Aurora Health Care, Inc. and Affiliates

Unaudited Consolidated Financial Statements and Other Information
For the Year Ended December 31, 2013

AURORA HEALTH CARE, INC. AND AFFILIATES
TABLE OF CONTENTS

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS ANNUAL REPORT CONSTITUTE FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACTUAL RESULTS MAY DIFFER SIGNIFICANTLY FROM THE RESULTS DISCUSSED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF 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. AURORA HEALTH CARE INC. DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THE EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

INTRODUCTION

This Annual Report contains information concerning Aurora Health Care, Inc., a Wisconsin nonstock, not-for-profit corporation (the "Corporation"), and its affiliates (collectively, "Aurora"). The Corporation is the parent corporation of a group of nonprofit and for profit corporations and other organizations that own and operate health care facilities and provide health care-related services throughout eastern Wisconsin and northern Illinois, and provide support services to Aurora. The Corporation provides leadership and management functions for its affiliates and subsidiaries and has no material revenue producing assets of its own, other than investments in certain joint ventures.

References to "Aurora" in this document are to the Corporation and all of the affiliates and subsidiaries consolidated with it pursuant to accounting principles generally accepted in the United States of America ("GAAP"). References to the Corporation are references only to the parent corporation, and should not be read to include any of the Corporation's affiliates and subsidiaries.

AURORA

Aurora is the largest provider of inpatient and outpatient care in the State of Wisconsin. It provides integrated health care services at approximately 250 geographic sites in eastern Wisconsin and northern Illinois, including primary and specialty care, pharmacies, behavioral health care, emergency care, rehabilitation, home care, and end-of-life care. Its operations include 14 acute-care hospitals and one psychiatric hospital (collectively, the "Aurora Hospital Facilities"), 153 physician clinic facilities (collectively, the "Aurora Clinic Facilities"), one of the largest home health care organizations in Wisconsin, 70 retail pharmacies and other health care and related services.

For the year ended December 31, 2013, Aurora provided services to approximately 1.2 million patients in approximately 8.3 million patient encounters. During that same period, it reported adult inpatient days of approximately 426,000; admissions of approximately 100,000; and physician clinic, hospital outpatient and other visits of 6.3 million. Aurora had $4.2 billion in assets as of December 31, 2013 and total operating revenue of approximately $4.2 billion for the year ended December 31, 2013. At December 31, 2013, Aurora employed approximately 1,600 physicians.

Aurora is nationally recognized for quality. Recent awards and recognitions include:

- US News & World Report (July 2013): Best Metro Hospitals Ranking (Aurora St. Luke's Medical Center, Aurora Sinai Medical Center and Aurora West Allis Medical Center); Best Regional Hospitals Ranking (Aurora BayCare Medical Center); Nationally ranked Specialties (Aurora St. Luke's Medical Center – four specialties; Aurora Sinai Medical Center – one specialty; Aurora West Allis Medical Center – one specialty); High Performing Specialties

(Aurora St. Luke's Medical Center – eight specialties; Aurora Sinai Medical Center – one specialty; Aurora West Allis Medical Center – seven specialties).

- The Joint Commission (October 2013): Top Performers on Key Quality Measures (eleven Aurora Hospital Facilities).

- The Commission on Cancer of the American College of Surgeons (March 2013): Outstanding Achievement Award (twelve Aurora Hospital Facilities).

- Truven Health Analytics (March 2014): Top 100 Hospital among medium community hospitals for the 6th time (Aurora Sheboygan Memorial Medical Center); Top 100 Hospital among small community hospitals (Aurora Memorial Hospital of Burlington).

- HealthCare's Most Wired (July 2013): Winner 2013, 10th consecutive year.

- Quest (March 2013): Four High Performing Hospitals in quality and Cost Effective Care.

- Premier Health Care Alliance (January 2013): High Value Health Care (three Aurora Hospital Facilities).

SYSTEM STRENGTHS

Market Leader: Aurora is the market leader in several of its markets, including the Greater Milwaukee South and Waukesha, Sheboygan, Calumet and Greater Milwaukee North, and Burlington and Walworth markets. Its market position enhances Aurora's ability to (1) attract payers and enter into long-term managed care contracts with favorable terms, (2) assume risk-based payments, and (3) recruit physicians and other medical personnel. Aurora's market share in the Greater Milwaukee South and Waukesha, as well as, the Sheboygan, Calumet, and Greater Milwaukee North areas, has increased steadily over the last three year period.

Information Technology: Aurora completed a system-wide implementation of a universal, shared, electronic health record in October of 2013. Aurora's use of a single health record is driving cost efficiency, which has had a positive effect on operating income and is better positioning Aurora for value-based purchasing. This technology, together with Aurora's strength as an integrated health system, has improved patient care and is expected to better position Aurora for population health management.

Quality and Cost: In a report published by *"Health Care Trends"* in January 2014 that correlates quality achievements and cost efficiency, Aurora was recognized as the lowest cost and highest quality provider in southeastern Wisconsin. Patients from all 50 states have been treated at Aurora St. Luke's Medical Center (Aurora's flagship hospital), evidencing Aurora's national recognition for quality of care. As a high-quality, low-cost provider, Aurora is well positioned for health care reform. To date, Aurora has exceeded management's expectations on the value-based purchasing (earning full reimbursement at 13 out of 14 Aurora Hospital Facilities) and the re-admission statistics (earning full reimbursement at 12 out of 14 Aurora Hospital Facilities) provisions of health care reform.

Employed and Closely Aligned Physicians: Aurora has historically placed an emphasis on increasing the number of its employed physicians and currently employs 1,580 physicians, or nearly half of its medical staff. Aurora's total medical staff of approximately 3,200 physicians, including its employed physician base and closely aligned physicians, allows for, a stable revenue stream and a reliable and predictable referral base. Although Aurora continues to actively recruit physicians, its emphasis has shifted from increasing its physician component to improving utilization. However, Aurora's continued recruiting and solid rate of physician retention has resulted in a stable employed and closely aligned physician count. In 2013, revenue generated from employed and closely aligned physicians accounted for approximately 76% of Aurora's net patient service revenue.

Integrated System: Aurora provides a full spectrum of care throughout its service area through its established network of physicians, acute care hospitals and complimentary outpatient services, psychiatric hospital, pharmacy and home health. The breadth of its network assists Aurora in managing costs and patient care, better positioning Aurora for value-based purchasing and population health management, and provides Aurora with a diverse revenue base. Aurora's strength as an integrated health system also provides for strong intersystem referrals, with smaller community facilities transferring patients to the larger Aurora Hospital Facilities, such as Aurora St. Luke's Medical Center. The breadth of its network has also resulted in increased market share in many of its markets; higher patient loyalty; improved quality metrics; more efficient care delivery; increased usage of acute care/physician/ancillary services; and accountable care and integrated system savings.

BUSINESS STRATEGY

Aurora launched a strategy in September 2012 titled "*Our Way Forward*", which was designed to ensure its responsiveness to the rapidly changing health care environment. Our Way Forward encompasses three core initiatives: integration, clinical and operational excellence, and strategic growth. Aurora has dedicated significant system capital and resources to successfully execute upon such initiatives.

Our Way Forward was designed as a natural extension of Aurora's purpose and values. "*We help people live well*" encompasses Aurora's purpose and sets the tone for its stated values: (1) every patient deserves the best care; (2) responsibly managing resources; and (3) building a healthy workplace through accountability, teamwork and respect. Our Way Forward was designed to deliver on these value statements, positioning Aurora to deliver the highest quality care at the lowest cost. Our Way Forward includes:

Integration.

Components of Aurora's integration strategy include population health management, care redesign, and information technology. Initiatives within those integration strategies include the following:

Population Health Management. Aurora has significant experience in population health management, having successfully managed approximately 46,000 covered lives during the last 15 years (including its employees and their dependents), achieving an average rate increase for per-member-per-month costs of 2.7% over 2012 and 2013 (as compared to the national average that has historically risen 8-9% annually per benchmarks by Mercer and Segal, 2013). Building on this experience, Aurora has developed the Aurora Accountable Care Network ("AACN"), a narrow network product which offers a unique value proposition, including a price guarantee to employers built upon a health care model that improves quality, outcomes, and the patient experience. Aurora has joined with two major health insurers, Anthem and Aetna, to market AACN to Wisconsin small and medium-sized employers. Aurora has also developed products for large, self-funded employers as well as a product that is offered on the health insurance exchange. AACN was first offered on January 1, 2013. In addition to its employees and their dependents, Aurora is currently managing approximately 57,000 covered lives under AACN for approximately 109 different employers.

In addition to AACN, Aurora is undertaking a number of different pilot projects to enhance its ability to manage populations, while improving patient experience and managing health spending, including participation in a Medicare shared savings program covering approximately 8,500 beneficiaries.

Care Redesign. Aurora's care redesign initiative is focused on providing the infrastructure necessary to provide population health management, while improving quality and managing cost and total health care spending. A focus of the care redesign initiative is changing the primary care delivery model such that, through primary care, the patient is provided with a single access point through which all care is coordinated – including specialty care, hospital care and home health care. Under the redesigned model, care is delivered by a team of care providers, which include physicians, advanced practice nurses, physician assistants and others, designed to optimize the use of each caregiver's skill set within the team. Primary care redesign will better

utilize resources and operations with a goal towards improving health outcomes and patient experience relative to cost.

Through care redesign, Aurora expects to: (i) significantly increase its primary care capacity, (ii) continuously improve delivery of health outcomes and experience through the team-based care structure, (iii) eliminate the variations in providing care for the same procedure in order to reduce non-value added procedures and advance care standards, and (iv) create a culture of sustained self-improving operational excellence.

Information Technology. Aurora has dedicated significant resources to create a universal, shared, electronic health record for each Aurora patient, termed "*Smart*Chart". *Smart*Chart has created industry-leading levels of electronic connectivity across Aurora's care spectrum to achieve higher quality outcomes, more efficient care delivery and enhanced patient engagement and experience. The use of *Smart*Chart enables the clinicians to review the patient's medical history, document the patient visit, order tests and send prescriptions directly to the patient's pharmacy electronically. *Smart*Chart also includes the information necessary to assist with population health management and care redesign strategies. Aurora completed its system-wide implementation of *Smart*Chart in October of 2013.

Management estimates that Aurora will be entitled to approximately $93 million, in the aggregate, of reimbursement related to Medicare and Medicaid "meaningful use" incentive payments. For the years ended December 31, 2013, 2012 and 2011, Aurora recognized approximately $27.1 million, $19.6 million and $18.2 million, respectively, of income from incentive payments.

Aurora implemented "*myAurora,*" an online patient resource in the first quarter of 2013. myAurora is aimed at providing patients, their families and caregivers with the necessary health information and virtual access tools to help them be effective partners in managing their health and wellness. This resource offers patients secure, integrated access to their health records and Aurora services, and allows patients to schedule appointments, view test results, renew prescriptions, pay bills and communicate with their care team. Approximately 120,000 patients enrolled in myAurora during the year ended December 31, 2013. Aurora is working on other connectivity initiatives, including taking part in a state run pilot program for the sharing of patients' health information with other providers, regardless of the system from which the records originated. The goal is to make as much patient information available as possible to a health care provider so the provider can give the best possible quality care regardless of location.

Clinical and Operational Excellence.

Aurora's strategy for clinical and operational excellence contains both clinical and non-clinical components.

Clinical Component. The clinical component includes development and implementation of clinical standards throughout Aurora to reduce variability and increase quality of care. Lean efforts focus on creating more efficient processes to produce improved productivity in clinical operations. These efforts include, for example, the implementation of processes designed to improve emergency department throughput and reduce the inpatient length of stay. In addition, Aurora has developed recognized clinical programs in oncology, cardiovascular, hospitalist medicine, orthopedics, neurology/spine and general surgery to improve decision making and set care protocols, supply standards, and utilization guidelines to further reduce variability and increase quality of care.

Non-Clinical Component. The non-clinical component includes initiatives directed at enhancing efficiency and effectiveness in core support functions, which includes cost control and revenue cycle improvements, each described in more detail below, as part of an overall operating margin optimization effort:

- *Cost Control*: In 2012, a fixed cost reduction plan was initiated throughout Aurora as a result of a comprehensive assessment by Navigant, Inc., which showed opportunities in various departmental, functional and managerial structures. This plan includes development of initiative

teams across many functional areas responsible for identifying and implementing process improvements to achieve the cost savings identified in the assessment. To date, Aurora has achieved approximately $35 million of cost savings and has identified additional cost savings opportunities in a range of $35 to $74 million in aggregate to be achieved by the end of 2015.

Additionally, in 2013, Aurora began a medical technology optimization project with the goal to reduce costs through more efficient use of its medical technology equipment. The first phase of this project was to analyze the utilization of Aurora's high cost diagnostic imaging equipment in order to align the equipment with Aurora's operations. To date, Aurora has achieved $12.5 million in capital avoidance costs and saved $4.4 million in operating and equipment service costs through analyzing diagnostic equipment utilization, maintenance, and condition. The second phase of the project, which began in 2014, is to review the utilization of other medical equipment.

