

April 14, 2019

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

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**RE: Request for Supplemental Appropriation, Schwabe, Williamson & Wyatt, P.C.**

Dear Brian:

As you know, in September of 2018 my firm was retained 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.

At that time, I stated as follows:

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.

Phase 3 work was thus to include the traditional activities required of transaction counsel (*e.g.*, due diligence list formulation and negotiations), including the governing body, business, operational, Medical Staff, and compliance review activities that typically arise during a health care transaction. I was also retained to provide legal services as directed by the City and Borough of Sitka, AK ("CBS"), outside the context of the transaction, in the areas listed in the final three bullet points.

My understanding of my role in the transaction was that my activities would be relatively limited as compared to a lawyer's typical role in this type of transaction; that is, wherever possible I was to permit counsel for SEARHC to bear the "laboring oar" in order to preserve CBS resources. For example, SEARHC counsel was to draft the required documents and conduct the substantive

due diligence review. Under that assumption, I estimated my fees for the transaction would amount to \$156,000 (my discounted hourly rate of \$390.00/hour multiplied by an estimated 400 hours to complete the transaction). We subsequently agreed to a cap of \$150,000 for the Phase 3 work, subject to adjustment as agreed between us. As matters unfolded, however, it became less feasible to limit my role as we originally anticipated, so that the \$150,000 limit became infeasible, as well.

Beginning with the due diligence process, my role began to expand, always either at the request of Keith Brady or at your request. For example, when Sitka Community Hospital (SCH) personnel began uploading contracts for SEARHC review, Mr. Brady asked that I review each contract to determine whether there were issues likely to arise from those agreements, instead of relying on SEARHC counsel for that review. That request required my personal review of around 400 contracts, an endeavor that consumed considerable time beginning in January. Additionally, I was personally involved in overseeing production of documents for due diligence, and for meeting with SCH staff to discuss and explain legal aspects and requirements for the transaction. That increased level of involvement applied across all aspects of the transaction and required significantly more time than would have been required if my scope of services had been as we initially anticipated.

Beginning in mid-February, the depth of my involvement increased further. Repeated delays in the reports from CBS' compliance consultants began to frustrate our buyer SEARHC, and as the delays continued, I was asked to facilitate completion of that work. For an extended period my work on the compliance issue required all of my efforts, so that my transaction work had to be completed after the hours spent on the compliance issue. Those efforts continue, and have required intensive and sustained work as we try to secure the compliance review information required to complete the transaction, while continuing to work on the transaction itself.

As a result of the above and other issues (all of which are detailed in my time entries on the invoices submitted to CBS), the amount of work required from me, both to bring the transaction to its current status and to facilitate completion of the compliance reports from SVG and Hall Render, has been significantly higher in hours and intensity than was initially anticipated. The number of hours required from me has now reached just over 700, and I anticipate that completion of the work could require an additional 150 – 200 hours as we complete the transaction and the compliance matters.

I am proud of the work done by the CBS leadership and staff, Sarah Cave, and Steve Huebner in performing this challenging work. I am proud of my work, as well. We are all dedicated to CBS, and we have been thoughtful and efficient in our efforts on your behalf.

Please let me know if you or the Assembly require further information. It remains a genuine pleasure to work with you.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Sandra T. Johnson", with a stylized, flowing script.

Sandra T. Johnson