

September 24, 2018

Sandra T. Johnson
Admitted in Washington, Georgia and
Tennessee
T: 206-407-1555
sjohnson@schwabe.com

Brian E. Hanson
Municipal Attorney
City and Borough of Sitka, Alaska
100 Lincoln Street
Sitka, Alaska 99835

RE: Engagement of Schwabe, Williamson & Wyatt, P.C.

Dear Brian:

We appreciate the opportunity to be of service to City and Borough of Sitka, Alaska ("Sitka"). This letter, together with the attached Standard Terms of Engagement, constitutes our contract of engagement to provide legal services and legal advice to Sitka (and not to any other shareholders, affiliates, subsidiaries, parents, stakeholders, people, or entities) to perform the following work:

- Assist Sitka as required to accomplish Phase 3 activities described in Sitka's affiliation RFP and other activities associated with Phase 3 as requested by Sitka;
- Advise Sitka regarding governing body, business and operational matters including those associated with Phase 3;
- Advise Sitka regarding Medical Staff matters including those associated with Phase 3; and
- Advise Sitka regarding compliance with healthcare laws, including the conduct of internal or external investigations and appropriate follow-up as required including those associated with Phase 3.

The team members we anticipate will work on this matter are listed on the attachment with their hourly rates and contact information. We review billing rates at the end of each calendar year and may adjust them at the beginning of the next year. For the work associated with Phase 3 activities, we understand that our fees are expected to be limited to \$150,000.00, subject to possible adjustment if required, with any adjustment to occur only with your prior approval.

At the beginning of each engagement, we check the names of our existing clients and the parties adverse to them to see if representing you would create a conflict of interest. We perform that check using the name or names we have been provided, and have completed the check with respect to Sitka. We have found no conflicts.

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We further understand that our engagement with Sitka is subject to termination at any time at Sitka's sole discretion, provided that if our services are terminated, Sitka will remain obligated to pay any fees that have been accrued under the terms of this letter up to the date of termination.

We know that Sitka values and expects timely legal work from us. We likewise value and expect timely payment within thirty days of the date of our invoices.

We want Sitka to be satisfied with the services we provide. If Sitka ever has concerns, please contact me or the leader of my practice group, Mark Long at mlong@schwabe.com. For payment questions, please call me or our Accounting Manager, Liz Russell, at 503.796.2846.

Again, thank you for your confidence in us.

Sincerely yours,



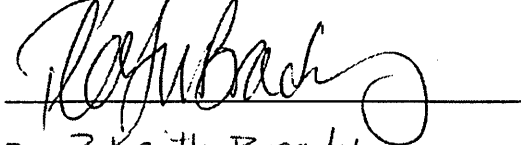
Sandra T. Johnson

SJ:aks
Attachment

cc: Liz Russell

The foregoing terms and conditions, including the attached Standard Terms of Engagement, are agreed.

CITY AND BOROUGH OF SITKA, ALASKA



By: P. Keith Brady

Its: Municipal Administrator

Date: 9/25/18

ATTACHMENT A

CONTACT INFORMATION

Lawyer

Sandra T. Johnson
\$390/hr

Contact Information

1420 Fifth Avenue, Suite 3400
Seattle, WA 98101-4010
Phone: 206-407-1555
Fax: 206-292-0460
Email: sjohnson@schwabe.com

Secretary/Contact Information

Andrea K. Schunk
Tel: 206-407-1539
E-mail: aschunk@schwabe.com

Sarah E. Lawson
\$350/hr

1420 Fifth Avenue, Suite 3400
Seattle, WA 98101-4010
Phone: 206-407-1507
Fax: 206-292-0460
Email: slawson@schwabe.com

Rebekah Davies
Tel: 206-903-1410
E-mail: rdavies@schwabe.com

Schwabe

WILLIAMSON & WYATT[®]

Standard Terms of Engagement

Initial Conference

The relationship with your attorney will usually begin with an initial conference. The purpose of this conference is for the attorney to learn about your situation, and then to discuss candidly the scope of services that will need to be provided. You should have a clear understanding of the legal services we will provide. Unexpected bills often are the result of poor communication at the beginning of a project and can damage a good working relationship. Don't hesitate to ask any questions you might have about costs and the amount of work anticipated. Most of the attorney's work will be performed outside your view—legal research and analysis, document drafting, and negotiation with opposing counsel. In most circumstances, we will also charge for waiting time in court and elsewhere and for travel time. We will act at all times on your behalf to the best of our ability. Any expressions on our part concerning the outcome of your legal matters are expressions of our best professional judgment, but are not guarantees. Such opinions are necessarily limited by our knowledge of the facts and are based upon the state of the law at the time they are expressed.

Identity of Client

The engagement letter identifies the client. Unless specifically stated, no other person or entity will be represented whether officers, directors, shareholders, or other stakeholders who may have an interest in the subject of the representation.