- *Revenue Cycle Improvement*: Considerable focus on the revenue cycle commenced in 2013 as part of a total redesign effort to improve revenue capture, billing accuracy and the patient experience. Beginning with scheduling and pre-registration through pre-service and point of service collections and billing, the goal is to improve completeness, timeliness and accuracy in documenting and charging for services provided to improve performance around denial management, reduce bad debts and improve the patient experience. Through these redesign efforts, Aurora has achieved approximately $27 million in revenue cycle improvements to date and has identified approximately $45 million of additional opportunities to be achieved in 2014

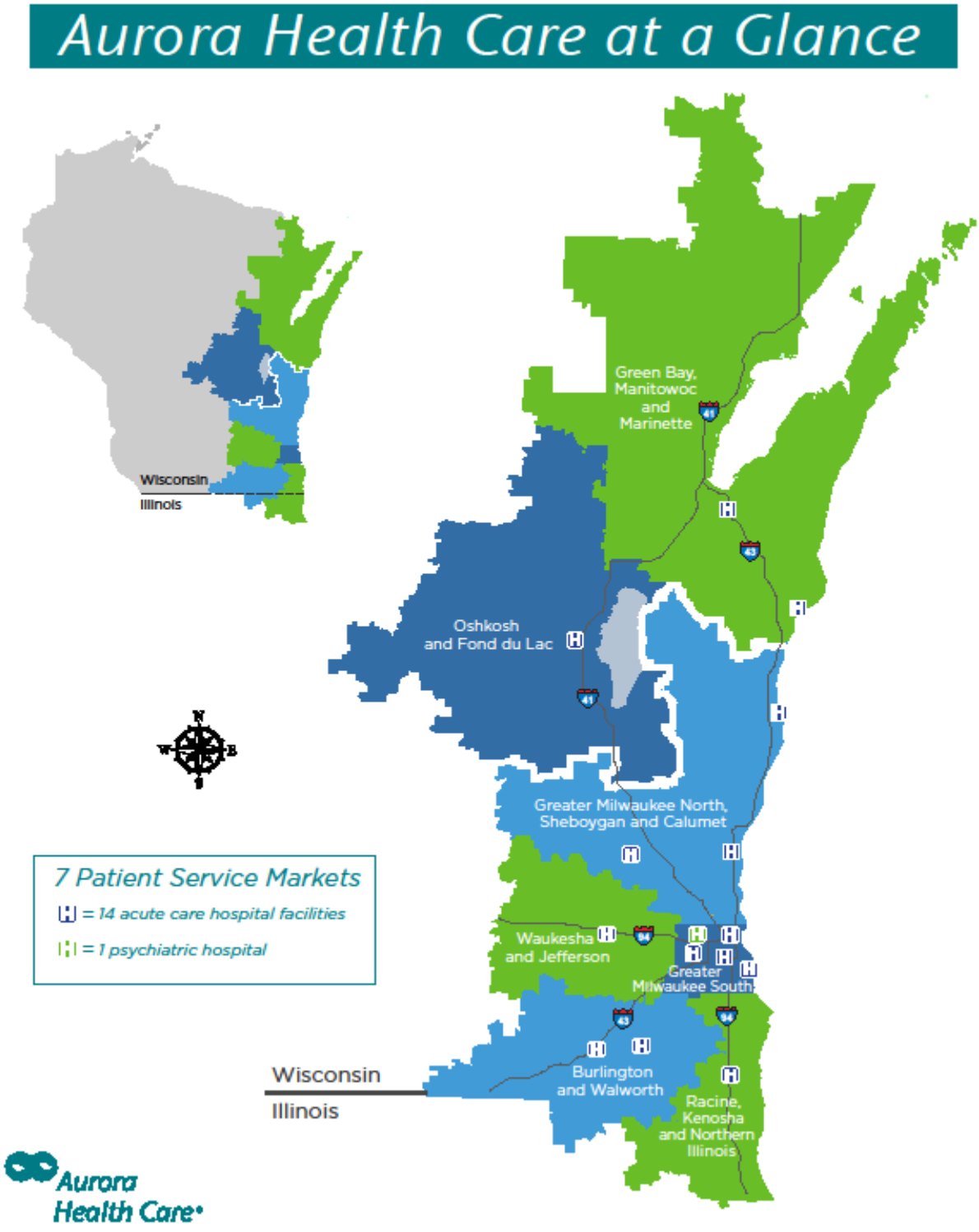
Strategic Growth.

Aurora is continuously evaluating potential acquisitions, affiliations, joint ventures and divestitures that would enhance its ability to provide high quality, cost effective health care. Management identifies and holds discussions with possible affiliation candidates in new and existing markets to assess their interest and suitability for affiliations with Aurora. Evaluation of potential candidates includes an assessment of various factors such as financial strength, competitive position, scope and location of services, quality and cultural fit.

Current activity includes:

Bay Area Medical Center. On November 1, 2013, Aurora entered into a letter of intent to acquire a minority interest in Bay Area Medical Center, a 99 bed general acute care hospital located in Marinette, Wisconsin.

UW Health. Aurora is in discussions with UW Health to explore how the two organizations can work together to enhance the delivery of high quality, affordable health care to Wisconsin and the surrounding region.



Behavioral Health is an additional PSM which is not defined by geographical boundaries and therefore is not separately illustrated on the map above.

BUSINESS OF AURORA

The following discussion of the business of Aurora includes descriptions of facilities and other information, including market share and operating data.

Service Area

Aurora's service area covers approximately the eastern third of the State of Wisconsin (the "State"), a geographic area with a population of 5.4 million (or 64.5% of the State's population), as well as portions of two counties in northern Illinois that are contiguous to the Wisconsin border. According to the U.S. Census Bureau and Bureau of Labor Statistics, the service area population has increased 6.7% from 2000 to 2010.

Aurora's patient care operations are organized into patient service markets ("PSM's"), which are based on patient utilization patterns within a particular geographical area, other than the Behavioral Health PSM which is not defined by a geographical boundary. Aurora has redefined its PSM's from 10 to 8 to better align with the current patient utilization patterns in each area. The PSMs are managed by region, North and South, as reflected below. The population of each PSM as of December 31, 2013 and the percentage of Aurora's total operating revenues generated by each PSM for the year ended December 31, 2013 are listed below.

PSM	Population[(1)]	Percentage of Total Revenue for Year ended December 31, 2013
North Region		
Green Bay, Manitowoc and Marinette	562,000	12%
Oshkosh and Fond du Lac	498,000	5%
South Region		
Greater Milwaukee South	601,000	43%
Greater Milwaukee North, Sheboygan and Calumet	947,000	21%
Burlington and Walworth	265,000	6%
Racine, Kenosha and Northern Illinois	288,000	7%
Waukesha and Jefferson	309,000	5%
Behavioral Health[(2)]	N/A	1%

[(1)] Source: 2013 ESRI population projections, excluding northern Illinois counties.
[(2)] Behavioral Health is not defined by geographical boundaries so population statistics are not applicable.

Facilities

Aurora Hospital Facilities. The Aurora Hospital Facilities include fifteen hospitals with 1,950 available beds. Each Aurora Hospital Facility is accredited by The Joint Commission. With the exception of Aurora BayCare Medical Center, which is majority owned and operated by BayCare Aurora, LLC ("Aurora BayCare"), a for-profit Wisconsin limited liability company, the Aurora Hospital Facilities are owned or operated by Wisconsin nonstock, nonprofit corporations, exempt from federal income taxation by virtue of Sections 501(a) and 501(c) of the Internal Revenue Code of 1986, as amended, and are currently exempt from Wisconsin property taxes.

The following table summarizes the Aurora Hospital Facilities as of December 31, 2013 categorized by PSM:

Facility/PSM	Location	Licensed Beds	Available Beds
Greater Milwaukee South			
Aurora St. Luke's Medical Center	Milwaukee	938	614
Aurora St. Luke's South Shore	Cudahy	275	95
Aurora West Allis Medical Center	West Allis	350	197
Aurora Sinai Medical Center	Milwaukee	386	157
Sheboygan, Calumet and Greater Milwaukee North			
Aurora Sheboygan Memorial Medical Center	Sheboygan	185	130
Aurora Medical Center Washington County	Hartford	71	34
Aurora Medical Center – Grafton	Grafton	100	94
Greater Green Bay, Manitowoc and Marinette			
Aurora BayCare Medical Center	Green Bay	167	149
Aurora Medical Center Manitowoc County	Two Rivers	69	65
Oshkosh and Fond du Lac			
Aurora Medical Center – Oshkosh	Oshkosh	84	61
Burlington and Walworth			
Aurora Lakeland Medical Center	Elkhorn	109	67
Aurora Memorial Hospital of Burlington	Burlington	123	55
Racine, Kenosha and Northern Illinois			
Aurora Medical Center – Kenosha	Kenosha	74	74
Waukesha and Jefferson			
Aurora Medical Center – Summit	Summit	117	78
Behavioral Health			
Aurora Psychiatric Hospital	Wauwatosa	105	80
Totals		**3,153**	**1,950**

The geographic location of the Aurora Hospital Facilities is illustrated on the map on the previous page.

Aurora St. Luke's Medical Center ("St. Luke's") is Aurora's largest facility. As a quaternary hospital, St. Luke's offers a broad range of highly specialized services which include state-of-the-art treatment options such as endovascular cardiac valve surgery, robotically assisted heart surgery, Cyberknife technology and others. For the year ended December 31, 2013, St. Luke's represented 23% of the total revenue of Aurora.

St. Luke's is one of the state's volume leaders for key specialties including cardiac, neurological and orthopedic services. It was named in the *U.S. News & World Report's* 2013 best hospital rankings for the

Milwaukee area and recognized by The American Heart Association and American Stroke Association for its performance in treating cardiac and stroke patients, and was one of only 26 hospitals to receive "Triple Recognition." Additionally, St. Luke's is nationally recognized for providing quality care in the area of cancer by the Commission on Cancer, Blue Cross Blue Shield, Foundation for Stem Cell Transplantation and the American College of Surgeons.

Aurora Clinic Facilities. The following table summarizes the clinic facilities operated by Aurora as of December 31, 2013, categorized by PSM.

Facility/PSM	Number of Clinic Sites
Greater Milwaukee South	33
Sheboygan, Calumet and Greater Milwaukee North	31
Greater Green Bay, Manitowoc and Marinette	28
Oshkosh and Fond du Lac	12
Burlington and Walworth	12
Racine, Kenosha and Northern Illinois	14
Waukesha and Jefferson	6
Other Affiliates	17
Totals	153

The Aurora Clinic Facilities include smaller local clinic facilities that focus on primary and preventive health care, in addition to larger specialty facilities, ambulatory surgery centers, and outpatient facilities located at the campuses of the Aurora Hospital Facilities. The breadth of the Aurora Clinic Facilities provides Aurora with the foundation necessary for population health management and allow for delivery of a full continuum of care throughout the communities it serves.

Market Dynamics

As shown in the table below, Aurora is the market leader in the Greater Milwaukee South and Waukesha, Sheboygan, Calumet and Greater Milwaukee North, and Burlington and Walworth markets based on adult acute care admissions, with steadily increasing market share from calendar year 2010 through 2013 in these areas (with the exception of Burlington and Walworth). Through December 31, 2013, the Aurora Hospital Facilities in Greater Milwaukee South and Waukesha market accounted for approximately 80% of total Aurora adult acute care admissions. During that same period, its market share in the remaining PSM's remained constant with the exception of Burlington and Walworth. Management attributes the decline in the Burlington and Walworth PSM to the opening of a new critical access hospital in Lake Geneva by Mercy Health System. However, Aurora plans to spend $100 million in the Burlington and Walworth PSM to reinvest in the infrastructure at its two existing hospitals and to build an ambulatory surgery center. Aurora's plan to invest in the Burlington and Walworth PSM is a key part of the Aurora's long term strategy.

The following table summarizes market share by PSM for the six months ended June 30, 2013 and for the years ended December 31, 2012, 2011 and 2010 based on adult acute care admissions.

Market Share by PSM Based on Adult Acute Care Admissions[1]

	June 30, 2013[1]	2012	December 31, 2011	2010
Greater Milwaukee South and Waukesha[2]:				
Aurora	39%	39%	37%	37%
Froedtert & Community Health	23	23	24	25
Wheaton Franciscan Healthcare	18	18	18	17
Columbia – St. Mary's[4]	8	8	9	9
ProHealth Care, Inc.	12	12	12	12
	100%	100%	100%	100%
Greater Green Bay and Manitowoc:				
Aurora	27%	28%	28%	29%
Bellin Health	24	24	24	23
Hospital Sister's Health System	41	41	39	38
Franciscan Sisters of Christian Charity	8	8	9	9
	100%	100%	100%	100%
Oshkosh and Fond du Lac:				
Aurora	36%	35%	36%	36%
Affinity Health System[4]	64	65	64	64
	100%	100%	100%	100%
Sheboygan, Calumet, and Greater Milwaukee North:				
Aurora	55%	54%	49%	35%
Hospital Sister's Health System	12	12	12	13
Columbia – St. Mary's[4]	20	20	23	35
Froedtert & Community Health	13	14	16	17
	100%	100%	100%	100%
Burlington and Walworth:				
Aurora	84%	84%	92%	94%
Mercy Health System	16	16	8	6
	100%	100%	100%	100%
Racine, Kenosha and Northern Illinois[3]:				
Aurora	17%	16%	15%	14%
Wheaton Franciscan Healthcare	51	52	51	49
United Health System	32	32	34	37
	100%	100%	100%	100%

[1] Source: Wisconsin Hospital Association: Inpatient Admissions - 2013. Most recent data is as of June 30, 2013.

[2] Includes Greater Milwaukee South and Waukesha and Jefferson PSMs.

[3] Aurora does not own or operate a hospital facility in Illinois, so market share information for northern Illinois has not been included.

[4] Affiliated with Ascension Health.

