

ALASKA AIR GROUP INC

Form PRER14A

April 19, 2005

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Alaska Air Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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**Preliminary
2005 NOTICE OF
ANNUAL STOCKHOLDERS MEETING
& PROXY STATEMENT**

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Preliminary Proxy Statement

LETTER TO STOCKHOLDERS

**P.O. Box 68947
Seattle, Washington 98168**

April 11, 2005

Dear Stockholder:

We cordially invite you to attend our 2005 Annual Meeting of Stockholders. The meeting will be held at 2 p.m. on Tuesday, May 17, 2005, in the William M. Allen Theater at the Museum of Flight in Seattle.

We encourage you to participate at this meeting, but whether or not you plan to attend, please complete and submit your proxy as soon as possible. As explained in the proxy statement,

you can vote over the Internet, by telephone, by mail, or at the meeting;

you can use any of these means to change your vote and thereby revoke any earlier vote; and

voting by proxy will not prevent you from attending the meeting, but it will ensure that your vote will be counted if you are unable to attend the meeting.

The execution of your proxy card will revoke any previously executed proxies, and you may revoke any previously executed proxies by voting in person at the meeting. For more detailed information on revocation of a proxy and voting at the meeting, see "What if I change my mind after I submit my proxy?" on page 4.

Your opinion and your vote are important to us regardless of the number of shares you own.

We look forward to visiting with you at the meeting and addressing your questions and comments.

Sincerely,

William S. Ayer
Chairman and Chief Executive Officer

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Preliminary Proxy Statement

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

P.O. Box 68947

Seattle, Washington 98168

The 2005 Annual Meeting of Stockholders of Alaska Air Group, Inc. will be held in the William M. Allen Theater at the Museum of Flight in Seattle, 9404 E. Marginal Way South, Seattle, Washington at 2 p.m. on Tuesday, May 17, 2005, for the following purposes:

1. To elect four directors for three-year terms.
 2. To consider and vote on the six stockholder proposals described in the accompanying proxy statement, if those proposals are properly presented at the meeting.
 3. To transact such other business as may properly come before the meeting or any adjournment thereof.
- Stockholders owning Company common stock at the close of business on March 18, 2005, are entitled to vote.

By Order of the Board of Directors,

Keith Loveless
General Counsel & Corporate Secretary

April 11, 2005

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ANNUAL MEETING INFORMATION

The Board of Directors of Alaska Air Group, Inc. (AAG or the Company) is soliciting proxies for this year s Annual Meeting of Stockholders. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

The Board set March 18, 2005, as the record date for the meeting. Stockholders who owned Company common stock on that date are entitled to vote at the meeting, with each share entitled to one vote. There were 27,182,129 shares of Company common stock outstanding on the record date.

Annual meeting materials, which include this proxy statement, a proxy card or voting instruction form, and the 2004 Annual Report, were mailed to stockholders and made available via the Internet on or about April 11, 2005. The Company s Annual Report on Form 10-K for the year ended December 31, 2004, is included in the 2004 Annual Report. It was filed with the Securities and Exchange Commission (SEC) and is available on the Company s website at www.alaskaair.com.

QUESTIONS AND ANSWERS

Why am I receiving this annual meeting information and proxy?

You are receiving this annual meeting information and proxy from us because you owned shares of common stock in Alaska Air Group as of the record date for the annual meeting. This proxy statement describes issues on which you may vote and provides you with other important information so that you can make informed decisions.

You may own shares of Alaska Air Group common stock in several different ways. If your stock is represented by one or more stock certificates registered in your name, you have a stockholder account with our transfer agent, EquiServe Trust Company, N.A., which makes you a stockholder of record. If you hold your shares in a brokerage, trust or similar account, you are a beneficial owner, not a stockholder of record. Employees of the Company who hold shares of stock in one or more of the Company s 401(k) retirement plans or employee stock purchase plans are also beneficial holders.

What am I voting on?

You are being asked to vote on the election of four directors and six stockholder proposals. When you sign and mail the proxy card or submit your proxy by telephone or the Internet, you appoint William S. Ayer and Keith Loveless as your representatives at the meeting. (When we refer to the named proxies, we are referring to Messrs. Ayer and Loveless.) This way, your shares will be voted even if you cannot attend the meeting.

How does the Board of Directors recommend I vote on each of the proposals?

