The mission of ValleyCare Health System is to assume the leadership role for the health of the communities of the Tri-Valley.
Dear Friends,

It’s easy to be proud of a health care system like ValleyCare when the year’s accomplishments have been so significant. Our new comprehensive open heart program means that Tri-Valley residents with heart problems can not only be tested and rehabilitated, but now angioplasty, stent placement and heart surgeries can also be completed in their own community, and a second cardiac catheterization lab, recently completed, enhances the technology for many heart related procedures.

In other areas of surgery, our new computer-guided surgery for knee replacement enhances recovery time and the life of the replacement part. Our intensive care nursery will be expanding from four to ten beds in the near future, and the Regional Cancer Center at ValleyCare is soon to open.

These accomplishments provide tangible evidence of the vision ValleyCare has to bring high level health care to the Tri-Valley. The ValleyCare Board of Directors, administration, all employees and volunteers conscientiously endeavor to bring excellent health services to our patients.

High tech equipment, excellent leadership and committed staff are still only two-thirds of the equation. The other third is money to fund these programs. Shrinking reimbursement is a never-ending challenge to health care providers, and now we face the clearly significant reality of overcrowding of our emergency room. As you know, a fundraising campaign is underway to raise $6.7 million dollars for our ER expansion. As well as contributing financial donations, our community can also help by using ValleyCare services and physicians. By bringing your health care needs to our convenient locations in both Livermore and Pleasanton, you are giving a sizable amount to our bottom line, and making more health care improvements possible.

Having grown up in Livermore, it is rewarding for me to see ValleyCare's transition from a local community hospital to a comprehensive, regional health system that is gaining national recognition. It could not be done without community involvement.

Thank you for continuing to support ValleyCare Health System.

Tom Vargas
Chairman
ValleyCare Board of Directors
Dear Friends,

Even in the best of times, keeping up with technological advances is a challenge. Add to that today’s health care climate, with over 700 hospitals closing nationwide; increases in uncompensated care; and a 26 percent rise in emergency room visits over the past 10 years. Fortunately, ValleyCare nurses, physicians and staff are up to that challenge.

I’m proud to say that ValleyCare finances are such that we are able to add or expand new services and keep up with advances in technology. That’s the good news. The challenging news is that our emergency room visits have more than doubled in the last 15 years. State emergency planners project that we will need 10,000 square feet of space, while we currently have 4000. We experience the truth of those projections almost every day in the ER. Twenty-six days each month we see an overflow of patients so great that they are forced to wait in the adjacent hallway. Serving more and more patients in the community is ValleyCare’s goal and privilege, but to adequately provide that care we need to expand, at an estimated cost of $6.7 million. Alameda County has designated $1 million of Measure A funds for this expansion, but the remainder of $5.7 million is up to us to generate. The quest has already begun, with an aggressive fundraising campaign launched by the ValleyCare Foundation.

We know the public considers ValleyCare to be a vital part of the health, safety and welfare of the Tri-Valley as they enjoy services like public health nurses, meals for the local Head Start and Meals on Wheels, our new Open Heart Program, our newly expanded Cardiac Catheterization Lab, and the nursing school. But we are never satisfied with just keeping up; we are always looking for new ways to serve the community.

Our thanks go to nurses, physicians, hospital staff and volunteers who make all these programs work smoothly, and who provide service of the highest quality, in the most caring way, as you have come to expect from us. I am proud of them.

However, along with the satisfaction of serving a growing number of patients and adding new services, comes the responsibility of finding additional funds to implement the plans. That’s where our friends and neighbors become partners. If past history is any indication, we can be confident that our remarkably supportive community will once again rise to the occasion and continue its generous support. It is vital to the future of ValleyCare. Thank you.