Historical Utilization

The following table summarizes utilization statistics for Aurora for the years ended December 31, 2013, 2012, and 2011:

	Year Ended December 31,		
	2013	**2012**	**2011**
Adult inpatient days	425,524	421,866	405,804
Adult average daily census	1,166	1,156	1,112
Adult average length of stay	4.3	4.2	4.3
Adult discharges	100,083	99,730	93,804
Emergency room visits	259,623	266,386	258,938
Observation cases and bedded outpatients	30,628	32,326	38,275
Surgical cases	103,875	103,808	104,231
Physician clinic, hospital outpatient and other visits	6,300,877	6,082,175	5,970,086

Sources of Patient Service Revenue

Patient service revenue realized by Aurora comes from a variety of sources, which differ among the individual facilities and market areas. A substantial portion of the patient service revenue of Aurora is derived from third-party payors that reimburse or pay for the services provided to patients covered by such third parties. These third-party payors include the federal Medicare program, state Medicaid program and commercial insurance carriers, including preferred provider organizations and health maintenance organizations. Many of those programs make payments to Aurora at rates other than the direct charges that Aurora would charge for such services, which rates may be determined other than on the basis of the actual costs incurred in providing services to such patients. Some private insurance carriers reimburse their insureds or make direct payment to hospitals for medical expenses based on billed charges.

Aurora has negotiated long-term contracts with commercial insurance plans. Currently, over 75% of its commercial business is covered by contracts with remaining terms in excess of five years.

The composition of patient service revenue by payor, net of contractual allowances and discounts (before the provision for bad debts), is as follows for the years ended December 31, 2013, 2012 and 2011:

	2013	**2012**	**2011**
Managed care and all other	59 %	57 %	60 %
Medicare	29	29	28
Medicaid	7	7	7
Self-pay	5	7	5
	100 %	100 %	100 %

Medical Staff

Aurora has developed significant market share in its PSMs through strategic growth in employed physicians. Acquisitions of established physician practices throughout eastern Wisconsin contributed to such growth.

In November of 2013, Aurora hired a prominent brain surgeon, Dr. Amin Kassam, to lead the neurosciences team. It is expected that he will complement Aurora's current capabilities and services, while providing numerous advances in patient care. Dr. Kassam has been integral to the development of the expanded endonasal approach and has performed many unprecedented procedures in the field. The arrival of Dr. Kassam is expected to expand Aurora's neuroscience program and generate additional revenue in upcoming years.

By creating a large referral base, Aurora has developed protection against large scale revenue declines. Aurora currently employs approximately 50% of its medical staff, including 1,580 physicians in over 54 different specialties. Total medical staff, including employed physicians, is currently comprised of approximately 3,160 physicians, with just over 65% of the medical staff considered specialists. During 2013, approximately 76% of Aurora's net patient service revenue was generated from employed and closely aligned physician admissions or referrals. Management anticipates that the majority of the physician alignment within its major markets has concluded and that the primary driver of future growth in its employed physician base will be organic.

Aurora is focused on redesigning physician compensation and primary care delivery in order to prepare for the changes in reimbursement expected from health care reform.

Employees

As of December 31, 2013, Aurora had approximately 28,400 employees, representing approximately 25,000 full-time equivalent staff. Aurora is one of the largest private employers in the State of Wisconsin. Approximately 315 of its employees are members of collective bargaining units. Aurora management is not aware of any union organizing activities with respect to any of its other employees. Management considers its relationship with employees to be favorable.

Medical Education Programs

Aurora sponsors numerous medical education programs and has affiliation agreements with the University of Wisconsin - Madison Medical School and the Medical College of Wisconsin, located in Milwaukee. There are approximately 400 medical student rotations and 150 residents and fellows receiving training at Aurora facilities annually.

Insurance Programs

General and Professional Liability Insurance Coverage. The Wisconsin Injured Patients and Families Compensation Fund (the "Fund") was created by Section 655.26 of the Wisconsin Statutes to cover professional liability claims against certain Wisconsin health care providers, including hospitals and physicians, to the extent such claims result in awards in excess of defined limits of required primary insurance coverage. Currently, the required primary coverage limits are $1,000,000 for each occurrence and $3,000,000 for all occurrences in any policy year. Aurora carries the required primary liability insurance coverage for each of its eligible health care affiliates and each individual employed physician through Continental Casualty Company.

The Fund assesses a fee on Wisconsin health care providers on an annual basis in an amount based partially on the Fund's administrative expenses and partially on the loss experience of the particular type of health care provider. Under current Wisconsin law, if a covered health care provider complies with the statutory rules regarding primary insurance coverage, malpractice claimants against the health care provider must look solely to the Fund for the portion of any awards that are in excess of the primary coverage limits and the health care provider cannot be held liable for such amounts. Operation of the Fund is governed by statute, and there can be no assurance that the State of Wisconsin will continue the Fund indefinitely in its present form.

As of December 31, 2013, all of Aurora's primary liability insurance policies for general and professional liability are reinsured by Aurora Liability Assurance, Ltd. ("ALA"), a captive insurance company wholly-owned by the Corporation. ALA maintains a reinsurance trust account, which in total represents security required by the reinsurance agreement between ALA and the Continental Casualty Company. As of December 31, 2013, 2012 and 2011, assets held in the trust were $58.3 million, $63.5 million and $61.8 million respectively, and the estimated liability for claims, including incurred but not reported, and future servicing costs were $38.4 million, $39.8 million and $43.9 million, respectively.

The Corporation also has professional liability coverage for its providers and affiliates that do not qualify for Fund coverage, as well as general liability for all of its entities. These coverages provide a number of shared professional liability limits and shared general liability limits totaling $2,000,000 per occurrence and $4,000,000 annual aggregate for most providers.

Workers' Compensation and Long-Term Disability. The Corporation also provides salary continuation payments to current and inactive employees who are eligible to receive long-term disability and workers' compensation, under self-funded arrangements. The self-insured retention limit is $350,000 per occurrence. Aurora measures the cost of its unfunded obligations under such programs based upon actuarial estimates and records a liability on a discounted basis. Excess workers' compensation coverage is purchased from Sentry Casualty Company.

Other Insurance Coverages. In addition to the excess coverage for the insurance programs discussed above, the Corporation purchases commercial policies for property, crime, directors' and officers' liability, automobile liability, helipad and non-owned aircraft liability, fiduciary liability, and cyber liability, with varying amounts of coverage and deductibles which the Corporation evaluates periodically in light of current insurance pricing and availability.

Community Benefit

Aurora exists to benefit the people in the communities it serves and to carry out its purpose to help people live well. In pursuing its purpose, Aurora advocates for and provides services to help meet healthcare and related socioeconomic needs of the poor and disadvantaged individuals and the broader community both as an individual organization and in partnership with local health departments, nonprofit agencies, civic organizations and other community agencies. Through this ongoing systematic process, Aurora positions itself to build upon a combination of expertise and shared accountability to advocate for and advance best practices to improve the health of the communities Aurora serves.

Aurora provides health care services without charge to patients who meet the criteria of its charity care policy. The amount of charity care provided, determined on the basis of cost, is estimated based on entity-specific cost-to-charge ratios. In addition to charity care, Aurora provides services to Medicaid and other public programs for financially needy patients, for which the payments received, are less than the cost of providing services. The unpaid costs attributed to providing services under these programs are considered a community benefit.

In addition, Aurora is also involved in numerous other wide-ranging community benefit activities that include community health education and outreach in the form of free or low-cost clinics, health education, health

promotion and wellness programs, such as health screenings and immunizations, research and innovation, and various community projects, transportation services, and support groups.

A summary of the cost of uncompensated care, community benefits provided, and the unpaid cost of Medicare for the years ended December 31, 2013, 2012 and 2011, is as follows (in thousands):

	2013	2012	2011
Cost of charity care provided	$ 56,426	$ 45,577	38,460
Unpaid cost of Medicaid	302,199	298,604	295,943
Unpaid cost of other public programs	6,924	8,638	4,241
Total cost of uncompensated care	365,549	352,819	338,644
Community health improvement and education services and Community Benefit operations	8,813	7,424	5,651
Health professional education	13,934	11,195	13,463
Subsidized health services	8,062	8,282	10,262
Cash and in-kind contributions for community benefit	8,881	11,337	6,299
Total community benefit programs	39,690	38,238	35,675
Unpaid cost of Medicare	426,857	392,905	387,613
Total cost of uncompensated care, community benefit programs and unpaid cost of Medicare	$ 832,096	$ 783,962	$ 761,932

Licensure, Certification and Accreditation

Each of the Aurora Hospital Facilities is licensed as a Wisconsin hospital and is certified to participate in the Medicare program and the State of Wisconsin's Medicaid program, and each is accredited by the Joint Commission.

Legal and Regulatory Compliance

Aurora operates in a highly regulated and litigious industry. As a result, various lawsuits, claims and legal and regulatory proceedings have been instituted or asserted against it from time to time. While it is impossible to predict the likelihood of future claims or inquiries, Aurora expects that new matters will be initiated against it in regular course. The results of claims, lawsuits and investigations cannot be predicted, and it is possible that the ultimate resolution of these matters, individually or in the aggregate, may have a material adverse effect on Aurora's business, financial position, results of operations, or cash flows.

Except as described below under "Pending Matter" there are currently no pending legal proceedings and investigations that are not in the ordinary course of business, within applicable insurance coverages, or for which management has determined the amount of ultimate liability with respect to such proceedings and investigations will materially affect Aurora's consolidated results of operations or net assets.

Pending Matter

Implantable Cardioverter Defibrillators ("ICDs") Investigations – In 2010, the Department of Justice served subpoenas on and issued letters to a number of hospitals and health systems across the country, including Aurora, as part of a fraud investigation into whether hospitals billed Medicare for ICDs for patients whose

conditions did not satisfy coverage criteria set forth in the Center for Medicare and Medicaid Services National Coverage Determination. As the investigation is being conducted under the False Claims Act, those targeted by the government are at risk for significant damages under the False Claims Act's treble damages and civil penalties provision. Management of Aurora has cooperated fully with the investigation and expects it to be resolved by the end of 2014. Management does not expect the resolution of this investigation to have a material adverse effect on Aurora's financial position, results of operations, or cash flows.

Compliance and Internal Audit Programs

Aurora has a corporate compliance department and maintains a corporate compliance program intended to be consistent with laws and government guidance relating to compliance programs in health care entities. The program includes mandatory education of all employees about certain significant legal and regulatory requirements applicable to the organization, including HIPAA and other privacy regulations, and includes steps to monitor and promote compliance with these requirements. All employees are provided a copy of the Aurora Code of Ethical Conduct and sign a document acknowledging they have read it and understand it reflects Aurora's policy. A "hotline" is available to all employees and physicians to report any areas of potential concern. In addition, Aurora has adopted policies designed to address specific risk areas and has instituted processes intended to correct problems identified through the hotline or its other compliance activities.

Aurora also has an internal audit department responsible for providing independent and objective assurance and consulting services designed to add value and improve Aurora's operations and control environment. The internal audit department reports functionally to the Chief Administrative Officer and administratively to the Audit Committee of the Board of Directors. The responsibilities of the internal audit department include assessing the effectiveness of internal controls, reviewing compliance with applicable laws and regulations and assessing the reliability of financial reporting.

Debt Compliance Program

Aurora has adopted a debt compliance policy, which establishes uniform guidelines in connection with its tax-exempt bonds and other financial arrangements. The purpose of the policy is to ensure compliance with all federal tax laws relating to tax-exempt bonds including, but not limited to, rules relating to ownership and use of bond-financed property and investment of bond proceeds; compliance with all securities laws relating to Aurora and its bonds including ongoing public disclosure requirements and compliance with all financial and other covenants imposed under the terms of the Master Indenture (defined below), loan agreements and other agreements related to its bonds and financial arrangements. Preparing and maintaining documentation necessary to provide a record of compliance is an integral aspect of the policy.

SELECTED FINANCIAL INFORMATION

The following condensed consolidated financial information of Aurora as of and for each of the three years ended December 31, 2013, 2012 and 2011, has been derived from the audited consolidated financial statements of Aurora and should be read in conjunction with the audited consolidated financial statements of Aurora as of and for the years ended December 31, 2013 and 2012, and the related notes thereto. The audited consolidated financial statements are available from the Municipal Securities Rulemaking Board (the "MSRB") on its Electronic Municipal Market Access ("EMMA") system, found at http://emma.msrb.org.

Aurora Health Care, Inc. and Affiliates
Condensed Consolidated Statements of Operations and Changes in Unrestricted Net Assets Information
(In thousands)

	2013	2012	2011
Revenue:			
Patient service revenue	$ 4,106,789	$ 4,005,627	3,884,510
Less provision for bad debts	221,135	238,106	196,880
Net patient service revenue	3,885,654	3,767,521	3,687,630
Other revenue	363,321	357,682	374,374
Total revenue	4,248,975	4,125,203	4,062,004
Expenses:			
Salaries and wages	2,042,544	1,989,945	1,926,718
Fringe benefits	347,965	374,234	333,980
Professional fees	84,949	77,194	64,253
Supplies	754,759	745,416	797,364
Depreciation and amortization	229,576	222,089	214,399
Interest	66,817	70,964	77,138
Maintenance and service contracts	98,537	93,554	90,428
Building and equipment rental	83,975	92,713	95,079
Hospital tax assessment	94,394	92,376	91,867
Utilities	46,727	49,509	50,975
Purchased services	96,047	91,990	101,946
Other expenses	145,864	149,254	146,972
Pension curtailment gain and other	-	(62,056)	-
Total expenses	4,092,154	3,987,182	3,991,119
Operating income	156,821	138,021	70,885
Nonoperating income (loss):			
Investment income	31,456	55,914	20,274
Other nonoperating loss - net	6,682	4,351	5,272
Total nonoperating income — net	38,138	60,265	25,546
Excess of revenue over expenses from continuing operations[(1)]	194,959	198,286	96,431
Income from discontinued operations	1,046	60,710	7,966
Pension related changes other than net periodic pension cost	252,111	(55,959)	(194,784)
Reclassification of cumulative unrealized holding net gains	-	(22,612)	-
Distributions to noncontrolling interests	(26,886)	(25,131)	(22,128)
Other — Net	3,539	2,407	(8,691)
Increase (decrease) in unrestricted net assets	$ 424,769	$ 157,701	$ (121,206)

(1) Aurora Medical Group has a majority (approximately 62%) interest in Aurora BayCare. Additionally, the Corporation has a controlling financial interest in three surgery centers. The accounts of Aurora BayCare and the three surgery centers are included in the consolidated financial statements of Aurora. Excess of revenue over expenses from continuing operations includes $38.5 million, $29.7 million, and $28.5 million for the years ended December 31, 2013, 2012, and 2011, respectively, attributable to the noncontrolling interests in Aurora BayCare and the surgery centers.

