

BEHIND THE

DRAMATURGS BRING 'RICHNESS AND LIGHT' TO THEATER WITH HISTORICAL RESEARCH AND STORYTELLING SKILLS

SCRIPT

by Rebecca Wallace

When TheatreWorks put on the play "My Antonia," Vickie Rozell worked with a railroad museum to make sure the 19th century train tickets looked right.

For "Distracted," the story of a woman struggling with her son's ADHD diagnosis, Rozell created a chart of medications. She's researched wars and family trees, Stephen Sondheim's life, August Wilson's Pittsburgh Cycle of plays.

The fruits of Rozell's labor are stacks of books, photos and carefully organized binders that live in the rehearsal room. Whenever actors need clarity or a historical touchstone — Was the U.S. at war yet during this scene? Who's that artist the script keeps mentioning? — they know where to go.

"I never know what I'm going to learn about, but I get to learn something new all the time," says Rozell, who is TheatreWorks' resident dramaturg. It's a plum and not-so-common job.

For audiences, the work done by most theater artists — actors, designers, directors — is as clear as a spotlight. They may not realize that there's sometimes another person behind the scenes helping bring the world of a play or musical to vivid life: the dramaturg.

One dramaturg in his time plays many parts. The *New York Times* once covered a 2002 symposium at Mount Holyoke College on the role of a modern dramaturg. Participants had a tough time giving a quick and fast definition of their profession. They tossed around such phrases as "a great equalizer" and "a mediator between the actor and the director."

Ultimately, reporter William H. Honan wrote, they agreed that a dramaturg is "a kind of

theatrical and literary adviser who helps the actors and the director understand the play they are presenting." The tradition probably dates back to the 18th-century German dramatist Gotthold Lessing.

Besides doing extensive research on the history and universe of a play, dramaturgs often write program articles to share that context with audiences. They may sit in on talk-back nights at the theater, so that after performances audiences can ask them questions.

Along with having a penchant for detail, dramaturgs also have a taste for good storytelling. Many work with playwrights to develop new scripts (sometimes translating from foreign languages), and go through piles of scripts to find ones suitable for their theater companies.

At the Pear Avenue Theatre in Mountain View, staff dramaturg Jeanie Forte Smith plays a major role in choosing and improving new scripts. Smith, a Palo Alto resident, has a Ph.D. in drama from the University of Washington and is also The Pear's associate artistic director (she is also a frequent theater critic for the *Voice*).

The Pear, with its own Pear Playwrights Guild of writers, has a strong affinity for new works. This is Smith's seventh year with the annual Pear Slices festival of new short plays. She works with Pear artistic director Diane Tasca and board member Robyn Braverman to field script submissions, choose plays and find directors.

This year, they chose eight scripts from the 26 sent in. As a dramaturg, Smith is mainly looking for "that kernel of good storytelling that's theatrical,"

► See **SCRIPT**, page 26



SHAWN FENDER

Jeanie Forte Smith sits with scripts on a prop couch at the Pear Avenue Theatre in Mountain View, where she's staff dramaturg.

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VERONICA WEBER

Vickie Rozell used these books as part of her research for "A Civil War Christmas."

SCRIPT

► *Continued from page 25*

rather than written like an all-talk novel.

"If we find it interesting, compelling, amusing, engaging, maybe there's something there," she says over coffee in a Palo Alto cafe. "I also think about how much development the piece could need: editing, fleshing out, rewriting. Is it too much?"

Once the scripts are chosen, Smith may work extensively with the playwrights, making sure a script has a good arc, that its scenes hang together. Then come initial read-throughs of the plays, and Smith, Tasca and Braverman exchange feedback. Smith coordinates all the feedback and works

with the playwright.

"We might go through two to six revisions before the play even begins rehearsal," she says.

Auditions were just held for Pear Slices, with the production set to open Feb. 12. As always, the collection of plays is varied, with topics including, as Smith puts it: "an escape from persecution, a trip to the underworld, a rare appearance of God."

The annual event is popular with audiences, and it also gives many local writers a chance to see their stories on stage, often for the first time.

It's unusual for a theater group as small as The Pear — which has a 45-seat house — to have a resident dramaturg. Many can't afford it. At Dragon Productions in downtown Palo Alto, a play's director typically does the dramaturgy work, sometimes aided by volunteers who have a particular interest, said Dragon managing artistic director Meredith Hagedorn.

Dramaturgy is also a team effort at Palo Alto Players, with directors, designers and other staff doing research.

As a larger company with an emphasis on new works, TheatreWorks has two staff members who do dramaturgical projects. Besides Vickie Rozell, who does production dramaturgy, working mainly with plays that are already published, Meredith McDonough of Palo Alto is the company's director of New Works.

McDonough modestly calls herself more of a "personal trainer" for playwrights. "Dramaturgy is very intellectual," she says from her desk. Her office at TheatreWorks' Menlo Park headquarters holds a veritable symphony of submitted scripts for her to choose from: sorted on shelves, piled on a chair, perched on her desk.

McDonough has been developing new plays and musicals for the past decade, with experience at such

new-works hotbeds as the Actors Theatre of Louisville in Kentucky. She's not a writer or an aspiring one — which she says is a strength in this job — but she's got a gregarious style and an eye for a story, which are undoubtedly also assets. She spends a lot of time having coffee with writers and agents, finding out who's got what script cooking.

"It's an intimate relationship to share early first drafts of your play," she says.

Meanwhile, the script submissions flow in, hundreds of 10-page queries each year. That means a lot of rejection letters when you work for a theater company with an eight-show season and a six-show New Works Festival.

"I might see a play that isn't good, but the dialogue is great," McDonough says. "So I might send a letter saying: 'We like you. Please keep submitting.'" Other times a script is strong but too edgy for TheatreWorks, and she forwards it to a company in Chicago or New York.

When a script is chosen for TheatreWorks, McDonough continues her relationship with the playwright. She helps writers articulate their goals, their characters' goals.

She's also a director, which helps her fix problems. Once when she was directing a play at the Steppenwolf Theatre Company in Chicago, the script called for a character to enter a scene angry but didn't make it clear why she was mad. McDonough decided that during the transition before the scene, someone would hand the character a note; she'd read it and become furious. "The note was already in the script. I just added it to the transition," she says.

When McDonough is directing, she loves having a production dramaturg, someone like Rozell who brings in "richness and light," she says. That will happen next year, when she directs TheatreWorks' "Opus," a Michael Hollinger play about a string quartet.

"Being a director is an inherently lonely profession, so it's nice to have someone there," she says. "You're a team trying to figure it all out."

Nearby in the TheatreWorks headquarters, Rozell's space is anything but lonely. Her desk is also surrounded by shelves, backed with tons of volumes, vintage Life magazines and dramaturg binders. An area of theater programs is organized neatly, with one section marked "Cabaret" to "Cherry Orchard." There's a healthy selection of books on Lincoln — TheatreWorks' musical "A Civil War Christmas" opens next month.

And, of course, a comfortable reading chair. Rozell does a lot of reading. She takes about half her research from the Internet and half from the library, gathering historic context, definitions of terms and names in the script, interviews

► *Continued on next page*

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*Photo of Karin Kuester and Glenis Koehne
at St. John's Basilica, Ephesus, Turkey.*

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VERONICA WEBER

TheatreWorks resident dramaturg Vickie Rozell is surrounded by books and other research materials in her office.

► Continued from previous page

with playwrights. She has resident experts in TheatreWorks donors as well, including a military veteran she can go to with questions.

"If we have the wrong medal on someone's military uniform, we'll hear about it," Rozell says. The audience is right to complain, she adds. "When you notice something that's out of sync, it pulls you out of the play."

Rozell also writes program articles and newsletters that go to TheatreWorks subscribers and provide even more context.

For instance, for the recent production of David Henry Hwang's "Yellow Face," about racial identity in the theater and America, Rozell's newsletter articles included a piece about the outdated practice of yellow face. Actors such as Katharine Hepburn, John Wayne and Leonard Nimoy at one time wore yellow makeup to play Asian characters, she wrote.

She also included a piece about the Dong people in China, whose music was in "Yellow Face." And she included an interview with actor Francis Jue from the show, who gave context about the controversy that erupted over casting a non-Asian actor as an Asian character in Broadway's "Miss Saigon" in 1990. Jue, a TheatreWorks veteran, had been in New York at the time.

Jue has worked many times with Rozell and appreciates her expertise. He says he has learned over the years that there's no one perfect performance and no one "right" way to tell a story, but that it is extremely useful to have thorough research to build on.

In a phone interview from New York, Jue recalled that during "Yellow Face," the cast did a lot of tabletop reading and talking with Rozell and the show's

director, TheatreWorks founder Robert Kelley.

"We didn't just discuss the play and what needed to happen on stage, but what we knew about the politics of the show, what we felt about the human relations," Jue says. "Many of us had really distinct memories of where we were

"If we have the wrong medal on someone's military uniform, we'll hear about it. When you notice something that's out of sync, it pulls you out of the play."

VICKIE ROZELL

when the 'Miss Saigon' controversy was happening. ... For each of our characters' points of view, we didn't agree. We always had Kelley and Vickie to referee the discussion."

For scripts farther back in time, when actors don't have personal memories to draw on, dramaturgs' historical research can be especially useful, Jue said, recalling a TheatreWorks production of "Amadeus."

"The play takes huge liberties with historical research and on what we think we know about Amadeus and Salieri and Austria," he said. "It was Vickie's obligation to tell us what people think happened and how the play diverted from that. ... Dramaturgy gives you a framework so you can make conscious decisions about where you deviate from the reality."

Rozell has worked as a team with Kelley for several years. She has a master's degree in directing and often serves as associate director on shows when he takes the helm. She originally did

some assistant directing with Kelley, and when he learned that she enjoyed doing background research he asked to see it. He hired her as resident dramaturg and artistic assistant in 2001.

These days, dramaturgy jobs are not easy to come by. In the last year, many theater companies cut those positions, Rozell says. "That and new works are the first to go."

McDonough advises aspiring dramaturgs to "look for a strong liberal arts college with a strong theater program," and to study history, art and other subjects for a broad viewpoint. She minored in sociology along with a major in performance studies.

Internships are a possibility as well. Rozell and McDonough regularly have interns, and other companies such as American Conservatory Theater in San Francisco also offer dramaturgy internships.

Palo Alto resident Ellen Cassidy is A.C.T.'s current dramaturgy intern. She's an aspiring playwright who admits she "didn't really know what a dramaturg was" before applying, but now enjoys the variety of subjects she digs into. Now she's researching the Greek king Theseus for a production of "Phedre."

"You get to do something new every week," she says. "Never a dull day." ■

Rebecca Wallace is arts editor for the Palo Alto Weekly, the Voice's sister paper.

■ INFORMATION

For more about upcoming shows and internships at TheatreWorks, the Pear Avenue Theatre and A.C.T., go to www.theatreworks.org, www.thepear.org, and www.act-sf.org.



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Notice of Public Hearing

In accordance with Education Code Section 42605(c)(2), the Mountain View Whisman School District will hold a public hearing to adopt the Resolution for Flexibility Transfers allowed under SBX3 4 to the 2009-10 Budget at the District Office located at 750-A San Pierre Way, Board Room, Mountain View, California. The hearing will be held during the December 10, 2009 Mountain View Whisman School District Board meeting which begins at 7:00 p.m.

The Resolution will be available for inspection by the public beginning November 30, 2009, during the hours of 8:00 a.m. and 4:00 p.m., in the Business Services Office, 750-A San Pierre Way, Mountain View, California.

Any interested party may make an oral or written presentation at the public meeting. If you have any questions, please call the Business Office at 650-526-3548.

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■ HIGHLIGHT

FOOTHILL COLLEGE'S HOLIDAY POTTERY SALE

Foothill's Ceramics Department and Claybodies Club present the annual Holiday Pottery Sale in Cesar Chavez Plaza (near the Campus Center). Students will be selling handmade ceramic functional ware and sculpture including bowls, vases, hand-built figures and more. Cash, checks or money orders only. Dec. 1-3, 10 a.m.-3 p.m. No charge; \$2 for campus parking. Foothill College, 12345 El Monte Road, Los Altos Hills. Call 650-949-7584. www.foothill.edu

ART GALLERIES

Fall Into Color "Fall Into Color" features the work of oil painter Carolyn Hofstetter and watercolorist Kathleen Alexander. Through Nov. 29, 11 a.m.-5 p.m. free. Viewpoints Gallery, 315 State St., Los Altos. www.viewpointsgallery.com

CLASSES/WORKSHOPS

Beading Classes In this class, learn a quick and easy way to knot between beads. Learn how to know beads in the traditional method to add strength and flexibility to a necklace. Tue., Dec. 1, 6-8:30 p.m. \$60. Global Beads Inc., 345 Castro St., Mountain View. Call 650-967-7556. www.globalbeads.com

Pearl-knotting class Global Beads offers a pearl-knotting class, to learn a quick and easy way to knot between beads. Dec. 1, 6-8:30 p.m. \$60. Global Beads Inc., 345 Castro St., Mountain View. Call 650-967-7556. www.globalbeads.com

CLUBS/MEETINGS

Leads Club meeting The Leads Club, a networking organization that aims to help professionals build formal relationships with each other, meets Wednesdays, 7:30-8:45 a.m. \$5. St Timothy's Guild Hall, 2094 Grant Road, Mountain View. Call 650-428-0950.

SPAUG General Meeting SPAUG General Meeting Stanford-Palo Alto User Group meets monthly to discuss problems, solutions, software and hardware. Learn more about computing, meet fellow computer users. Get help and advice from experienced users. Second Wednesday of the month, ongoing, 7-9:30 p.m. first meeting free, \$35/year. American Legion Post, 347 First St., Los Altos. Call 650-493-9307. www.svuga.org/

COMMUNITY EVENTS

Traditional German Christmas Market The German International School of Silicon Valley will hold its fourth annual Christmas

Market on Saturday, Dec. 5. Featuring crafts from local artists, live music and cookies, bratwurst and waffles, plus a visit from St Nick. noon-6 p.m. free. German International School of Silicon Valley, 310 Easy St., Mountain View. Call 650-254-0748. www.gissv.org

CONCERTS

20 Harps for the Holidays Harpeggio Studios presents their 11th annual holiday concert on Sat., Dec. 5. The program includes festive classical and holiday music, harp solos and ensembles, studio ensemble of more than 20 harps, and a return of guest artist Meko (formerly Mike Walls). Sponsored by LAUMC. Dec. 5, 4-6 p.m. \$10 & \$15. Los Altos United Methodist Church, 655 Magdalena Ave., Los Altos. Call 408-366-8810. harpeggio.com

Horns for the Holidays With original compositions, holiday readings and seasonal favorites, QUADRE also performs Heinrich Hbler's concerto accompanied by a 100-piece collaborative band of music students from local schools. Tue., Dec. 8, 7-9 p.m. \$21adults; \$14 students/seniors. Graham Theater at St. Francis High School, 1885 Miramonte Ave., Mountain View. Call 650-969-4242. www.quadre.org

DANCE

Ballroom Dancing Foxtrot & Quickstep will be taught Fri., Nov. 27, 8 p.m. Lessons for beginning and intermediate levels, no experience and no partner necessary. General dance party 9 p.m.-midnight. Singles and couples welcome. Free refreshments. Dressy casual attire. \$8. Cubberley Community Center Pavilion, 4000 Middlefield Road, Palo Alto. Call 650-856-9930. www.readybyte.com/fridaynightdance

English Country Dancing Peninsula English Country Dance welcomes all, from beginners to experienced dancers. Live music, no partner needed, all dances taught. Wear comfortable clothes and shoes. Dance meets first, third, fifth Wednesdays through June 2010. 8-10 p.m. \$15 supporters, \$9 non-members, \$7 members, \$5 students or pay what you can. Flex-It Studio, 425 Evelyn Ave., Mountain View. Call 650-493-6012.

FAMILY AND KIDS

"Hansel and Gretel" PACT Saturday Playhouse Series presents "Hansel and Gretel." In this audience-participation show, children have to help Hansel and Gretel find their way to the candy house. Sat., Dec. 5, 10:30 a.m. \$5/child, \$10/adult. Palo Alto Children's Theatre, 1305 Middlefield Road, Palo Alto. Call 650-463-4970.

California Avenue Holiday Train California Avenue merchants' annual Caltrain "Holiday Train" event, where Santa and Mrs. Claus bring a cast of characters on a train with thousands of lights. A brass band and chorus lead in caroling for 20 minutes. New unwrapped toys and books will be collected for needy children. Sun., Dec. 6, 7:30-7:45 p.m. Free. California Avenue Holiday Train, California Avenue, Palo Alto. Call 650-688-6295.

