render this opinion.

In rendering this opinion, we are relying on Nemours’ Counsel Opinion with respect to various matters concerning Nemours, including (i) the corporate existence of Nemours, (ii) the status of Nemours as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), which is exempt from federal income taxation pursuant to Section 501(a) of the Code and is not a private foundation as defined in Section 509(a) of the Code, (iii) the power of Nemours to enter into and perform the Loan Agreement, the Fourth Supplement and the Master Note, (iv) the authorization, execution and delivery of the Loan Agreement and the Master Note and (v) the validity, binding effect and enforceability of the Loan Agreement, the Fourth Supplement and the Master Note against Nemours.

As to questions of fact material to our opinion, we have relied upon representations and covenants made on behalf of the Authority and Nemours in the Bond Indenture, the Loan Agreement and the Tax Agreement dated as of October 1, 2009 (including all exhibits thereto, the “Tax Agreement”), among the Authority, Nemours and the Trustee, certificates of officials of the Authority, certificates of officers of Nemours (including certifications as to the use of Bond proceeds and the operation and use of the property financed thereby), and certificates of others, without undertaking to verify the same by independent investigation.

We express no opinion herein as to the accuracy, completeness or sufficiency of any offering material relating to the Series 2009A Bonds. We have not passed upon any matters relating to the business, affairs or condition (financial or otherwise) of Nemours and no inference should be drawn that we have expressed any opinion on matters relating to the ability of Nemours to perform its obligations under the contracts described herein.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Authority validly exists as a public body corporate and politic of the State of Florida and has the power to issue the Series 2009A Bonds and to enter into and perform the Bond Indenture and the Loan Agreement.

2. The Bond Indenture and the Loan Agreement were duly authorized, executed and delivered by the Authority and are valid, binding and enforceable obligations of the Authority. All rights of the Authority under the Loan Agreement (except for the right to enforce certain limited provisions of the Loan Agreement) and the Master Note have been validly assigned to the Trustee under the Bond Indenture.

3. The Series 2009A Bonds were duly authorized, executed and delivered by the Authority and are valid, binding and enforceable special and limited obligations of the Authority payable solely from the Pledged Revenues.

4. Based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes under Section 103 of Code. Interest on the Series 2009A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. The Series 2009A Bonds

are issued during 2009 and are not “refunding bonds” for purposes of section 265(b)(7) of the Code. The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2009A Bonds. The Authority and Nemours have made certain representations and have covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2009A Bonds will not be included in federal gross income. The opinion set forth in this paragraph assumes the accuracy of these representations and compliance with these covenants. We have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) or any matters coming to our attention after the date of issuance of the Series 2009A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2009A Bonds. We express no opinion regarding other federal income tax consequences arising with respect to the Series 2009A Bonds.

Our opinions expressed herein are predicated upon present laws and interpretations thereof. We assume no affirmative obligation with respect to any change of circumstances or law that may adversely affect after the date hereof the exclusion from gross income for federal income tax purposes of interest on the Series 2009A Bonds.

It is to be understood that the rights of the owners of the Series 2009A Bonds and the enforceability of the Series 2009A Bonds, the Bond Indenture, the Loan Agreement and the Master Note may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

FOLEY & LARDNER LLP

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Agreement”) dated as of October 1, 2009, is executed and delivered by THE NEMOURS FOUNDATION, a Florida not for profit corporation (“Nemours” or the “Obligated Person”), DIGITAL ASSURANCE CERTIFICATION, L.L.C., as exclusive Disclosure Dissemination Agent (the “Dissemination Agent” or “DAC”) under the Bond Indenture (as hereinafter defined) in connection with the issuance by the Orange County Health Facilities Authority (the “Authority”) of its \$167,035,000 Revenue Bonds (The Nemours Foundation Project) Series 2009A (the “Bonds”). The Bonds are being issued pursuant to a Bond Trust Indenture dated as of October 1, 2009, by and between the Authority and the Trustee (the “Trustee”) named therein (the “Bond Indenture”).

