Exhibit 1
Natividad Medical Center Seismic Compliance

Background

In response to the San Fernando earthquake of 1971, in 1973 the California legislature passed the Seismic Safety Act establishing design and construction standards for new hospital buildings and additions. In 1983 the Alfred E. Alquist Act amended the bill to override local authority over hospital building codes.

Both of these bills focused on new construction, but as it became clear that the state's hospitals were not replacing older buildings, the legislature mandated a statewide engineering survey of all hospital buildings. The results of the survey showed that the state's hospital infrastructure was seismically vulnerable, despite the passage of the previous acts.

To address this problem, the California legislature passed SB 1953 in 1994. SB 1953 described ratings for structural performance categories (Appendix 1 – Structural Performance Categories) and non-structural performance categories (Appendix 2 – Non-Structural Performance Categories) based on expected building damage and ability to continue to deliver services after a strong earthquake. The bill also contained a series of deadlines for achieving compliance.

SB 1801, SB 1661, and SB 306 also amended the act to allow extensions under certain conditions and mandated certain reporting requirements.

Natividad Medical Center Compliance

The New Hospital buildings (buildings 100, 500, and 580 on Appendix 3 – Natividad Medical Center Site Map) were designed prior to the passage of SB 1953. The design was modified during construction and NMC allocated additional funding to comply with the final structural performance category requirements. Although the additional expense was significant, making the structural changes during construction was less expensive than achieving compliance with a separate project.

The new hospital buildings 500, 580A, and 980 on the first, second and third floors are also in compliance in the non-structural performance categories, with the exception of bracing required for the fire sprinkler system at the sprinkler heads. The remaining work to be completed is required to bring the remaining buildings into compliance with NPC-3. Upgrades of buildings 600B and 940 at the second floor is limited to the emergency lighting and exit sign seismic bracing, this will bring these buildings into compliance with NPC-2.

The table on Appendix 4 shows Natividad Medical Center's current compliance status (Appendix 4 – Natividad Medical Center Seismic Compliance Status).

California hospitals were required to meet NPC-3 compliance by January 1, 2008 unless granted an extension. Natividad Medical Center did not apply for an extension.

In order to meet one of the reporting requirements of the seismic safety legislation, Natividad Medical Center contracted with the architectural firm Reel Grobman to conduct an assessment of Natividad Medical Center's structural and non-structural seismic compliance with SB 1953 and submit a Seismic Compliance Plan to the Office of Statewide Health Planning and Development (OSHPD). The Seismic Compliance Plan requirements were limited to a description of current compliance status and a time line to achieve full compliance.

In addition to completing the Seismic Compliance Plan, the architect has developed construction documents that will bring the hospital into compliance with SB 1953. The construction

documents were submitted to OSHPD on January 6, 2011 and were approved (Permit #SS110173-27) on January 26, 2011. These documents are required to detail the specific anchorage and supporting calculations demonstrating compliance with SB 1953 Non-Structural Performance Category 3 (NPC-3) and Non-Structural Performance Category 2 (NPC-2).

The phasing for this project is:

A/E Design	10 Weeks	Completed
OSHPD Approval and Permitting	26 Weeks	Completed
Construction	24 Weeks	

Key Milestones:

- **July 28, 2011 – Approval from the NMC Finance Committee to go out to public bid**
- **August 5, 2011 – Approval from the NMC Board of Trustees to go out to public bid**
- **August 25, 2011 - Capital Improvement Committee support to go out to public bid**
- **August 31, 2011 - Budget Committee support to go out to public bid**
- **November 2011 - Approval from the Board of Supervisors to approve NMC to solicit for a contractor**
- **November 2011 – Solicit to the public to acquire a contractor**
- **April 2, 2012 – Contract with Otto reviewed by the CIC**
- **April 25, 2012 – Contract with Otto reviewed by the Budget Committee**
- June 12, 2012 – County Board of Supervisors to approve contract with awarded bidder
- June 2012 – Obtain a Building Permit by the Appropriate Agency's having jurisdiction.
- June 2012 – Coordinate with NMC Departments and contractor on scheduling and Phasing
- July 2012 – Notice to Proceed, Start Construction
- December 2012 – Construction Completion

Milestones that are completed are in **Bold**

Budget:

The total estimated cost for the Seismic Upgrade, including construction, and 20% contingency, is $368,220. The complete renovation project, including design, equipment, construction, is fully funded and budgeted at $1.1M **(Budget ID 2011-2)**.