Gamble Garden - Children's Holiday Decorating Party Kids will decorate cookies and ornaments, and enjoy some holiday treats. Sun., Dec. 6, 1-2:30 p.m. \$10/person for members and \$15/person for non-members. Gamble Garden, 1431 Waverley St., Palo Alto. Call 650-329-1356 ext. 201. <http://www.gamblegarden.org/events/events.html>

HEALTH

Food-issues group Food Addicts In Recovery Anonymous is a program for individuals recovering from addictive eating and anorexia based on the 12 steps of AA. No dues/no fees/no weigh-ins. Sundays, 7-8:30 p.m. Free. 600 Colorado Ave., Palo Alto. Call 415-248-9347.

LIVE MUSIC

Irish Music Session Irish songs for a pub restaurant and bar. Tuesdays, 7:30-9:30 p.m. Free. St. Stephen's Green, 223 Castro St., Mountain View. www.ststephensgreen.com/index.html

Mountain View High School Winter Chamber Concert Mountain View High Spartans String Orchestra and Chamber Orchestra will perform in concert Wednesday,

December 10 at 7 p.m. in the Spartan Theater 3535 Truman Avenue, Mountain View. Tickets are \$8 for adults, \$6 for students with ASB cards, free for children under 12.

Mountain View High School Winter Concert Features Wind Ensemble, Symphonic Band and two orchestras. Dec. 2, 7-8 p.m. \$6 students; \$8 adults; free children under 12. Mountain View HS Theater, 3535 Truman Ave., Mountain View.

ON STAGE

"A Civil War Christmas" TheatreWorks presents the West Coast premiere of "A Civil War Christmas," a musical. Fact and fiction, old-time carols, and traditional tunes entwined in a saga of a divided nation longing for hope. Dec. 2-27, \$26-\$62. Lucie Stern Theatre, 1305 Middlefield Road, Palo Alto. Call 650-463-1960. www.theatreworks.org

Swami Beyondananda: An Evening of Cosmic Comedy The "Cosmic Comic" performs comedy mixed with wisdom. Sat., Nov. 28, 8-9:30 p.m. \$15 in advance, \$20 day of event. East West Book Store, 324 Castro St., Mountain View. Call 800-909-6161. www.eastwest.com/december_events.html

RELIGION/ SPIRITUALITY

Insight Meditation South Bay Shaila Catherine and guest teachers lead a weekly Insight Meditation sitting followed by a talk on Buddhist teachings. Tuesdays, 7:30-9 p.m. Free. St. Timothy's Episcopal Church, 2094 Grant Road, Mountain View. imsb.org

SENIORS

Gingerbread houses Admission includes gingerbread house, frosting, candy and house-decorating activity. The gingerbread houses will be shared in the display case. Mon., Nov. 30, 1 p.m. \$2. Mountain View Senior Center, 266 Escuela Ave., Mountain View. Call 650-903-6330.

SPECIAL EVENTS

Annual Holiday Social Justice Fair Holiday Peace and Social Justice Craft, Gift, and Information Fair. Celebrate the work being done by organizations in the community and around the world. Sun., Dec. 6, 11:30 a.m.-2:30 p.m. Free. First Presbyterian Church Palo Alto, 1140 Cowper St., Palo Alto. Call 415-586-1713. www.peaceandjustice.org/s/craftinfofair

Blach School Holiday Faire More than 80 booths where Blach 7th and 8th grade students sell hand-crafted jewelry, candles, toys, holiday decorations, candy, food and more. Proceeds benefit the Blach PTA. 12:30-4 p.m. Free. Blach Junior High School, 1120 Covington Road, Los Altos. Call 650-934-3800. www.blachschool.org

Fabrication Handcrafted items such as table linens, soaps, X-mas and special-occasion Cards, hand-dyed yarns and more. Dec. 4-5, 10 a.m.-6 p.m. Free. Creekside Inn, 3400 El Camino Real, Palo Alto. fabricationcraftsale.web.officelive.com/default.aspx

Rengstorff House: Holiday Open House Victorian decorations at Rengstorff House, Mountain View's oldest house. Refreshments and caroling. Tue., Dec. 8, 7-9 p.m. Free. Rengstorff House, 3070 N. Shoreline Blvd., Mountain View. Call 650-903-6392. <http://www.r-house.org>

TALKS/AUTHORS

Nancy Farmer's "The Islands of the Blessed" National Book Award winner, Printz Award honoree, and multiple Newbery Honor winner Nancy Farmer discusses the conclusion to the Sea of Trolls trilogy, "The Islands of the Blessed." Thu., Dec. 3, 7 p.m. Free. Books Inc., 301 Castro St., Mountain View. www.booksinc.net

Technology and Society Committee Luncheon Forum Dr. Meyya Meyyappan, chief scientist for exploration technology at NASA Ames, provides an overview of nanotechnology and its impact on computing, communications, health and medicine, energy and the environment, and transportation. Tue., Dec. 8, 11:45 a.m.-1 p.m. Lunch is \$11, \$12 for non-members. Hangen Szechuan Restaurant, 134 Castro St., Mountain View. Call 650-969-7215. <http://tian.greens.org/TASC.shtml>

TEEN ACTIVITIES

College-Admissions Talk David Montesano, an admission strategist with College Match, speaks on techniques that may assist students in identifying the best colleges for them, and help them gain admission. Tue., Dec. 8, 6-7 p.m. Free. Palo Alto Art Center, 1313 Newell Road, Palo Alto. Call 415-601-6955. www.collegematchus.com

Teen Open Gym Teen Open Gyms are open every Saturday night for various sports. Middle School and High School students only; bring your student ID. 6:30-9:30 p.m. Free. Whisman Sports Center, 1500 Middlefield Ave., Mountain View. Call 650-903-6410. http://www.mountainview.gov/city_hall/comm_services/recreation_programs_and_services/teen_services.asp

The House The House is open to middle-school students to come hang out with their friends in a safe, fun environment. This free drop-in program is supervised by trained recreation leaders and offers a social atmosphere that includes homework help, billiards, arts and crafts, foosball, video games and more. 5-8 p.m. Free. The House, 298 Escuela Ave., Mountain View. Call 650-903-6410. www.ci.mtnview.ca.us/city_hall/comm_services/recreation_programs_and_services/teen_services.asp

■ MORE LISTINGS

For a complete listing of local events, see our website at www.PaloAltoOnline.com.

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EL CAMINO HOSPITAL DISTRICT - INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION - June 30, 2009 and 2008

Management Discussion and Analysis for the Years Ended June 30, 2009, 2008 and 2007

El Camino Hospital District is comprised of six (6) entities: El Camino Hospital District (the "District"), El Camino Hospital (the "Hospital"), El Camino Hospital Foundation (the "Foundation"), CONCERN: Employee Assistance Program ("CONCERN"), El Camino Surgery Center ("ECSC"), and a new addition in this fiscal year - Silicon Valley Medical Development, LLC ("SVMD").

ECSC was a 50/50% partnership between the Hospital and a group of physicians, then became wholly owned by the Hospital in September 2005, subsequently in February 2007 the Hospital Board approved sale of no more than 49% of the total ownership interests in ECSC to qualified physicians at prices equal to fair market value. Two offerings have been done, one in fiscal year 2008 and the second in the spring of fiscal year 2009 that completed the sale of physician ownership to the maximum of 49%.

SVMD was formed in September 2008 as a Limited Liability Corporation ("LLC") a wholly owned subsidiary of the Hospital focused on the expansion of the clinical enterprise outside of the Hospital through various business ventures and physician alignment initiatives that improve access for the Hospital's current patients and new, underserved members of the community, extend healthcare into people's home through the applications of electronic connectivity and assist independent physicians in clinical integration with the Hospital, among other initiatives. It was initially funded by the Hospital in this fiscal year by \$1.3 million in cash.

El Camino Hospital acquired the real estate and certain other assets of the 143 bed Community Hospital of Los Gatos ("CHLG") from one or more affiliates of HCP, Inc. This purchase occurred on April 11, 2009 with the Hospital paying \$53.7 million in cash for the land, buildings, and equipment. Tenet ceased operations of CHLG on April 11th and subsequently terminated all of its employees at this site. El Camino Hospital set upon a plan to reactivate the Los Gatos hospital within 90 days, by rehiring a significant number of the former employees, making facilities enhancements, replacing certain medical equipment, and extending numerous clinical software applications at the Mountain View site to the Los Gatos site. The Los Gatos "sister hospital" reopened within 90 days on July 12, 2009 and is now known as "El Camino Hospital Los Gatos." The Los Gatos facility operates under the tax identification number, state healthcare license number, and various provider numbers of El Camino Hospital.

Overview of the Consolidated Financial Statements

This annual report consists of the consolidated financial statements and notes to those statements. These statements are organized to present the District as a financial whole, an entire operating entity. These statements then proceed to provide an increasingly detailed look at specific financial activities.

The balance sheets, the statements of revenues, expenses, and changes in net assets, and statements of cash flows provide an indication of the District's financial health. The balance sheets include all the District's assets and liabilities, using the accrual basis of accounting. The statements of revenues, expenses, and changes in net assets report all of the revenues and expenses during the time periods indicated. The statements of cash flows report the cash provided by the operating activities, as well as other cash sources such as investment income and cash payments for capital additions and improvements.

Consolidated Financial Highlights

Year Ended June 30, 2009

- Total assets increased \$150.2 million over fiscal year 2008. Total surplus cash and investments decreased by \$35.9 million over fiscal year 2008, which is principally comprised of increased operating cash flows and nonoperating income and expenses less the purchase of land, buildings and equipment at the Los Gatos Site and construction costs for the completion of the Hospital Replacement Project.
- Current liabilities increased by \$23.7 million over the prior fiscal year 2008. Primarily this increase was in the areas of accrued payroll and accrued Paid Time Off ("PTO"), 403B employer match, and actuarially determined workers' compensation reserves. Other significant increases include liabilities for construction contractor payments and associated retentions and reserves for third-party settlements.
- The increase in net assets for 2009 was \$55.9 million over fiscal year 2008. Net operating income contributed \$47.5 million of this increase, with non-operating incomes, net of unrealized gains on investments, and including property tax revenues contributed \$8.4 million.
- Total assets increased \$110 million over fiscal year 2007. Total surplus cash and investments increased by \$70 million as a result of operating cash flows, net investment income, and property taxes.
- Current liabilities increased by \$21.8 million over the prior fiscal year 2007. Primarily this increase was due to recording various construction in progress, contractor month end payments due, and associated contractor retentions; the actuarially determined workers' compensation liability and hospital professional liability; and reserves for third-party settlements.
- The increase in net assets for 2008 was \$81.1 million over fiscal year 2007. Net operating income contributed \$53.3 million of this increase, with non-operating incomes, net of unrealized gains on investments, and including property tax revenues contributed \$28 million.

Summary of Assets, Liabilities and Net Assets As of June 30, 2009, 2008 and 2007

(In Thousands)

	2009	2008	2007
Assets:			
Current assets	\$ 296,348	\$ 274,681	\$ 202,613
Board designated & restricted funds, net of current portion	180,586	221,583	221,364
Funds held by trustee, net of current portion	21,060	71,264	191,552
Capital assets, net	652,694	424,404	285,463
Other assets	61,194	69,735	50,282
Total assets	\$ 1,211,882	\$ 1,061,667	\$ 951,274
Liabilities:			
Current liabilities	\$ 116,586	\$ 92,891	\$ 71,069
Bonds payable, net of current portion	340,261	294,011	295,697
Other long-term liabilities	69,628	45,260	36,150
Total liabilities	\$ 526,475	\$ 432,162	\$ 402,916
Net assets:			
Unrestricted & invested in capital assets, net	\$ 677,241	\$ 548,195	\$ 343,792
Retained earnings reserved for minority interest	1,542	932	279
Restricted	6,624	80,378	204,287
Total net assets	\$ 685,407	\$ 629,505	\$ 548,358
Total liabilities and net assets	\$ 1,211,882	\$ 1,061,667	\$ 951,274

Operating cash equivalents & short-term investments	\$ 205,315	\$ 189,404	\$ 121,108
Board designated & restricted funds	191,211	231,000	222,948
Total available cash & investments	\$ 396,526	\$ 420,404	\$ 344,056

The combined District maintains sufficient cash balances to pay all short-term liabilities. Excess cash is transferred to the District's trustee (Bank of New York) as surplus cash and is subsequently invested, according to investment policy guidelines, by one of the District's current money managers.

Capital Assets

Capital assets increased to \$652.7 million from \$424.4 million in fiscal year 2008 for a \$228.3 million increase over the prior year. This net increase includes: \$174.3 million in construction in progress; \$48.7 million in land improvements and buildings, which is primarily acquisitions at the Los Gatos site, and capital equipment of \$29.6 million, offset by \$24.4 million in current year depreciation.

In 1994, the California legislature enacted Senate Bill 1953, which requires that California hospitals evaluate and upgrade acute care facilities by 2008 in order to meet the requirements of the Hospital Seismic Safety Act. As amended by subsequent legislation, the statute allows hospitals to apply for extensions beyond the 2008 deadline under certain circumstances. During 2007 the Hospital received its requested extension to January 2013 to ensure compliance with the Seismic Safety Act.

The Hospital developed a Facilities Master Plan (the "Plan"), which determined the location of the replacement building to be constructed over the next several years. On April 5, 2006, the Hospital Board of Directors approved Resolution 2006-5 approving a "Hospital Replacement Project" in the amount of \$480,000,000 for five (5) construction phases and the related furniture, fixtures, and equipment, soft costs and contingencies that are required to successfully complete the Hospital Replacement Project (including all previously approved expenditures for the Hospital Replacement Project). On June 8, 2006, the ground breaking occurred signaling the start of the new Hospital Replacement Project. The North Addition that is connected to the original building, constructed in 1973, requires substantial interior renovations, but will continue to be utilized as part of the Plan. The Orchard and Willow Pavilions are compliant with State of California seismic requirements and will remain in service.

During the current fiscal year, it was decided that the ground and first floor of the old Main Tower would remain in operations for a few more years to support certain operations, but the second through the sixth floor would be taken entirely out of service and "moth-balled". Thus the accelerated depreciation that was occurring on the entire building to be completed by July 2010 was reset to allow the floors being kept in operations to have an extended life to June 2013 and the floors being taken out of operations in November 2009, when the new hospital facility opens are set to be fully depreciated by this November.

The District's plan to finance the Hospital Replacement Project includes using proceeds from a combination of: (1) General Obligation bonds, totaling \$148 million, that were issued by the County of Santa Clara as approved by the November 4, 2003 Measure D; (2) \$150 million in revenue bonds issued by the Hospital in 2007; (3) an additional \$50 million revenue bond issued in 2009, and (4) cash reserves.

On December 13, 2006, El Camino Hospital District sold \$148 million of General Obligation Bonds through a negotiated sale with Citigroup Global Markets. Based upon the Hospital District's strong credit rating and the purchase of municipal bond insurance, the Bonds were sold at an all in interest rate cost of 4.45%. The Hospital District was able to take advantage of historically low interest rates in the municipal bond market producing the lowest possible cost to the taxpayers. The Bonds have a final maturity date of August 1, 2036. The Hospital District closed this issue on December 31, 2006 and received the proceeds into a Project Fund held by Wells Fargo Bank as the Trustee and Paying Agent. As of June 30, 2009 all Project Funds had been expended from the Hospital Replacement Fund that qualified as public fund expenditures.

With the closing of the \$50 million Series 2009A Bonds on April 7th of this year, the Hospital completed the planned third phase of borrowing to help fund the construction, renovation and improvement of its main acute care facility, including the building and equipping of the new five story patient tower. The Series 2009A Bonds are Variable Rate Revenue Bonds in which the interest rates are reset weekly. The main investors in the Series 2009A Bonds are tax-exempt money market funds which, by law, can only purchase securities which (1) carry high quality ratings from Moody's, Standard & Poor's and/or Fitch and (2) are readily liquid with minimal risk to loss of principal. To satisfy these requirements, the 2009A borrowing is backed by a letter of credit from Wells Fargo Bank guaranteeing the timely payment of principal and interest on the Bonds as well as a purchase price of par if ever a money fund investor wishes to exercise its right to tender its holdings back to the Hospital. The letter of credit will expire in 2012 unless renewed by Wells Fargo and the Hospital.

Variable Rate Revenue Bonds have historically been a low cost tax-exempt financing vehicle for healthcare providers - more so recently than ever before with current weekly reset rates well below one percent. This decided cost advantage, however, is accompanied by certain risks: (1) interest rate volatility, (2) non-renewal of the letter of credit, (3) downgrade of the letter of credit bank and (4) market dislocation. The Hospital assessed all these uncertainties and concluded that the strength of its financial condition more than counterbalanced the risks. Evidencing this fact, Moody's and Standard & Poor's reaffirmed the Hospital's underlying ratings of A1 and A+, respectively, placing El Camino in the upper echelon of healthcare credits. The combined credit strength of both Wells Fargo Bank and the Hospital together resulted in the very highest ratings on the Series 2009A Bonds (Aaa/VMIG1 from Moody's and AAA/A1+ from S&P).