FOR the Board s director nominees, and

AGAINST the other proposals.

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How do I vote my shares?

Record holders may vote by using the proxy card or by telephone or by the Internet. Persons who beneficially own stock held:

in a brokerage account can vote by using the voting instruction form provided by the broker or by telephone or the Internet.

by a bank and have the power to vote or to direct the voting of the shares can vote using the proxy or the voting information form provided by the bank and, if made available by the bank, telephone and/or Internet voting.

in trust under an arrangement that provides the beneficial owner with the power to vote or to direct the voting of the shares can vote in accordance with the provisions of such arrangement.

in trust in one of the Company's 401(k) retirement plans or employee stock purchase plans can vote using the voting instruction form provided by the trustee or by telephone or Internet.

Persons who beneficially own stock, other than persons who beneficially own shares held in trust in one of the Company's 401(k) retirement plans, can vote at the meeting provided that they obtain a legal proxy from the Person or entity holding the stock for him, typically a broker, bank, or trustee. A beneficial owner can obtain a legal proxy by making a request to the broker, bank, or trustee. Under a legal proxy, the bank, broker, or trustee confers all of its rights as a record holder (which may in turn have been passed on to it by the ultimate record holder) to grant proxies or to vote at the meeting.

Set forth below are the various means—Internet, phone and mail—for voting without attending the annual meeting. Subject to applicable time deadlines for Internet and phone voting applicable to most shareholders and the time deadline for all means of voting for persons holding in a 401(k) retirement plan or an employee stock purchase plan for Company employees, a person voting by any of these means may vote again using that means or another means and the later-dated vote will have the effect of revoking the earlier-dated vote. Thus a person who votes on May 1 using the Internet can change her vote on May 2 by using the Internet, phone, or mail and the effect of the voting on May 2 would be to revoke the earlier May 1 vote. A record holder can attend the annual meeting and vote, which will have the effect of revoking a previously given proxy. A beneficial holder (other than an employee holding in a 401(k) retirement plan or employee stock purchase plan) who has been given a legal proxy by the record holder can attend the meeting and vote, which will have the effect of revoking a previously given proxy or voting information form.

You may vote on the Internet.

Stockholders of record and most beneficial owners of the Company's common stock may vote via the Internet regardless of whether they receive their annual meeting materials through the mail or via the Internet. Instructions for doing so are provided along with your proxy card or voting instruction form. If you vote on the Internet, please do not mail in your proxy card. Subject to rules relating to broker non-votes and limitations in the powers of trustees of employee plans to vote, your Internet vote will authorize the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

You may vote by phone.

Stockholders of record and most beneficial owners of the Company's common stock may vote by phone. Instructions for voting by phone are provided along with your proxy card or voting instructions. If you vote by telephone, please do not mail in your proxy card. Subject to rules relating to broker non-votes and limitations in the powers of trustees of employee plans to vote, your phone vote will authorize the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

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You may vote by mail.

Simply sign and date the proxy card or voting instruction form received with this proxy statement and mail it in the enclosed prepaid and addressed envelope. If you mark your choices on the card or voting instruction form, your shares will be voted as you instruct.

If you return a signed proxy card but do not mark your choices, your shares will be voted in accordance with the recommendations of the Board of Directors shown above. If you do not mark your choices on the voting instruction form, the voting of your shares will be subject to rules relating to broker non-votes and limitations in the powers of trustees of employee plans.

The availability of telephone and Internet voting.

EquiServe's Internet and telephone voting facilities for stockholders of record and 401(k) plan participants will be available 24 hours a day, and will close at 11:59 p.m. Eastern Time on May 16, 2005. However, to allow sufficient time for voting by the trustee, voting instructions for 401(k) plan shares must be received by 11:59 p.m. Eastern Time on May 12, 2005. The availability of telephone and Internet voting for beneficial holders other than 401(k) participants is set forth on the voting instruction form.

What business may be properly brought before the meeting and what discretionary authority is granted?