Aurora Health Care, Inc. and Affiliates
Condensed Consolidated Balance Sheet Information
(In thousands)

	December 31,		
	2013	**2012**	**2011**
Cash and cash equivalents	$ 310,076	$ 499,908	$ 348,310
Investments	847,904	461,186	449,966
Assets whose use is limited or restricted	5,652	5,556	738
Patient accounts receivable — net	520,617	539,898	512,824
Other receivables	75,904	81,103	50,496
Inventory	64,760	62,479	66,640
Prepaids and other current assets	38,359	30,245	23,737
Total current assets	1,863,272	1,680,375	1,452,711
Assets whose use is limited or restricted	369,217	321,256	298,471
Property, plant and equipment, net	1,857,437	1,954,929	2,036,945
Intangible assets, net	24,596	61,940	67,663
Investments in unconsolidated entities	12,839	14,524	12,066
Deferred financing costs, net	17,375	18,525	18,154
Other assets	36,028	38,934	36,340
Total Assets	$ 4,180,764	$ 4,090,483	$ 3,922,350
Current installments of long-term debt	$ 119,125	$ 54,754	$ 48,103
Accounts payable	222,843	240,979	248,167
Accrued salaries and wages	301,208	264,378	234,367
Other accrued expenses	196,216	127,059	105,920
Estimated third-party payor settlements	33,480	40,581	36,876
Total current liabilities	872,872	727,751	673,433
Long-term debt, less current installments	1,536,019	1,651,108	1,695,158
Pension and other employee benefit liabilities	198,876	559,269	545,675
Self-insured liabilities	62,314	61,312	67,318
Deferred gain	52,864	58,365	60,582
Other	58,606	63,635	72,529
Total liabilities	2,781,551	3,121,440	3,114,695
Unrestricted net assets:			
Controlling interest	1,261,395	848,504	695,399
Noncontrolling interest in subsidiaries	77,447	65,569	60,973
Total unrestricted net assets	1,338,842	914,073	756,372
Temporarily restricted net assets	42,033	36,660	33,004
Permanently restricted net assets	18,338	18,310	18,279
Total net assets	1,399,213	969,043	807,655
Total Liabilities and Net Assets	$ 4,180,764	$ 4,090,483	$ 3,922,350

Financial Ratios

The financial ratios presented below reflect the consolidated results of Aurora as of and for the years ended December 31, 2013, 2012 and 2011:

	Year Ended December 31,		
	2013	**2012**	**2011**
Operating Performance:			
Operating margin[1]	3.7 %	3.3 %	1.7 %
EBIDA percent[2]	11.6	11.9	9.6

	As of December 31,		
	2013	**2012**	**2011**
Liquidity:			
Days cash on hand[3]	125.2	106.6	88.4
Financial Position/Leverage Ratios:			
Net AR days outstanding[4]	48.9	52.4	50.8
Unrestricted cash to debt[5]	80%	64%	52%
Cash to puttable debt[6]	286%	234%	192%
Debt to capitalization[7]	55%	65%	70%
Debt to cash flow[8]	3.9	4.1	5.6
Debt service coverage ratio[9]	4.1x	4.2x	3.0x

[1] Operating income /Total revenue.

[2] (Excess of revenues over expenses from continuing operations + Interest expense + Depreciation and amortization expense)/Total revenue.

[3] (Unrestricted cash and investments)/((Total expenses – Depreciation and amortization expense)/actual number of days in a period).

[4] Accounts receivable, net/(Net patient service revenue/actual number of days in a period).

[5] (Unrestricted cash and investments)/(Current installments of long-term debt + Long-term debt, less current installments).

[6] (Unrestricted cash and investments)/Total variable rate demand bonds outstanding.

[7] (Current installments of long-term debt + Long-term debt, less current installments)/ (Current installments of long-term debt + Long-term debt, less current installments + Total Unrestricted net assets).

[8] (Current installments of long-term debt + Long-term debt, less current installments)/ (Excess of revenue over expenses from continuing operations + Depreciation and amortization expense).

[9] (Excess of revenues over expenses from continuing operations + Interest expense + Depreciation and amortization expense)/(Principal payments + Interest expense).

The Obligated Group

The Corporation and certain of its affiliates set forth below (collectively, the "Obligated Group") have agreed to be jointly and severally obligated for Master Notes issued under a Second Restated Master Trust Indenture, dated January 1, 2012, between the Obligated Group and U.S. Bank National Association, as Master Trustee (the "Master Indenture"). The Corporation does not currently expect to change the composition of the Obligated Group.

The Obligated Group

- Aurora Health Care, Inc.
- Aurora Health Care Metro, Inc.
- Aurora Health Care Central, Inc.
- Aurora Health Care Southern Lakes, Inc.
- Aurora Medical Center of Washington County, Inc.
- Aurora Health Care North, Inc.
- Aurora Medical Center of Oshkosh, Inc.
- Aurora Medical Group, Inc.
- Aurora Medical Center Grafton LLC

The Obligated Group operates 13 of Aurora's 15 Hospital Facilities and 121 of Aurora's Clinic Facilities.

Obligated Group and Non-Obligated Group Financial Information:

The limited information provided for the Obligated Group as of and for the years ended December 31, 2013, 2012 and 2011 is derived from the unaudited consolidating financial information underlying the audited consolidated financial statements of Aurora. The Obligated Group select financial information below includes all adjustments that management considers necessary to present such information in conformity with accounting principles generally accepted in the United States of America applied on a basis substantially consistent with that of the audited consolidated financial statements.

The financial information for the Obligated Group includes the financial results of certain wholly and partially owned or controlled entities of Aurora which have not assumed any financial obligation related to payment of or security for any notes issued under the Master Indenture ("Non-Member Entities") but are recognized as investment interests of the Obligated Group in accordance with GAAP.

The following table sets forth the aggregate total revenue, total assets, and total net assets of the Obligated Group and Non-Obligated Group Entities as of and for the years ended December 31, 2013, 2012, 2011.

Aurora Health Care, Inc. and Affiliates
Obligated Group and Non-Obligated Group[1][2]
Selected Financial Information
(Dollars in thousands)

	December 31,					
	2013		**2012**		**2011**	
Total Revenue						
Obligated Group	$ 3,046,235	72%	$ 2,887,851	70%	$ 2,679,880	66%
Non-Obligated Group	1,202,740	28%	1,237,352	30%	1,382,124	34%
Consolidated System	$ 4,248,975	100%	$ 4,125,203	100%	$ 4,062,004	100%
Total Assets						
Obligated Group	$ 3,512,048	84%	$ 3,416,154	84%	$ 3,255,053	83%
Non-Obligated Group	668,716	16%	674,329	16%	667,297	17%
Consolidated System	$ 4,180,764	100%	$ 4,090,483	100%	$ 3,922,350	100%
Total Net Assets						
Obligated Group	$ 865,688	62%	$ 472,803	49%	$ 365,937	45%
Non-Obligated Group	533,525	38%	496,240	51%	441,718	55%
Consolidated System	$ 1,399,213	100%	$ 969,043	100%	$ 807,655	100%

(1) The selected financial information has been prepared pursuant to the provisions of the Master Indenture. Such information reflects the Obligated Group as defined in the Master Indenture, with the exception of the Obligated Group Members' investment in certain Non-Member Entities whose stock is wholly or majority owned by an Obligated Group member and the net assets of charitable foundations set forth in footnote (2). The total net assets of these wholly or majority owned Non-Member Entities is $247.9 million, $243.0 million, and $228.5 million as of December 31, 2013, 2012, and 2011, respectively. Such amounts have been included in the total assets of the Obligated Group in the Selected Financial Information above.

(2) Certain Obligated Group Members have ownership interests in the net assets of charitable foundations that raise funds on behalf of Aurora. The total net assets of these foundations are $184.8 million, $162.4 million, and $150.4 million as of December 31, 2013, 2012, and 2011, respectively. Such amounts have been included in the total assets of the Obligated Group in the Selected Financial Information above.

ANALYSIS OF RESULTS OF OPERATIONS

Results of Operations – Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Operating income was $156.8 million in 2013, resulting in an operating margin of 3.7%, as compared to operating income of $138.0 million and an operating margin of 3.3% in 2012. The higher operating income in 2013 was due to cost reduction efforts implemented throughout Aurora, as well as certain margin optimization activities implemented primarily in the revenue cycle during 2013. Nonoperating income was $38.1 million in 2013 compared to $60.3 million for the same period in 2012. The decrease from the prior period is primarily a result of cumulative unrealized holding net gains of $22.6 million recorded in investment income in the year ended December 31, 2012, related to the transfer of Aurora's investment portfolio to a trading portfolio from other-than-trading on January 1, 2012. Overall, Aurora reported an excess of revenue over expenses from continuing operations of $195.0 million in 2013 compared to $198.3 million for the same period in the prior year.

Patient service revenue increased $101.2 million (2.5%) in the year ended December 31, 2013, compared to the same period in 2012. This increase was due to favorable patient utilization with adult discharges increasing 0.4% and physician clinic, hospital outpatient and other visits increasing 3.6% compared to the same period in the prior year. In addition to utilization, increases in patient service revenue also resulted from price increases that became effective on January 1, 2013, which were offset slightly by lower overall reimbursement rates.

Provision for bad debts decreased $17.0 million (7.1%) in the year ended December 31, 2013, compared to the same period in the prior year. The decrease is due to an increase in the uninsured discount offered to self-pay patients to 45% from 15% during 2013 and a change in the charity care process implemented in 2013 to improve the identification of patients who have met the charity care requirements. Charity care and bad debt in the aggregate have remained relatively consistent year over year, at 9.3% and 9.1% of patient service revenue for the years ended December 31, 2013 and 2012, respectively.

Other revenue decreased $5.6 million (1.6%) in the year ended December 31, 2013, compared to the same period in the prior year. The decrease in other revenue is primarily due to a decrease in retail pharmacy sales as a result of the sale of twelve retail pharmacy locations in 2012. The sale of the pharmacies in 2012 resulted in a $3.1 million gain which is reported within nonoperating income in 2012.

Operating expenses, excluding depreciation and amortization and interest, as a percentage of total revenue, remained relatively consistent at 89% and 91% in 2013 and 2012, respectively.

Salaries and wages expense increased $52.6 million (2.6%) in the year ended December 31, 2013, compared to the same period in the prior year. Salaries and wages primarily increased due to the annual salary adjustment of 2.5% which was awarded in June of 2013 and became effective in July of 2013.

Fringe benefits expense decreased $26.3 million (7.0%) in the year ended December 31, 2013, compared to the same period in the prior year. The primary reason for this decrease was the impact of freezing the Pension Plan (defined below) at December 31, 2012 which resulted in a decrease in pension expense of $98.7 million (excluding the impact of the curtailment gain). This decrease was offset by an increase in fringe benefits expense of $84.7 million due to an enhanced match for participants in the defined contribution plans and an additional non-match made for all employees to the defined contribution plans beginning in 2013, which was approved by Aurora's board of directors in connection with the Pension Plan freeze. Additionally, this decrease was due to high dollar claims incurred under the self-insured health plan in 2012. A stop loss insurance plan was put in place on October 1, 2012, to manage the exposure to future high dollar claims.

Professional fees increased $7.7 million (10.0%) in 2013, compared to 2012. The increase is primarily due to new services being offered at Aurora BayCare in 2013 which were not previously offered. The increase is also due to a one-time contract early termination fee of $3.5 million incurred in 2013.

Supplies expense increased $9.3 million (1.3%) in the year ended December 31, 2013, compared to the same period in the prior year. This increase was consistent with the increase in revenue as supplies expense was 17.8% and 18.1% of total revenue for the years ended December 31, 2013 and 2012, respectively.

Interest expense decreased $4.1 million (5.8%) in the year ended December 31, 2013, compared to the same period in the prior year. This decrease is attributable to market driven fluctuations in the interest rates on Aurora's variable rate debt, which approximated 28% of Aurora's total debt as of December 31, 2013.

Maintenance and service contracts increased $5.0 million (5.3%) in the year ended December 31, 2013, as compared to the same period in the prior year. This increase is due to a new service contract entered into in 2013 with an independent third-party to perform the service and maintenance of Aurora's clinical engineering equipment, which was previously performed internally.

Building and equipment rental expense decreased $8.7 million (9.4%) in the year ended December 31, 2013, compared to the same period in the prior year. This decrease is primarily due to the realization of savings from the implementation of cost control efforts.

Purchased services decreased $4.1 million (4.4%) in the year ended December 31, 2013, as compared to the prior year. This decrease is attributable to a decrease in outside lab services as a result of performing more lab services internally.

All other expenses, including depreciation and amortization, hospital tax assessment, utilities, and other expense, remained consistent in the year ended December 31, 2013 as compared to the year ended December 31, 2012, increasing $3.3 million (0.6%) in the aggregate.