Marcy Feit
President and Chief Executive Officer
ValleyCare Health System

We know the public considers ValleyCare to be a vital part of the health, safety and welfare of the Tri-Valley...
ValleyCare Launches
Launched in June 2006, ValleyCare’s new Heart Program means patients won’t have to travel out of the area for bypass and other open heart surgeries. And, those who need a diagnostic cardiac catheterization and require intervention can have the procedure at ValleyCare Medical Center in Pleasanton.

**PREMIER HEART PROGRAM**

Well-known cardiac surgeon Dr. Murali Dharan joined ValleyCare to lead the Heart Program. “I’m excited to be here and to be able to develop ValleyCare’s Heart Program from the start,” said Dharan. “With ValleyCare’s philosophy of being evidence driven and its extremely well-trained staff, and building on our existing cardiac catheterization and cardiac rehab programs, I am confident this program will become the premier Heart Program of the region.”

Since fall 2000, ValleyCare has provided cardiac catheterization with balloon angioplasty and stenting, for emergency heart attack patients only. ValleyCare is one of only a handful of hospitals nationwide granted this special license to perform emergency Percutaneous Coronary Intervention (PCI – balloon angioplasty, stenting, etc), without surgical backup. With the addition of Dr. Dharan and other specialists, advanced equipment and licensure, a full-service open heart and cardiovascular program is now available at ValleyCare Medical Center in Pleasanton.

**AMERICAN HEART ASSOCIATION AWARD**

The American Heart Association awarded ValleyCare an achievement award for its success in implementing a higher standard of cardiac care that effectively improves treatment of patients hospitalized with acute heart attack, and listed ValleyCare among the top 173 hospitals in the U.S. adhering to their evidence-based guidelines.
CARDIAC REHAB PROGRAM

To help heart attack patients get back to their daily activities and to help those with cardiovascular disease stay healthy, ValleyCare has offered its well-established cardiac rehabilitation program since 1983. Here patients learn how to exercise safely, how to monitor their heart rate and blood pressure, and how to modify their diets to improve their overall health and to reduce the risk of another heart attack. Outpatient Cardiac Rehabilitation is offered in Livermore at the LifeStyleRx facility.

NEW CT TECHNOLOGY PROVIDES BETTER IMAGES

In the year since ValleyCare installed its new Siemens Sensation 16 slice CT scanner, CT technologists here have become so skilled at the technology, the images being produced at ValleyCare rival the images from the latest 64 slice CT scanner.

CT or Computerized Tomography uses x-ray and computer technology in combination with high powered graphics to create cross-sectional images (or slices) to produce more precise images of soft tissue, blood vessels and bone than traditional x-ray. Employing CT technology for CT Angiography (CTA) is a boon for both patients and physicians. The new CTA scans offer clear, 3D images so diagnoses are more accurate and much faster.

Training, experience and volunteers having educational scans have contributed to the sharpened skills of the ValleyCare technicians. They have also worked at streamlining the process, which makes it easier and more comfortable for patients.
Boasting some of the fastest door-to-reperfusion times in the nation, ValleyCare has always excelled in its cardiac catheterization services. Achieving these record times is possible because of the consistent teamwork between all the medical personnel involved. Based on these outcomes, ValleyCare Medical Center was chosen to participate in a Yale-New Haven study as one of the top eleven hospitals in the United States achieving door-to-reperfusion times in under 90 minutes.
For more than 45 years, ValleyCare has proudly delivered the babies of this community.

In 1991, when ValleyCare Medical Center in Pleasanton opened, we delivered approximately 90 babies each month. Today, we deliver over 140. This increase is a direct correlation to the rapid growth of the Tri-Valley.

Maternal/Child Services underwent a major renovation in 1999 to accommodate the increasing number of patients. In the next several months, we expect to expand the Level II Neonatal Intensive Care nursery from four to ten beds. The growth of the Tri-Valley has placed greater demand for this level of care for newborns who need this extra help. The fact that we have pediatric hospitalists on site 24/7 allows ValleyCare to provide this level of care.