Who Will Provide the Legal Services

To best serve your needs, we may assign various lawyers or paralegals in the firm to work on a particular matter, if, in our judgment, that becomes necessary or appropriate. Our objective is to draw upon our expertise and experience to represent you most efficiently and economically. The letter accompanying these Terms and Conditions lists those individuals in the firm who we plan to involve in this engagement, including their secretaries, together with all contact information. We have included cell telephone numbers if ever you should need to contact any of us outside of normal business hours. Most of us can retrieve e-mails remotely, both during and outside normal business hours.

Fees and Costs

We find it advisable to confirm our mutual understanding with respect to the payment of fees and other charges incurred in connection with this engagement. We customarily undertake engagements on an hourly fee basis. We primarily base our fee on the amount of time devoted to this engagement, with the fee determined by the time spent on the matters multiplied by the individuals' hourly rates. There may be instances where other factors may be taken into consideration in determining our fees. These include such factors as the time limitations imposed by the client or the matter; the benefit resulting to the client or the results achieved for the client; the skill requisite to perform the services properly; the experience, reputation and ability of those performing the services; the complexity of the work and the novelty and difficulty of the questions involved; the efficiency with which it is accomplished; the extent to which we may have forgone other client opportunities in order to satisfy your requirements; and any unforeseen circumstances arising in the course of our representation. In such events, the fee will be reflected on our invoice as an adjustment to the time expended or to the hourly rate. In some of those instances (such as where we have invested in and utilize in our engagement sophisticated business/document production templates), the charge will reflect a sharing with the client of some of the resulting savings realized through our enhanced efficiencies. Hourly rates for attorneys in the firm vary according to experience and expertise. The range is currently from \$225 to \$695 per hour for attorneys and from \$150 to \$230 per hour for paralegals.

If we have more than one client in a matter, unless otherwise agreed in writing, all clients will be jointly and severally liable for our fees and other charges incurred in connection with this engagement.

The firm typically incurs costs in connection with the legal representation. In addition to fees for services rendered, we charge and you will be invoiced for all such direct or out-of-pocket costs,¹ that we may incur in connection with this engagement. All such charges will be clearly noted on our invoices. With this engagement, you authorize us to retain any investigators, consultants, or experts necessary in our judgment to represent your interests in this matter. With respect to any out-of-pocket expense to a third-party vendor in excess of \$100, either we ask that you pay the amount in advance, or we will submit the invoice to you and ask that you pay it to the vendor directly.

We are very sensitive to the financial considerations involved in our representation and will make every effort to alert you to any event or circumstance that could affect the fees or time involved in this matter. To assist you in managing the financial aspects of this engagement, if you would like, we could notify you at such time as our aggregate fees reach one or more specified thresholds. At that time, we could sit down and take stock of what we've achieved, what remains, and what the likely fees and costs will be.

¹ These include, by way of illustration, such costs and expenses as photocopy charges, mileage, travel expenses, special postage, delivery charges, filing fees, extraordinary secretarial charges, computer-assisted legal research, use of other service providers, and in the case of litigation, filing fees, deposition costs, process servers, court reporters and witness fees, etc.

If during the course of our engagement, you should ever have questions about an invoice, the status of your account, or if you otherwise need to speak with someone in our accounting department, please contact Liz Russell, Accounting Manager, at 503.796.2846 or by e-mail at lrussell@schwabe.com.

Advance Fee Deposit

Unless other arrangements are made in advance, you will be expected to pay us an advance fee deposit before we start work, which, unless we agree otherwise, will be applied to your final invoice. Upon completion of work, any remaining balance will be refunded directly to you without interest. Payment of an advance fee deposit does not relieve you of the obligation to make prompt payment of invoices. Unless otherwise directed, all advance fee deposit funds are placed in a client trust account, and the interest earned on those accounts is donated, by law, to support public interest objectives of either the Oregon or Washington law foundations.

Credit Checks

It is our general practice to conduct credit checks on all new business clients, the results of which may not be available until after the initial conference. Information from that credit check may result in the primary attorney subsequently requiring an advance fee deposit or other financial arrangements. If you are unable to make such financial arrangements, it may be necessary for us to withdraw from or decline your representation.

Billing Statements

Unless otherwise agreed upon, billing statements are sent monthly. All invoices are due and payable in full within thirty (30) days after invoice date. Our policies regarding late payments are as follows:

- (1) Invoices unpaid for more than thirty (30) days after invoice date will be subject to a late payment charge of 9% annually.
- (2) We may, at our option, seek to recover from you the balance due, together with collection expenses including costs disbursements allowed by law, attorney fees and expenses, including those on appeal (and including those incurred by Schwabe, Williamson & Wyatt internally without engaging an outside law firm).
- (3) We may find it necessary to terminate services and withdraw from representation.