Results of Operations – Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Operating income for Aurora was $138.0 million in 2012, resulting in an operating margin of 3.3% as compared to operating income of $70.9 million and an operating margin of 1.7% in 2011. The higher operating income in 2012 resulted from freezing the Pension Plan effective December 31, 2012 which resulted in a curtailment gain of $71.5 million. Operating income in 2012 was higher despite increases in salaries and wages, fringe benefits and provision for bad debts. Nonoperating income for Aurora was $60.3 million in 2012 compared to $25.5 million in 2011. The increase from the prior year is primarily a result of cumulative unrealized holding net gains of $22.6 million recorded in investment income in 2012, related to the transfer of Aurora's investment portfolio to a trading portfolio from other-than-trading on January 1, 2012. The increase from the prior year is also due to higher investment income attributable to overall changes in the financial markets. Overall, Aurora reported an excess of revenue over expenses from continuing operations of $198.3 million in 2012 compared to $96.4 million in 2011.

Patient service revenue increased $121.1 million (3.1%) in 2012, compared to 2011. Adult discharges increased 6.3% and physician, hospital and other visits increased 1.9% compared to the prior year. In addition to volumes, increases in revenue also resulted from price increases that became effective on January 1, 2012. Additionally, patient service revenue for the year ended December 31, 2012, included a gain of $18.5 million from an industry-wide settlement with the United States Department of Health and Human Services and Centers for Medicare and Medicaid Services. The settlement was based on a claim that acute care hospitals in the U.S. were underpaid by Medicare in federal fiscal years 1999 through 2011. The underpayments resulted from calculations related to the rural floor budget neutrality adjustments implemented in connection with the Balanced Budget Act of 1997. Also in 2012, Aurora recognized $4.7 million of consulting fees relating to the settlement, which are included in professional fees expense.

Provision for bad debts increased $41.2 million (20.9%) in 2012, compared to 2011. Aurora has experienced an increase in the provision for bad debts over the last few years as a result of high unemployment and loss of employer-sponsored insurance plans. Additionally, to manage health benefit costs employers have shifted a greater portion of the cost of care to employees resulting in rising patient responsibility balances for co-pays and deductibles which are more difficult to collect. The provision for bad debts in 2012 includes a higher level of expense related to these patients. Management continues to monitor the ongoing effects of the economy and resulting impact on Aurora and is focused on strategic initiatives to improve patient access and point of service collections to manage the provision for bad debts.

Other revenue decreased $16.7 million (4.5%) in 2012, compared to 2011. The decrease in other revenue is primarily due to a decrease in retail pharmacy sales as a result of the sale of twelve retail pharmacy locations in the first quarter of 2012. The sale of the pharmacies resulted in a $3.1 million gain which is reported within nonoperating income.

Operating expenses, excluding depreciation and amortization, interest and pension curtailment gain and other, as a percentage of total revenue, remained consistent at 91.1% for each of the years ended December 31, 2012 and 2011.

Salaries and wages expense increased $63.2 million (3.3%) in 2012, compared to 2011. Salaries and wages primarily increased due to the annual salary adjustment of 2.4% which was awarded in June of 2012 and became effective in July of 2012. Full-time equivalent employees remained relatively consistent in 2012.

Fringe benefits expense increased $40.3 million (12.1%) in 2012, compared to 2011. The primary reason for the increase in fringe benefits expense is due to an increase in pension expense of $26.5 million as a result of the impact of certain amendments made to the Pension Plan affecting the calculation of benefits which amendments became effective December 31, 2010.

Professional fees increased $12.9 million (20.1%) in 2012, compared to 2011. This increase is attributable to additional professional fees incurred in 2012 related to the industry-wide settlement with the United States Department of Health and Human Services and Centers for Medicare discussed above. Additionally, the increase is due to consulting fees incurred in 2012 for various projects, including, but not limited to, various supply chain initiatives and the development of AACN.

Supplies expense decreased $51.9 million (6.5%) in 2012, compared to the prior year. The primary reason for the decrease is due to Aurora's participation in the 340(b) program starting in 2012 resulting in a decrease in the cost of certain drugs.

Depreciation and amortization expense increased $7.7 million (3.6%) in 2012, compared to 2011. The increase in depreciation and amortization expense is primarily due to the first year of depreciation of *Smart*Chart in 2012.

Interest expense decreased $6.2 million (8.0%) in 2012, compared to 2011. This decrease is attributable to the refinancing of certain series of bonds decreasing the weighted average interest rate on Aurora's fixed rate bonds from 5.52% in 2011 to 5.27% in 2012. Additionally, the decrease is attributable to the market driven fluctuations in the interest rates on Aurora's variable rate debt, which approximates 28% of Aurora's total debt at December 31, 2012.

Purchased services decreased $10.0 million (9.8%) in 2012, compared to the prior year. This decrease is attributable to a decrease in management fees for Aurora's outpatient dialysis centers as a result of the sale of the centers in February 2012.

A pension curtailment gain of $71.5 million was recorded in 2012 as a result of an amendment to freeze the Pension Plan effective December 31, 2012. This curtailment gain was recorded as a reduction to operating

expenses. The curtailment gain was offset by an increase in other contractual obligations created as a result of the amendment to the Pension Plan which were recorded as an offset to the pension curtailment gain, resulting in a net gain of $62.1 million.

All other expenses, including maintenance and service contracts, building and equipment rental, hospital tax assessment, utilities expense and other expense, remained consistent in 2012 as compared to 2011, increasing $2.1 million (0.4%) in the aggregate.

In February 2012, Aurora sold nine outpatient dialysis centers to an unrelated third-party for $65.7 million, resulting in a gain on sale of $59.5 million. The results of operations of the outpatient dialysis centers and the gain on sale were reflected as income from discontinued operations in the consolidated financial statements.

ANALYSIS OF FINANCIAL CONDITION

Liquidity – Cash and Investments

Aurora's objectives for its investment portfolios are to target returns over the long-term within reasonable and prudent levels of risk and to preserve and enhance its strong financial structure. The asset allocation of the portfolios, in aggregate, is broadly diversified across domestic and international equity, fixed income asset classes and cash equivalents and is designed to maximize the probability of achieving the long-term investment objectives at an appropriate level of risk while maintaining a level of liquidity to meet the needs of ongoing portfolio management. This allocation is formalized into a strategic policy benchmark that guides the management of the portfolios and provides a standard to use in evaluating the portfolios' performance.

Investments are primarily maintained in a master trust fund administered using a bank as trustee. The management of Aurora's investments is conducted by external investment management organizations that are monitored by an investment committee of Aurora's Board of Directors, management and a third-party external advisor. Aurora has established formal investment policies that support Aurora's investment objectives and provide an appropriate balance between return and risk.

The following table sets forth the allocation of Aurora's cash and cash equivalents, investments, and assets whose use is limited or restricted at December 31, 2013, 2012, and 2011 (dollars in thousands):

	2013		2012		2011	
Cash and cash equivalents	$ 336,370	21.9%	$ 529,256	41.1%	$ 371,249	33.8%
Fixed-income securities:						
U.S. Treasury	126,623	8.3%	123,632	9.6%	158,087	14.4%
Corporate bonds and other debt securities	304,938	19.9%	265,186	20.6%	190,823	17.4%
Asset-backed	-	0.0%	-	0.0%	34,974	3.2%
Federal agency	138,100	9.0%	173,166	13.4%	172,079	15.7%
Fixed income mutual funds	418,468	27.3%	22,333	1.7%	21,261	1.9%
Domestic equity securities:						
Large-cap	24,258	1.6%	56,555	4.4%	50,309	4.6%
Mid-cap	11,315	0.7%	12,062	0.9%	10,336	0.9%
Small-cap	20,888	1.4%	13,499	1.0%	12,050	1.1%
Real estate	2,285	0.1%	2,800	0.2%	2,306	0.2%
Equity mutual funds and exchange-traded funds	81,252	5.3%	51,773	4.0%	43,409	4.0%
International equity securities	50,035	3.3%	31,365	2.4%	27,473	2.5%
International equity limited partnerships	9,738	0.6%	-	0.0%	-	0.0%
Other	8,579	0.6%	6,279	0.5%	3,129	0.3%
Total	$ 1,532,849		$ 1,287,906		$ 1,097,485	
Less restricted investments [1]	(208,352)		(191,280)		(183,180)	
Total unrestricted cash and investments	1,324,497		1,096,626		914,305	
Days cash on hand [2]	125.2		106.6		88.4	

[1] Restricted investments include donor restricted funds, contractually restricted funds and funds held by a trustee.

[2] Days cash on hand is calculated in accordance with Aurora's internal financial reporting methodology. Is not intended to conform to the Master Indenture calculation. See "Covenant Compliance" below.

Aurora's unrestricted cash and investments increased by $227.9 million or 20.8% from December 31, 2012 to December 31, 2013. The increase in unrestricted cash and investments from December 31, 2012 to December 31, 2013 was primarily due to $408.0 million of cash flow generated from operations and $15.8 million of distributions from unconsolidated investments offset by a net $49.9 million of scheduled principal payments on long-term debt, $26.9 million of distributions to minority shareholders, and $128.1 million of capital expenditures.

Aurora's unrestricted cash and investments increased by $182.3 million or 19.4% from December 31, 2011 to December 31, 2012. The increase in unrestricted cash and investments from December 31, 2011 to December 31, 2012 was primarily due to $321.2 million of cash flow generated from operations and $73.6 million of proceeds from the sale of Aurora's dialysis service line, pharmacies and property, plant and equipment, offset by a net $39.0 million of scheduled principal payments on long-term debt, $25.1 million of distributions to minority shareholders, and $158.2 million of capital expenditures.

On January 1, 2012, Aurora transferred its investment portfolio to a trading portfolio from an other-than-trading. As such, cumulative unrealized holding net gains of $22.6 million from 2011 and prior years were recorded in investment income in 2012. All investment income or loss is included in nonoperating income (loss), other than investment income or loss on funds held for professional liability coverage, certain employee benefit investments and any donor restricted investment income or loss.

Total investment income for Aurora for the years ended December 31, 2013, 2012 and 2011 consisted of the following (in thousands):

	2013	2012	2011
Interest income and dividends	$ 19,455	$ 21,583	$ 18,199
Net realized gains on securities	31,921	7,935	5,712
Reclassification of cumulative unrealized holding net gains	-	22,612	-
Changes in unrealized gains on investments, trading	(972)	13,292	-
Changes in unrealized gains on investments, other-than trading	-	-	(5,001)
Total	$ 50,404	$ 65,422	$ 18,910

Liquidity – Accounts Receivable

Net accounts receivable days outstanding has decreased slightly from 52.4 days at December 31, 2012 to 48.9 days at December 31, 2013. The primary reason for the decrease in net accounts receivable days outstanding from December 31, 2012, is due to the completion of the staged implementation of *Smart*Chart in October of 2013 and due to the strategic initiatives to improve point of service collections and expedite collections on outstanding accounts receivable.

Net accounts receivable days outstanding increased slightly from 50.8 days at December 31, 2011 to 52.4 days at December 31, 2012. The increase in net accounts receivable days was due to the implementation of *Smart*Chart at various Hospital and Clinic Facilities during 2012.

Indebtedness

Master Indenture Obligations: The Corporation has certain outstanding long-term indebtedness in the form of revenue bonds issued by the Wisconsin Health and Educational Facilities Authority on its behalf (the "Revenue Bonds"). The Corporation's obligation to pay debt service on the Revenue Bonds is secured by Obligations issued under the Master Indenture. The obligations of Aurora to repay advances made under the J.P. Morgan Line of Credit and the Letters of Credit described below are also secured by Obligations issued under the Master Indenture.

At December 31, 2013, 2012, and 2011, the aggregate principal amount of the Revenue Bonds outstanding was as follows (in thousands):

	2013	2012	2011
Fixed rate revenue bonds	$ 795,839	$ 819,831	$ 829,503
Long-term rate revenue bonds	132,475	132,475	132,475
Variable rate revenue bonds	462,485	468,055	476,090
Total	$ 1,390,799	$ 1,420,361	$ 1,438,068

Fixed Rate Revenue Bonds: At December 31, 2013, 2012, and 2011 the Corporation had outstanding $795.8 million (including $15.5 million of unamortized original premium, net), $819.8 million (including $18.4

million of unamortized original premium, net) and $829.5 million (including ($0.9) million of unamortized original discount, net), respectively, of Fixed Rate Bonds. The weighted average interest rate on the Fixed Rate Revenue Bonds was 5.10%, 5.27, and 5.52% at December 31, 2013, 2012, and 2011, respectively.

Long-Term Rate Bonds: The Long-Term Rate Bonds bear interest at fixed rates for specified periods, and are subject to mandatory tender at the end of such periods, on the date and in the principal amount described below. There is no liquidity facility in effect with respect to the Long-Term Rate Bonds to pay the purchase price on the mandatory tender dates. Failure of the Corporation to pay the purchase price on the applicable tender date would constitute an event of default under the related bond documents.

Series	Principal Amount	Mandatory Tender Date
Series 2009B-1	$65.0 million	August 15, 2014*
Series 2009B-2	$67.5 million	August 15, 2016

*Expected to be extended or refunded with proceeds of refunding Revenue Bonds on the tender date.

At December 31, 2013, $65,000,000 of the long-term rate bonds were classified as current due to the bond holder's requirement to put the bonds on the mandatory tender date to Aurora without a liquidity facility dedicated to these bonds. The remainder of the long-term rate bonds are classified as long-term at December 31, 2013.