Under the Company's Bylaws, a stockholder may bring business before the meeting only if the stockholder has given written notice to the Company on or before February 12, 2005. The only such business as to which the Company received notice are the six stockholder proposals described in this proxy statement and included on the Company's proxy card and three other proposals omitted from this proxy statement in accordance with SEC Rule 14a-8 and described under Opposing Solicitation on page 50. Under SEC Rule 14a-4(c)(6), the form of proxy may grant discretionary authority regarding proposals omitted under SEC Rule 14a-8 and the proxy card does grant such authority. Mr. Ayer and Mr. Loveless, pursuant to such discretionary authority, will vote against the omitted proposals if they are properly presented at the meeting. Under the Bylaws, business not set forth in the notice of meeting but otherwise properly brought before the meeting by or at the direction of the Board of Directors may be acted on. The Company has no knowledge or notice that any such business will be brought before the meeting. As to other matters that properly come before the meeting and are not on the proxy card, Mr. Ayer and Mr. Loveless will vote the shares for which they hold proxies in accordance with their best judgment.

What does it mean if I receive more than one proxy card, voting instruction form or email notification from the Company?

It means that you have more than one account for your AAG shares. Please complete and submit all proxies to ensure that all your shares are voted or vote by Internet or telephone using each of the identification numbers.

What if I change my mind after I submit my proxy?

You may revoke your proxy and change your vote irrespective of the method (i.e., telephone, Internet or mail) in which you originally voted by delivery of a later-dated proxy or, except for persons who beneficially own shares held in trust in one of the Company's 401(k) retirement plans, voting at the meeting. The later-dated proxy may be delivered by telephone, Internet or mail and need not be delivered by the same means used in delivering the to-be-revoked proxy. Except for persons beneficially holding stock in one of the Company's 401(k) retirement plans, you may do this at a later date or time by:

voting by telephone or on the Internet (which may not be available to some beneficial holder) before 11:59 p.m. Eastern Time on May 16, 2005 (your latest telephone or Internet proxy is counted),

signing and delivering a proxy card with a later date, or

voting at the meeting. (If you hold your shares beneficially through a broker, you must bring a legal proxy from the record holder in order to vote at the meeting.)

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Persons beneficially holding stock in one of the Company's 401(k) retirement plans must vote by Internet or telephone no later than 11:59 P.M. on May 12, 2005 and if they vote by mail, their voting instruction form must be received no later than such time. Such persons cannot vote in person at the meeting. Subject to such qualifications, such holders have the same rights as other record and beneficial holders to change their votes.

If you are a registered stockholder, you may obtain a new proxy card by contacting the Company's Corporate Secretary, Alaska Air Group, Inc., P.O. Box 68947, Seattle, WA 98168, telephone (206) 392-5131. If your shares are held by a broker, trustee or bank, you may obtain a new voting instruction by contacting your broker, trustee or bank. If your shares are held by one of the Company's 401(k) retirement plans or employee stock purchase plans, you may obtain a new voting instruction by contacting the trustee of such plan. You may obtain information about how to contact the trustee from the Company's Corporate Secretary. Please refer to the section below titled "How are shares voted that are held in a Company 401(k) plan?" for more information. If you sign and date the proxy card or voting instruction and submit it in accordance with the accompanying instructions and in a timely manner, any earlier proxy card or voting instructions will be revoked and your choices on the proxy card or voting instruction will be voted as you instruct.

What are broker non-votes?

As indicated above, if you are a stockholder of record who submits a proxy but does not indicate how the proxies should vote on one or more matters, the named proxies will vote as recommended by the Company. However, if your shares are held by a broker and you do not provide instructions to the broker on how to vote (whether you use the Internet or phone or return the enclosed voting instruction form), the absence of instructions may cause a "broker non-vote" on the matters for which you do not provide instructions. Accordingly, if you want to vote your shares on a matter, it is important that you provide voting instructions on that matter.

Specifically, brokers will not be allowed to vote on any of the Proposals 2-7 for which you do not provide instructions. For example, if you provide instructions for Proposals 2-6, but not for Proposal 7, the broker will not cast a vote on your behalf on Proposal 7; in other words, there will be a "broker non-vote" on Proposal 7.

Based upon a revised preliminary proxy statement referred to under Opposing Solicitation on page 50, the election of directors will not be contested for purposes of New York Stock Exchange Rule 452 and accordingly, a broker will have the discretion to vote your shares in the absence of specific instructions.

How are shares voted that are held in a Company 401(k) plan?