Funding:

The funding for this project is from Natividad Medical Center's capital budget. The Capital budget for Construction is $1.1M and is approved in Fiscal Year 2011/2012. This action will not require any additional General Fund subsidy.

The funding for this project is from Natividad Medical Center's capital budget. The Capital budget for Design and Construction is $1.1M and is approved in Fiscal Year 2011/2012.

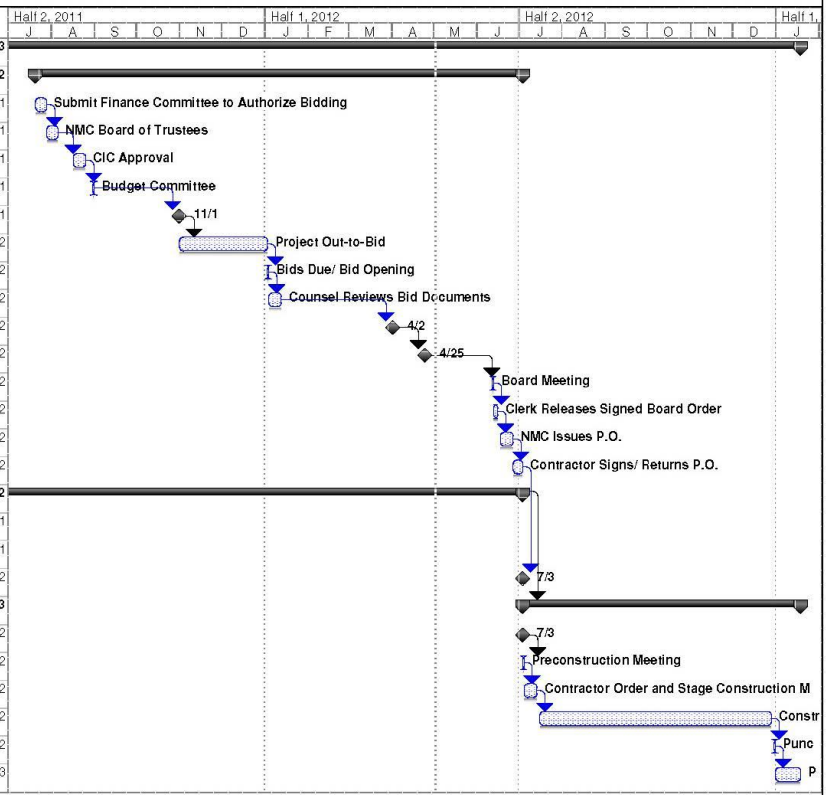
Expenditures	Costs
A&E	$48,754
Construction	$306,850
Construction Contingency	$61,370
Total Project Cost	**$416,974**
Project Capital *(Budget ID 2011-2)*	1,100,000
Capital Remaining	**$683,026**

Project Schedule:
See Attached Gantt Chart

Seismic Upgrade NPC-2/NPC-3

Project Manager:Brian Griffin
Date : 2/28/2012

ID	Task Name	Duration	Start	Finish
1	**Seismic Upgrade NPC-2/NPC-3**	**533 days**	**Thu 1/6/11**	**Fri 1/18/13**
2	**Advertise and Award**	**249 days**	**Thu 7/21/11**	**Tue 7/3/12**
3	Submit Finance Committee to Authorize Bidding	6 days	Thu 7/21/11	Thu 7/28/11
4	NMC Board of Trustees	6 days	Fri 7/29/11	Fri 8/5/11
5	Capital Improvement Committee Approval	7 days	Wed 8/17/11	Thu 8/25/11
6	Budget Committee	1 day	Wed 8/31/11	Wed 8/31/11
7	Signed Board Order Authorizing Bid	0 days	Tue 11/1/11	Tue 11/1/11
8	Project Out-to-Bid	45 days	Tue 11/1/11	Mon 1/2/12
9	Bids Due/ Bid Opening	1 day	Tue 1/3/12	Tue 1/3/12
10	Counsel Reviews Bid Documents	7 days	Wed 1/4/12	Thu 1/12/12
11	CIC Review and Support	0 days	Mon 4/2/12	Mon 4/2/12
12	BC Review and Support	0 days	Wed 4/25/12	Wed 4/25/12
13	Board Meeting	1 day	Tue 6/12/12	Tue 6/12/12
14	Clerk Releases Signed Board Order	3 days	Wed 6/13/12	Fri 6/15/12
15	NMC Issues P.O.	7 days	Mon 6/18/12	Tue 6/26/12
16	Contractor Signs/ Returns P.O.	5 days	Wed 6/27/12	Tue 7/3/12
17	**Plan Check and Permitting**	**390 days**	**Thu 1/6/11**	**Tue 7/3/12**
18	Submit to OSHPD for Plan Review	30 days	Thu 1/6/11	Wed 2/16/11
19	Plan Review Approved	0 days	Wed 2/16/11	Wed 2/16/11
20	Building Permit Issued	0 days	Tue 7/3/12	Tue 7/3/12
21	**Construction**	**143 days**	**Tue 7/3/12**	**Fri 1/18/13**
22	Notice to Proceed Issued	0 days	Tue 7/3/12	Tue 7/3/12
23	Preconstruction Meeting	1 day	Wed 7/4/12	Wed 7/4/12
24	Contractor Order and Stage Construction Material	7 days	Thu 7/5/12	Fri 7/13/12
25	Construction	24 wks	Mon 7/16/12	Fri 12/28/12
26	Punch List	1 day	Mon 12/31/12	Mon 12/31/12
27	**Project Closeout**	14 days	Tue 1/1/13	Fri 1/18/13



