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Via Email; no hard copy to follow

Jody Tow
Finance Director
Petersburg Borough
PO Box 329
Petersburg, Alaska

jtow@petersburgak.gov

Re: Bond Counsel Services (2021-23)

Dear Jody:

This letter provides written confirmation regarding Bond Counsel services for an upcoming borrowing through the Alaska Municipal Bond Bank. This letter reflects our standard terms of engagement and fee schedule currently in effect for Alaska issuers of municipal debt. We typically would hold these fees in effect for a three-year period, covering any additional debt you might issue through 2023. The fee schedule reflects options for adjustment for debt issued directly by the Borough, through the Alaska Municipal Bond Bank, or through other loan programs.

Scope of Bond Counsel Engagement

Bond counsel services include the tasks identified in the "Bond Counsel Scope of Services" document, which is attached.

In general, when engaged as bond counsel, we expect to perform the following duties: (i) subject to the completion of proceedings to our satisfaction, render our approving legal opinion (the "Opinion") regarding the validity and binding effect of the Bond(s), the source of payment and security for the Bonds, and the excludability of interest on the Bond(s) from gross income for federal income tax purposes; (ii) prepare and review documents necessary or appropriate to the authorization, issuance and delivery of the Bond(s) (including, in the case of a Bond Bank transaction, a loan agreement) and coordinate the authorization and execution of such documents; and (iii) review legal issues relating to the structure of the bond issue.

The Opinion will be addressed to the Borough and will be delivered by us on the date of issuance in exchange for the purchase price (the "Closing"). The Opinion will be based on facts and law existing as of its date. In rendering our Opinion, we will rely upon the certified proceedings and other certifications

of public officials and other persons furnished to us without undertaking to verify the same by independent investigation, and we will assume continuing compliance by the Borough after the issue date with applicable laws relating to the Bonds. During the course of this engagement, we will rely on the Borough to provide us with complete and timely information on all developments pertaining to any aspect of the Bonds and the security for payment. We understand that officials and employees of the Borough will cooperate with us in this regard.

The attached "Scope of Bond Counsel Services" document describes certain "Other Services" that may be requested in connection with a particular financing. Fees for such services would be agreed as the need arises.

2021-23 Bond Counsel Fees and Services

Work on each financing will conclude when the bond issue has closed and we have sent out the transcripts of the bond issue to the Borough and to the other participants in the transaction. For our work as bond counsel during 2021-23, our fees will be flat fees based on the size and nature of the transaction, calculated using the formulas below:

General Obligation Bonds

<u>Par Amount</u>	<u>Base Fee</u>	<u>Fee per additional \$1,000 par amount</u>
Under \$1 MM	\$ 9,500	<i>Not Applicable</i>
\$1 MM to \$4.99 MM	11,200	+ \$2.50 per \$1,000 above \$1 million
\$5 MM to \$9.99 MM	21,200	+ \$1.85 per thousand above \$5 million
\$10 MM to \$24.99 MM	30,450	+ \$1.50 per thousand above \$10 million
\$25 MM to \$49.99 MM	52,950	+ \$0.90 per thousand above \$25 million
Above \$50 MM	75,450	+ negotiable

Revenue Bonds

<u>Par Amount</u>	<u>Base Fee</u>	<u>Fee per additional \$1,000 par amount</u>
Under \$1 MM	\$ 12,350	<i>Not Applicable</i>
\$1 MM to \$4.99 MM	14,550	+ \$3.25 per \$1,000 above \$1 million
\$5 MM to \$9.99 MM	27,550	+ \$2.40 per thousand above \$5 million
\$10 MM to \$24.99 MM	39,550	+ \$1.95 per thousand above \$10 million
\$25 MM to \$49.99 MM	68,850	+ \$0.95 per thousand above \$25 million
Above \$50 MM	negotiable	+ negotiable

Fees would be rounded to the nearest \$100. Fees for a loan through the Alaska Municipal Bond Bank (or for other direct placements with a bank or other lender which do not involve the review of an Official Statement or private placement memorandum prepared by the Borough) will be 75% of the fees calculated based on the table above. For Bond Bank transactions involving multiple transactions in a single Bond Bank offering, we will calculate our fee based on the aggregate principal amount within a type of debt (general obligation or revenue credit (e.g., electric, harbor, etc.) and similar transaction) and pro-rate the fee among those transactions.

For current refunding bonds or taxable advance refunding bonds, we would add 10% to the fee as calculated above. For other advance refundings, forward delivery or other alternatives to advance refunding structures, we would add 25% to the fee calculated above. For short-term or interim financings,

such as a bond anticipation note, our fees would be 50% of the above-calculated fee for the initial issuance of the note, and 40% of the fee for any extension that does not involve modifications that would result in a "reissuance" for federal tax purposes. The fee for a reissuance would be treated like an initial issuance (i.e., 50% of the calculated fee).