At the record date, 1,577,856 shares were held in the trust for Alaska Air Group 401(k) plan participants. The Company's transfer agent, EquiServe, sent a proxy statement, an annual report and a voting instruction form to each participant who held shares through the Company's 401(k) plans at the record date. The trustees, Vanguard and Fidelity, will vote only those shares for which instructions are received from participants. If a participant does not indicate a preference as to a matter, including the election of directors, then the trustee will not vote the shares on such matters.

To allow sufficient time for voting by the trustee, your voting instructions for 401(k) plan shares must be received by 11:59 p.m. Eastern Time on May 12, 2005. Because the shares must be voted by the trustee, employees who hold stock through the 401(k) plans may not vote these shares at the meeting.

May I vote in person at the meeting?

We will pass out a ballot to anyone who requests one at the meeting. If you hold your shares through a broker, you must bring a legal proxy from your broker in order to vote at the meeting. You may request a legal proxy from your stockbroker by indicating on your voting instruction form that you plan to attend and vote your shares at the meeting, or at the Internet voting site to which your voting materials direct you. Please allow sufficient time to receive a legal proxy through the mail after your broker receives your request.

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Can I receive future materials via the Internet?

If you vote on the Internet, simply follow the prompts for enrolling in the electronic proxy delivery service. This will reduce the Company's printing and postage costs, as well as the number of paper documents you will receive.

Stockholders of record may enroll in that service at any time after the annual meeting and can read additional information about this option and request electronic delivery by going to EquiServe's website, www.econsent.com/alk. Beneficial owners cannot use EquiServe's site, but should find information regarding the availability of this service in the proxy materials for this annual meeting. If you are a beneficial owner and do not find such instructions, please go to www.InvestorDelivery.com or contact your broker.

If you already receive your proxy materials via the Internet, you will continue to receive them that way until you instruct otherwise through one of the websites referenced above.

How many shares must be present to hold the meeting?

A majority of the Company's outstanding shares as of the record date must be present at the meeting and entitled to vote in order to hold the meeting and conduct business (i.e., to constitute a quorum). Shares are counted as present at the meeting if the stockholder of record attends the meeting, if the beneficial holder attends with a legal proxy from the record holder, or the record holder has granted a proxy, whether by returning a proxy card or by telephone or Internet, without regard to whether the proxy actually casts a vote, withholds or abstains from voting.

How many votes must the nominees have to be elected?

Directors are elected by a plurality, and the four nominees who receive the highest number of *for* votes will be elected. There is no cumulative voting for the Company's directors. A properly executed proxy marked *Withheld* from all nominees or withholding authority to vote for one or more nominees with respect to the election of directors will not be voted for the directors from whom authority to vote is withheld. However, the shares represented will be counted for purposes of determining whether there is a quorum. Withheld votes and broker non-votes, if applicable, will not be taken into account in determining the outcome of the election of directors.

What happens if a nominee is unable to stand for election?

The Board of Directors may reduce the number of seats on the Board or they may designate a substitute nominee. If the Board designates a substitute, shares represented by proxies will be voted *for* the substitute nominee.

How many votes must each of the stockholder proposals receive in order to pass?

A majority of the shares present in person or by proxy and entitled to vote at the meeting must be voted *for* Proposal 7 in order for it to pass. A properly executed proxy marked *Abstain* with respect to a matter will not be voted, but will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote. Broker non-votes are not deemed entitled to vote on the Proposal and thus are not taken into consideration in the vote on this Proposal. However, Proposal 7 is a recommendation to the Board of Director and would not take effect automatically, even if it received the votes of holders of a majority of the shares present and entitled to vote at the meeting.

The Board has determined, based on the opinion of its counsel, Preston Gates & Ellis LLP, that the adoption and implementation of Bylaw Proposals 2 through 6 would violate Delaware law for the reasons set forth in the Board responses to each proposal. Each proposed Bylaw contains a restriction on the Board's power to amend and repeal the proposed Bylaws. Proposal 2 involves an additional restriction, on the board of directors, which is a restriction on the power of the Board of Directors to manage the business of the corporation in connection with rights plans. Proposal 3 involves a mandate for cumulative voting, which the Company does not currently have. Bylaw Proposal 5 mandates the elimination of the Company's classified