The 2009A Bonds combine with the District's \$148 million Series 2006 General Obligation Bonds and the Hospital's \$150 million 2007 Revenue Bonds to fund a majority of the new facility project. The remainder has come from the Hospital's cash reserves. The original plan was for the Hospital to borrow up to \$100 million in this third financing phase. However, while it received more than a sufficient number of bids from letter of credit providers to support a \$100 million offering, the Hospital wished to retain its flexibility by reducing the size of the 2009A transaction to \$50 million. The Hospital will continue to weigh its options with respect to \$50 million of authorized borrowing capacity still available to it.

In March 2008, the Hospital Board directed management to replace the Auction Rate Revenue Bonds with more traditional coupon bearing fixed rate bonds and to terminate the floating to fixed interest rate swaps when economically prudent. On May 15, 2008, the Hospital accomplished this conversion of the 2007 Series from Auction Rate Securities to fixed rate bonds in accordance with the provisions and procedures of the existing Bond Indentures and Loan Agreements. The average fixed coupon achieved on this conversion of the 2007 Series Bonds was 5.506%. As of June 30, 2009 the interest rate swaps have not been terminated.

The Hospital Replacement Project is nearing completion on time and on budget. During the month of August 2009 the Hospital received beneficial occupancy from the State of California and will begin the "fit-up" and training processes to start accepting patients on November 15, 2009.

In addition to the continuation of the Hospital Replacement Project at Mountain View, the Mountain View campus installed a number of significant IT clinical information systems, such as replacing both Surgery and Laboratory systems, a significant upgrade to its new web-based physician order entry clinical system that was initially installed in 2006, installed two new digital mammography systems in Radiology and progressed on the installation of a data storage and display IT platform ("Amalgam") that is a real-time clinical information to be used with conventional business intelligence tools for analytics. Also towards the end of 2009, the Hospital purchased property adjacent to the hospital to construct a building to house a CyberKnife. This is a stereotactic system that uses robotics in conjunction with image guidance technology to precisely deliver radiation to tumors, while minimizing the dose to surrounding healthy tissue and critical body structures. Originally developed to treat brain tumors and other conditions affecting the brain and spinal cord, it is now also used to treat tumors anywhere in the body including the lung, liver, pancreas and prostate.

EL CAMINO HOSPITAL DISTRICT - INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION - June 30, 2009 and 2008

Management Discussion and Analysis for the Years Ended June 30, 2009, 2008 and 2007

Revenues and Expenses

The following table displays revenues and expenses for 2009, 2008 and 2007:

Revenues & Expenses
Years ended June 30, 2009, 2008 and 2007

(In Thousands)

	2009	2008	2007
Operating revenues:			
Net patient service revenue	\$ 489,504	\$ 441,516	\$ 391,876
Other revenue	19,342	19,436	17,377
Total operating revenues	\$ 508,846	\$ 460,952	\$ 409,253
Operating expenses:			
Salaries, wages & benefits	\$ 250,868	\$ 215,957	\$ 195,988
Professional fees and purchased services	71,831	57,230	51,540
Supplies	63,438	56,785	49,772
Depreciation and amortization	29,330	29,343	27,588
Provision for uncollectible accounts	24,745	24,362	22,920
Rent and utilities	11,121	10,443	9,177
Interest	-	298	470
Other	10,018	8,349	6,813
Total operating expenses	\$ 461,351	\$ 402,767	\$ 364,268
Operating income	\$ 47,495	\$ 58,185	\$ 44,985
Nonoperating income (loss) items:			
Investment income, net	8,961	16,318	21,247
Property tax revenues	15,900	14,792	13,022
Restricted gifts, grants & other	(38)	(92)	30
Unrealized losses on interest rate swaps	(8,258)	(5,050)	-
Other, net	(7,658)	(2,006)	(149)
Minority interest in subsidiary earnings	(500)	(1,000)	(279)
Total nonoperating revenues and expenses	\$ 8,407	\$ 22,962	\$ 33,871
Increase in net assets	\$ 55,902	\$ 81,147	\$ 78,856
Total net assets, beginning of year	\$ 629,505	\$ 548,358	\$ 469,502
Total net assets, end of year	\$ 685,407	\$ 629,505	\$ 548,358

Fiscal Year 2009 Consolidated Financial Analysis

Patient Services Revenues

Gross revenues increased by 9.2% or \$157 million over fiscal year 2008. The Hospital implemented an overall average 3% price increase (estimated at \$32 million on gross revenue) on July 1, 2008, but this gross increase was notably offset by contractual adjustments from payors (see Deductions from Revenue section). This hospital experienced a 3.88% decrease in total patient days primarily due to the closure of the sub-acute and the transitional care units but the high acuity cases such as cardiac and orthopedic contributed in the overall \$76 million increase in gross revenue. Overall outpatient volumes increased by 5.6% mainly due to higher volumes in the psych partial hospital, short stay observation, clinical lab, blood bank, pathology, ultrasound, and CT scanner, which together contributed an additional \$49 million in gross charges.

Inpatient Business Activity

Specialty	2009 Days	2008 Days	% Change
Medical/Surgical	50,458	50,335	0.2%
Maternity	11,005	11,400	-3.5%
Pediatrics	151	211	-28.4%
NICU	4,820	4,419	9.1%
Psychiatry	5,917	6,134	-3.5%
Subacute	2,802	5,842	-52.0%
Normal newborn	10,323	10,586	-2.5%
Total	85,476	88,927	-3.9%

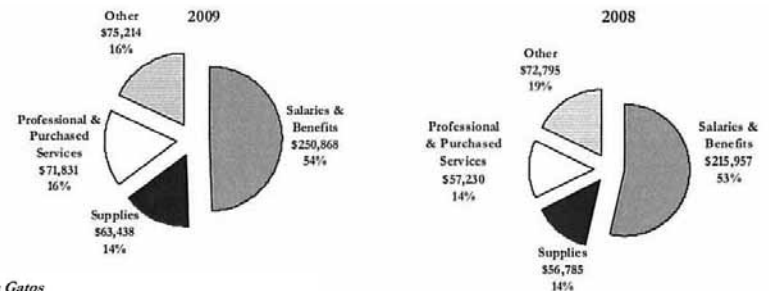
Specialty	2009 LOS	2008 LOS	% Change
Medical/Surgical	4.6	4.6	0.0%
Maternity	2.5	2.5	0.0%
Pediatrics	1.5	1.3	15.4%
NICU	10.4	9	15.6%
Psychiatry	7.6	8	-5.0%
Subacute	365	366	-0.3%
Normal newborn	2.6	2.6	0.0%
Total	4.1	4.2	-2.4%

The overall case mix index, which is an indicator of patient acuity, was 1.07 in fiscal year 2009 compared to 1.02 in fiscal year 2008.

Deductions from Revenue

Contractual allowance adjustments, (expressed as a percentage of gross patient revenues) were 74% for 2009 compared to 75% for 2008. There was a slight decrease in contractual allowance adjustments largely due to revenue recoveries associated with contract underpayments from previous years and the considerable decrease in Net A/R days. In addition, contractual allowance adjustments were reduced in 2009 by favorable settlements of prior years' Medicare cost reports.

Operating Expenses



Los Gatos

With the Los Gatos facility acquisition and its subsequent reactivation that occurred on July 12, 2009, El Camino Hospital started fitting up the facility starting in April 2009, began hiring a significant number of employees some of which were former employees of CHLG, stocking supplies, and acquiring new IT equipment. Also an "Activation Consulting Team" was retained to assist management to make their achieved 90 day opening date of July 12. This added overall operating expenses of \$5.4 million as the fit up occurred in the last quarter of the fiscal year.

Salaries & Wages

Salaries and benefits in fiscal year 2009 were 54% of operating expenses compared to 53% in fiscal year 2008. Total salaries and benefits increased \$34.9 million in 2009 compared to 2008. At the Hospital, \$9.3 million of total increase was for registered nurse salaries.

The Hospital, like most others in the nation, continued to be faced with a shortage of nurses and other clinical professionals. In an on-going response to this shortage in this fiscal year, the Hospital continued strategies such as: a recruitment retention taskforce, an enhanced Refer-a-Friend program, and upgrades to revitalize the recruitment website were completed in May 2008. Since the El Camino Hospital nursing division received the American Nurses Association Credentialing Center's prestigious Magnet Designation, El Camino Hospital has been one of only two hospitals in Northern California to hold this prestigious award and only 5% of hospitals nationwide have this designation. This magnet designation has had a very positive effect on nurse recruitment because of the high quality of nursing care this award represents. During 2009, the Hospital's nurse vacancy rate was 2.0% compared to 5.8% for hospitals in Northern California.

This designation is important, as in January 2004 the State of California implemented new RN to patient ratios, which have increased the need for registered nurses and has made the recruitment and retention of RNs an ongoing challenge. During 2009, the Hospital decreased its time to fill RN positions by 20.9% over 2008.

Professional Resources of Nurses ("PRN") in the second year of its contract was provided an across-the-board increase of 5.3% on March 22, 2009.

The Hospital's Stationary Engineers - Local 39, per their contract were provided a 6% increase on November 2, 2009.

The non-contractual, non-management employees received an across-the-board increase of 4% on June 29, 2008.

Directors and managers received increases of 4% on August 10, 2008. Certain senior management salaries were adjusted based on national salary benchmark data provided by an outside consultant, which was reviewed by the Compensation Committee of the Board, and subsequently approved by the full Board of Directors. These adjustments became effective on August 10, 2008.

Employees of El Camino Surgery Center received an average 5% salary increase effective July 9, 2008.

FTE's (Full Time Equivalents) increased in fiscal year 2009 to 1,960 from 1,836 in fiscal year 2008.

Employee Benefits

Overall, employee benefits cost increased by \$11.9 million in 2009 compared to 2008, an increase of 29.7%

Significant increases were in the areas of:

- Employer paid healthcare increased \$4.8 million for medical, dental, pharmacy, vision, and an employee assistance program. During fiscal year 2009 the Hospital started to pay 100% of the basic healthcare premiums for all employees that were at part time status of one half FTE.
- The Hospital reserved additional pension expense in fiscal year 2009 of \$3.9 million over 2008.
- The Hospital began expensing its 403B match program directly from operations rather than funding from the pension assets. This started with calendar year 2009, which equated to \$2.5 million in new expense over 2008.
- The Hospital contributed an additional increase in Social Security and Medicare taxes of \$1.1 million in fiscal year 2009 over 2008.
- The Hospital experienced a decrease in both workers compensation claims paid and its actuarially determined reserves that in total was \$1.4 million less in fiscal year 2009 than in 2008.

Supplies

Total supply costs increased by \$6.7 million. Significant increases were for pharmaceuticals; chemotherapy drugs, general surgery, orthopedic and prosthesis and cardiac interventional medical supplies; non-capital IT hardware items; and non-medical maintenance supplies.

Professional and Purchased Services

Total professional fees and purchased services increased by \$14.6 million in 2009 over 2008, primarily for increases to physicians providing 24x7 call cover to the Emergency Room and in a full year of new medical directorships in the areas of Heart & Vascular Institute, Cancer Center, and the start up of the Neuroscience Institute for a total of \$1.5 million. The consulting and legal expense needed to activate the Los Gatos site added \$1.6 million in professional fee services in fiscal year 2009 and in the areas of strategic initiatives added \$1.5 million in expense over the prior fiscal year.

For purchased services there were increases for information services technology ("IT"), \$5.3 million for providing a greater amount of IT support to the new web-based physician order entry clinical information system and maintenance costs for additional IT hardware and software that has been installed. Maintenance on highly specialized medical equipment added \$857,000 over prior year.

EL CAMINO HOSPITAL DISTRICT - INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION - June 30, 2009 and 2008

Management Discussion and Analysis for the Years Ended June 30, 2009, 2008 and 2007

Rent and Utilities

In 2009 rent and utilities expense category increased by \$678,000. Areas of increases were for building rents for Los Gatos, as the fitting up of that site required adjacent offsite locations to house certain management and activation consultants. At the beginning of the fiscal year the facilities staff and construction project managers relocated from trailers on the Hospital Replacement Project site into a temporary office building adjacent to the Hospital property to accommodate the final construction phases of the project, which amounted to \$148,000 in increased rental expense. Utility expenses increased \$493,000 primarily driven by the Hospital Replacement Project going into its final year of construction.

Other Expenses

Other expenses (includes provision for uncollectible accounts, depreciation and amortization and other) increased by \$2.4 million in 2009 over 2008. The provision for uncollectible accounts increased by a modest \$383,000. Depreciation and amortization expenses were almost unchanged compared to the prior year due to net of additional build-outs in Melchor Pavilion (for medical office spaces on the second and third floors and a deli opening on the ground floor), with offsets in decreased expense for capital equipment that became fully depreciated during the year. Increases in other expenses were in the areas of professional liability insurance, education and travel, relocation expense, forgiveness of physician income guarantees due to their fulfillment of certain obligations to the hospital and various licensing fees.

Change in Net Unrealized Gains & Losses on Investments

For fiscal year 2009, the Hospital had two money managers with different investment objectives for the Hospital's surplus cash investments. Total net unrealized gains/losses in stocks and bonds are reported in the District's consolidated financial statements during this fiscal year, future changes in the market value may have different results.

Barrow, Hanley, Mewhinney & Strauss (BHMS)

Stock investments net unrealized loss increased during Fiscal 2009 from the steep stock market decline. This resulted in a fiscal year negative change of (\$9,273,637) from a 23.7% decline in the market value of assets. For comparison, the S&P 500 was down 28.2% on a price basis for the year ended June 30, 2009.

Intermediate bond investments reflect a reduction in the amount of unrealized losses resulting in year over year positive change of \$915,771. Short maturity bond investments reflect an increase in the unrealized gain resulting in a year over year positive change of \$337,224. The combined bond investments had a positive change of \$1,252,995. The bond investment change represents a modest increase in asset prices as a result of slightly lower interest rates over the fiscal year. For example, the rate on the Treasury five year note was 3.33% at June 30, 2008 compared to 2.56% at June 30, 2009.

Wells Capital Management ("WCM")

Bond investments managed by WCM reflect a change during the period from an unrealized loss to an unrealized gain. The change from the prior year was a net gain of \$1.7 million. The bond investment change represents a 1.8% increase in market value as a result of lower interest rates over the fiscal year. Intermediate US Treasury yields declined 50 to 80 basis points during the period.

As of the end of the fiscal year, the cost of the Hospital's investments in the WCM Fund was \$96.6 million, including reinvestment of income, with the market value of \$98.2 million, which represents an unrealized gain of 1.7% of the market value.

Economic Factors and Next Year's Budget

The Board approved the fiscal year 2010 budget at their June 2009 meeting that allows for the activation of two hospitals calendar year. The fiscal year 2009-10 budget for El Camino Hospital District (all six entities) projects total expenditures approximately \$706 million. This estimate includes all operating costs (\$618.8 million), non-operating expenses (\$12.4 million) and costs of capital (\$74.8 million). The projected net income is about \$31.9 million and represents a 4.9% net margin. Included in the net margin is the projected income from operations of \$20.8 million. Non-operating sources of revenue net of expense are projected to be \$11.1 million, which represents about 35% of the District's total net income and predominately consists District property tax receipts of \$9.0 million for maintenance and operations and investment income for all entities \$14.5 million.

Expanding its commitment to community healthcare delivery for the people of Silicon Valley, El Camino Hospital acquired real estate and certain other assets of the 143 bed Community Hospital of Los Gatos from one or more affiliates of HCP, L. With this new Los Gatos location, we will be better able to serve people in communities such as Campbell, Cupertino, Los Gatos, Saratoga and San Jose, many of whom have already chosen El Camino Hospital for their care. The adjacent facilities separated by less than 13 miles along the I-85 corridor in Silicon Valley, and many physicians already practice at both facilities. This acquisition fits with El Camino Hospital's operating strategies and will continue our mission to ensure the Silicon Valley community has access to the top quality professionals and services that our patients expect. The Hospital is projecting 1% higher patient utilization as a result of opening its second location in Los Gatos and the opening of its new earthquake resistant hospital in Mountain View. The two hospital sites will bring more than \$500 million in new facilities and equipment into service by December.

The operating revenue focus for fiscal year 2010 will be on maintaining AR days at 50 or less while also negotiating cost-based rational pricing from health plans. This payor strategy is one of revenue neutrality which is predominately reducing outpatient prices while increasing inpatient prices with the ultimate (multi-year) goal of having all services lines cover their total cost and contribute toward profitability. The Hospital will also continue to aggressively pursue underpayment recoveries from health plans. The Hospital expects modest increases from Medicare that do not keep pace with expense increases including inflation. The projected 26% increase in revenue is largely related to the activation of the Los Gatos campus.