Task — Milestone — External Tasks
Split — Summary — External Milestone
Progress — Project Summary — Deadline

PROJECT STATUS: Plans have been approved by OSHPD

Appendix 1 – Structural Performance Categories

Structural Ratings

SPC-1 These buildings pose a significant risk of collapse and a danger to the public after a strong earthquake. These buildings must be retrofitted, replaced or removed from acute care service by January 1, 2008.

SPC-2 These are buildings in compliance with the pre-1973 California Building Standards Code or other applicable standards, but are not in compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act. These buildings do not significantly jeopardize life, but may not be repairable or functional following strong ground motion. These buildings must be brought into compliance with the Alquist Act by January 1, 2030 or be removed from acute care service.

SPC-3 These buildings are in compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act. In a strong earthquake, they may experience structural damage that does not significantly jeopardize life, but may not be repairable or functional following strong ground motion. Buildings in this category will have been constructed or reconstructed under a building permit obtained through OSHPD. They can be used to 2030 and beyond.

SPC-4 These are buildings in compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act that may experience structural damage which could inhibit the building's availability following a strong earthquake. Buildings in this category will have been constructed or reconstructed under a building permit obtained through OSHPD. They may be used to 2030 and beyond.

SPC-5 These buildings are in compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act, and are reasonably capable of providing services to the public following strong ground motion. Buildings in this category will have been constructed or reconstructed under a building permit obtained through OSHPD. They may be used without restriction to 2030 and beyond.

Appendix 2 – Non-Structural Performance Categories

Non-Structural Ratings

NPC-1 In these buildings, the basic systems essential to life safety and patient care are inadequately anchored to resist earthquake forces. Hospitals must brace the communications, emergency power, bulk medical gas and fire alarm systems in these buildings by January 1, 2002.