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Agreement is being executed and delivered by Nemours, and the Dissemination Agent for the benefit of the holders and Beneficial Owners (defined below) of the Bonds and in order to assist Morgan Stanley & Co. Incorporated (the “Underwriter”), in complying with the Rule (defined below). Nemours and the Dissemination Agent acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required to be provided under this Agreement, and has no liability to any person, including (without limitation) any holder or Beneficial Owner, with respect to any such reports, notices or disclosures.

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Annual Filing Date” means the date that is 180 days after the end of Nemours’ fiscal year, commencing with the fiscal year ending December 31, 2009.

“Annual Report” shall mean any Annual Report provided by Nemours pursuant to, and as described in, Sections 3 and 4 of this Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that any information submitted to the Dissemination Agent for filing hereunder is the filing (and is in the form) required to be filed hereunder.

“Disclosure Representative” shall mean the Executive Vice President, Enterprise Services and Chief Financial Officer or such other person as Nemours shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean DAC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by Nemours and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB as provided at <http://www.emma.msrb.org>, or any similar system that is acceptable to or as may be specified by the Securities and Exchange Commission from time to time. A current list of such systems may be obtained from the Securities and Exchange Commission at <http://www.sec.gov/info/municipal/nrmsir.htm>

“Official Statement” means the Official Statement dated September 30, 2009, distributed in connection with the offering of the Bonds.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Underwriter” shall mean Morgan Stanley & Co. Incorporated, the original Underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

SECTION 3. Provision of Annual Reports. Nemours shall provide to the Dissemination Agent an electronic copy of the Annual Report and the related Certification, not later than 30 days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, but not later than the Annual Filing Date, the Dissemination Agent shall provide such Annual Report to EMMA. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Agreement. If Nemours’ fiscal year changes, Nemours shall notify the Dissemination Agent and the Trustee in writing of such change.

Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA, Nemours shall provide the Annual Report to the Dissemination Agent. If, by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact Nemours to determine if Nemours is in compliance with subsection (a) above.

If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a) above, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

The Dissemination Agent shall, if and to the extent Nemours has provided the Annual Report to the Dissemination Agent, file a report with the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the audited financial statements of Nemours for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If Nemours’ audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. The audited financial statements described above may be included by specific reference to other documents, including Official Statements of debt issues with respect to which Nemours is an “obligated person” (as defined by the Rule), which have been filed with the MSRB or the Securities and Exchange Commission. If the document included by reference is a final Official Statement, it must be available from the MSRB. Nemours shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Certain Events. (a) Pursuant to the provisions of this Section 5, Nemours shall give, or cause to be given, notice to the Dissemination Agent of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;

- (4) unscheduled draws on any credit enhancement reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of any of the Bonds;
- (7) modifications to rights of the holders of the Bonds;
- (8) bond calls;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds; and
- (11) rating changes.

(b) Except as set forth in paragraph (f) below, the Dissemination Agent shall have no responsibility to notify anyone of the occurrence of an event that may be a Listed Event.

(c) Whenever Nemours obtains knowledge of the occurrence of a Listed Event, Nemours shall as soon as possible determine if such event would be material under applicable federal securities laws; provided, that any event described in subsection (a)(11) above shall always be material.

(d) If Nemours has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, Nemours shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f) below.

(e) If in response to a request under subsection (b) above, Nemours determines that the occurrence of the Listed Event would not be material under applicable federal securities laws, Nemours shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f) below. If Nemours fails to respond to a request under subsection (b) above, the Trustee and the Dissemination Agent shall be under no obligation to take any further action, except upon receipt of actual knowledge of any event described under subsection (a)(11), in which event the Dissemination Agent shall report the occurrence pursuant to subsection (f) below.

(f) If the Dissemination Agent has been instructed by Nemours to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with MSRB with a copy to Nemours. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the date on which the notice (if any) of the underlying event is given to the holders of affected Bonds pursuant to the Bond Indenture.

SECTION 6. Termination of Reporting Obligation. Except as otherwise provided herein, the obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If Nemours' obligations under the Loan Agreement are assumed in full by another person or entity, such other person or entity shall be responsible for compliance with this Agreement in the same manner as if it were Nemours and Nemours shall have no further responsibility hereunder (except with respect to obligations of Nemours which survive the termination hereof pursuant to Section 11 hereof). If such termination or substitution occurs prior to the final maturity of the Bonds, Nemours shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(f) hereof.