Children Stay Close to Home

When a child is seriously ill, nothing is more comforting to a parent than knowing that quality medical care is close by and that the parent can be with the child as much as possible. ValleyCare’s expanded pediatric unit and partnership with Children’s Hospital Oakland, which provides pediatric hospitalists, allows ValleyCare to care for babies, children and pregnant women considered high risk, who might otherwise be transferred to hospitals outside our area.

We are grateful to the California Wine Auction, Barone’s/Spin-A-Yarn Charity Golf Tournament, Ruby Hill Giving Thanks Charity Ball and to those who have given so generously to assure that the highest level of care is available here in our area for women, babies and children.
ValleyCare

Awards and Recognition

2005–2006

**American College of Surgeon’s Commission on Cancer**
Full accreditation for ValleyCare Cancer Program

**American Diabetes Association Recognition Award**
Diabetes Self-Management Education

**American Heart Association “Get with the Guidelines” Award**
For implementing a higher standard of care for cardiac patients
Ranks ValleyCare as one of America’s Top 200 Hospitals

**Joint Commission on Accreditation of Healthcare Organizations**
Full accreditation for Laboratory

**Joint Commission on Accreditation of Healthcare Organizations**
Two “Best Practices” Awards

**Las Positas Community College**
Friend of College Award to Marcy Feit

**Nova 7 Award**
For Best Innovation in Fitness Programming — LifeStyleRx Fitzone

**The Advisory Board Company**
Fellowship awards to: Joe Carlucci, Director; Dan Leong, VP;
Cindy Noonan, COO; Neil Sol, VP

**Wharton Fellowship Awards**
To Marcy Feit, CEO; Jessica Jordan, VP

**Yale-New Haven Study**
ValleyCare selected to participate as one of the top eleven hospitals in the U.S. achieving “door to reperfusion” times in 90 minutes or less
Without this surgery I would probably be a cripple today. I wouldn’t be walking. I’d be in a wheelchair.

I was up and walking two hours after surgery and I could bend my knee on the second day. With this new surgery I had less pain, made faster progress and have a better range of motion. It’s a vast improvement.

I used to wake up each morning knowing I was looking at a whole day of pain. Now, I can get around without even thinking about it. Dr. Behzadi changed my life.
Patients undergoing knee replacement surgery at ValleyCare Medical Center now have the benefit of revolutionary, next generation surgical technology, which offers a longer life for their replacement knee. ValleyCare Surgeon Kambiz Behzadi, M.D. is the first orthopedic surgeon in our area to use the Medtronic® Navigation Solution for knee replacement. This advanced computer technology provides precise accuracy in the alignment of the implant and uses minimally invasive, quad-sparing surgical techniques.

What this High-Tech Surgery Means
This latest advancement means our patients will have a shorter hospital stay; faster rehabilitation and return to normal activities. More importantly, it means a longer life for the new joint. Accurate and verifiable, Computer Assisted Surgery assures that the joint is precisely where it should be and that range of motion and flexibility are maximized. Since this procedure uses advanced surgical techniques, the incision is smaller and less blood is lost resulting in a better outcome for the long term.

Computer Aided Surgery — A Way of the Future
Currently, the navigation technology is only available for knee replacement. However, Dr. Behzadi and ValleyCare are working with Medtronic, the system manufacturer, in their development of software to be used for hip replacement surgery. “With the longevity of the prosthesis and patient outcomes significantly improved, I fully expect that computer assisted surgery for knee and hip replacement will become the standard of care in the near future,” Behzadi said.

ValleyCare Joint Program
The Joint Program at ValleyCare offers our orthopedic patients a dedicated surgical unit where orthopedic nurses provide care. Patients also receive a personalized care plan notebook that provides a framework as they proceed through the continuum of care. Following the plan speeds recovery and rehabilitation. While in the hospital, patients are encouraged to attend rehabilitation sessions together. This offers further support for each other and helps the healing process.
WE NEED YOUR COMMITMENT TO HELP US RAISE $5.7 MILLION TO EXPAND VALLEYCARE EMERGENCY SERVICES.