We will charge the bond counsel fee only if and when the bonds are issued. However, if we begin substantial work on bonds that are not issued with our approving legal opinion after 18 months, we would expect to be compensated on an hourly basis at our normal hourly rates for the work that we have performed in an amount not to exceed the fees calculated using the tables above (unless we have an expectation that the transaction will close within a reasonable time).

Conflicts of Interest and Confirmation of Petersburg's Waiver relating to SEAPA

Before beginning work on any bond issue, we search our Firm's conflicts database to determine whether any conflicts of interest exist. Petersburg Borough is a member of SEAPA and, as you know, we have served as bond counsel to SEAPA and to the City of Ketchikan. The Firm currently represents SEAPA and Ketchikan in a Bond Bank transaction closing this summer. In addition, we have from time to time been asked to advise the City of Ketchikan on questions relating to provisions of the Long-Term Power Sales Agreement between SEAPA and Petersburg, Wrangell, and Petersburg and how those provision interact with covenants in the revenue bonds issued by Ketchikan Public Utilities.

In a situation like this that presents a potential conflict of interest, the rules of professional conduct generally require us to determine that the firm would be able to provide competent and diligent representation to each client and to obtain the informed consent of each client to the respective representations. Because the Borough's transaction does not put it in a position that is adverse to SEAPA or Ketchikan in the financings we are currently handling, we believe that our firm can provide appropriate representation of each client, and that our representation of each client will not be materially limited by our responsibilities to the other.

In a prior engagement letter, SEAPA affirmed its willingness to waive the potential conflict of interest relating to representations of the City, and to reaffirm that our Firm would not represent SEAPA with respect to any proposed changes in the Long-Term Power Sales Agreement or SEAPA's governance. We have asked Ketchikan for similar waivers.

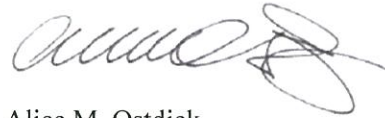
In connection with bond financing transactions, this means that our Firm would draft any necessary bond documents that will authorize issuance of bonds and provide a legal opinion as to the validity and enforceability of those documents. We have asked that SEAPA's counsel be responsible for any negotiations with the member municipalities, as necessary, regarding any provision that would amend the Original Indenture or affect SEAPA's governance or the Long-Term Power Sales Agreement. Presumably, Petersburg would be represented by its Borough Attorney in such negotiations, but our Firm has reserved the right for the Firm to advise Ketchikan on the implications of any such changes on KPU's revenue bonds. If asked, we would be willing to similarly advise Petersburg based on appropriate waivers, to be discussed at the time that such a matter arises. We continue to believe this is an appropriate way to proceed and ask that you reaffirm that this meets with your approval. If you have any follow-up concerns about this approach to my Firm's representation of SEAPA or Ketchikan, please let me know as soon as possible.

In addition, as you know, our Firm also represents underwriters, banks or other financial institutions in municipal bond transactions *unrelated to the Borough* (e.g., representing an underwriter or bank in completely unrelated bond transactions for bonds issued by other issuers). We have considered the situation with respect to the Bond Bank and its underwriters and have determined that these types of representations do not present a material limitation on our ability to represent the Borough in its borrowing, and ask for you to confirm that you do not believe it presents a conflict or agree to waive any such conflict.

If the terms of this letter are acceptable, I would appreciate it if you would sign the enclosed copy of this letter and return it to me at your convenience. Please let me know if you have any questions or concerns.

Best regards,

STRADLING YOCCA CARLSON & RAUTH,
a Professional Corporation



Alice M. Ostdiek

APPROVED AND ACCEPTED:
PETERSBURG BOROUGH, ALASKA

By: _____

SCOPE OF BOND COUNSEL SERVICES

The range of services provided by bond counsel can be narrow or broad, and frequently varies from financing to financing. In addition, the amount of work necessary to perform the same services can be quite different depending upon the nature and complexity of the financing. In the following, we use the term “bonds” to include any obligation of the issuing local government (the “Issuer”) for which we are asked to serve as bond counsel.