SECTION 7. Dissemination Agent. (a) Nemours may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by Nemours pursuant to this Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the

Dissemination Agent. The initial Dissemination Agent shall be the Trustee. The Dissemination Agent may resign at any time by providing at least 30 days' written notice to the Authority, Nemours and the Trustee, provided that Nemours shall, prior to the conclusion of such 30 day period, appoint a replacement Dissemination Agent that is recognized as being in the regular business of providing dissemination agent services.

(b) The Dissemination Agent shall provide Nemours and the Trustee with evidence of each filing made under this Agreement.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, Nemours, the Dissemination Agent and the Trustee may amend this Agreement (and the Dissemination Agent and the Trustee shall agree to any amendment so requested by Nemours other than amendments increasing or affecting the obligations or duties of the Dissemination Agent or the Trustee, which amendments shall require the consent of the Dissemination Agent or the Trustee, as applicable) and any provision of this Agreement may be waived if such amendment or waiver would not, in the opinion of nationally recognized federal securities law counsel, cause the undertakings herein to violate the Rule as in effect at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, Nemours shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by Nemours. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. (a) Nothing in this Agreement shall be deemed to prevent Nemours from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If Nemours chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, Nemours shall not have any obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

(b) Nemours may instruct the Dissemination Agent to file any such information in accordance with the procedures set forth herein.

SECTION 10. Default. In the event of a failure of Nemours to comply with any provision of this Agreement, the Trustee shall, at the written direction either of the Underwriter or the holders of a majority percentage in aggregate principal amount of Outstanding Bonds (but only if and to the extent the Trustee is indemnified to its satisfaction from any costs, liability or expense including, without limitation, fees and expenses of its attorneys, as provided in the Bond Indenture), or any holder or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause Nemours to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Bond Indenture or the Loan Agreement, and the sole remedy under this Agreement in the event of a failure of Nemours to comply with this Agreement shall be an action to compel performance; provided, however that nothing in this Agreement shall limit any holder's rights that it otherwise would have under applicable federal securities laws.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and Nemours agrees to indemnify and save the Dissemination Agent, and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The

obligations of Nemours under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds or the termination hereof.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To Nemours:	The Nemours Foundation 10140 Centurion Parkway North Jacksonville, Florida 32256 Attention: Executive Vice President, Enterprise Services and Chief Financial Officer Tel: (904) 697-4142 Fax: (904) 232-4230
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To the Trustee:	The Bank of New York Trust Company, N.A. 10161 Centurion Parkway Jacksonville, Florida 32256 Attention: Corporate Trust Department Tel: (904) 645-1968 Fax: (904) 645-1997
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To the Dissemination Agent:	Digital Assurance Certification, L.L.C. 390 N. Orange Avenue, 17 th Floor Orlando, Florida 32801 Fax: (407) 515-6513
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Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, or other information filed pursuant to this Agreement, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 14. Beneficiaries. This Agreement shall inure solely to the benefit of Nemours, the Trustee, the Dissemination Agent, the Underwriter, and the holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Applicable Law. This Agreement shall be construed under the laws of the State of Florida and, to the extent inconsistent, with the laws of the United States of America.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Nemours and the Dissemination Agent have executed this Agreement under seal on the date and year first written above.

THE NEMOURS FOUNDATION

By: _____ (SEAL)
Name:
Title:

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Dissemination Agent

By: _____ (SEAL)
Name:
Title:

EXHIBIT A

**NOTICE TO MSRB OF FAILURE
TO FILE ANNUAL REPORT [OR OTHER REQUIRED INFORMATION]**

Name of Authority: Orange County Health Facilities Authority

Name of Bond Issue: \$167,035,000 Orange County Health Facilities Authority
Revenue Bonds (The Nemours Foundation Project)
Series 2009A

Name of Obligor: The Nemours Foundation

Date of Issuance: October 15, 2009

NOTICE IS HEREBY GIVEN that Nemours has not provided an Annual Report [or Other Required Information] with respect to the above-named Bonds.

Dated: _____, ____

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
Dissemination Agent, on behalf of
The Nemours Foundation

By: _____ (Seal)
Name:
Title:

cc: The Nemours Foundation

Nemours



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