ValleyCare Health System has provided emergency services to local residents, visitors, employers, those commuting on our highways and to those without means to pay for 45 years. ValleyCare Health System began emergency services at ValleyCare Medical Center in 1991 at the crossroads of two major interstate highways.

Over the past 15 years, the communities on the I-580 and 680 corridors have grown rapidly. This growth is felt in all services, but most keenly in ValleyCare’s Emergency Services where annual emergency visits have doubled.

Emergency planners say that our area needs an Emergency Department of approximately 10,000 square feet. Today, ValleyCare operates with 4,000 square feet. Planners also recommend one treatment area for every 1800 patients/year. Currently, patients are waiting on gurneys in hospital hallways outside of Emergency 26 days out of every month. In addition, new privacy laws make it necessary to enclose treatment areas and offer private registration booths.

$6.7 MILLION NEEDED

Total funds needed for the expansion of Emergency Services is $6.7 million. Alameda County has committed $1 million from Measure A funds towards this effort.

EVERYONE NEEDS EMERGENCY CARE

All people of our community are touched in some way by ValleyCare’s Emergency Services. To ensure that you have access to that care when you need it, we need your help. Ken Mercer, Vice President, ValleyCare Foundation can answer any specific questions you may have. Please call him at 925-373-4566.
Philanthropy remains a critical component of the overall financial picture of ValleyCare Health System. As a not-for-profit health system, ValleyCare relies on the generosity of individuals, businesses, corporations and grants to help fund improvements and to expand facilities and services. We need your help to ensure ValleyCare will be here when you need it. Please use the services ValleyCare offers, and support ValleyCare Foundation fundraising efforts.

FUNDRAISING EVENTS

$251,400 was raised in FY 2005-06 for:
• Emergency Room Expansion
• Neonatal Intensive Care Unit
• Pediatric Unit
• ValleyCare Health Library & Ryan Comer Cancer Resource Center

$19,400 HopYard Alehouse Golf Scramble — September 2005

$17,000 Barone’s/Spin-A-Yarn Golf Tournament — October 2005

$60,000 Christmas Tree Lane — December 2005

$50,000 Livermore Valley Wine Auction — May 2006

$105,000 ValleyCare Foundation Golf Tournament — June 2006

We would like to honor and thank the following major contributors, who as of June 30, 2005 have accumulated gifts totaling $25,000 or more, for their support of ValleyCare Health System.

Alameda County
Arthur J. Gallagher & Co.
Bob Baltzer in Memory of Pearly E. Baltzer
The Bank of America Foundation
Bay Area Cardiology Medical Group
Barone’s Spin-A-Yarn Golf Tournament
Charter Properties
City of Pleasanton
Coast Manufacturing
Dillingham Construction Corp.
DPR Construction, Inc.
Susan and Jay Dunton
The Michael and Carol Faber Family
Mrs. Chet Fankhauser
Fremont Bank
Giaxo Smith Kline
Greater Bay Bancorp Foundation
David B. and Karen L. Greiner
Hanson Aggregates
In Memory of John and Roberta Haugh
HEDCO Foundation
The HopYard Alehouse & Grill
Bill and Dodge Jamieson
The Family of Hian Hoey
Kwee, M.D., V. Erika, Richard & Fiona, Michael
Lawrence Livermore National Laboratory
Livermore/Pleasanton Pediatrics
Livermore Senior Housing Associates
Livermore Valley Radiologists
Livermore Valley Winegrowers Foundation
Thomas J. Long Foundation
J. M. Long Foundation
The Madden Family
Martin Marietta Corp - Sandia National Laboratories
Mac and Joy McClielean
Nellcor Puritan Bennett, Inc.
The Nissen Family
Mr. & Mrs. Graham Nissen
In Memory of May G. Nissen
Pacific Gas & Electric Company
Estate of Pat Pallitto
Professional Hospital Supply
Ms. Demerris Ranahan
Michael Ranahan, M.D.
The Ruby Hill Giving Thanks Charity Committee, Inc.
Ryan Comer Committee
Donna Seaver Memorial Fund
Siemens Medical Solutions USA, Inc.
Smallcomb Estate
May and Stanley Smith
Charitable Trust
Tri-Valley Community Foundation
Tri-Valley Herald/ANG Newspapers
Tri-Valley Orthopedic & Sports Medicine
Tri-Valley Physicians, Inc.
Valley Emergency Medical Group
Valley Medical Oncology Consultants
ValleyCare Auxiliary
ValleyCare’s Employee Campaign
ValleyCare Medical Staff
Fred and Helen Wagner
Wayne and Gladys Valley Foundation
Wente Bros. Estate Winerary
The William G. Irwin Charity Foundation
Dr. and Mrs. William Yee