Improvements in efficiency are expected due to physicians performing an increasing number of minimally invasive and robotic procedures resulting in shorter hospital stays, quicker recovery time and less pain for the patient. Additionally, new healthcare services and technology will be provided by its Heart and Vascular Institute, Cancer Center, and Women's Hospital. A high-tech CyberKnife radiation therapy service will also open in early 2010.

There is continued focus on reducing supply costs, particularly medical and pharmaceutical supplies through continued use of Group Purchasing Organization ("GPO"), as well as several teams focusing on operating room inventory, supply utilization, product standardization. We will also look at ways to improve productivity by bringing best practices to ECH. Depreciation expense will increase due to the completion of the central plant, the new replacement Hospital, and \$74.8 million of anticipated capital requests in fiscal year 2010, of which more than \$20 million is earmarked for seismic upgrades and new equipment for the Los Gatos site; \$16.5 million will be invested in information systems and health information technology; and \$11 million for medical equipment for the new Mountain View hospital. Operating expenses are budgeted to increase 30% from 2009 level largely related to operationalizing the Los Gatos campus.

In FY 2010 for the first half of the year IT will almost exclusively be focused on the new Mountain View tower. Our investment in a Distributed Antenna System and robust network will showcase technologies such as Robots, Tele-Presence, Digital Signage, Digital Art, Medical Grade Computers and much more. Our efforts with the Microsoft platforms to support quality improvement continue. We will make several investments in Knowledge Based Medication Bar Coding, OR clinical documentation and other systems and, of course, we will ensure we are ready to meet the definitions of meaningful use. Additionally, we will begin early stages of our ECH eConnect strategy using a portfolio of vendors such as eClinicalWorks and Medicity to support multi-stakeholder data exchanges.

Additionally, we are heavily investing in a variety of quality initiatives engaging caregivers at all levels in the organization in an organized and systematic way to hard wire improvements in patient quality of care and safety.

In order to ensure the Hospital's long-term success, it is committed to maintaining strong financial performance from operations while maintaining high levels of satisfaction and quality outcomes. The Hospital continues to focus on its short-term goal of facility replacement, which requires it to continue to achieve "A" level financial performance and strong positive margins.

Fiscal Year 2008 Consolidated Financial Analysis

Patient Services Revenues

Gross revenues increased by 14.5% or \$215 million over fiscal year 2007. The Hospital implemented an overall average 3.3% price increase (estimated at \$51 million on gross revenue) on July 1, 2007, but this gross increase was notably offset by contractual adjustments from payers (see Deductions from Revenue section). The Hospital experienced a 4.0% increase in total patient days primarily in the Medical/Surgical and Maternal-Child Health units that accounts for \$18 million in gross charge increases. The rise in patient days was also due to an increase in average length stay due to the growth in high acuity cardiac and orthopedic cases that accounts for \$81 million in gross charges. Overall outpatient volumes increased by 3.8% mainly due to higher volumes in the emergency department, dialysis, clinical lab, blood bank, pathology, endoscopy, ultrasound, and CT scanner which contributed an additional \$65 million in gross charges.

Inpatient Business Activity

Specialty	2008 Days	2007 Days	% Change
Medical/Surgical	50,335	45,851	9.8%
Maternity	11,400	11,102	2.7%
Pediatrics	211	312	-32.4%
NICU	4,419	4,385	0.8%
Psychiatry	6,134	6,385	-3.9%
Subacute	5,842	7,000	-16.5%
Normal newborn	10,586	10,509	0.7%
Total	88,927	85,544	4.0%

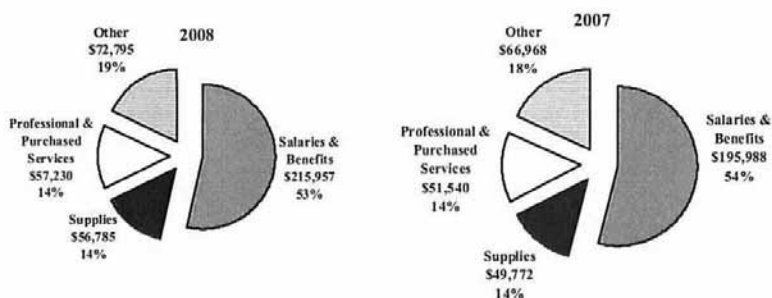
Specialty	2008 LOS	2007 LOS	% Change
Medical/Surgical	4.6	4.3	7.0%
Maternity	2.5	2.5	0.0%
Pediatrics	1.3	1.6	-18.8%
NICU	9	9.4	-4.3%
Psychiatry	8	8.4	-4.8%
Subacute	366	365	0.3%
Normal newborn	2.6	2.6	0.0%
Total	4.2	4.1	2.4%

The overall case mix index, which is an indicator of patient acuity, was 1.02 in fiscal year 2008 compared to .99 in fiscal year 2007.

Deductions from Revenue

Contractual allowance adjustments, (expressed as a percentage of gross patient revenues) were 75% for 2008 compared to same percentage of 74% for 2007. There was a slight increase in contractual allowance adjustments due to the price increase on July 1, 2007.

Operating Expenses



Salaries & Wages

Salaries and benefits in fiscal year 2008 were 53% of operating expenses compared to 54% in fiscal year 2007. Total salaries and benefits increased \$20.0 million in 2008 compared to 2007. At the Hospital, \$8.0 million of total increase were for registered nurses salaries.

The Hospital, like most others in the nation, continued to be faced with a shortage of nurses and other clinical professionals. In an on-going response to this shortage in this fiscal year, the Hospital continued strategies such as a recruitment retention taskforce, an enhanced Refer-a-Friend program, and upgrades to revitalize the recruitment website will be completed in May 2008. Since the El Camino Hospital nursing division received the American Nurses Association Credentialing Center's prestigious Magnet Designation, El Camino Hospital has been one of only two hospitals in Northern California to hold this prestigious award and only 5% of hospitals nationwide have this designation. This magnet designation has had a very positive effect on nurse recruitment because of the high quality of nursing care this award represents. During 2008, the Hospital's nurse vacancy rate was 2.2% compared to 6.9% for hospitals in Northern California.

This designation is important, as in January 2004 the State of California implemented new RN to patient ratios, which have increased the need for registered nurses and has made the recruitment and retention of RNs an ongoing challenge. During 2008, the Hospital decreased its time to fill RN positions by 11% over 2007.

Professional Resources of Nurses ("PRN") in the second year of its contract was provided an across-the-board increase of 5.5% on April 20, 2008.

EL CAMINO HOSPITAL DISTRICT - INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION - June 30, 2009 and 2008

Management Discussion and Analysis for the Years Ended June 30, 2009, 2008 and 2007 • Independent Auditor's Report • Financial Statements

Employees represented by SEIU/United Healthcare Workers finalized a new four (4) year contract in November 2007 with a 4% increase that was effective July 1, 2007.

The Hospital's Stationary Engineers – Local 39, per their contract were provided a 4% increase on November 4, 2007.

The non-contractual, non-management employees received an across-the-board increase of 4% on July 1, 2007.

Directors and managers received increases of 4% on August 12, 2007. Certain senior management salaries were adjusted based on national salary benchmark data provided by an outside consultant, which was reviewed by the Compensation Committee of the Board, and subsequently approved by the full Board of Directors. These adjustments became effective on August 13, 2006.

Employees of El Camino Surgery Center received an average 6% salary increase effective July 9, 2007.

FTE's (Full Time Equivalents) increased in fiscal year 2008 to 1,836 from 1,729 in fiscal year 2007.

Employee Benefits

Overall, employee benefits cost increased by \$3.5 million in 2008 compared to 2007, an increase of 9.5%

Significant increases were in the areas of:

- Employer paid healthcare increased \$1.3 million for medical, dental, pharmacy, vision, and an employee assistance program.
- The Hospital reserved \$1.9 million to be paid to all employees in recognition of their achievements that produced the most successful financial year the Hospital has ever experienced.
- The Hospital contributed an additional increase in Social Security and Medicare taxes of \$1.1 million in fiscal year 2008 over 2007.
- There are decreases in accrued severance pay and actuarially determined workers compensation reserves in the current year of \$500,000 over fiscal year 2007.

Supplies

Total supply costs increased by \$7.0 million. Significant increases were for pharmaceuticals; chemotherapy drugs, general surgery, orthopedic and prosthesis and cardiac interventional medical supplies; non-capital IT hardware items; and non-medical maintenance supplies.

Professional and Purchased Services

Total professional fees and purchased services increased by \$5.7 million in 2008 over 2007, primarily for increases to physicians providing 24x7 call cover to the Emergency Room and in providing new medical directorships in the areas of Heart & Vascular Institute, Cancer Center, and the start up of the Neuroscience Institute for a total of \$1.1 million. Professional fees for recruitment of senior leadership positions and the need for additional legal services created additional professional expenses in the current year.

For purchased services there were increases for information services technology ("IT"), \$3.0 million for providing a greater amount of IT support to the new web-based physician order entry clinical information system and maintenance costs for additional IT hardware and software that has been installed. Maintenance on the highly specialized medical equipment added \$350,000 over prior year. Bond broker fees increased \$240,000 as the Revenue Bonds were placed in the last quarter of 2007, thus in 2008 a complete year of expense is recorded. CONCERN, the Employee Assistance Program added \$380,000 in outside medical provider payments due to growth in the program and increased utilization of the services by the clients' employees.

Rent and Utilities

In 2008 rent and utilities expense category increased by \$1.3 million over 2007. Areas of increases were in lease costs for the state of the art Radiology and Interventional services medical equipment. The Hospital is currently leasing all of its imaging equipment until the new Replacement Hospital opens in the fall of 2009, at which time the Hospital will replace this equipment with new state of the art radiological imaging equipment. At the beginning of the year, the Hospital also entered into a building lease agreement, with an option to buy, for a building adjacent to the Hospital's property to be used for future expansion of outpatient services. Utilities experienced an increase of \$500,000 principally for electricity, water and waste disposal.

Other Expenses

Other expenses increased by \$5.8 million in 2008 over fiscal year 2007. The provision for bad debt expense increased by \$1.4 million largely due to the rate increase that became effective the beginning of the fiscal year. Depreciation expense increased by \$1.8 million over the prior year. This was attributable to the additional physician tenant office build-outs occurring in the Melchor Pavilion and having a full year of depreciation expense for the new Cancer Center that also occupies the Melchor Pavilion and the completion of four (4) intensive care nursery bassinets in the Maternal-Child Health Pavilion. Continued replacement of certain medical equipment, such as anesthesia machines, a cardio data management system and a telemetry transmitter system added to the depreciation expense.

Within the category of other general and administrative expenses, there was an increase of \$1.4 million in 2008 over 2007. An increase in the Hospital's professional and general liability premiums caused a \$540,000 increase over the prior year. Other increases were in the areas of staff travel for training of the new Laboratory software being implemented, advertising and postage.

Change in Net Unrealized Gains & Losses on Investments

In fiscal year 2008, the District had two (2) money managers with different investment objectives for the District's surplus cash investments. Total net unrealized gains/losses in stocks and bonds are reported in the District's consolidated financial statements during the fiscal year, future changes in the market value may have different results.

Barrow, Hanley, Mewhinney & Strauss ("BHMS")

Stock investments changed from a net unrealized gain to a net unrealized loss with the steep stock market decline during the second half of the fiscal year. This resulted in a fiscal year unrealized loss of \$11.4 million representing a 20% decline in market value.

Bond investments reflect a reduction in the amount of unrealized losses resulting in a net gain of \$3.7 million. The bond investment change represents a modest 1.4% increase in market value as a result of slightly lower interest rates during the fiscal year. For example, the rate on the Treasury five-year note was 4.92% at June 30, 2007 compared to 3.33% at June 30, 2008.

Wells Capital Management ("WCM")

Bond investments managed by WCM reflect a reduction in the amount of unrealized losses, resulting in a change that is a net gain of \$1.5 million from the prior year. The bond investment change represents a 1.6% increase in market value as a result of lower interest rates over the fiscal year. Intermediate US Treasury yields declined 100 to 150 basis points during the period.

As of the end of the fiscal year, the cost of the Hospital's investments in the WCM Fund was \$91.2 million, including reinvestment of income, with the market value was \$91.1 million, which represents an unrealized loss of .14% of the market value.

Independent Auditor's Report

MOSS ADAMS LLP
CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
El Camino Hospital District

We have audited the accompanying consolidated balance sheets of El Camino Hospital District as of June 30, 2009 and 2008, and the related consolidated statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of El Camino Hospital District as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise El Camino Hospital District's basic consolidated financial statements. The supplemental schedules of 2009 consolidating information set forth is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The consolidating supplemental information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Management's discussion and analysis on pages 1 through 14 is not a required part of the consolidated financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Moss Adams LLP
San Francisco, California
September 10, 2009

Consolidated Balance Sheets June 30, 2009 and 2008 (In Thousands)

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 55,133	\$ 24,746
Short-term investments	150,182	164,658
Current portion of board designated, restricted funds and trustee assets	20,949	18,482
Patient accounts receivable, net of allowances for doubtful accounts of \$10,934 and \$11,097 in 2009 and 2008, respectively	57,127	58,400
Prepaid expenses and other current assets	12,318	7,811
Notes receivable, current	639	584
Total current assets	296,348	274,681
Non-current cash and investments - less current portion		
Board-designated funds	174,057	215,624
Restricted funds	6,529	5,959
Funds held by trustee	21,060	71,264
Other long-term investments	25,466	32,272
	227,112	325,119
Capital assets, net	652,694	424,404
Pledges receivable	465	924
Other assets	35,263	36,539
Total assets	\$ 1,211,882	\$ 1,061,667

EL CAMINO HOSPITAL DISTRICT - INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION - June 30, 2009 and 2008

Consolidated Financial Statements

Consolidated Balance Sheets June 30, 2009 and 2008 (In Thousands)

LIABILITIES AND NET ASSETS			
Current liabilities			
Current portion capital lease obligations	\$ 4,814	\$ 1,555	
Accounts payable and accrued expenses	54,455	44,286	
Salaries, wages, and related liabilities	36,584	28,642	
Other current liabilities	6,413	6,095	
Estimated third-party payor settlements	10,850	9,218	
Current portion of bonds payable	3,470	3,095	
Total current liabilities	116,586	92,891	
Capital lease obligations, net of current portion	17,292	1,940	
Bonds payable, net of current portion	340,261	294,011	
Other long-term obligations	16,302	9,033	
Workers' compensation	22,208	20,876	
Postretirement medical benefits	13,826	13,411	
Total liabilities	526,475	432,162	
Net assets			
Invested in capital assets, net of related debt	314,571	198,162	
Retained earnings reserved for minority interest	1,542	932	
Restricted	6,624	6,069	
Unrestricted	362,670	424,342	
Total net assets	685,407	629,505	
Total liabilities and net assets	\$ 1,211,882	\$ 1,061,667	

Statements of Revenues, Expenses, and Changes in Net Assets Years Ended June 30, 2009 and 2008 (In Thousands)

	2009	2008
Operating revenues		
Net patient service revenue	\$ 489,504	\$ 441,516
Other revenue	19,342	19,436
Total operating revenues	508,846	460,952
Operating expenses		
Salaries, wages, and benefits	250,868	215,957
Professional fees and purchased services	71,831	57,230
Supplies	63,438	56,785
Depreciation and amortization	29,330	29,342
Provision for uncollectible accounts	24,745	24,363
Rent and utilities	11,121	10,443
Other	10,018	8,647
Total operating expenses	461,351	402,767
Operating income	47,495	58,185
Nonoperating revenues (expenses):		
Investment income, net	8,961	16,318
Property tax revenue	15,900	14,792
Restricted gifts, grants and bequests, and other	(38)	(92)
Unrealized losses on interest rate swaps	(8,258)	(5,050)
Other, net	(7,658)	(2,006)
Minority interest in subsidiary earnings	(500)	(1,000)
Total nonoperating revenues and (expenses)	8,407	22,962
Increase in net assets	55,902	81,147
Total net assets, beginning of year	629,505	548,358
Total net assets, end of year	\$ 685,407	\$ 629,505

Statements of Cash Flows Years Ended June 30, 2009 and 2008 (In Thousands)

	2009	2008
Cash flows from operating activities		
Cash received from patients	\$ 467,664	\$ 417,299
Other cash receipts	19,342	19,436
Cash payments to employees	(241,179)	(207,966)
Cash payments to suppliers	(140,344)	(129,169)
Net cash from operating activities	105,483	99,600
Cash flows from noncapital financing activities		
Property tax revenue received	9,242	9,100
Restricted contributions and investment income	421	(158)
Transfers from restricted funds and other	(570)	(58)
Net cash from noncapital financing activities	9,093	8,884
Cash flows from capital and related financing activities		
Purchases of property, plant, and equipment	(237,528)	(166,097)
Payments on capital leases obligations	(1,304)	(1,488)
Payments on bonds payable	(3,095)	(4,110)
Advance refunding of bonds	-	(147,525)
Receipts from issuances of bonds, net	50,000	148,934
Tax revenue related to general obligation bonds	6,658	5,692
Net cash from capital and related financing activities	(185,269)	(164,594)

Cash flows from investing activities		
Purchases of investments	(162,415)	(207,458)
Sales of investments	213,000	127,220
Investment income	1,303	20,528
Increase (decrease) in notes receivable	(55)	69
Change in funds held by trustee, net	50,204	121,303
Other	(957)	(1,000)
Net cash from investment activities	101,080	60,662
Net increase in cash and cash equivalents	30,387	4,552
Cash and cash equivalents at beginning of year	24,746	20,194
Cash and cash equivalents at end of year	\$ 55,133	\$ 24,746
Reconciliation of operating income to net cash from operating activities		
Operating income	\$ 47,495	\$ 58,185
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	29,330	29,342
Provision for uncollectible accounts	24,745	24,363
Changes in assets and liabilities		
Patient accounts receivable	(21,840)	(24,217)
Prepaid expenses and other current assets	6,566	(10,552)
Current liabilities, excluding current portion capital lease obligations	18,429	18,951
Other long-term obligations	343	3,102
Postretirement medical benefits	415	426
Net cash from operating activities	\$ 105,483	\$ 99,600
Supplemental disclosure of noncash transactions		
New capital lease obligations	\$ 19,915	\$ 2,187

Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - El Camino Hospital District (the "District") includes the following component units which are included as blended component units of the District's consolidated financial statements: El Camino Hospital (the "Hospital"), El Camino Hospital Foundation (the "Foundation"), CONCERN: Employee Assistance Program ("CONCERN"), the El Camino Surgery Center, LLC ("ECSC"), and most recently Silicon Valley Medical Development, LLC ("SVMD").