Variable Rate Demand Bonds ("VRDBs"): The VRDBs bear interest at variable rates (currently in daily, weekly, or Unit Pricing interest rate modes) and are subject to optional tender for purchase by their holders. At December 31, 2013, all of the VRDBs are secured by letters of credit issued by commercial banks (the "Letters of Credit"). Subject to certain requirements in the related Reimbursement Agreements, the Letters of Credit may be drawn on to pay the tenders of the VRDBs in the event they are not remarketed. The Letters of Credit expire at various dates through 2015 (as set forth in the table below) and have various repayment terms. Subject to certain limitations, all advances under each of the Letters of Credit are subject to monthly interest-only payments for the first year. Principal payments for any advances under each of the Letters of Credit begin the earlier of one year from the date of the advance and two months after the expiration date of the Letter of Credit. The principal payments for any advance under the Letters of Credit amortize over a two or three-year period. Each Letter of Credit is subject to extension of its expiration date at the sole discretion of the related commercial bank.

Bank	Par (in thousands)	Expiration
J.P. Morgan	$50,822	10/01/2015
J.P. Morgan	84,383	09/20/2015
J.P. Morgan	84,383	09/20/2015
Bank of America	108,902	12/09/2014
Bank of Montreal	43,143	02/7/2015
Bank of Montreal	43,143	02/7/2015
Bank of Montreal	65,212	02/7/2015
Total	$ 479,988	

Line of Credit. At December 31, 2013 and 2012, the Corporation had a $60.0 million line of credit, under which letters of credit can also be issued, with J.P. Morgan Chase Bank, N.A., bearing interest at the commercial bank floating rate or LIBOR plus a spread, based upon the option of the Corporation. As of December 31, 2013 and 2012, two letters of credit issued under the line of credit totaling $33.3 million and $31.0 million, respectively, were outstanding. There are currently no outstanding draws on the line of credit or letters of credit.

At December 31, 2011, the Corporation held a $30.0 million line of credit with J.P. Morgan Chase Bank, N.A., bearing interest at LIBOR plus 1.0%.

Other Indebtedness. Aurora is obligated under capital lease and financing arrangements entered into in connection with certain sale-leaseback transactions which are reflected as long-term debt in the consolidated financial statements of Aurora. These arrangements, which relate to various administrative and medical support buildings, had initial lease terms of 15 to 25 years. Aurora is also obligated under capital leases for certain medical imaging equipment that expire at various dates during the next three years. The equipment leases are collateralized by the leased equipment. At December 31, 2013, 2012, and 2011, the outstanding amount of capital lease obligations and financing arrangements was $248.5 million, $263.8 million, and $278.5 million, respectively.

Aurora is also obligated under a term note and various other debt. The term note is an obligation of Aurora BayCare and is collateralized by a mortgage on the orthopedic and sports medicine complex and a pledge of Aurora BayCare's interest in, and proceeds from, certain lease agreements.

Aurora's total long-term debt at December 31, 2013, 2012, and 2011 is as follows (in thousands):

	2013	2012	2011
Total Revenue Bonds	$ 1,390,799	$ 1,420,361	$ 1,438,068
Capital lease obligations and financing arrangements	248,505	263,823	278,494
Term note	11,884	12,694	13,505
Various notes payable	3,956	8,984	13,194
Total long-term debt	$ 1,655,144	$ 1,705,862	$ 1,743,261

Interest Rate Swap Agreement

Aurora has a fixed-to-variable interest rate swap agreement (the "Swap Agreement") with Merrill Lynch Capital Services, Inc. ("MLCS") with respect to the Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 1993 (Aurora Health Care Obligated Group), maturing in August 2023 (the "Series 1993 Bonds"). During the term of the Swap Agreement, Aurora continues to pay interest on the Series 1993 Bonds at their fixed interest rates, and pays MLCS a variable-rate based on the Securities Industry and Financial Markets Association Index (SIFMA) plus a spread calculated on a notional amount equal to the principal amount of the Series 1993 Bonds outstanding plus a premium. In turn, Aurora receives fixed-rate payments from MLCS based on a notional amount equal to the principal amount of the Series 1993 Bonds outstanding. At December 31, 2013, 2012 and 2011, the fair value of the Swap Agreement was a liability of $2.7 million.

The Swap Agreement terminates in February 2018. Pursuant to the terms of the Swap Agreement, MLCS also has the right to optionally terminate the Agreement on December 1, 2015. Upon such termination, Aurora would be required to pay to MLCS an amount equal to the outstanding par amount of the Series 1993 Bonds multiplied by the difference between the underlying market value of the Series 1993 Bonds and the outstanding par amount of the Series 1993 Bonds. In addition, the terms of the Swap Agreement require Aurora to transfer collateral to MLCS if its liability, determined on a mark-to-market basis, exceeds a specified threshold that varies based on the rating of the Series 1993 Bonds. Aurora's payment obligations under the Swap Agreement are secured by an Obligation issued under the Master Indenture. As of December 31, 2013, 2012 and 2011, no collateral was required.

The Corporation received net swap payments of $3.8 million, $3.3 million and $3.2 million during the years ended December 31, 2013, 2012 and 2011, respectively.

Capital Expenditures

In 2013, 2012, and 2011, Aurora's capital expenditures were $128.1, $158.2 million, and $170.4 million, respectively. The decline in capital expenditures since 2011 reflects the completion of implementation of *Smart*Chart in October of 2013.

In the last several years, a large part of Aurora's capital allocation was directed at facility repositioning and growth. Consistent with its strategic initiatives, Aurora's capital expenditures in 2013 and those budgeted for 2014 reflect a significant shift in capital allocation from facility costs to strategic growth and information technology, as shown below.

	Actual 2013	**Budget 2014**
Strategic capabilities and growth	19.3%	28.8%
Routine replacement	33.1%	38.1%
Information technology	28.3%	15.2%
Affiliations	1.8%	0.0%
System (Diagnostic, Facilities & Nursing)	17.5%	17.9%
Total capital expenditures	100%	100%

Historically, Aurora has funded the majority of its capital needs from both excess cash derived from operations and the proceeds of long-term indebtedness. Annual capital expenditures are expected to be approximately $250 million over the next several years, exclusive of merger and acquisition activity. The capital spending plans are based upon budgeted operating performance during those periods, so actual capital expenditures in the period may vary significantly from these expected amounts. Aurora currently expects its affiliates to satisfy certain financial targets and cash flow requirements before extending commitments for capital expenditures.

Retirement Plans

Aurora maintains a noncontributory, defined benefit pension plan (the "Pension Plan") covering substantially all of its employees hired before January 1, 2013, with at least 1,000 hours of work in a calendar year. Benefits in the Pension Plan are based on years of service and the employee's final average earnings, as defined. The Corporation funds the amount calculated by the Pension Plan's consulting actuaries to meet the minimum Employee Retirement Income Security Act ("ERISA") funding requirements.

In 2012, Aurora's Board of Directors approved an amendment to freeze the Pension Plan effective December 31, 2012. As a result, the Pension Plan recognized a decrease in the projected benefit obligation of $175.4 million and a curtailment gain of $71.5 million as of and for the year ended December 31, 2012. Employees hired after December 31, 2012 are not covered by the Pension Plan.

Aurora recognizes the funded status (that is, the difference between the fair value of the plan assets and the projected benefit obligation) of the Pension Plan in its consolidated balance sheet. The Pension Plan assets and obligations are measured as of December 31. Actuarial gains and losses that arise and are not recognized as net period pension cost in the same periods are recognized as a component of net assets. Aurora recognized pension (income) cost for the years ended December 31, 2013, 2012 and 2011 of ($4.1) million, $23.0 million (net of the curtailment gain), and $68.1 million, respectively.

Assumption for the expected return on the Pension Plan's assets is based on historical returns and adherence to the asset allocations set forth in the pension plan's investment policies. The expected return on the Pension Plan's assets for determining pension cost was 7.50% in 2013, 8.00% in 2012, and 8.50% in 2011. The discount rate used to measure the projected benefit obligation was 5.22%, 4.45%, and 5.17% as of December 31, 2013, 2012, and 2011, respectively.

The Pension Plan's assets are invested in a portfolio designed to preserve principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, while minimizing unnecessary investment risk. A summary of the Pension Plan's asset allocation targets by asset class and actual allocations by asset class at the measurement dates of December 31was as follows:

	2013		2012		2011	
	Strategic Target	Actual	Strategic Target	Actual	Strategic Target	Actual
Equity securities	33 %	36 %	63 %	69 %	70 %	72 %
Fixed-income securities	64	60	35	28	28	25
Cash and cash equivalents	3	4	2	3	2	3
Total	100 %	100 %	100 %	100 %	100 %	100 %

In connection with the Pension Plan freeze, Aurora adjusted the strategic target allocation for plan assets in 2013. The increased allocation to fixed income securities facilitates enhanced management of plan funded status by better matching movements in plan assets to changes in plan liabilities due to interest rate volatility. The objective is to better match the duration of plan assets to the duration of plan liabilities to mitigate the impact on funded status of the plan caused by changes in the discount rate.

At the December 31, 2013 measurement date, the projected benefit obligation in excess of the fair value of plan assets for the Pension Plan was $112.2 million compared to $490.3 million at December 31, 2012. This decrease in unfunded pension liability resulted from a $121.8 million contribution made to the Pension Plan, an increase in the discount rate from 4.45% at December 31, 2012 to 5.22% at December 31, 2013, and actual investment performance above assumed long-term expectations.

At the December 31, 2012 measurement date, the projected benefit obligation in excess of the fair value of plan assets for the Pension Plan was $490.3 million compared to $496.5 million at December 31, 2011. This decrease in unfunded pension liability resulted from several factors, but was most significantly impacted by the amendment to freeze the Pension Plan effective December 31, 2012, offset by a decline in the discount rate from 5.17% at December 31, 2011 to 4.45% at December 31, 2012, and actual investment performance above assumed long-term expectations.

Pension-related changes other than net periodic pension costs increased net assets by $252.1 million for the year ended December 31, 2013 and decreased net assets by $56.4 million and $194.8 million for the years ended December 31, 2012 and 2011, respectively.

Aurora contributed $121.8 million, $85.6 million, and $86.2 million to the Pension Plan during the years ended December 31, 2013, 2012, and 2011, respectively. Aurora plans to continue to fund the Pension Plan to meet the minimum required funding levels. The Pension Plan is expected to approach full funding within five years based upon the projected contribution levels and the amendment to freeze the pension plan.

The Corporation and certain affiliates sponsor defined contribution and retirement savings plans (the "Defined Contribution Plans"), whereby the Corporation contributes a percentage of participants' qualifying compensation up to certain limits as outlined in the Defined Contribution Plans or other amounts as

designated by the affiliates' board of directors. In connection with the Pension Plan freeze, Aurora's Board of Directors approved an enhanced match for participants in the Defined Contribution Plans and an additional non-match for all employees to the Defined Contribution Plans beginning in 2013. During 2013, 2012 and 2011, included in fringe benefits expense is $123.8 million, $39.1 million and $36.9 million, respectively, for contributions to the Defined Contribution Plans.

The Corporation also sponsors a noncontributory Section 457(b) defined contribution plan (the "457(b) Plan") covering selected employees, where participants may contribute a percentage of qualifying compensation up to certain limits as defined by the 457(b) Plan. The 457(b) Plan assets and liabilities, totaling $65.2 million, $47.5 million and $37.9 million at December 31, 2013, 2012, and 2011, respectively, are included in long-term assets whose use is limited or restricted and pension and other employee benefit liabilities, respectively, in Aurora's consolidated financial statements. The assets of this 457(b) Plan are subject to the claims of the general creditors of Aurora.

Covenant Compliance

Aurora is subject to certain covenants in its Master Indenture, other agreements relating to its Indebtedness and the Swap Agreement. These covenants include requirements relating to maintenance of property, continuation of operations, issuance of additional debt, and maintenance of certain financial ratios and indicators such as days' cash on hand, historical debt service coverage ratio, maximum annual debt service coverage ratio, and adjusted cash and investments to measured indebtedness. Aurora was in compliance with these covenants at December 31, 2013. Calculations relating to the two financial covenants included in the Master Indenture, Historical Debt Service Coverage Ratio and Days' Cash on Hand, are required to be calculated for Aurora on a consolidated basis, and are presented below:

Aurora Health Care, Inc. and Affiliates
Historical Debt Service Coverage Ratio
(dollars in thousands)

	Year Ended December 31,		
	2013	**2012**	**2011**
Income Available for Debt Service:			
Excess of revenue over expenses	194,959	198,286	96,431
Depreciation and amortization	229,576	222,089	214,399
Interest expense	66,817	70,964	77,138
	491,352	491,339	387,968
Less Extraordinary or nonrecurring revenue and expense:			
Loss resulting from either the early extinguishment or refinancing of Indebtedness	(1,240)	(3,741)	-
Gain resulting from the sale, exchange or other disposition of capital assets not made in the ordinary course of business	-	3,110	-
Gain resulting from pension terminations, settlements or curtailments	-	71,541	-
Total extraordinary or nonrecurring revenue and expenses	(1,240)	70,910	-
Less unrealized gains or losses:			
Reclassification of cumulative unrealized holding net gains	-	22,612	-
Unrealized gains (losses) on investments	(972)	13,292	-
Total unrealized gains and (losses)	(972)	35,904	-
Less: asset impairment charges	(956)	(10,375)	-
Total adjustments	(3,168)	96,439	-
Income Available for Debt Service	494,520	394,900	387,968
Debt Service Requirements:			
Interest payments due in current year	67,532	66,441	77,138
Principal payments due in current year	54,873	46,748	50,157
Debt Service Requirements	122,405	113,189	127,295
Historical Debt Service Coverage Ratio	4.04	3.49	3.05

(1) Required covenant level is 1.1 for a consultant call in and 1.0 for an event of default.