ValleyCare Foundation Financials
FISCAL YEAR JULY 2005 – JUNE 2006

ValleyCare Foundation would like to thank all who have given on behalf of ValleyCare programs and services.

SPECIAL EVENTS ................................................................. $251,400.00
HopYard Alehouse Golf Scramble 2005 ................................ $19,400.00
Barone’s Spin-A-Yarn Golf Tournament 2005 ..................... $17,000.00
Christmas Tree Lane 2005 .................................................. $60,000.00
Livermore Valley Wine Auction 2006 ................................. $50,000.00
ValleyCare Foundation Golf Tournament 2006 ................. $105,000.00

FOUNDATION GRANTS ..................................................... $123,700.00
INDIVIDUAL and CORPORATE DONATIONS .......................... $542,000.00
ENDOWMENT FUND ....................................................... $717,500.00

TOTAL ........................................................................... $1,634,000.00
Financial

ValleyCare Health System Consolidated Statement of Revenue and Expenses for the Period of July 1, 2005 – June 30, 2006 and reflects the current audited financial statement (in thousands).

UNRESTRICTED REVENUES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Patient Service Revenue</td>
<td>$201,499</td>
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<tr>
<td>Other Revenues</td>
<td>8,194</td>
</tr>
<tr>
<td><strong>Total Unrestricted Revenues</strong></td>
<td><strong>209,693</strong></td>
</tr>
</tbody>
</table>

OPERATING EXPENSES:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>95,694</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>8,156</td>
</tr>
<tr>
<td>Supplies and Purchased Services</td>
<td>44,958</td>
</tr>
<tr>
<td>Utilities, Insurance, Bad Debts and Other</td>
<td>44,832</td>
</tr>
<tr>
<td>Depreciation and Interest</td>
<td>13,120</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>206,760</strong></td>
</tr>
</tbody>
</table>

Operating Income 2,933

OTHER INCOME:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain (Loss) on Disposal of Assets</td>
<td>(14)</td>
</tr>
<tr>
<td>Investment income</td>
<td>345</td>
</tr>
<tr>
<td><strong>Total Other Income</strong></td>
<td><strong>331</strong></td>
</tr>
</tbody>
</table>

Excess of Revenues Over Expenses $3,264

As a not-for-profit health system, ValleyCare Health System reinvests any net income from operations into new technology, programs, services and facilities.

In the past fiscal year, ValleyCare provided resources to expand its heart program to include open-heart surgery, as well as resources for the recently opened Regional Cancer Center at ValleyCare. We also continue to provide services to patients without the adequate means to cover the cost of their services. In addition, plans have been developed to enlarge the Emergency Department and our operating room suites at ValleyCare Medical Center in Pleasanton. A fundraising campaign has also been launched for the expansion of the Emergency Department.

In its leadership role for the health of the Tri-Valley communities, we will continue to manage growth to assure that ValleyCare is here to provide medical care for all who need it.