The ECSC was 100% acquired by the Hospital on September 17, 2005. Prior to this completed acquisition, the Hospital owned a 50% interest in the ECSC. The ECSC is a Limited Liability Company. In February 2007, the Hospital Board approved the sale of no more than 49% of the total ownership interest in ECSC to qualified physicians at a price equal to fair market value. At June 30, 2008, 20 physicians owned a 23 1/3% interest in ECSC. As of June 30, 2009, the Hospital owns 51% of ECSC and the physicians own 49%.

The District is organized as a political subdivision of the State of California and was created for the purpose of operating an acute care hospital and providing management services to certain related corporations. The District is the sole member of the Hospital, and the Hospital is the sole corporate member of the Foundation and CONCERN. As sole member, the District (with respect to the Hospital) and the Hospital (with respect to the Foundation and CONCERN) have certain powers, such as the appointment and removal of the boards of directors and approval of changes to the articles of incorporation and bylaws.

In July 1999, the Hospital established CONCERN and subsequently transferred funds to establish CONCERN as a separate affiliated entity. The purpose of CONCERN is to provide and operate a specialized healthcare service plan for various business organizations nationwide. On March 5, 2001, CONCERN was granted a limited Knox-Keene license from the Department of Corporations of the State of California and commenced its operations.

SVMD was formed in September 2008 as a Limited Liability Corporation ("LLC") a wholly owned subsidiary of the Hospital focused on the expansion of the clinical enterprise outside of the Hospital through various business ventures and physician alignment initiatives that improve access for the Hospital's current patients and new, underserved members of the community, extend healthcare into people's home through the applications of electronic connectivity and assist independent physicians in clinical integration with the Hospital, among other initiatives. It was initially funded by the Hospital with \$1.3 million in cash.

Principles of Consolidation - The consolidated financial statements include the accounts of the District and all subsidiaries which are controlled and owned more than 50% for which day-to-day operations are managed by the District. All significant inter-entity accounts and transactions have been eliminated in the consolidated financial statements. Investments for which the District has 50% or less ownership and does not have control are recorded using the equity method. Minority interest represents the proportionate share of the equity in affiliates that is attributable to the minority owners.

Accounting Standards - Pursuant to Government Accounting Standard Board ("GASB") Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board ("FASB"), including those issued after November 30, 1989, which do not conflict or contradict GASB pronouncements.

Use of Estimates - The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary Fund Accounting - The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and consolidated financial statements are prepared using the economic resources measurement focus.

Cash and Cash Equivalents - Cash and cash equivalents include deposits with financial institutions, and investments in highly liquid debt instruments with an original maturity of three months or less. In addition, in 2009 and 2008, cash and cash equivalents include repurchase agreements, which consist of highly liquid obligations of U.S. governmental agencies. Cash and cash equivalents exclude amounts whose use is limited by board designation or by legal restriction.

Investments in Marketable Securities - Short-term investments consist primarily of highly liquid debt instruments and other short-term interest-bearing certificates of deposit, U.S. Treasury bills, U.S. government obligations, and corporate debt, excluding amounts whose use is limited by board designation or other arrangements under trust agreements.

Board-designated and restricted funds include assets set aside by the board for future capital improvements and other operational reserves, over which the board retains control and may at its discretion use for other purposes; assets set aside for qualified capital outlay projects in compliance with state law; and assets restricted by donors or grantors.

EL CAMINO HOSPITAL DISTRICT - INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION - June 30, 2009 and 2008

Notes to Consolidated Financial Statements

Investment income, realized gains and losses and unrealized gains and losses on investments are reflected as nonoperating income or expense.

Deferred Financing Costs – Financing costs incurred with the issuance of bonds are amortized over the term of the bonds using a method that approximates the effective interest rate method. Amortization of these costs is included in interest expense.

Bond Assets Held in Trust – According to the terms of both indenture agreements (General Obligation and Revenue Bonds), these certain amounts are held by the bond trustee and paying agent and are maintained and managed by the trustee and are invested in short term cash equivalents. These assets are available for the settlement of future current bond obligations.

Unexpended Bond Funds for the Hospital Project – Proceeds in the Project Funds from the December 2006 General Obligation Bonds and Series A, B and C 2007 Revenue Bonds were completely expended during the 2009 fiscal year, leaving a balance at June 30, 2009 and 2008, of \$0 and \$78,359,000, respectively. Proceeds from the Series 2009A Bond Project Funds not yet expended amounted to \$7,830,000 at June 30, 2009. These funds are invested in short term cash equivalent by the Trustee. They are restricted to expenditures for the Hospital Replacement Project.

Capital Assets – Capital asset acquisitions are recorded at cost. Donated property is recorded at its fair-market value on the date of donation. All purchases over \$1000 are capitalized. Equipment under capital lease is amortized on the straight-line basis over the shorter of the lease term or the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	16 years
Buildings and fixtures	25 – 40 years
Equipment	3 – 16 years

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset.

Costs of Borrowing – Except for capital assets acquired through gifts, contributions or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Investments in Healthcare Related Activities – The District currently holds an interest in Pathways Home Health & Hospice and Private Duty (formerly Continuous Care), which is reported on the equity method of accounting.

Risk Management – The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Self-Insurance Plans – The District maintains professional liability insurance on a claims-made basis, with liability limits of \$30,000,000 per claim, and which is subject to a \$50,000 deductible. Additionally, the District is self-insured for workers' compensation benefits. The District purchases a Workers' Compensation Excess Policy that insures claims greater than \$1,000,000 with a limit of \$10,000,000. Actuarial estimates of uninsured losses for professional liability and workers' compensation have been accrued as liabilities in the accompanying consolidated financial statements.

Interest Rate Swap Agreements – During the fiscal year ended June 30, 2007, the Hospital entered into derivative instruments in the form of swap agreements to hedge variable interest rate exposures. During the fiscal year ended June 30, 2008 the underlying variable rate debt was refunded for fixed rate debt, leaving the Hospital with a speculative derivative instrument. Refer to Note 10 for a full description of the interest rate swap agreements.

Net Assets – Net assets of the District are classified as invested in capital assets, restricted net assets, retained earnings reserved for minority interest, and unrestricted net assets.

Invested in capital assets – Invested in capital assets of \$314,571,000 and \$198,162,000 at June 30, 2009 and 2008, respectively, represent investments in all capital assets (building and building improvements, furniture and fixtures, and information and technology equipment), net of depreciation less any debt issued to finance those capital assets.

Retained earnings reserved for minority interest – Retained earnings reserved for minority interest is the portion of net assets reserved for the 49% minority physician shareholders of ECSC.

Restricted net assets – Restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose or to be maintained by the Foundation in perpetuity.

Unrestricted net assets – Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt, reserved for minority interests or restricted.

Statements of Revenues, Expenses, and Changes in Net Assets – For purposes of display, transactions deemed by management to be ongoing, major, or central to the provisions of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses. These peripheral activities include investment income, property tax revenue, gifts, grants and bequests, change in net unrealized gains and losses on investments in marketable securities, unrealized losses on interest rate swaps and are reported as nonoperating. Investments in the Pathways Home Health & Hospice, and Continuous Care are accounted for under the equity method. The District's share of the operating income of these entities is included as other, net in the District's consolidated financial statements.

Net Patient Service Revenue and Patient Accounts Receivable – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined. Significant concentrations of net patient accounts receivable at June 30, 2009 and 2008, include Medicare at 30% for both years, and Medi-Cal at 11% and 4%, respectively. At June 30, 2009 and 2008, the Hospital provided allowances for losses on amounts receivable directly from patients totaling \$10,934,000 and \$11,097,000, respectively.

Property Tax Revenue – The District received approximately 28% in 2009 and 18% in 2008 of its total increase in net assets from property taxes. These funds were designated as follows:

	June 30,	
	2009	2008
Designated to support community benefit programs	\$ 5,732,000	\$ 5,403,000
Designated to support Hospital Replacement Project	\$ 3,510,000	\$ 3,207,000
Levied for debt service	\$ 6,658,000	\$ 5,692,000

Property taxes are levied by the County on the District's behalf on January 1 and are intended to finance the District's activities of the same calendar year. Amounts levied are based on assessed property values as of the preceding July 1. Property taxes are considered delinquent on the day following each payment due date. Property taxes are recorded as non-operating revenue by the District when they are earned.

Charity Care – The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care amounts are included in net patient revenues in the consolidated financial statements. The amount of charges forgone for services and supplies furnished under the Hospital's charity care policy aggregated approximately \$12,636,000 and \$10,206,000 in 2009 and 2008, respectively.

Uncollectible Accounts – The Hospital provides care to patients without requiring collateral or other security. Patient charges not covered by a third-party payor are billed directly to the patient if it is determined that the patient has the ability to pay. A provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible.

Income Taxes – The District operates under the purview of the Internal Revenue Code, Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income. CONCERN has also been granted tax-exempt status. However, income from the unrelated business activities of the Hospital and the Foundation is subject to income taxes. ECSC and SVM D are limited liability companies and are treated as pass-through entities for federal income tax purposes. Accordingly, no recognition has been given to federal income taxes in the accompanying consolidated financial statements.

Reclassifications – Certain amounts in the 2008 consolidated financial statements have been reclassified to conform to the 2009 presentation.

New Accounting Pronouncements – FAS 165, "Subsequent Events", applies to interim or annual financial periods ending after June 15, 2009. The objective of this Statement is to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before consolidated financial statements are issued or are available to be issued. This Statement sets forth the period after the balance sheet date during which management should evaluate events or transactions that may occur for potential recognition or disclosure in the consolidated financial statements, the circumstances under which the entity should recognize events or transactions occurring after the balance sheet date, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The District has implemented FAS 165 for the fiscal year ending June 30, 2009, (Note 15).

NOTE 2 – OPERATING REVENUES

Gross patient revenues are recorded on the basis of usual and customary charges. Gross patient revenues were \$1,858,365,000 and \$1,701,656,000 for 2009 and 2008, respectively. Deductions from gross patient revenue for contractual and other adjustments totaled \$1,378,644,000 and \$1,269,355,000 for the years ended June 30, 2009 and 2008, respectively. The percentage of inpatient and outpatient services is as follows:

	2009	2008
Inpatient services	65%	66%
Outpatient services	35%	34%

The following table reflects the percentage of net patient revenues by major payor group:

	2009	2008
Medicare	25%	22%
Contracted rate payors	71%	74%
Commercial insurance and other	2%	2%
Medi-Cal	2%	2%

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, fee schedules, prepaid payments per member, and per diem payments or a combination of these methods. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors.

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Inpatient nonacute services related to Medicare beneficiaries are paid based on a cost-reimbursement methodology through March 31, 2004. Inpatient nonacute services subsequent to April 1, 2004, are paid at prospectively determined rates per discharge. Payments for outpatient services are based on a stipulated amount per diagnosis. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The effect of updating prior year estimates for Medicare and other liabilities was to increase 2009 and 2008 net operating income by \$6,183,000 and \$4,639,000, respectively. The Hospital's cost reports have been audited by the Medicare fiscal intermediary through June 30, 2007.

Medi-Cal and contracted rate payors are paid on a percentage of charges, per diem, per discharge, fee schedule, or a combination of these methods.

Laws and regulations governing the Medicare and Medi-Cal programs are complex and are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

Included in other revenue are amounts from investments in health-related activities, rental income, cafeteria, and other nonpatient care revenue.

NOTE 3 – COMMUNITY BENEFIT (UNAUDITED)

The Hospital maintains records to identify and monitor the level of direct community benefit it provides. These records include the charges foregone for providing the patient care furnished under its charity care policy. For the years ended June 30, 2009 and 2008, the estimated costs of providing community benefit in excess of reimbursement from governmental programs were as follows:

	2009	2008
	(in thousands)	
Unpaid costs of Medi-Cal programs	\$ 19,456	\$ 19,136
Indigent charity care	2,367	1,999
Other community-based programs	17,832	10,935
Total community benefits	\$ 39,655	\$ 32,070

In furtherance of its purpose to benefit the community, the Hospital provides numerous other services to the community for which charges are not generated and revenues have not been accounted for in the accompanying consolidated financial statements. These services include providing access to healthcare through interpreters, referral and transport services, healthcare

EL CAMINO HOSPITAL DISTRICT - INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION - June 30, 2009 and 2008

Notes to Consolidated Financial Statements

screening, community support groups and health educational programs, and certain home care and hospice programs. The estimated costs of Medicare programs in excess of reimbursement from Medicare were \$43,932,000 and \$35,325,000 for the years ended June 30, 2009 and 2008, respectively.

The Hospital also provides services to the community through the operations of the El Camino Hospital Auxiliary, Inc. (the "Auxiliary"). Services provided by volunteers of the Auxiliary, free of charge to the community, include assistance and counseling to patients and visitors, provision of scholarship awards to qualifying paramedical students, and daily personal contact with members of the community who are living alone. In both 2009 and 2008, these volunteers contributed approximately 114,000 hours in providing these services, the value of which is not recorded in the accompanying consolidated financial statements.

NOTE 4 - CASH DEPOSITS

At June 30, 2009 and 2008, District cash deposits had carrying amounts of \$55,133,000 and \$24,746,000, respectively, and bank balances of \$60,423,000 and \$28,971,000, respectively. Of the bank balances at June 30, 2009 and 2008, \$1,420,000 and \$860,000, respectively, were covered by federal depository insurance.

The District participates in a cash management program provided by its primary depository institution that allows cash in District concentration accounts to be swept daily and invested overnight in reverse repurchase agreements that are not exposed to custodial credit risk because the underlying securities are held by the buyer-lender. At June 30, 2009 and 2008, balances in repurchase agreements had carrying values of \$57,095,000 and \$24,018,000, respectively, and are included in the carrying amounts above.

NOTE 5 - BOARD-DESIGNATED, RESTRICTED FUNDS AND INVESTMENTS

Board-designated funds, restricted funds, and other long-term investments, collectively, as of June 30, 2009 and 2008 comprised the following (in thousands):

	Amortized Costs	Gross Unrealized		Carrying Value
		Gains	Losses	
2009				
Cash and cash equivalents	\$ 43,962	\$ -	\$ -	\$ 43,962
Equities	51,214	1,129	(16,526)	35,676
Fixed income securities	293,395	1,504	(2,512)	292,387
	<u>\$ 388,571</u>	<u>\$ 2,633</u>	<u>\$ (19,038)</u>	<u>\$ 372,166</u>
2008				
Cash and cash equivalents	\$ 42,685	\$ -	\$ -	\$ 42,685
Equities	50,137	4,199	(10,286)	44,050
Fixed income securities	351,019	1,249	(5,188)	347,080
	<u>\$ 443,841</u>	<u>\$ 5,448</u>	<u>\$ (15,474)</u>	<u>\$ 433,815</u>

At June 30, 2009, District investment balances and average maturities were as follows:

Investment Type	Fair-Value (in thousands)	Investment Maturities (in years)		
		Less than 1	1 to 5	6 to 10
Short-term money market	\$ 43,962	\$ 43,962	\$ -	\$ -
Mutual funds	140	140	-	-
Government and agencies	124,490	-	115,058	9,432
Corporate bonds	63,068	12,328	39,570	11,170
Domestic fixed income	98,183	-	98,183	-
Foreign fixed income	6,647	-	3,318	3,329
	<u>336,490</u>	<u>\$ 56,430</u>	<u>\$ 256,129</u>	<u>\$ 23,931</u>
Equities	<u>35,676</u>			
Total fair-value	<u>\$ 372,166</u>			

At June 30, 2008, District investment balances and average maturities were as follows:

Investment Type	Fair-Value (in thousands)	Investment Maturities (in years)		
		Less than 1	1 to 5	6 to 10
Short-term money market	\$ 42,684	\$ 42,684	\$ -	\$ -
Mutual funds	215	215	-	-
Government and agencies	144,426	17,216	83,092	44,118
Corporate bonds	109,138	15,285	73,024	20,829
Domestic fixed income	90,712	-	90,712	-
Foreign fixed income	2,804	-	2,804	-
	<u>389,979</u>	<u>\$ 75,400</u>	<u>\$ 249,632</u>	<u>\$ 64,947</u>
Equities	<u>43,836</u>			
Total fair-value	<u>\$ 433,815</u>			

Interest Rate Risk - Through its investment policies, the District manages its exposure to fair value losses arising from increasing interest rates by limiting maturity of fixed income securities in its portfolio to no more than ten years.