If you find yourself unable to make timely payment, please contact our Credit and Collections Coordinator or your primary attorney.

Estimates

We often receive requests to estimate the amount of fees and costs likely to be incurred in connection with a particular matter. Whenever possible, we will furnish such an estimate based upon our professional judgment, but always with a clear understanding that it is not a maximum or fixed-fee quotation. The ultimate cost frequently is more or less than the amount estimated. For certain well-defined services, we may quote you a flat fee. It is our policy not to accept representation on a flat-fee basis except in such defined service areas or pursuant to a special arrangement tailored to the needs of a particular client. In all such situations, the flat-fee arrangement will be expressed in a letter, setting forth both the amount of the fee and the scope of the services to be provided. We may, in appropriate circumstances, provide legal services on a contingent fee basis. Any such contingent fee arrangement must be reflected in a written contingent fee agreement provided by our contingent fee review committee.

Working Arrangements

Problems or confusion about bills should be directed to our Accounting Manager or your primary attorney. Your primary attorney may assign various lawyers or paralegals in the firm to work on your file. If you are concerned about who works on your file, please discuss these concerns with your primary attorney.

By selecting our firm to represent your interests, you give the firm the power of attorney to execute all complaints, claims, verifications, dismissals, deposits, and orders and take other actions on your behalf. Be assured, however, that settlements affecting your interests will occur only with your consent. Such consent need not be in writing.

Cooperation

As a necessary term of our engagement, and to enable us to represent you effectively, you agree to cooperate with us in the matters we are handling for you and you must fully and accurately disclose and provide to us all information and documents relevant to our representation or as we may otherwise request. You will need to make yourself reasonably available to us to meet with us, and to attend meetings or any proceedings in which we may be involved on your behalf. In order for us to contact you at all times, you will provide us with all current contact information (address, telephone number, fax number, e-mail address, etc.) and shall promptly notify us of any changes in such information. And, of course, you must agree to pay our fees and costs on the terms described in our engagement letter and these Standard Terms of Engagement.

The advice and counsel we provide to you during the course of our representation of you is solely for your use and reliance and is not intended to be advice upon which anyone else is entitled to rely. Please understand that sharing privileged communications between us with any third party can cause a waiver of the attorney-client privilege to your detriment.

New Matters

These Standard Terms of Engagement will also apply to all future legal matters in which we provide you legal services. Those additional legal services may be initiated by e-mail or other communication.

Termination

You may terminate our representation at any time, with or without cause, by notifying us. Your termination of our services will not affect your responsibility for payment of legal services rendered and additional charges incurred before termination and in connection with an orderly transition of the matter.

We are subject to the rules of professional responsibility for the jurisdictions in which we practice. Those rules list several types of conduct or circumstances that require or allow us to withdraw from representing a client, including, for example: nonpayment of fees or costs, your misrepresentation or failure to disclose material facts, your action contrary to our advice, and conflict of interest with another client. We try to identify in advance and discuss with our client any situation that may lead to our withdrawal, and if withdrawal ever becomes necessary, we will give you written notice of our withdrawal.

At your request, your original papers and property that you have provided to us will be returned to you promptly upon receipt of payment for final outstanding fees and costs. Schwabe Williamson & Wyatt reserves the right to assert an Attorney's Lien under Oregon law as described in Oregon Revised Statutes chapter 87. We will retain our own files pertaining to the matter. These files include, for example, our administrative records, time and expense reports, personnel and staffing materials, and credit and accounting records; and internal lawyers' work product such as drafts, notes, internal memoranda, and legal and factual research, including investigative reports, prepared by or for the internal use of lawyers. We will then store the file for ten (10) years. The file will be destroyed by shredding after that period of time unless you instruct us in writing to send it to you. All work product remains the property of Schwabe, Williamson & Wyatt, and we will have the right to assert any liens permitted by law.

After completion of the transaction or other matter, changes may occur in the applicable laws or regulations that could have an impact upon your future rights and liabilities. Unless you engage us after completion of the transaction or the matter to provide additional advice on issues arising from our representation, we have no continuing obligation to advise you with respect to future legal developments.

If You Become Dissatisfied

Schwabe, Williamson & Wyatt recognizes that working with an attorney represents a significant investment of your time and money. We pledge to provide you with quality counsel and advice. If at any time during this relationship you become unhappy or dissatisfied with our work, we urge you to contact your primary attorney and seek a mutually satisfactory resolution of your concerns. If you are unable to resolve these issues with your primary attorney please call our Managing Partner, Mark Long. He can be reached at 503.796.2933 or by e-mail at mlong@schwabe.com.

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This Standard Terms of Engagement is an attachment to our letter of engagement to you. In the event of any conflict between the two, the letter of engagement will control our agreement with you.