Aurora Health Care, Inc. and Affiliates
Days' Cash on Hand
(dollars in thousands)

	December 31,		
	2013	**2012**	**2011**
Adjusted Cash and Investments			
Cash and cash equivalents	$ 310,076	$ 499,908	$ 348,310
Investments	847,904	461,186	449,966
Assets whose use is limited – current	5,652	5,556	738
Assets whose use is limited - non current	369,217	321,256	298,471
Less: Trustee held funds	32,788	32,879	36,700
Less: Donor restricted funds	52,132	47,426	42,606
Less: Other third-party restricted funds	123,431	110,975	103,874
Less: Short-Term Indebtedness	0	0	0
Adjusted Cash and Investments	1,324,498	1,096,626	914,305
Days of Operating Expenses			
Operating expenses	4,092,154	3,987,182	3,991,119
Plus: Provision for bad debts	221,135	238,106	196,880
Less: Depreciation and amortization	229,576	222,089	214,399
Adjusted Operating Expenses	$4,083,713	$4,003,199	$3,973,600
Number of days in applicable testing period	365	366	365
Operating Expenses per Day	11,188	10,938	10,887
Days' Cash on Hand	118.4	100.3	84.0

(1) Required covenant level is 40 days for a consultant call in and 25 days for an event of default.

Critical Accounting Policies

Investments and Investment Income — Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted market prices in active markets or other observable inputs and are classified as trading securities. Investments in international equity limited partnerships and commingled funds are reported at net asset value (NAV) reported by the fund, which approximates fair value. Certain investments considered available to support current operations are classified within current assets in the consolidated balance sheets. On January 1, 2012, all unrestricted unrealized holding gains and losses are recorded in investment income in the period in which they occur.

Prior to January 1, 2012, Aurora's investment portfolio was classified as other-than-trading. Management periodically assesses investments for impairment in cases where market value had been below cost for either an extended period of time or by a significant margin. Any impairment loss required by this policy for unrestricted investments was recorded to investment income and for restricted investments was recorded to the appropriate net asset category.

Investment income or loss on funds held for professional liability coverage and certain employee benefit investments is included in other operating revenue. All other investment income or loss (including realized gains and losses, other-than-temporary declines in fair value prior to January 1, 2012, unrealized gains and losses subsequent to January 1, 2012, interest income, and dividends) is included in nonoperating income (loss), net, unless the income or loss is restricted by donor or law.

Assets Whose Use Is Limited or Restricted — Assets whose use is limited or restricted include investments and other assets set aside by the board of directors at their discretion for future capital improvements or for other purposes, assets held in trust under bond indenture for debt service reserve funds, contractually restricted funds, and donor-restricted funds.

Patient Accounts Receivable — Patient accounts receivable are stated at net realizable value. Patient accounts receivable are reduced by an allowance for contractual adjustments and also by an allowance for doubtful accounts. In evaluating the collectability of patient accounts receivable, Aurora analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for contractual adjustments and allowance for doubtful accounts. Management regularly reviews data about these major payor sources in evaluating the sufficiency of the allowance for contractual adjustments and allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, Aurora analyzes contractually due amounts and provides an allowance for contractual adjustments, as well as an allowance for doubtful accounts, if necessary. For receivables associated with self-pay patients, Aurora records a significant provision for bad debts and charity care in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

Income Taxes — The Corporation and certain of its affiliates are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and have been recognized as tax exempt on related income pursuant to Section 501(a) of the Code.

Aurora Health Care Ventures, Inc. (“Ventures”) and its subsidiaries are taxable entities. Ventures is a subsidiary of the Corporation.

BayCare Aurora, LLC (Aurora BayCare) is treated as a partnership for income tax purposes. Income and losses of Aurora BayCare are passed through to its members. Aurora BayCare income passed through to Aurora is not considered taxable income to Aurora unless it is considered unrelated business income.

Aurora Medical Center Grafton, LLC (AMC Grafton) is a sole member limited liability company. All income and losses are passed through to Aurora, the sole member. AMC Grafton is treated as a disregarded entity for income tax purposes.

Aurora Liability Assurance, Ltd. has elected to be treated as a disregarded entity for income tax purposes.

Aurora evaluates its uncertain tax positions on an annual basis. A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Management assesses the realizability of the benefits associated with the deferred tax assets and liabilities on an annual basis and records an appropriate valuation allowance.

Patient Service Revenue — Patient service revenue is reported at the net realizable amounts from patients, third-party payors, and others for services rendered. Aurora has agreements with payors that provide for payments at amounts different from established rates. The basis for payment under these agreements includes prospectively determined rates, per diem payments, negotiated discounts from established charges, and retroactive settlements under reimbursement agreements with third-party payors.

Charity Care and Uninsured Care – Aurora provides care to patients who meet certain criteria under its Helping Hands program without charge or at amounts less than its established rates. Because Aurora does not pursue collection of amounts determined to qualify under this program, they are not reported as revenue.

Provision for Bad Debts —Aurora recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy) at the time services are rendered, prior to assessing the patient's ability to pay. As such, the entire provision for bad debt is presented as a reduction from patient service revenue. On the basis of its historical experience, a significant portion of Aurora's uninsured patients will be unwilling or unable to pay for the services provided. In addition, a portion of Aurora's insured patients will be unwilling or unable to pay the portion of their bill for which they are financially responsible. Aurora records a provision for bad debts related to uninsured patients, and related to insured patients for the portion of their bill for which they are financially responsible in the period services were provided.

Financial Reporting Initiatives

In 2013, Aurora began an initiative to evaluate its internal control environment and to create efficiencies in Aurora's financial reporting processes. The initiative is based upon concepts established in the Sarbanes-Oxley Act of 2002 ("SOX"), even though Aurora is not subject to the provisions of SOX. The goals of the initiative are to ensure the integrity and reliability of financial information, strengthen internal controls in the reporting process, reduce the risk of fraud and improve efficiencies in the financial reporting process. The initiative will review all aspects of the financial reporting process, identify potential risks and ensure the risks have been mitigated utilizing a management self-assessment process.

Bond Ratings

Aurora's outstanding bonds have been assigned ratings of A (stable outlook) and A3 (stable outlook) by Fitch and Moody's, respectively. In July 2013 Fitch and Moody's affirmed their rating and outlook.

Industry risks

For a description of industry risks, see "BONDHOLDERS' RISKS" in the forepart of the Official Statement dated July 31, 2013, relating to the Series 2013A Bonds. The Official Statement can be accessed through the Municipal Securities Rulemaking Board (the "MSRB") on its Electronic Municipal Market Access ("EMMA") system, found at http://emma.msrb.org.

GOVERNANCE

Corporation

Board Structure. The Corporation is governed by a Board of Directors consisting of at least 3 but not more than 20 self-electing members (excluding the ex officio members) (the "*Aurora Board*"). Each director (excluding the ex officio members) holds office for a three-year term and may serve for no more than three successive full terms (other than the chairman who may serve one additional three-year term in certain circumstances).

Members and officers of the Aurora Board are:

Name	Business Affiliation	Member of Board Since	Current Term Expires
John Anderson	Senior Vice President Navvis Healthways	2007	2016
Joanne B. Bauer	President Kimberly-Clark Health Care	2013	2016
Thomas Bolger	CEO Johnson Financial Group	2009	2015
John Daniels	Chairman Emeritus Quarles & Brady LLP	2008	2014
Joanne Disch, PhD, RN, FAAN	Clinical Professor & Director Densford International Center for Nursing Leadership University of Minnesota School of Nursing	2008	2014
Nan Gardetto	CEO Baptista's Bakery	2010	2016
Charles Harvey	Chief Diversity Officer Johnson Controls	2013	2016
Daniel Minahan	President & COO Continental Properties, Co., Inc.	2007	2016
Tim Sullivan	President & CEO Gardner Denver, Inc.	2010	2016
Nick Turkal, M.D.	President and CEO Aurora Health Care, Inc.	2006	Ex Officio
Rick Weiss	Retired Partner Foley & Lardner LLP	2010	2016
Chris White	Managing Director of Safety Air Wisconsin Airlines Corporation	2008	2015

Committee Structure. The bylaws of the Corporation provide for eight standing committees: the Executive Committee, Compensation Committee, Quality Committee, Finance Committee, Audit Committee, Investment Committee, Governance Committee, and Capital Committee. The bylaws also permit the Chairman of the Board and the Board itself to create additional committees from time to time

Executive Committee. The Executive Committee of Aurora Board (the "Executive Committee") has at least three directors elected by the Board. The Executive Committee is authorized to exercise the powers of the Aurora Board when the Board is not in session.

Compensation Committee. The Compensation Committee consists of at least three independent members appointed from time to time by the Chairman of the Board. The Committee exercises the full authority of the Board to: (a) review and approve the compensation and benefits of the President/Chief Executive Officer and those executives reporting directly to him or her; (b) review and approve the aggregate compensation and benefits philosophy and plans for employees of Aurora; and (c) retain and meet with independent consultants, as appropriate, to assure that Aurora's compensation and benefit plans are reasonable, competitive and fiscally responsible.

Quality Committee. The Quality Committee is composed of at least seven members, as appointed by the Chairman of the Board from time to time. The Quality Committee is responsible for overseeing Aurora's clinical quality, safety, service and risk management matters.

Finance Committee. The Finance Committee consists of at least seven members appointed by the Chairman of the Board. The Finance Committee advises the Aurora Board on all matters relating to financial affairs, including the review of operating and capital budgets, review and approve new debt obligations, the debt structure, and short-term and long-term financing plans; and review Aurora's current and projected financial performance.

Audit Committee. The Audit Committee consists of members who are independent of management and free of any relationship that, in the opinion of the Board, would interfere with their exercise of independent judgment as committee members. The Audit Committee consists of members who have experience in the area of financial reporting, including at least one individual who is deemed an "expert" on accounting and financial reporting matters. The Audit Committee is responsible for receiving reports, providing advice, making recommendations and providing assistance to Aurora's Board in overseeing Aurora's accounting and financial reporting practices, including communications with Aurora's independent auditors, Aurora's internal audit function and Aurora's compliance function.

Investment Committee. The Investment Committee consists of at least six members as are appointed from time to time by the Chairman of the Board. The Investment Committee is responsible for overseeing and monitoring Aurora's investments, and has responsibilities and authority to: (a) make recommendations on an annual basis to the Board regarding asset allocations; (b) determine which entities will be utilized for investment placement; (c) hire, retain and evaluate financial advisors as deemed necessary; (d) recommend investment policies for Aurora's investment portfolios to the Board; (e) oversee and monitor the investment of Aurora's investment portfolios; and (f) at least annually prepare a detailed review of investment performance and strategy for the Board.

Governance Committee. The Governance Committee is composed of at least three members, as appointed by the Chairman of the Board from time to time. The Governance Committee is responsible for providing assistance to the Board in corporate governance related matters, including, but not limited to: (a) develop, monitor and evaluate corporate governance principles, guidelines or policies; (b) nominate or recommend to the Board persons to be elected as Directors and officers for Aurora; (c) make recommendations to the Board regarding the qualifications of candidates for the Board and the director selection process; (d) consider amendments to the Corporation's Articles of Incorporation and Bylaws and the charter documents of its subsidiaries and make recommendations to the Board concerning such proposed amendments; (e) review and make recommendations to the Board regarding matters relating to the structure and operation of the Board; (f) oversee the evaluation of the Board and the self-assessment of Directors; and (g) assist management in evaluating potential candidates for key executive positions, including chief executive officer, and oversee development of executive succession plans.

Capital Committee. Members of the Capital Committee are appointed by the Chairman of the Board from time to time. The Capital Committee is responsible for advising the Aurora Board on addressing Aurora's capital needs and on significant strategic transactions.

Transactions with Officers and Directors. Aurora has entered into transactions from time to time with business organizations with which one or more officers or directors of Aurora or Affiliates of Aurora are associated. Under existing policy, such transactions or affiliations are permitted only after compliance with the Corporation's conflict of interest policy which may include full discussion of the potential conflict of interest with the Board and approval by a majority of the disinterested members of Aurora Board. All such transactions to date have been in the ordinary course of Aurora's business. Richard Weiss, director of the Aurora Board, is a retired partner with the law firm of Foley & Lardner, LLP, which serves as legal counsel to Aurora on various matters. In addition, John Daniels, a director of the Aurora Board, is a partner with the law firm of Quarles & Brady LLP, which serves as legal counsel to Aurora on human resource and other matters, and serves as general counsel to the Issuer.

Board Compensation. Directors of the Aurora Board are compensated for their time spent attending and preparing for Aurora Board and committee meetings.

Affiliates

Each Aurora affiliate has a governing body. Certain powers with respect to governance and management, including the power to appoint and remove directors, are reserved through By-law provisions to the sole member of such affiliate or delegated to another affiliate. In the case of all first tier subsidiary affiliates and certain second tier subsidiary affiliates which are members of the Obligated Group, Aurora must approve, among other things: (i) any change in mission or services of the affiliate; (ii) the incurrence of debt or the guarantee of debt by the affiliate; (iii) the sale or other disposition of any affiliated, controlled or joint venture entity or real or personal property or other assets of the affiliate; and (iv) the annual operating and capital expenditure budgets. Aurora, indirectly through its first tier subsidiary affiliates, in effect has the same governance control over lower tier subsidiary affiliates.

MANAGEMENT

List of Key Employees

A management team with significant healthcare experience and diverse backgrounds leads Aurora. Aurora's executive management team has extensive and diverse experience in the healthcare industry. Certain members of the Corporation's management team are currently on the Board of other companies and healthcare organizations, which has added to their diverse experience, as well as depth and knowledge of the industry.