A. BOND COUNSEL SERVICES

Those services which Stradling Yocca Carlson & Rauth, P.C. traditionally provides as bond counsel to the Issuer include:

1. Advising the Issuer and its consultants on the legal requirements applicable to and, when requested, participating with those consultants and Issuer’s staff in planning, the financing of a project, including advice on state law and federal income tax and securities laws.
2. Reviewing the transcripts relating to the prior issuance by the Issuer of related outstanding obligations (typically revenue obligations), to assure conformity of the bonds with applicable covenants and conditions.
3. Based on facts provided by the Issuer, performing the necessary legal analysis to determine, in financings in which the bonds are intended to be tax-exempt, whether interest on the bonds will qualify for an exclusion from gross income for federal income tax purposes, and preparing tax exemption and nonarbitrage certificates.
4. Drafting the ordinances/resolutions and other documents necessary to authorize the bonds to be sold and issued (including, where applicable, ballot title ordinances/resolutions).
5. Attending certain meetings relating to the sale and issuance of the bonds.
6. When requested by the Issuer or Issuer’s financial advisor or underwriter, forwarding Issuer financing documents to bond rating agencies and/or bond insurers, and explaining legal provisions of those documents to City and insurer representatives.
7. When requested by the Issuer or Issuer’s financial advisor or underwriter, reading those portions of drafts of the official statement, offering circular or other sales material relating to the bonds prepared by the Issuer’s investment bankers necessary to assure the accuracy only of the description of the bonds, the source of payment and security for the bonds, the description of the new continuing disclosure undertaking, and the federal tax treatment of the interest on the bonds.
8. Preparing closing documents necessary to support the issuance of the bonds and assembling the transcript after the closing.
9. Subject to the completion of proceedings to our satisfaction, furnishing the firm’s approving legal opinion for the bonds regarding the validity and binding effect of the bonds and the excludability of interest on the bonds from gross income for federal income tax purposes.

Our bond opinion will be based on facts and law existing as of its date, and will constitute the expression of our professional judgment on the matters expressly addressed and not a guarantee of result. In rendering that opinion, we will rely upon the certified proceedings and other certifications of public officials and other persons furnished to us without undertaking to verify the same by independent investigation, and we will assume the Issuer’s continuing compliance, after the issue date, with applicable laws relating to the bonds. During the course of this engagement, we will rely on the Issuer to provide us with complete and timely information on all developments pertaining to any aspect of the bonds and their security, as well as the expected use of bond proceeds. We understand and expect that officers and employees of the Issuer will cooperate with us in this regard.

B. OTHER SERVICES

Traditional bond counsel services described above do not include the following additional bond and project-related work for the Issuer which we would be pleased to perform on request, working with the Issuer's attorney or other designated representatives. The provision of these services should be agreed upon on a case-by-case basis and involves appropriate fee arrangements.

1. The preparation of or review for accuracy of portions of any official statement, offering circular or other sales material relating to the issuance of the bonds prepared by the Issuer or its underwriter or otherwise used in connection with such bonds.
2. Drafting or negotiating of bond purchase agreements (though as a matter of course as bond counsel we typically review such agreements to assure that they conform to the Issuer's bond authorization documents).
3. Negotiation and drafting of repurchase agreements, investment contracts, custodial agreements, swap agreements, credit enhancement or liquidity facilities (other than bond insurance), and related contracts (including contracts with developers or owners of property included within local improvement districts formed by the Issuer).
4. Preparation of supplemental opinions required of bond counsel by the Issuer or the underwriter of bonds in connection with their issuance, which may include a legal opinion regarding the accuracy of certain sections of the Official Statement to the extent that those sections purport to describe certain provisions of the bonds or of applicable law, or a legal opinion confirming that in the course of our participation in the preparation of an Official Statement, nothing has come to our attention that caused us to believe that the Official Statement (except those sections as to which we express no view) as of its date, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein for the purposes for which the Official Statement is to be used or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.
5. Drafting special assessment district formation and assessment documents and attending special assessment hearings.
6. Work in connection with seeking or obtaining governmental assistance or approvals from governmental agencies other than the Issuer, necessary for carrying out the purposes of the bond issue, including the drafting or obtaining of state or federal legislation.
7. Representing the Issuer in Internal Revenue Service examinations or inquiries, or Securities and Exchange Commission investigations.
8. After closing, providing continuing advice to the Issuer or any other party concerning any actions necessary to assure that interest paid on the bonds will continue to be excludable from gross income for federal income tax purposes (e.g., our engagement as bond counsel does not include rebate calculations for the bonds, dealing with changes of use or delays in the expenditure of proceeds).
9. Providing advice to the Issuer relating to its continuing disclosure obligations under its continuing disclosure undertakings, consistent with applicable securities laws.
10. Addressing any other matter not specifically set forth above that is not required to furnish our bond opinion.

C. FILE MANAGEMENT

After the transaction is concluded, we will deliver to the Issuer a complete copy of the transcript of the transaction. A transcript is delivered generally within 30 to 60 days after closing. We then close our files regarding the matter, and our representation on the transaction is completed. Additional services after closing would be addressed under Part B, above.