Credit Risk - District investment policies limit investments to investment grade assets. The investment policy requires investment managers maintain an average of Aa/AA or higher ratings as issued by a nationally recognized rating organization. Additionally, the investment policy requires no more than 50% of total investments to be invested in US corporate notes and bonds.

Foreign Currency Risk - The District's investment policy permits it to invest up to 15 percent of total investment in foreign currency denominated investments. These investments must have a minimum quality rating of BAA3/BBB, or its equivalent or higher, as issued by at least two of the three nationally recognized rating organizations. Those assets identified as foreign fixed income investments above are securities issued by Non-U.S. domiciled issuers. All securities are denominated and payable in (both interest and principal) U.S. dollars. None represent foreign currency risk.

The carrying amount of deposits and investments are included in the District's balance sheets as follows:

	2009	2008
	(in thousands)	
Included in the following balance sheet captions:		
Short-term investments	\$ 150,182	\$ 164,658
Current portion board designated, restricted funds and trustee assets	17,156	15,397
Board designated, less current portion	174,057	215,624
Restricted funds, less current portion	6,259	5,864
Other long-term investments	24,512	32,272
	<u>\$ 372,166</u>	<u>\$ 433,815</u>

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009, is as follows (in thousands):

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated				
Land	\$ 10,585	\$ 17,126	\$ -	\$ 27,711
Construction in progress	265,627	176,501	2,174	439,954
	<u>276,212</u>	<u>193,627</u>	<u>2,174</u>	<u>467,665</u>
Capital assets being depreciated				
Land improvement	5,974	914	-	6,888
Buildings	223,031	32,796	2,092	253,735
Capital equipment	146,972	33,266	3,632	176,606
	<u>375,977</u>	<u>66,976</u>	<u>5,724</u>	<u>437,229</u>
Less accumulated depreciation for				
Land improvement	4,746	241	-	4,987
Buildings	125,621	14,512	1,420	138,713
Capital equipment	97,418	14,577	3,495	108,500
	<u>227,785</u>	<u>29,330</u>	<u>4,915</u>	<u>252,200</u>
Total capital assets being depreciated, net	<u>148,192</u>	<u>37,646</u>	<u>809</u>	<u>185,029</u>
Total capital assets, net	<u>\$ 424,404</u>	<u>\$ 231,273</u>	<u>\$ 2,983</u>	<u>\$ 652,694</u>

Capital assets activity for the year ended June 30, 2008, is as follows (in thousands):

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets not being depreciated				
Land	\$ 10,585	\$ -	\$ -	\$ 10,585
Construction in progress	114,187	154,794	3,354	265,627
	<u>124,772</u>	<u>154,794</u>	<u>3,354</u>	<u>276,212</u>
Capital assets being depreciated				
Land improvement	6,341	-	367	5,974
Buildings	219,602	3,537	108	223,031
Capital equipment	135,451	15,587	4,066	146,972
	<u>361,394</u>	<u>19,124</u>	<u>4,541</u>	<u>375,977</u>
Less accumulated depreciation for				
Land improvement	4,487	259	-	4,746
Buildings	110,454	15,180	13	125,621
Capital equipment	85,762	13,903	2,247	97,418
	<u>200,703</u>	<u>29,342</u>	<u>2,260</u>	<u>227,785</u>
Total capital assets being depreciated, net	<u>160,691</u>	<u>(10,218)</u>	<u>2,281</u>	<u>148,192</u>
Total capital assets, net	<u>\$ 285,463</u>	<u>\$ 144,576</u>	<u>\$ 5,635</u>	<u>\$ 424,404</u>

Construction contracts of approximately \$535 million exist for the construction of various projects including the new hospital facility. At June 30, 2009, the remaining commitment on these contracts approximated \$71 million.

NOTE 7 - EMPLOYEE BENEFIT PLANS

The District sponsors a cash-balance pension plan (the Plan), which has been in effect since January 1, 1995. The Plan covers employees who are 21 years of age and have completed one year of credited service. Participants are entitled to a lump-sum distribution or monthly benefits at age 65 based on a predetermined formula that considers years of service and compensation. Effective July 1, 1999, employer Plan benefits are calculated as 5% of a participant's annual plan compensation, and the annual interest is an indexed rate based on the return on ten-year U.S. treasury securities. Participants are fully vested in their account balances after five pension years.

Certain retired and terminated employees and certain participants covered by a collective bargaining agreement continue to participate under provisions of a defined-benefit retirement plan in effect prior to January 1, 1995. Any costs and liabilities related to this plan are included below.

Analysis of Funding Progress - Pension Plan - The following table summarizes the funding status of the District's cash-balance pension plan (in thousands):

EL CAMINO HOSPITAL DISTRICT - INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION - June 30, 2009 and 2008

Notes to Consolidated Financial Statements

Fiscal Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Assets in Excess of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
2003	\$ 65,271	\$ 52,547	\$ 12,724	124.2%	\$ 74,342	17.1%
2004	\$ 64,231	\$ 58,846	\$ 5,385	109.2%	\$ 86,091	6.3%
2005	\$ 77,946	\$ 65,366	\$ 12,580	119.2%	\$ 95,430	13.2%
2006	\$ 84,129	\$ 72,616	\$ 11,513	115.9%	\$ 103,024	11.2%
2007	\$ 91,100	\$ 78,764	\$ 12,336	115.7%	\$ 111,238	11.1%
2008	\$ 102,877	\$ 87,884	\$ 14,993	117.1%	\$ 121,525	12.3%
2009	\$ 103,654	\$ 94,352	\$ 9,302	109.9%	\$ 133,654	7.0%

The following table summarizes the net pension obligation (NPO) or prepaid pension cost for the District's cash-balance pension plan (in thousands):

Fiscal Year	Beginning of Year NPO (a)	Annual Pension Cost (b)	Actual Contribution (c)	Increase (Decrease) in NPO (b-c)	End of Year NPO/ (Prepaid Pension Cost) ((a)+(b-c))
2003	\$ 622	\$ 1,627	\$ -	\$ 1,627	\$ 2,249
2004	\$ 2,249	\$ 1,116	\$ 1,271	\$ (155)	\$ 2,094
2005	\$ 2,094	\$ 16	\$ 3,101	\$ (3,085)	\$ (991)
2006	\$ (991)	\$ 774	\$ 5,700	\$ (4,926)	\$ (5,917)
2007	\$ (5,917)	\$ 1,882	\$ 2,731	\$ (849)	\$ (6,766)
2008	\$ (6,766)	\$ 1,766	\$ 9,500	\$ (7,734)	\$ (14,500)
2009	\$ (14,500)	\$ 5,034	\$ 6,300	\$ (1,266)	\$ (15,766)

The following table summarizes the actuarial assumptions used to determine the District's cash-balance pension plan liabilities as of June 30:

	2009	2008	2007
Expected long-term return on assets	8.5%	8.5%	8.5%
Rate of compensation increases	4.0%	4.0%	4.0%
Date of actuarial valuation	January 2008	January 2007	January 2006
Amortization period of NPO	3 years	3 years	3 years

Components of pension activity for the years ended June 30, 2009 and 2008, consist of the following:

	2009	2008
	(in thousands)	
Pension expense	\$ 5,036	\$ 1,766
Employer contributions	\$ 10,800	\$ 9,500
Benefits paid	\$ 3,853	\$ 4,600

Eligible employees of the Hospital may also elect to participate in a separate deferred compensation plan (the 403(b) plan) pursuant to Section 403(b) of the Code. The Hospital acts as the administrator and sponsor, and the 403(b) plan's assets are held by trustees designated by the Hospital's management. Employees are eligible to participate upon employment, and participants are immediately vested in their elective contributions plus actual earnings thereon. The Hospital will match employee contributions to the 403(b) plan, subject to a maximum of 4% of each participant's annual plan compensation. Participants are eligible for employer match in the second plan year in which they work at least 1,000 hours, and they must be on the payroll at the end of the plan year (December 31). Employer matching contributions under the 403(b) plan are made to the cash balance pension plan and earn interest as defined by that plan. Employer matching contributions to the 403(b) plan of \$4,626,000 and \$3,831,000 in 2009 and 2008, respectively, are included in benefits expense. Participants are immediately vested in the employer contributions included in the cash balance pension plan.

NOTE 8 - POSTRETIREMENT MEDICAL BENEFITS

The Hospital provides healthcare benefits and life insurance for retired employees who meet eligibility requirements as outlined in the plan document, as approved by the board of directors of the Hospital. All employees who attain age 55 with a minimum of 20 years of enrollment in the Hospital's healthcare program and are enrolled in one of the plans upon retirement, and who were hired prior to July 1, 1994 are eligible. Under the plan, employees are credited with employment history accumulated under a prior District plan.

Benefits are funded by the Hospital on a pay-as-you go basis. If a participant terminates from the Hospital after 20 years of enrollment but before reaching age 62, he or she can choose to contribute to the plan between ages 55 and 61 to retain the plan's benefits. At age 62, eligible retirees are given an annual credit based on years of service to pay for health benefits. As of June 30, 2009, approximately 133 employees and former employees were eligible to participate in the plan.

The following table sets forth the plan's funded status, as actuarially determined on an accrual basis, reconciled with the amounts shown in the District's balance sheets as of June 30, 2009 and 2008:

	2009	2008
	(in thousands)	
Accumulated benefit obligation	\$ 19,799	\$ 19,344
Fair-value of plan assets	-	-
Funded status	\$ (19,799)	\$ (19,344)
Accrued benefit cost recognized in the balance sheets	\$ (13,826)	\$ (13,411)

The net period postretirement benefit activity for 2009 and 2008 included the following components:

	2009	2008
	(in thousands)	
Benefit expense	\$ 1,081	\$ 1,049
Employer contributions	\$ 666	\$ 623
Plan participants' contributions	\$ 251	\$ 270
Benefits paid	\$ 917	\$ 893

The measurement date for the actuarial analysis is June 30 for both 2009 and 2008. For measurement purposes, annual rates of increase in the per capita cost of covered healthcare benefits of 9% and 10% were assumed for fiscal years 2009 and 2008, respectively. The rate was assumed to decrease gradually to 5.5% over the next four years and remain at that level thereafter. The dental benefit trend rate was assumed to be 5% in all future years. The discount rates used are 4.25% and 4.25% for both 2009 and 2008.

The following table summarized projected future postretirement plan benefits payments:

Year	2010	2011	2012	2013	2014	2015-2018
						\$ 767,000
						826,000
						911,000
						982,000
						1,107,000
						6,773,000
						\$ 11,366,000

NOTE 9 - INSURANCE PLANS

The District's professional, general, automobile, and directors and officers liability insurance is purchased from BETA Healthcare Group ("BHG"). BHG was formed in 1979 for the purpose of operating a self-insurance program for the above insurance coverage for certain hospital districts of the Association of California Hospital Districts ("ACHD"). Effective October 1, 1989, BHG became a separate joint powers authority, establishing itself as a public agency and distinct from ACHD. BHG is managed by a board of 16 representatives (the BHG Council), 14 of whom are elected by the members.

The District's other insurance needs are brokered by Alliant Insurance Services ("Alliant"). This relationship was developed by BHG. Through Alliant, the District purchases its all-risk property insurance (including limited flood), fiduciary, crime, and excess workers' compensation coverage. Given the extreme costs and high deductible of acquiring earthquake insurance, the District has developed a board-designated self-funded earthquake "catastrophic fund." The fair value of this fund was \$7,784,001 and \$10,248,000 at June 30, 2009 and 2008, respectively.

The District is self-funded for its workers' compensation and has been issued by the State of California's Department of Industrial Relations, a Certificate of Consent to Self-Insure. The District purchases excess workers' compensation insurance coverage.

Selected coverages are (in thousands):

Coverage	Policy Limit	Retention
Hospital professional and general liability	\$ 30,000	\$ 50
Automobile insurance	20,000	-
Directors and officers	10,000	25
All-risk property	1,000,000	40
Fiduciary	5,000	25
Excess workers' compensation	10,000	1,000
Commercial crime	5,000	3
Course of construction	325,000	50

Settled claims have not exceeded the District's policy limits in any of the past three years.

The District has actuarial estimates performed annually on its self-insurance plans of professional liability and workers' compensation benefits. Estimated liabilities (which have not been discounted) have been actuarially determined at an expected 75% confidence level and include an estimate of incurred, but not reported, claims.

The change in the liability for self-insurance is as follows (in thousands):

	2009	2008
Beginning balance	\$ 26,376	\$ 23,867
Current year claims and changes in estimates	7,630	7,427
Payment of claims	(6,112)	(4,918)
Ending balance	\$ 27,894	\$ 26,376

The balances are included in salaries and wages payable and long-term liabilities in the accompanying balance sheets.

EL CAMINO HOSPITAL DISTRICT - INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION - June 30, 2009 and 2008

Notes to Consolidated Financial Statements

NOTE 10 – LONG-TERM DEBT

Long-term debt consists of the following obligations (in thousands):

	June 30,	
	2009	2008
El Camino Hospital District 2006		
General Obligation Bonds		
Principal	\$ 145,820	\$ 146,365
Unamortized premium	1,449	1,630
El Camino Hospital Revenue Bonds		
Series 2008		
Principal	144,975	147,525
Unamortized premium	1,246	1,586
Series 2009		
Principal	50,000	-
Unamortized premium	241	-
Total long-term debt	343,731	297,106
Less current maturities	3,470	3,095
Maturities due after one year	\$ 340,261	\$ 294,011

	2009			
	Balance at June 30, 2008	Additions	Payments	Balance at June 30, 2009
General obligation bonds	\$ 147,995	\$ -	\$ 726	\$ 147,269
Revenue bonds	149,111	50,000	2,649	196,462
	<u>\$ 297,106</u>	<u>\$ 50,000</u>	<u>\$ 3,375</u>	<u>\$ 343,731</u>

	2008			
	Balance at June 30, 2007	Additions	Payments	Balance at June 30, 2008
General obligation bonds	\$ 149,807	\$ -	\$ 1,812	\$ 147,995
Revenue bonds	150,000	149,111	150,000	149,111
	<u>\$ 299,807</u>	<u>\$ 149,111</u>	<u>\$ 151,812</u>	<u>\$ 297,106</u>

General Obligation Bonds – Upon voter approval, in November 2003, the District issued \$148,000,000 principal amount of General Obligation Bonds, \$115,665,000 of Current Interest Bonds, and \$32,335,000 of Capital Appreciation Bonds. Interest on the Current Interest Bonds is payable semiannually at rates ranging from 4% to 5% and principal maturities ranging from \$845,000 in 2010 to \$18,050,000 in 2036 are due annually on August 1. Interest at rates ranging from 4.38% and 4.48% and principal of the Capital Appreciation Bonds are payable only at maturity.

The Current Interest Bonds maturing on or before August 1, 2016, are not subject to redemption. The Current Interest Bonds maturing on or after August 1, 2017, may be redeemed prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after February 1, 2017, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Bonds are general obligations of the District payable from ad valorem taxes. Payment of principal, interest and maturity value of the Bonds, when due, is insured by a municipal bond insurance policy.

Revenue Bonds, Series 2007 – Each Series of Bonds initially will bear interest at Auction Rates for successive seven-day Auction Periods. Interest on the Bonds will be payable on the Business Day immediately following the applicable Auction Period.

In May 2008, the Hospital issued \$147,525,000 of Santa Clara County Financing Authority Insured Revenue Bonds, Series 2007A, B, and C, at rates of 5.125% to 5.750%, to advance refund \$147,525,000 of the outstanding original Series 2007A, B, and C. Principal maturities on the serial bonds range from \$875,000 in 2010, and \$4,725,000 in 2041, and are due annually on February 1.