The following individuals represent the Presidents and Executive Vice Presidents of Aurora:

Nick W. Turkal, M.D., age 57, President & Chief Executive Officer. Dr. Turkal affiliated with Aurora in 1990 and has served as CEO since 2006. Dr. Turkal received his M.D. in 1982 from Creighton University in Omaha, Nebraska. He completed his Family Medicine Residency in 1985 at St. Michael Hospital, Milwaukee, Wisconsin. He has practiced Family Medicine and Geriatrics in both rural and urban settings. He received his administrative training through the American College of Physician Executives and Kellogg School of Management, and has held administrative positions for over 20 years. As a member of the faculty of the University of Wisconsin Medical School, Dr. Turkal served as residency director, department chair, and as Senior Associate Dean for the Milwaukee Clinical Campus of the University of Wisconsin Medical School. Within Aurora, he has served as Vice President for Academic Affairs, Vice President of Care Management & Quality, Senior Clinical Vice President/Chief Medical Officer and Metro Region President. He is a member of the American Medical Association, American Academy of Family Physicians, and the American College of Physician Executives, ACHE.

Stephen E. Bablitch, J.D., age 59, Chief of Strategic Business Affairs. Mr. Bablitch joined Aurora in March of 2009. Prior to joining Aurora, Mr. Bablitch was a partner in the law firm of Quarles & Brady, a 450

attorney Milwaukee-based law firm. Mr. Bablitch also served as the former CEO and Chairman of the Board of Directors of Blue Cross & Blue Shield of Wisconsin/Cobalt Corporation. He also served in former Wisconsin Governor Jim Doyle's cabinet as Secretary of the Department of Administration and was responsible for overseeing the state budget, finance, building program, information technology and procurement. Mr. Bablitch also served in the cabinet of former Wisconsin Governor Tommy Thompson and had a career in the private practice of law and as a prosecutor. In addition, he serves on numerous boards for the community. He is a graduate of the University of Wisconsin - Madison Law School and earned a Bachelor of Arts Degree from the University of Wisconsin - Madison graduating with Distinction.

Jeffrey W. Bailet, M.D., age 57, Executive Vice President of Aurora Health Care and President of Aurora Medical Group. Dr. Bailet is a practicing Otolaryngologist-Head & Neck Surgeon. He joined Aurora in 2003 when he was appointed to a newly created Aurora Medical Group regional position established to provide local physician leadership to 120 multi-specialty physicians located in 16 clinics throughout southeastern Wisconsin. He was appointed to the position of President of Aurora Medical Group in January 2006. Dr. Bailet received his M.D. in 1987 from the University of Washington, and completed his internship and residency at the University of California, Los Angeles from 1987 to 1993. He is a Diplomat of the American Board of Otolaryngology, a Fellow of the American Board of Otolaryngology, and a Fellow of the American College of Surgeons. Prior to joining Aurora, Dr. Bailet practiced medicine in Seattle, Washington. In 2000, he founded a multi-specialty group practice in the Seattle area, and served as its President. At the same time he served as Chief Executive Officer of Associated Healthcare Consultants, a physician-formed consulting group created to bring payers and providers together using new financial arrangements and innovative technology solutions.

Michael Brophy, age 54, Chief of Staff and Chief Communications Officer. Mr. Brophy is responsible for reputation management, media relations, marketing and advertising, employee communications, web/digital and social media, stakeholder relations, as well as Chief of Staff to Dr. Nick Turkal. Prior to joining Aurora in 2009, Mr. Brophy served as Vice President-Communications and primary spokesman for Milwaukee-based Midwest Airlines for two years prior to its sale from TPG Capital to Republic Airlines and was responsible for managing all media relations, employee communications, government affairs and community outreach. In addition, he serves on the boards of directors for a number of Milwaukee-based and statewide nonprofit organizations. Mr. Brophy is a graduate of the University of Wisconsin – Madison.

Gerard Coleman, PhD., age 43, Chief Operating Officer. Dr. Colman joined Aurora in February 2014 with more than 25 years of health care management and finance experience. Prior to joining Aurora, Dr. Colman was the Senior Vice President and Chief of Clinical Operations at The University of Texas MD Anderson Cancer Center in Houston, Texas. He was responsible for hospital and clinic operations, ancillary services, and several off campus care operations, as well as the strategic revenue and annual budget process and the coordination of research funding as it related to hospital operations. Prior to joining MD Anderson in 2004, Dr. Colman was employed by Newark Beth Israel Medical Center, Irvington Hospital, and the Children's Hospital of New Jersey. He served as Administrative Director of Patient Care Operations & Financial Services. Dr. Colman began his career in healthcare in the United States Navy. Dr. Colman received his PhD from The University of Texas School of Public Health; he has his Masters in Healthcare Administration from the School of Social Research in New York, and his Bachelors in Healthcare Administration from Southern Illinois University.

Patrick Falvey, Ph.D., age 48, Executive Vice President of Integration Shared Services. Dr. Falvey has worked at Aurora Health Care since 1992 in leadership roles for productivity, quality, care management, strategy, and research. Currently, Dr. Falvey works in partnership with Aurora's clinical leadership to direct Aurora's Patient experience for clinical and service quality. He leads decision support, strategic planning, and project management. His responsibilities also include operations improvement/productivity, lean/six sigma, knowledge management, and clinical registries. Dr. Falvey received his bachelor's degree in pre-medicine studies from the University of Wisconsin-Whitewater; his masters of science degree in industrial organizational psychology from the University of Wisconsin-Oshkosh; and, his doctorate degree in urban

studies with an emphasis on organizational psychology/sociology from the University of Wisconsin-Milwaukee.

Cristy Garcia-Thomas, age 44, Executive Vice President and President of Aurora Health Care Foundation. Ms. Garcia-Thomas joined Aurora as President of Aurora Health Care Foundation in September 2011. Previously Ms. Garcia-Thomas led the United Performing Arts Fund (UPAF) as President for four years. Her role at UPAF included oversight of all operational aspects of the organization, including strategic planning, revenue growth, fundraising, marketing, community relationships, and general management functions. UPAF is the largest united arts fund in the country for the performing arts. Ms. Garcia-Thomas brings to Aurora an extensive history in the business community, serving in a variety of roles at the Milwaukee Journal Sentinel. Ms. Garcia-Thomas serves on a number of community boards of directors.

Brad Hahn, age 54, Executive Vice President of Aurora Health Care – North Region and Finance. Mr. Hahn has been with Aurora since 1990, serving in various leadership roles. Prior to his current position Mr. Hahn was the Executive Vice president, north Market Group. Mr. Hahn also served as the Vice President of Finance and Business Development for the former Kettle Moraine Region from 2005-2009, the Vice President of Finance for the Central Region from 1997-2005 and as Vice President of Finance for Hartford Memorial Hospital in Hartford, Wisconsin from 1990-1997. Before coming to Aurora Mr. Hahn was Controller for Beaver Dam Community Hospital, in Beaver Dam, Wisconsin, and Chief Financial Officer for Manitowoc Memorial Hospital, in Manitowoc, Wisconsin. Mr. Hahn received Bachelor's Degrees in Accounting and Business Administration from Carthage College, Kenosha, Wisconsin, in 1981 and a Master's Degree in Health Care Administration from St. Francis University, Joliet, Illinois in 1992.

Gail L. Hanson, age 58, Chief Financial Officer. Ms. Hanson is responsible for financial reporting, billing, budgeting, capital planning, investment and treasury functions. Ms. Hanson has been a member of the Aurora Board since December 2009. Prior to joining Aurora in February 2011, Ms. Hanson was Deputy Executive Director for the State of Wisconsin Investment Board, where she provided oversight of asset investments for the pension plan, including establishing compliance policies and participating in corporate government. Ms. Hanson previously worked at Blue Cross & Blue Shield United of Wisconsin/Cobalt Corporation. There she held a variety of positions, including Senior Vice President, Treasurer, and Chief Financial Officer. She was an auditor with Price Waterhouse (now PwC) earlier in her career. Ms. Hanson earned her bachelors of business administration degree from the University of Michigan and her masters of business administration degree from the University of Chicago. Ms. Hanson is a certified public accountant and a chartered financial analyst.

MaryBeth Kingston, age 58, Executive Vice President and Chief Nursing Officer. Ms. Kingston joined Aurora in June 2012. Ms. Kingston co-leads the strategy for integrated services, and provides strategic direction for nursing, clinical education, chief nurse executives and the eICU. Ms. Kingston is also responsible in developing nursing leadership, as well as advancing the professional practice of nursing and leading system nursing shared governance. Prior to joining Aurora, Ms. Kingston was vice president and chief nurse executive at Einstein Healthcare Network in Philadelphia, a network that includes a 502-bed acute and tertiary care medical center, 234-bed tertiary rehabilitation center and 80-bed community hospital, as well as a long-term care facility, behavioral health system, restorative care facility, ambulatory care center and a physician practice network.

Rick Klein, age 56, Executive Vice President of Enterprise Business Group. Mr. Klein is responsible for the five-year business plan for Aurora. He is also responsible for managed care strategy, growth, strategic alliances, mergers and affiliations and AACN. In addition, he is responsible for market strategy and the analytics function system wide. Previously at Aurora, he was the Senior Vice President of Business Development, the Vice President of Growth and Market Development and the Vice President of Marketing. Prior to Aurora, Mr. Klein was the Vice President of Marketing at Wisconsin's largest bank, and was the Vice President of Strategy at MGIC. He graduated from Northwestern University J.L. Kellogg School of Business and has an undergraduate degree from Georgetown University.

Mike Lappin, age 48, Chief Administrative Officer, Corporate Secretary. Mr. Lappin joined Aurora in 2009 as Vice President and General Counsel. He was appointed to the position of Chief of Corporate Services and Legal Affairs in June of 2013 and then to Chief Administrative Officer, Corporate Secretary in December of 2013. Prior to joining Aurora, Mr. Lappin was a partner at Quarles & Brady where he served for several years as the Chair of the firm's Corporate Services Practice Group and on the firm's management committee. Mr. Lappin serves on a number of community boards. He received his J.D. and a Masters in Public Administration from the University of Wisconsin – Madison and earned a B.A. from Duke University.

Phillip Loftus, PhD, age 63, Chief Information Officer. Mr. Loftus joined Aurora in 2006 and is responsible for defining and implementing the information technology component of Aurora's strategic mission of providing an integrated approach to health care delivery. Before joining Aurora, Mr. Loftus was senior vice president and chief information officer at Caremark. At Caremark, Mr. Loftus championed a number of innovative initiatives, including the move to a paperless mail order pharmacy system based on electronic documentation and workflow, development of one of the major systems supporting the new Medicare Prescription Drug Benefit, and the launch of a high performance eBusiness Web site with several million active users. Mr. Loftus obtained his degrees from the University of Liverpool in the United Kingdom, where his doctorate dealt with the use of computer systems to model molecular geometry. Mr. Loftus has served on a wide range of professional and not-for-profit boards and is a member of the College of Healthcare Information Management Executives.

Eugene W. Monroe, M.D., age 66, Executive Vice President of Aurora Health Care and President of Aurora Advanced. Dr. Monroe is President of Aurora Advanced, a multispecialty group practice comprising approximately 290 physicians, operating fourteen clinics in the greater Milwaukee area. Dr. Monroe has served as the President of Milwaukee Medical Clinic and Advanced Healthcare, the predecessor clinics to Aurora Advanced, since 1980. Dr. Monroe received his B.A. in Economics in 1968 and his M.D. in 1972 from the University of Michigan. He completed his residency training in dermatology at the University of Michigan in 1976. He practiced dermatology at Milwaukee Medical Clinic and Advanced Healthcare for over 25 years. Dr. Monroe has published many articles and presented at numerous national and international medical meetings. He is a member of the American Academy of Dermatology and the American College of Physician Executives.

Dennis Potts, age 58, Executive Vice President of Aurora Health Care – South Region. Mr. Potts is responsible for providing both operational and strategic leadership for the Hospital and Clinic Facilities within the South Region. Previously, Mr. Potts served as senior vice president of corporate services for Aurora where he had direct oversight for all Aurora real estate functions, including leasing, property acquisition, construction and maintenance of properties. Prior to that, he was regional vice president of Aurora's metro region and in charge of the Aurora Visiting Nurse Association. Mr. Potts received his master's degree in business administration from the University of Wisconsin – Milwaukee. He also services on the boards of the American Heart Association of Wisconsin and the Wisconsin Donor Network.

Amy Rislov, age 43, Chief Human Resources Officer. Ms. Rislov is responsible for Total Rewards (benefits and compensation), talent acquisition, employee and labor relations, organizational development and education, loss prevention, executive and leadership development, and talent management. Ms. Rislov has served as Chief Human Resources Officer since April 2014 and prior to that she served as Senior Vice President Human Resources Services for Aurora Health Care. Ms. Rislov received her Masters of Science in Management in 2011 from Cardinal Stritch University in Milwaukee, WI. She completed her Bachelor of Science in History in 1992 from the University of Wisconsin, Madison, Wisconsin. Ms. Rislov has over twenty years of talent management and human resources operations experience. Over her seventeen years with Aurora, she has served in various roles.

Jeff Smith, age 42, Executive Vice President and Chief Clinical Officer (Interim). Dr. Smith earned his B.S. and M.D. from the University of Miami in Coral Gables, Florida in 1995. He completed an Internal Medicine

Residency at the University of North Carolina in 1999 and earned a Master's of Medical Management from Carnegie Mellon University in 2007. He is currently pursuing a law degree at Marquette University. Prior to his current position, he served as the Senior Vice President and Chief Operating Officer of Aurora St. Luke's Medical Center. He has held a variety of progressive leadership positions since joining Aurora in 1999, including hospital Chief Medical Officer, Vice President of Academic Affairs, and Vice President of Medical Operations. Dr. Smith has also served as a clinical assistant professor of Medicine and associate dean at the University of Wisconsin School of Medicine and Public Health. Dr. Smith was awarded the Organ Donation Medal of Honor by the Department of Health and Human Services in 2009 for his contribution to organ donation awareness and was recognized as one of Milwaukee's Top Forty Under 40 in 2011.