

June 4, 2019

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RE: Supplement to Request for Appropriation, Schwabe, Williamson & Wyatt, P.C.

Dear Brian:

On April 14, I submitted a letter requesting that additional resources be allocated by the City and Borough of Sitka, AK (CBS) to permit additional legal work required to complete the pending sale of Sitka Community Hospital to the SouthEast Alaska Regional Health Consortium. Because the complications encountered in that sale have not abated during the past month, you asked that I submit an additional letter discussing the circumstances that continue to require my intensive work on behalf of CBS, and estimating the amount of work I anticipate will be required to conclude the sale.

As was discussed in the April 14 letter, my initial fee estimate for work on the sale was described as “work associated with Phase 3 activities” and set at \$150,000. The first important fact is that “Phase 3” is a term defined in the relationship between CBS and its consultants, Sarah Cave and Steve Huebner. As defined, Phase 3 was to end when the definitive agreements for the sale were executed; and, my efforts within Phase 3 were to be more limited than is typical for transaction counsel in a hospital sale of this sort in an effort to conserve CBS resources.

As matters unfolded, however, my role was significantly expanded to include work that, while not anticipated as part of the initial fee arrangement, fell within my area of experience and knowledge, so that my services were required on a much broader basis. The chief additional areas in which I provided services fell within the general categories of detailed due diligence review and compliance diligence and analysis.

Those categories have continued to demand my time, often intensively, since Phase 3 of the transaction concluded. As a result, the amount of work I have done significantly exceeds the estimate I initially provided. In reviewing my time records, I have determined that the compliance diligence work (required for the Stark and Anti-Kickback issues) has demanded more than 50% of the additional time required, while transaction work plus the additional detailed due diligence review have together required a little less than 50%.

Because these two general categories continue to demand my time, my estimate of time required to complete the transaction, as set out in the April 14 letter, requires further adjustment. I have reviewed an internal time report for May (I will try to obtain a draft invoice for you), and it appears that through May 31, I billed a little more than 146 hours on behalf of CBS. The April

14 letter estimated 150-200 hours to wrap up the transaction; however, as additional issues have continued to arise, it has become apparent that it may take another 150 hours to complete the transaction.

I will do my best to complete this work in a timeframe below 150 hours; however, I cannot guarantee that additional issues will not arise that could change that estimate. If such matters do arise, I will contact you as quickly as possible to keep you apprised and obtain your direction.

In closing, I wish to make one final point. I know that the money being expended for legal services in this transaction is significant, and I deeply appreciate the Assembly's responsibility as stewards of the CBS coffers. That said, it is important to remember that the cost to CBS would, in all probability, have been much, much higher if I had not been working on your behalf.

Resolution of the issues that arose, and continue to arise, within these complex areas is significantly facilitated by my ability to draw upon my almost-40 years of healthcare experience, combined with more than 20 years of experience as a healthcare lawyer. While all transactions are challenging, my ability to identify salient issues and to answer many questions by drawing upon that experience kept this process as efficient as possible.

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 long, sweeping horizontal line extending to the right.

Sandra T. Johnson