COMMUNITY BENEFIT STATEMENT

(in thousands)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional Charity Care</td>
<td>$4,215</td>
</tr>
<tr>
<td>Unpaid Costs to Public Programs (Medi-Cal only)</td>
<td>$2,703</td>
</tr>
<tr>
<td>Non-Covered Care</td>
<td>$2,643</td>
</tr>
<tr>
<td>Health Research/Education/Training Programs (including medical/surgical clinical experience for nursing students)</td>
<td>$1,316</td>
</tr>
<tr>
<td>Benefits for Vulnerable Populations (including hospitalist for pediatric patients)</td>
<td>$1,248</td>
</tr>
<tr>
<td>Benefits for Broader Community (including nursing school program and health library)</td>
<td>$855</td>
</tr>
<tr>
<td>Inpatient Clinical</td>
<td>$492</td>
</tr>
<tr>
<td>Pharmacy Services</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$13,472</strong></td>
</tr>
</tbody>
</table>

* Actual
BOARD OF DIRECTORS
Chairman
Tom Vargas
Vice Chairman
Tim Weaver
Secretary
Jim Summers
Deborah Acosta McKeehan
Valerie Chirurgi, M.D.
Bill Cote
Marcy Feit, ValleyCare
Chief Executive Officer
Joe Gabbert
Stanley Marquis
Barbara Mertes
Tom Rose
Stephen Williams, M.D.
John Yee, M.D.
Raman Nambisan, M.D.,
Chief of Medical Staff (ex-officio)

VALLEYCARE FOUNDATION
BOARD OF TRUSTEES
Chairman
Ryan Chance
Vice Chair
Laurel Place
Treasurer/Secretary
Dale Turner
Tom Bramell
Debra Dehn-Hunt
Bill Geyer
Dave Greiner
Joe McGuinness
Sylvette Phillips, Auxiliary Liaison
Niall Roche, M.D., Medical
Staff Liaison
Tom Rose, Corporate
Board Liaison
Gib Souza
Tim Weaver, Corporate
Board Liaison
Gwen Yadon
Ken Mercer, Vice President, Foundation, ex officio

VALLEYCARE SENIOR ADMINISTRATION
President and Chief Executive Officer
Marcy Feit
Chief Financial Officer
Ken Jensen
Chief Operating Officer
Cindy Noonan
Executive Vice President,
Business Development
and Physician Relations
Claire Shoen
Vice President, Clinical Operations
Denise Bickert
Vice President, General Services
Vern Brown
Vice President, Nursing Services
Jessica Jordan
Vice President, Ancillary/
Support Services
Dan Leong
Vice President, Foundation
and Marketing
Ken Mercer
Vice President, Outpatient Services
Neil Sol

MEDICAL STAFF OFFICERS
Chief of Staff
Raman Nambisan, M.D.
Chief of Staff Elect
Michael Alper, M.D.
Past Chief of Staff
Valerie Chirurgi, M.D.
Secretary/Treasurer
Niall Roche, M.D.

CLINICAL DEPARTMENTS
CHIEF AND VICE CHIEF
Anesthesiology
Howard Tsuchiya, M.D.
Andrew Knight, M.D.
Cardiology
Morgan Lin, M.D.
Anthony Musni, M.D.
Emergency Medicine
Cynthia Penn-Duecker, M.D.
Michael Costello, M.D.

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President
Sylvette Phillips
President-elect
Kemi Lance
Secretary
Shirley Menger
Financial Director
Jean Owens
Gift Shop Co-Directors
Ruth Garrett
Diane Green
Thrift Shop Co-Directors
Rich and Franca Weirmack
JoAnn Bertolucci
In Service Director
Barbara Lewis
Special Programs
Marguerite Gest
Membership Director
Anna Molz
Junior Co-Directors
Marthe Dunn
Sylvia Griggs