Revenue Bonds, Series 2009 – In April 2009, the Hospital issued \$50,000,000 of Santa Clara County Financing Authority Insured Revenue Bonds, Series 2009A at rates of 3.247% to 4.7687% to fund completion of the Hospital Replacement construction project. Interest on the Bonds will be payable on the Business Day immediately following the applicable Auction Period. Principal maturities on the bonds range from \$100,000 in 2025, and \$10,920,000 in 2044, and are due annually on February 1.

The 2009 Series Revenue bond agreement contains various restrictive covenants which include, among other things, minimum debt service coverage, maintenance of minimum liquidity, and requirement to maintain certain financial ratios.

The bonds are secured by a pledge of gross revenues to an Indenture of Trust (Indenture) dated March 16, 2007. The Indenture contains certain covenants that, among other things, require the District to deposit all Gross Revenues of the Hospital as soon as practicable upon receipt. The Indenture also requires the Hospital to maintain a long-term debt service coverage ratio of 1.15 to 1. Failure to comply with the restrictive covenants of the Indenture could result in all of the unpaid principal and accrued interest of the bonds becoming due immediately, at the option of the trustee.

Letter of Credit – In March 2009, in connection with the issuance of the 2009 Series Revenue bonds, the Hospital obtained an irrevocable Letter of Credit issued by a bank for \$50,000,000. This Letter of Credit requires the Hospital to maintain a long-term debt services coverage ratio of 1.15 to 1 and expires in 2012. The Hospital is in compliance with these covenants as of and for the year ended June 30, 2009.

Interest Costs – Interest costs incurred for the years ended June 30, 2009 and 2008, are (in thousands):

	June 30,	
	2009	2008
Capitalized	\$ 14,206	\$ 4,752
Nonoperating expense	-	653
	<u>\$ 14,206</u>	<u>\$ 5,405</u>

Debt service requirements for long-term debt are as follows, (in thousands):

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 845	\$ 5,090	\$ 2,625	\$ 9,437
2011	1,170	5,061	2,675	9,324
2012	1,525	5,014	2,725	9,208
2013	970	4,945	2,850	9,090
2014	1,300	4,906	3,000	8,947
2015-2019	12,605	23,349	16,425	42,396
2020-2024	19,890	19,121	19,275	37,714
2025-2029	-	16,470	23,955	31,938
2030-2034	40,700	15,450	30,950	24,801
2035-2039	34,480	4,535	39,855	15,904
2040-2044	-	-	50,640	5,115
	<u>\$ 113,485</u>	<u>\$ 103,941</u>	<u>\$ 194,975</u>	<u>\$ 203,874</u>

Interest Rate Swaps – On March 7, 2007, the Hospital entered into three interest rate swap agreements in connection with the issuance of the Series 2007 Revenue Bonds. The intention of the swap is to create debt with a synthetic, fixed interest rate on the variable-rate Revenue Bonds. The swaps were effective March 23, 2007, with a termination date of February 1, 2041, and notional amounts of \$50 million each, these terms match the terms of the underlying Series 2007 Revenue Bonds. Under each swap transaction, the Hospital pays a fixed rate of interest of 3.204% and the counterparty pays a variable rate of interest equal to the sum of (i) 56% of USD-LIBOR-BBA plus (ii) .23%. In March 2008, the Hospital Board directed management to terminate the floating to fixed interest rate swaps when economically prudent in connection with the refunding of their Series 2007 Revenue Bonds. As of June 30, 2009, the swaps have not been terminated and are considered speculative. The fair value of the swaps at June 30, 2009 and 2008, is \$13,307,000 and \$5,050,000, respectively and has been included in other long-term liabilities and unrealized losses on interest rate swaps, respectively.

Risks Associated with the Swap Agreements – From the Hospital's perspective, the following risks are generally associated with swap agreements:

Credit Risk – The counterparty becomes insolvent or is otherwise not able to perform its financial obligations. In the event the counterparty become insolvent or their credit rating falls below BBB-/Baa2 the Hospital has the right to terminate the swap. Upon exercise of early termination the amounts due from or to the counterparty will be determined by the market pricing of the swaps at the time of termination.

Termination Risk – The Hospital or counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If, at the time of the termination, the swap has a negative fair value, the Hospital would be liable to the counterparty for that payment.

NOTE 11 – CAPITAL LEASE OBLIGATIONS

Capital lease obligations outstanding as of June 30, 2009, are as follows (in thousands):

Description	Maturity	Interest Rates	Original Issue	June 30, 2009
Capital leases - equipment net of interest	January 2009 - June 2014	0% to 7.75%	\$ 25,423	\$ 22,106
Less current portion				4,814
				<u>\$ 17,292</u>

Description	June 30, 2008			Outstanding June 30, 2009
	June 30, 2008	Increases	Decreases	June 30, 2009
Capital leases - equipment	\$ 3,495	\$ 19,915	\$ 1,304	\$ 22,106

Description	June 30, 2007			Outstanding June 30, 2008
	June 30, 2007	Increases	Decreases	June 30, 2008
Capital leases - equipment	\$ 2,796	\$ 2,187	\$ 1,488	\$ 3,495

EL CAMINO HOSPITAL DISTRICT - INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION - June 30, 2009 and 2008

Notes to Consolidated Financial Statements

Debt service requirements for capital lease obligations are as follow (in thousands):

Period Ending June 30,		
2010	\$	5,467
2011		4,676
2012		4,676
2013		4,676
2014		4,647
Less interest		<u>(2,036)</u>
		22,106
Less current portion		<u>4,814</u>
	\$	<u>17,292</u>

NOTE 12 – RESTRICTED NET ASSETS

Restricted net assets consist of donor-restricted contributions and grants and cash restricted for regulatory requirements, which are to be used as follow (in thousands):

	2009	2008
Equipment and expansion	\$ 3,554	\$ 3,507
Charity and other	1,308	873
Endowments	<u>1,712</u>	<u>1,639</u>
Restricted by donor for specific uses	6,574	6,019
Restricted by Department of Managed Health Care	<u>50</u>	<u>50</u>
Total restricted net assets	<u>\$ 6,624</u>	<u>\$ 6,069</u>

Permanently restricted contributions (endowments) remain intact, with the earnings on such funds providing an ongoing source of revenue to be used primarily for education.

The Foundation is the beneficiary of gifts through testamentary and other trusts in which the gift assets are held by the trustees and administered for the benefit of the Foundation and Hospital. Pooled income trust assets are donated to the Foundation under life annuity agreements. The donors maintain the right to income earned on the assets during their lifetime and, in some cases, during the lifetime of their survivors.

Although these gifts are irrevocable, applicable GASB pronouncements permit financial statement recognition only upon satisfaction of all eligibility requirements. Since the Foundation is not eligible to receive the assets held in the trusts until maturity of the trusts (generally the donor's death), long-term receivables from charitable remainder trusts and pooled income funds are not recognized in the consolidated financial statements.

The total of these contributions, measured at the fair value of assets to be received, discounted to their estimated net present value, is \$1,467,000 and \$1,808,000, respectively, at June 30, 2009 and 2008. The applicable federal discount rate for June 2009 and 2008, of 2.8% and 3.5%, respectively, per annum and the Standard Ordinary Mortality Rate Table were used to arrive at the present value.

NOTE 13 – RELATED PARTY TRANSACTIONS

On April 26, 2007, the Foundation entered into a Loan Agreement by and between The Fogarty Institute for Innovation (the "borrower"), a California nonprofit, public benefit corporation located at the Hospital's Melchor Pavilion (medical office building), and El Camino Hospital Foundation (the "lender"). The Foundation agrees to lend to the borrower from time-to-time amounts not less than \$50,000 (the "Advance"), which in the aggregate at any one time the outstanding amount does not exceed the sum of \$1 million. The final date that Advances will be made to the borrower is June 30, 2008, and all principal balances loaned and accrued interest are to be repaid no later than December 31, 2009. Interest rate on each Advance will be the prime rate as reported in the Wall Street Journal as of the date of requested Advance. As of June 30, 2009 and 2008, the advances total \$547,871 and \$547,871 and accrued interest represents \$69,002 and \$27,542, respectively.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation – The District is a defendant in various legal proceedings arising out of the normal conduct of its business. In the opinion of management and its legal representatives, the District has valid and substantial defenses, and settlements or awards arising from legal proceedings, if any, will not exceed existing insurance coverage, nor will they have a material adverse effect on the financial position, results of operations, or liquidity of the District.

Lease Commitments – The District is obligated for land and office rental under the terms of various operating lease agreements. Following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2009 (in thousands):

	Operating Lease Commitments	Lease Income	Net Lease Benefit
2010	\$ 1,942	\$ 3,067	\$ 1,125
2011	1,611	2,890	1,279
2012	781	2,780	1,999
2013	702	2,763	2,061
2014	361	1,794	1,433
Thereafter	<u>2,417</u>	<u>5,252</u>	<u>2,835</u>
	<u>\$ 7,814</u>	<u>\$ 18,546</u>	<u>\$ 10,732</u>

Total rental expense in 2009 and 2008 for all operating leases was approximately \$6,194,000 and \$5,304,000, respectively.

Regulatory Environment – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible

violations of fraud and abuse statutes and regulations by healthcare providers. The District is subject to routine surveys and reviews by federal, state and local regulatory authorities. The District has also received inquiries from healthcare regulatory authorities regarding its compliance with laws and regulations. Although the District management is not aware of any violations of laws and regulations, it has received corrective action requests as a result of completed and on going surveys from applicable regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and non-compliance with survey corrective action requests could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Hospital Seismic Safety Act – In 1994, the California legislature enacted Senate Bill 1953, which requires that California hospitals evaluate and upgrade acute care facilities by 2008 in order to meet the requirements of the Hospital Seismic Safety Act. As amended by subsequent legislation, the statute allows hospitals to apply for extensions beyond the 2008 deadline under certain circumstances. During 2007, the Hospital received its requested extension to January 2013 to ensure compliance with the Seismic Safety Act. The Hospital developed a Facilities Master Plan (the "Plan"), which determined the location of the replacement building to be constructed over the next several years. On April 5, 2006, the Hospital Board of Directors approved Resolution 2006-5 approving a "Hospital Replacement Project" in the amount of \$480,000,000 for five (5) construction phases and the related furniture, fixtures, and equipment, soft costs and contingencies that are required to successfully complete the Hospital Replacement Project (including all previously approved expenditures for the Hospital Replacement Project). On June 8, 2006, the ground breaking occurred signaling the start of the new Hospital Replacement Project. The North Addition that is connected to the original building, constructed in 1973, requires substantial interior renovations, but will continue to be utilized as part of the Plan. The Orchard and Willow Pavilions are compliant with State of California Seismic requirements and will remain in service.

During the current fiscal year, it was decided that the ground and first floor of the old Main Tower would remain in operations for a few more years to support certain operations, but the second through the sixth floor would be taken entirely out of service and "moth-balled". Thus the accelerated depreciation that was occurring on the entire building to be completed by July 2010 was reset to allow the floors being kept in operations to have an extended life to June 2013 and the floors being taken out of operations in November 2009, when the new hospital facility opens are set to be fully depreciated by this November.

The District plan for finance includes using proceeds from a combination of: (1) General Obligation bonds, totaling \$148 million, to be issued by the County of Santa Clara as approved by the November 4, 2003 Measure D; (2) revenue bonds to be issued by the Hospital, and (3) cash reserves.

On December 13, 2006, El Camino Hospital District sold \$148 million of General Obligation Bonds through a negotiated sale with Citigroup Global Markets. Based upon the Hospital District's strong credit rating and the purchase of municipal bond insurance, the Bonds were sold at an all in interest rate cost of 4.45%. The Hospital District was able to take advantage of historically low interest rates in the municipal bond market producing the lowest possible cost to the taxpayers. The Bonds have a final maturity date of August 1, 2036. The Hospital District closed this issue on December 31, 2006, and received the proceeds into Project Fund held by Wells Fargo Bank as the Trustee and Paying Agent. As of June 30, 2009, all of these funds have been expended.

The \$150 million in Revenue Bonds were sold and closed on March 27, 2007. These bonds are insured by Ambac, a large financial guarantor of municipal bonds. Accordingly, this obligation was rated Triple-A by both Moody's and Standard and Poor's, the highest available from investor services. The Bonds have a final maturity date of February 1, 2041. Through a forward interest rate hedge agreement with a major Triple-A financial institution, the Hospital locked in a 3.204% fixed rate. This rate is significantly below the average over the last ten years for similar borrowing instruments. As of June 30, 2009, all of these funds have been expended.

In March 2008, the Hospital Board directed management to replace the Auction Rate Revenue Bonds with more tradition coupon bearing fixed rate bonds and to terminate the floating to fixed interest rate swaps when economically prudent. On May 15, 2008, the Hospital accomplished this conversion of the 2007 Series from Auction Rate Securities to fixed rate bonds in accordance with the provisions and procedures of the existing Bond Indentures and Loan Agreements. The average fixed coupon achieved on this conversion of the 2007 Series Bonds was 5.506%. As of June 30, 2009, the interest rate swaps have not been terminated.

On April 7, 2009, the Hospital sold an additional \$50 million in Revenue bonds. The Series 2009A Bonds are Variable Rate Revenue Bonds in which the interest rates are reset weekly. The 2009A borrowing is backed by a Letter of Credit from Wells Fargo Bank guaranteeing the timely payment of principal and interest on the Bonds as well as a purchase price of par if ever a money fund investor wishes to exercise its right to tender its holding back to the Hospital. The Letter of Credit will expire in 2012 unless renewed by Wells Fargo and the Hospital. As of June 30, 2009, \$42,170,000 has been expended from the Project Fund proceeds, also held by Wells Fargo Bank as Trustee and Paying Agent, for the non-public expenditures of the Hospital Replacement Project. It is expected that the total of these funds will be spent by fall of 2009.

As of June 30, 2008, the Hospital Replacement Project expenditures total \$403 million and the Project is currently on budget and on track for completion in the summer of 2009.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before consolidated statements are issued. The District recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The District's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before consolidated financial statements are available to be issued. The District has evaluated subsequent events through September 10, 2009, which is the date the consolidated financial statements are issued.

EL CAMINO HOSPITAL DISTRICT - INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION - June 30, 2009 and 2008

Supplemental Schedule

Consolidating Schedule – Balance Sheet
June 30, 2009 (In Thousands)

	El Camino Hospital	El Camino Hospital District	El Camino Hospital Foundation	CONCERN	Surgery Center	Silicon Valley Medical Development	Eliminations Increase (Decrease)	El Camino Hospital District and Affiliates
ASSETS								
Current assets								
Cash and cash equivalents	\$ 51,375	\$ 868	\$ 74	\$ 96	\$ 2,040	\$ 680	\$ -	\$ 55,133
Short-term investments	132,187	5,042	5,649	7,304	-	-	-	150,182
Current portion of board designated, restricted funds and trusteed assets	19,779	1,170	-	-	-	-	-	20,949
Patient accounts receivable, net of allowances for doubtful accounts of \$10,934	55,756	-	-	283	1,088	-	-	57,127
Prepaid expenses and other current assets	13,505	25	-	49	654	4	(1,919)	12,318
Notes receivable, current	-	-	617	-	22	-	-	639
Total current assets	272,602	7,105	6,340	7,732	3,804	684	(1,919)	296,348
Non-current cash and investments - less current portion								
Board-designated funds	163,463	2,573	7,359	662	-	-	-	174,057
Restricted funds	20	-	6,459	50	-	-	-	6,529
Funds held by trustee	17,299	3,761	-	-	-	-	-	21,060
Other long-term investments	25,466	-	-	-	-	-	-	25,466
	<u>206,248</u>	<u>6,334</u>	<u>13,818</u>	<u>712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,112</u>
Capital assets, net	632,120	19,360	-	310	1,227	-	(323)	652,694
Pledges receivable	-	-	465	-	-	-	-	465
Other assets	38,569	1,631	-	-	-	-	(4,937)	35,263
LIABILITIES AND NET ASSETS								
Current liabilities								
Current portion capital lease obligations	\$ 4,678	\$ -	\$ -	\$ -	\$ 136	\$ -	\$ -	\$ 4,814
Accounts payable and accrued expenses	50,139	2,601	-	364	941	410	-	54,455
Salaries, wages, and related liabilities	35,279	-	-	516	746	43	-	36,584
Other current liabilities	7,300	-	470	562	-	-	(1,919)	6,413
Estimated third-party payor settlements	10,850	-	-	-	-	-	-	10,850
Current portion of bonds payable	2,625	845	-	-	-	-	-	3,470
Total current liabilities	110,871	3,446	470	1,442	1,823	453	(1,919)	116,586
Capital lease obligations, net of current portion	17,193	-	-	-	99	-	-	17,292
Bonds payable, net of current portion	193,837	146,424	-	-	-	-	-	340,261
Other long-term obligations	15,897	-	405	-	-	-	-	16,302
Workers' compensation	22,208	-	-	-	-	-	-	22,208
Postretirement medical benefits	13,826	-	-	-	-	-	-	13,826
Total liabilities	373,832	149,870	875	1,442	1,922	453	(1,919)	526,475
Net assets								
Invested in capital assets, net of related debt	436,336	(122,979)	-	310	1,227	-	(323)	314,571
Retained earnings reserved for minority interest	-	-	-	-	-	-	1,542	1,542
Restricted	20	-	6,554	50	-	-	-	6,624
Unrestricted	339,351	7,539	13,194	6,952	1,882	231	(6,479)	362,670
Total net assets	775,707	(115,440)	19,748	7,312	3,109	231	(5,260)	685,407
Total liabilities and net assets	\$ 1,149,539	\$ 34,430	\$ 20,623	\$ 8,754	\$ 5,031	\$ 684	\$ (7,179)	\$ 1,211,882