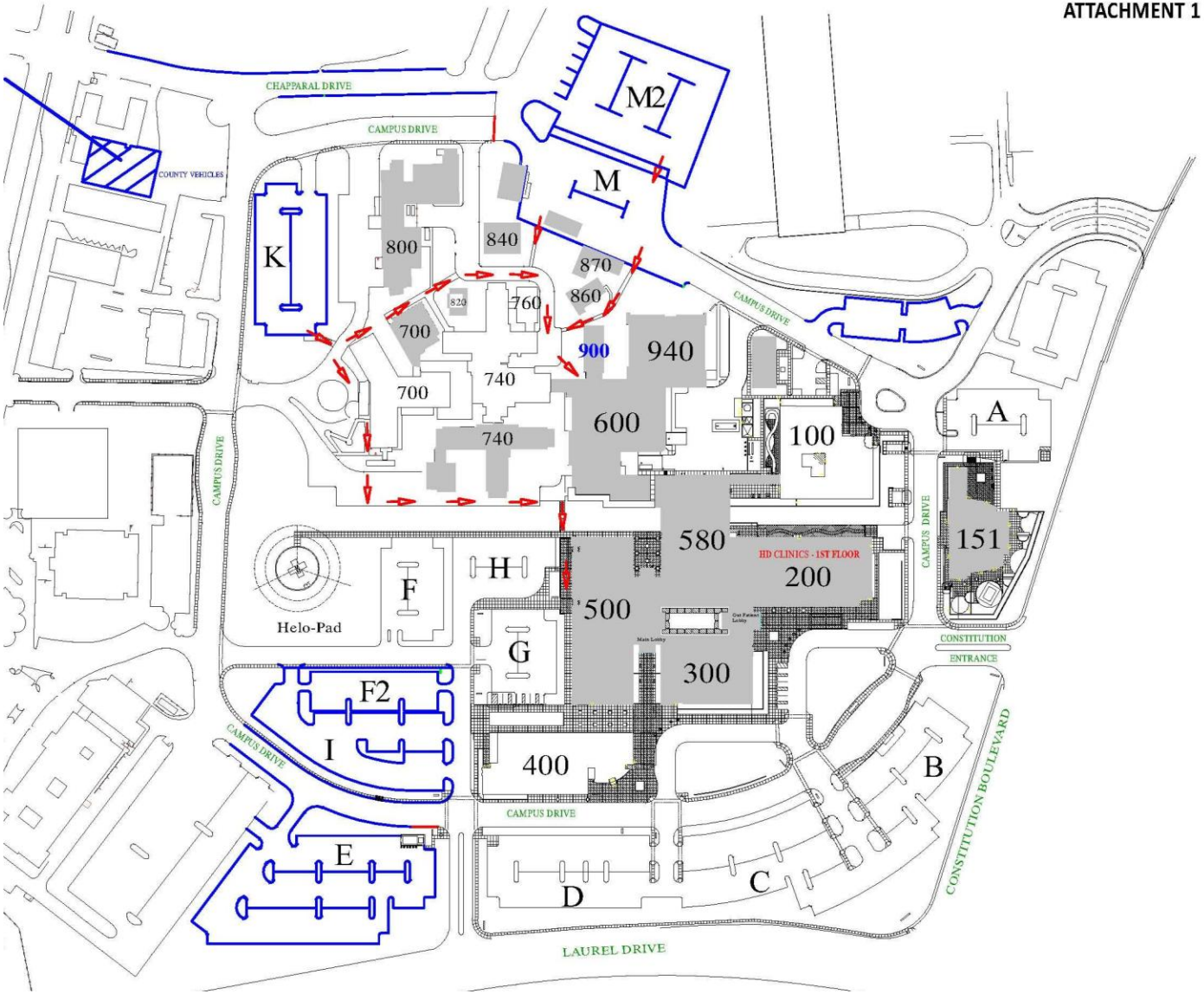
NPC-2 In these buildings, essential systems vital to the safe evacuation of the building are adequately braced. The building is expected to suffer significant nonstructural damage in a strong earthquake.

NPC-3 In these buildings, nonstructural systems are adequately braced in critical areas of the hospital. If the building structure is not badly damaged, the hospital should be able to provide basic emergency medical care following the earthquake.

NPC-4 In these buildings, the contents are braced in accordance with current code. If the building structure is not badly damaged, the hospital building should be able to function, although interruption of the municipal water supply or sewer system may impede operations.

NPC-5 These buildings meet all the above criteria and have water and wastewater holding tanks—sufficient for 72 hours of emergency operations—integrated into the plumbing systems. They also contain an on-site emergency system and are able to provide radiological service and an onsite fuel supply for 72 hours of acute care operation.

Appendix 3 – Natividad Medical Center Site Map



Appendix 4 – Natividad Medical Center Seismic Compliance Status

Building Number	Services Provided	SPC Category	NPC Category
100	Acute Rehab / Med Surg	SPC-5	NPC-2
151	Medical Office Bldg.	Exempt	Exempt
200	Clinics	Exempt	Exempt
300	Business Occupancy	Exempt	Exempt
400	Business Occupancy	Exempt	Exempt
500	Main Hospital	SPC-5	NPC-2
580	Pediatrics	SPC-5	NPC-2
600	Business Occupancy	SPC-2	NPC-1
700	Unoccupied	Exempt	Exempt
740	Unoccupied	Exempt	Exempt
760	NIDO Clinic	Exempt	Exempt
800	Unoccupied	Exempt	Exempt
820	Business Occupancy	Exempt	Exempt
830	CHAMACOS	Exempt	Exempt
840	Business Occupancy	Exempt	Exempt
860	Business Occupancy	Exempt	Exempt
870	Business Occupancy	Exempt	Exempt
880	Unoccupied	Exempt	Exempt
900	Engineering	Exempt	Exempt
940	Inpatient Mental Health	SPC-2	NPC-1
980	Generator Building	SPC-5	NPC-2
C1 – C5	Canopies	SPC-5	NPC-2