



April 23, 2020

Patty Wahto
1873 Shell Simmons Dr.
Juneau, AK 99801

Via Email

Dear Patty,

We appreciate the collaboration between the Juneau International Airport (“Airport”) and Alaska Airlines (“Alaska”) as we collectively face the challenges and devastation to our people and the economy by the COVID-19 virus. At Alaska, our priority has been the safety of our employees and guests.

Like Alaska, we know the Airport is actively working to figure out how best to use the resources available to fight this unprecedented impact to its business and stakeholders. We’re incredibly grateful that Congressional leadership and the administration recognized the unique and profound impact of this crisis on aviation and took action to support aviation workers.

Likewise, we were pleased to see that the CARES Act provided additional funding for JNU, an amount we understand to be \$21.7M. We’ve articulated below some factors and perspective to consider as the Airport contemplates how best to utilize those federal grants and welcome the opportunity for further discussion.

Federal Airline Support Under the CARES Act

We at Alaska have long prided ourselves on prudent financial management and started 2020 strong. We had paid down 75% of the debt taken for the Virgin America acquisition, to reach industry-leading debt-to-capitalization ratios. We had a strong balance sheet, had integrated all labor group contracts including pay raises for workgroups, and matured new markets to be primed for growth.

As we began seeing the effects of this crisis, we took rapid and significant action to further cut costs and preserve cash, including executive pay cuts from 20-100%, suspending dividends and the share repurchase program (not frequently used at Alaska), reducing capital and operating expenses, and offering voluntary employee leaves with full benefits coverage. Our aim was to do everything possible to avoid furloughs and to enable long-term sustainability for the company.

However, due to the rapid and severe elimination of demand and now near-zero revenue, federal support is essential for sustaining employment and for sufficient liquidity to continue operations. CARES Act provided two forms of financial support

- 1) Payroll Support Program grants. These funds must be used solely for payroll support – we are essentially a pass-through vehicle for the funds from the federal government to employees. However, due to the distribution of funds across all carriers large and small, these funds will not cover 100% of payroll costs. A portion of these funds will be held as a low-interest loan by the U.S. Treasury, with repayment required. But we’re deeply grateful that they enable us to preserve

current employment through September 30 and give us time to cut costs and evaluate the recovery.

- 2) Loan Program. Additionally, the US Treasury has made secured loans available at favorable rates, to support continued liquidity for operations. This liquidity will be allocated across carriers and must be repaid. The process to apply for loans is still ongoing.

Even with these steps, we still only have 5-6 months of cash reserves. We will continue to take whatever steps are necessary to protect the long-term viability of Alaska Airlines.

Alaska Airlines believes that the intent of the CARES Act is to provide immediate relief to workers AND to ensure the viability of the aviation industry as a contributing sector to the overall economy. While the airport grants authorized have different statutory restrictions, we believe the Congressional intent to be the same: 1) ensure workers have jobs and receive paychecks in the near term and 2) ensure the viability of the aviation industry in the aftermath of the immediate crisis to provide for the long term.

The Airport Ecosystem and Grant

While the CARES Act provides specific opportunities for relief available to airlines, airports, and other airport small businesses, the levels of federal government funding currently authorized, while essential, will only provide limited assistance and a form of temporary life support.

Alaska supports CARES Act funding be prioritized so as to maximize the intent above and truly fund those areas targeted by Congress, including for the benefit of employees, stakeholders, and the on-going viability of the aviation industry:

- 1) Directly funding JNU payroll. With a retention requirement stated in the bill, we believe this to be a primary congressional and FAA intention.
- 2) Offsetting direct Operating and Maintenance costs with a focus on those businesses with direct payroll expenses, including those associated with the COVID-19 virus.
- 3) Support Capital programs with remaining funds.

We believe adopting the above to be consistent with both the congressional intent in CARES and geared to assist those entities who need it most.

Finally, we truly value the partnership with the airports and communities we serve, and fully recognize that airports, too, are dealing with unprecedented revenue shortfalls. But we believe that working together we can survive and ultimately thrive once again, building an airport for the future for the industry of the future. We look forward to embarking on this journey with our airport partners, keeping Alaska Airlines and JNU the thriving state treasures they have historically been.

Thank you in advance for the partnership.

Regards,



Shane Jones

Vice President – Real Estate and Development