EL CAMINO HOSPITAL DISTRICT - INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION - June 30, 2009 and 2008

Supplemental Schedule

Consolidating Schedule – Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2009 (In Thousands)

	El Camino Hospital	El Camino Hospital District	El Camino Hospital Foundation	CONCERN	Surgery Center	Silicon Valley Medical Development	Eliminations Increase (Decrease)	El Camino Hospital District and Affiliates
Operating revenues								
Net patient service revenue	\$ 479,721	\$ -	\$ -	\$ -	\$ 9,783	\$ -	\$ -	\$ 489,504
Other revenue	9,735	78	2,536	8,982	23	-	(2,012)	19,342
Total operating revenues	489,456	78	2,536	8,982	9,806	-	(2,012)	508,846
Operating expenses								
Salaries, wages and benefits	241,890	-	957	3,913	3,993	283	(168)	250,868
Professional fees and purchased services	65,958	-	1,110	2,955	1,293	784	(269)	71,831
Supplies	61,433	-	25	-	1,981	2	(3)	63,438
Depreciation and amortization	28,561	197	4	122	446	-	-	29,330
Provision for uncollectible accounts	24,530	-	-	28	187	-	-	24,745
Rent and utilities	10,990	-	52	204	586	-	(711)	11,121
Other	8,989	-	196	552	279	2	-	10,018
Total operating expenses	442,351	197	2,344	7,774	8,765	1,071	(1,151)	461,351
Income (loss) from operations	47,105	(119)	192	1,208	1,041	(1,071)	(861)	47,495
Nonoperating revenues (expenses):								
Investment income, net	8,551	647	(492)	306	(53)	2	-	8,961
Property tax revenue	-	15,900	-	-	-	-	-	15,900
Restricted gifts, grants and bequests, and other	-	-	(899)	-	-	-	861	(38)
Unrealized losses on interest rate swaps	(8,258)	-	-	-	-	-	-	(8,258)
Other, net	(10,312)	(2)	-	-	(1,546)	1,300	2,902	(7,658)
Minority interest in subsidiary earnings	-	-	-	-	-	-	(500)	(500)
Total nonoperating revenues and (expenses)	(10,019)	16,545	(1,391)	306	(1,599)	1,302	3,263	8,407
Excess (deficit) of revenues over expenses before capital grants, contributions, and additions to permanent endowments	37,086	16,426	(1,199)	1,514	(558)	231	2,402	55,902
Capital transfers	59,499	(59,298)	(224)	23	-	-	-	-
Increase (decrease) in net assets	96,585	(42,872)	(1,423)	1,537	(558)	231	2,402	55,902
Total net assets, beginning of year	679,122	(72,568)	21,171	5,775	3,667	-	(7,662)	629,505
Total net assets, end of year	\$ 775,707	\$ (115,440)	\$ 19,748	\$ 7,312	\$ 3,109	\$ 231	\$ (5,260)	\$ 685,407

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PA: 2BR/1BA
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PA: 2BR/1BA
From \$1400 mo. Upstairs. Bike to Stanford. Year lease. N/P. Avail. now. 650/493-9576

Palo Alto, 1 BR/1 BA - \$1,595/mo

Palo Alto, 1 BR/1 BA - \$1,395/mo

Palo Alto, 1 BR/1 BA - \$1,495/mo

Palo Alto, 1 BR/1 BA - \$1175/mont

Palo Alto, 2 BR/1 BA - \$1500/mont

Palo Alto, 2 BR/1 BA - \$1475/mo

Palo Alto, 2 BR/2 BA - \$1700

Palo Alto, 2 BR/2 BA - \$2,395/mo

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San Carlos, 2 BR/2 BA
W/S San Carlos Apt, walk to town,trans,2/2,1car gar.\$1,700 also 1Br,1Ba,1car gar.,1,250.00, no smok/pets,650-598-7047

San Carlos, 2 BR/2 BA - \$1,700.00

San Carlos, 2 BR/2 BA - \$1,250.00

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LR w/kitchenette, utility room, deck w/view of ocean, marble flrs. Gated. \$1500 mo. + utils. 650/851-3180

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Mountain View, 3 BR/2 BA - \$2,700/mo
Mountain View, 4 BR/2 BA - \$2600/mo

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MP: 2BR/1BA
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MP: Allied Arts
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UPSCALE Carriage House \$2900
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Palo Alto, 2 BR/1 BA - \$2800/mo
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Palo Alto, 2 BR/1 BA
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Palo Alto, 2 BR/1.5 BA

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Palo Alto, 4 BR/2 BA - \$3,800/mo
Palo Alto, 4 BR/3 BA - \$3,400/mo
Redwood City, 2 BR/2 BA - \$2675
Redwood City, 3 BR/2 BA - \$2600/mo
Sunnyvale, 3 BR/2 BA - \$2400

809 Shared Housing/ Rooms

ALL AREAS - ROOMMATES.COM
Browse hundreds of online listings with photos and maps. Find your roommate with a click of the mouse! Visit: <http://www.Roommates.com>. (AAN CAN)
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810 Cottages for Rent

Los Altos Hills, Studio - \$1850.00
Palo Alto, 1 BR/1 BA - \$varies
Palo Alto, 2 BR/1 BA - \$800
Woodside, 1 BR/1 BA - \$900
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815 Rentals Wanted

Excellent Tenant Seeks 1br/1ba
Large Unfurnished Room wanted

PV: Quiet, Mid-Age, Single Woman Needs Rental

I am a long time resident of Portola Valley, employed by a local church. I am looking for a 1+ (2 ideal) BR cottage/in-law/caretaker place to rent, pref. long term. Prefer PV, WDSD, LAH, West of 280 area, if possible. Will consider secty., personal ass't/house-sitting services in exchange for rent reduction. Refs on request. Vickie, 650-851-3794, lv mssg
Seeking Quiet Cottage/Guest Quar

825 Homes/Condos for Sale

Los Altos Hills, 5+ BR/4+ BA - \$3598000
Mountain View, 3 BR/2.5 BA - \$625,000
Mountain View, 4 BR/3 BA - \$895,000.
Mountain View, 5+ BR/3 BA - \$1,099,999
Palo Alto, 3 BR/1 BA - \$818,800
Redwood City, 5+ BR/4+ BA - \$2999500

830 Commercial/Income Property

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PA: California Avenue
For sublease 2 prof. offices w/secretarial area. Contact Maureen: maureen@dotylaw.com or 650/327-0100.

PA: Downtown
120-4355 sf offices for lease. Photos, plans, pricing: www.paoffices.com. 650/776-5390

Yard Space For Lease
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840 Vacation Rentals/Time Shares

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Northstar/ Tahoe
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Public Notices

995 Fictitious Name Statement

LEVINE GIFTS INC.
FICTITIOUS BUSINESS NAME STATEMENT
File No. 530408
The following person (persons) is (are) doing business as: Levine Gifts Inc. at 925 Kifer Road, Sunnyvale, CA 94086, Santa Clara County.
POTTERY BY LEVINE ACQUISITION CO., INC.
925 Kifer Road
Sunnyvale, CA 94086
This business is owned by a Corporation.
Registrant/Owner began transacting business under the fictitious business name(s) listed herein on 01/01/1994. This statement was filed with the County Clerk-Recorder of Santa Clara County on October 27, 2009. (Voice Nov. 6, 13, 20, 27, 2009)

NAPA GRAPPA, LLC
FICTITIOUS BUSINESS NAME STATEMENT
File No. 530238
The following person (persons) is (are) doing business as: Napa Grappa, LLC at 144 A S. Whisman Rd., Mountain View, CA 94041, Santa Clara County: CLASSICK IMPORT & EXPORT, LLC
865 Sonia Way
Mountain View, CA 94040
This business is owned by a Limited Liability Company.

Registrant/Owner began transacting business under the fictitious business name(s) listed herein on 10/01/2009. This statement was filed with the County Clerk-Recorder of Santa Clara County on October 21, 2009. (Voice Nov. 6, 13, 20, 27, 2009)

MJD PHILATELICS
FICTITIOUS BUSINESS NAME STATEMENT
File No. 531222
The following person (persons) is (are) doing business as: MJD Philatelics at 1200 Dale Ave., Apt. 30, Mountain View, CA 94040, Santa Clara County: MICHAEL JOSEPH DONOFRIO
1200 Dale Ave., Apt. 30
Mountain View, CA 94040
This business is owned by an individual.
Registrant/Owner has not yet begun to transact business under the fictitious business name(s) listed herein. This statement was filed with the County Clerk-Recorder of Santa Clara County on Nov. 18, 2009. (Voice Nov. 27, Dec. 4, 11, 18, 2009)

HANABI SUSHI
FICTITIOUS BUSINESS NAME STATEMENT
File No. 531371
The following person (persons) is (are) doing business as: Hanabi Sushi at 1040 N. Rengstorff Ave., #A-1, Mountain View, CA 94043, Santa Clara County: JUNG MAENG SOON
300 Preakness Ct.
Walnut Creek, CA 94597
This business is owned by an individual.
Registrant/Owner began transacting business under the fictitious business name(s) listed herein on 12/15/2009. This statement was filed with the County Clerk-Recorder of Santa Clara County on November 23, 2009. (Voice Nov. 27, Dec. 4, 11, 18, 2009)

997 All Other Legals

NOTICE OF APPLICATION TO SELL ALCOHOLIC BEVERAGES
Date of Filing Application: NOVEMBER 4, 2009
To Whom It May Concern:
The Name(s) of the Applicant(s) is/are: WAL MART STORES INC
The applicants listed above are applying to the Department of Alcoholic Beverage Control to sell alcoholic beverages at: 600 SHOWERS DR, MOUNTAIN VIEW, CA 94040-1434
Type of License(s) Applied for: 21 - OFF-SALE GENERAL
Department of Alcoholic Beverage Control 100 PASEO DE SAN ANTONIO, ROOM 119, SAN JOSE, CA 95113 (408)277-1200
LA151032
MOUNTAIN VIEW VOICE
11/13,20,27,2009

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SANTA CLARA

IN RE
THE MARION M. RUSSELL REVOCABLE TRUST

MARION M. RUSSELL Decedent.

Case No.: 109PR 166129

NOTICE TO CREDITORS
(Cal. Prob. Code 19003, 19040)

NOTICE TO CREDITORS OF MARION M. RUSSELL

Case # 109PR 166129

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SANTA CLARA

Notice is hereby given to the creditors and contingent creditors of the above-named decedent, that decedent Marion M. Russell died on July 27, 2009. All persons having claims against the decedent or the decedent's trust, The Marion M. Russell Revocable Trust, are required to file them with the Superior Court, at 191 North First Street, San Jose, CA 95113, and to mail a copy to Thomas W. Russell, as trustee of the Marion M. Russell Revocable Trust, wherein the decedent was the settlor, at Acuña & Casas, P.C., 3478 Buskirk Avenue, Suite 330, Pleasant Hill, California 94523, within the later of four months after November 27, 2009, or, if notice is mailed or personally delivered to you, 60 days after the date this notice is mailed or personally delivered to you. A claim form may be obtained from the court clerk. For your protection, you are encouraged to file your claim by certified mail, with

return receipt requested.

Dated: November 5, 2009

Acuña & Casas, P.C.
Frank R. Acuña

/s/
Frank R. Acuña
Attorneys for Trustee
Thomas W. Russell
(Voice Nov. 20, 27, Dec. 4, 2009)

SUMMONS
(CITACION JUDICIAL)

CASE NUMBER: 109CV143467
(Numero del Caso):

NOTICE TO DEFENDANT:
(AVISO AL DEMANDADO):
ANTHONY ROSS,
and Does 1 to 10, Inclusive

YOU ARE BEING SUED BY PLAINTIFF:
(LO ESTA DEMANDADO EL DEMANDANTE):
PARKVIEW WEST HOMEOWNERS ASSOCIATION, a California non-profit mutual benefit corporation

You have 30 CALENDAR DAYS after this summons and legal papers are served on you to file a written response at this court and have a copy served on the plaintiff. A letter or phone call will not protect you. Your written response must be in proper legal form If you want the court to hear your case. There may be a court form that you can use for your response. You can find these court forms and more information at the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), your county law library, or the courthouse nearest you. If you cannot pay the filing fee, ask the court clerk for a fee waiver form. If you do not file your response on time, you may lose the case by default, and your wages, money and property may be taken without further warning from the court. There are other legal requirements. You may want to call an attorney right away. If you do not know an attorney, you may want to call an attorney referral service. If you cannot afford an attorney, you may be eligible for free legal services from a nonprofit legal services program. You can locate these nonprofit groups at the California Legal Services Web site (www.lawhelpcalifornia.org), the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), or by contacting your local court or county bar association.

Tiene 30 DIAS DE CALENDARIO despues de que le entreguen esta citacion y papeles legales para presentar una respuesta por escrito en esta corte y hacer que se entregue una copia al demandante. Una carta o una llamada telefonica no lo protegen. Su respuesta por escrito tiene que estar en formato legal correcto si desea que procesen su caso en la corte. Es posible que haya un formulario que usted pueda usar para su respuesta. Puede encontrar estos formularios de la corte y mas informacion en el Centro de Ayuda de las Cortes de California (www.courtinfo.ca.gov/selfhelp/espanol/), en la biblioteca de leyes de su condado o en la corte que le quede mas cerca. Si no puede pagar la cuota de presentacion, pida al secretario de la corte que le de un formulario de exencion de pago de cuotas. Si no presenta su respuesta a tiempo, puede perder el caso por incumplimiento y la corte le podra quitar su sueldo, dinero y bienes sin mas advertencia.

Hay otros requisitos legales. Es recomendable que llame a un abogado inmediatamente. Si no conoce a un abogado, puede llamar a un servicio de remision a abogados. Si no puede pagar a un abogado, es posible que cumpla con los requisitos para obtener servicios legales gratuitos de un programa de servicios legales sin fines de lucro. Puede encontrar estos grupos sin fines de lucro en el sitio web de California Legal Services, (www.lawhelpcalifornia.org), en el Centro de Ayuda de las Cortes de California, (www.courtinfo.ca.gov/selfhelp/espanol/) o poniendose en contacto con la corte o el colegio de abogados locales.

The name and address of the court is: (El nombre y direccion de la corte es): SUPERIOR COURT OF CALIFORNIA, COUNTY OF SANTA CLARA
191 North First St.
San Jose, CA 95113

The name, address and telephone number of plaintiff's attorney, or plaintiff without an attorney, is: (El nombre, la direccion y el numero de telefono del abogado del demandante)

ante, o del demandante que no tiene abogado, es):
Tom Fier,
LAW OFFICES OF TOM FIER
675 Mariners Island Blvd., Suite 106,
San Mateo, CA 94404-1040
(650) 572-1900

DATE: May 28, 2009
(Fecha)
David H. Yamasaki
Chief Executive Officer, Clerk
Clerk, by J. Cao-Nguyen, Deputy
(Secretario) (Adjunto)
NOTICE TO THE PERSON SERVED:
You are served as an individual defendant.
(Voice Nov. 27, Dec. 4, 11, 18, 2009)

NOTICE OF APPLICATION FOR CHANGE IN OWNERSHIP OF ALCOHOLIC BEVERAGE LICENSE
Date of Filing Application:
November 23, 2009
To Whom It May Concern:
The Name(s) of the Applicant(s) is/are: JUNG, MAENG SOON
The applicants listed above are applying to the Department of Alcoholic Beverage Control to sell alcoholic beverages at:
1040 Rengstorff Ave. A1
Mountain View, CA 94043-1761
Type of license(s) applied for:
41 - ON-SALE BEER AND WINE - EATING PLACE
(Voice Nov. 27, 2009)

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CITY OF MOUNTAIN VIEW

Mountain View High Speed Rail Meeting

Thursday December 10, 2009

6:30 pm

Mountain View Senior Center

266 Escuela Avenue

- Learn About High Speed Rail Project
- Share Your Comments

For Further Information

Contact the Public Works Department

at **(650) 903-6311** or

online at **www.mountainview.gov**