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board. In each case, in light of the provisions of the Company's certificate of incorporation, the result sought by the proposed Bylaws can be achieved only by amendment of the certificate of incorporation, and none of the results can be achieved through the adoption or amendment of Bylaws. Under Delaware law, the first step in amending the certificate is for the Board of Directors to adopt a resolution setting forth the amendment proposed, declaring its advisability, and either calling a special meeting of the stockholders entitled to vote in respect thereof for the consideration of such amendment or directing that the amendment proposed be considered at the next annual meeting of the stockholders. Only after such actions have been taken can the shareholders vote. The proposed Bylaws attempt to achieve their desired results without the necessary step of the board action required by Delaware law. Accordingly, even if such proposals receive the vote necessary for shareholder approval (the affirmative vote of a majority of the outstanding shares plus the affirmative vote of the holders of three-fourths of the stock present in person or represented by proxy at the meeting), the Company will not treat the vote as effective to adopt, amend, modify, or repeal the Bylaw. Summaries of the opinions of counsel, whose inclusion counsel has consented to, are included in the Board responses to each of the proposals.

Because the polls close for all proposals at the same time, the Company treats the vote on all stockholder proposals as simultaneous (as opposed to sequential in the order set forth in the Proxy statement). The result is that the vote on Proposal 6 will not affect the vote on proposals 2-5.

A properly executed proxy marked "Abstain" with respect to a matter will not be voted, but will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote. The effect of broker non-votes is discussed above in "What are broker non-votes."

How are votes counted?

Voting results will be tabulated by EquiServe Trust Company, N.A. Mr. Carl T. Hagberg of Hagberg and Associates will serve as the independent inspector of elections. The Company has a confidential voting policy as a part of its governance guidelines, which are published on the Company's website.

Who pays the costs of proxy solicitation?

The Company pays for distributing and soliciting proxies and reimburses brokers, nominees, fiduciaries and other custodians their reasonable fees and expenses in forwarding proxy materials to beneficial owners. The Company has engaged Georgeson Shareholder Communications Inc. ("Georgeson") to assist in the solicitation of proxies for the meeting. Georgeson may use three employees in connection with the solicitations. It is intended that proxies will be solicited by the following means: additional mailings, personal interview, mail, telephone and electronic means. Proxies may also be solicited by the persons identified as Participants under the heading "Participants in the Solicitation," who will receive no additional compensation therefor, except for reimbursement of expenses. Although no precise estimate can be made at this time, we anticipate that the aggregate amount we will spend in connection with the solicitation of proxies will be \$15,000, of which \$8,000 has been incurred to date. This amount includes fees payable to Georgeson, but excludes salaries and expenses of our officers, directors and employees.

Is a list of stockholders entitled to vote at the meeting available?

A list of stockholders of record entitled to vote at the annual meeting will be available at the annual meeting. It will also be available Monday through Friday from May 6 through May 16, 2005, between the hours of 9 a.m. and 4 p.m., local time, at the offices of the Corporate Secretary, 19300 International Blvd., Seattle WA 98188. A stockholder of record may examine the list for any legally valid purpose related to the annual meeting.

Where can I find the voting results of the meeting?

We will publish the final results in our quarterly report on Form 10-Q for the second quarter of 2005. You can read or print a copy of that report by going to the Company's website, www.alaskaair.com, and then choosing Company Information, Investor Information, and Securities and Exchange Commission Filings.

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You can find the same Form 10-Q by going directly to the SEC EDGAR files at www.sec.gov. You can also get a copy by calling us at (206) 392-5567, or by calling the SEC at (800) SEC-0330 for the location of a public reference room.

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ELECTION OF DIRECTORS**

The Company currently has twelve directors. The directors are divided into three classes so that approximately one-third of the directors are elected each year for three-year terms. Directors are elected to hold office until their successors are elected and qualified, or until resignation or removal in the manner provided in our Bylaws. Four directors are nominees for election this year and each has consented to serve a three-year term ending in 2008. The remaining directors will continue to serve the terms set out below.

NOMINEES FOR ELECTION TO TERMS EXPIRING IN 2005

Name	Principal Occupation or Employment and Other Business Affiliations	Age	Director Since
Phyllis J. Campbell	Mrs. Campbell has been a director since 2002 and serves on the Company's Compensation and Safety Committees. She is President and CEO of The Seattle Foundation. She was President of U.S. Bank of Washington from 1993 until 2001 and has served as Chair of the Bank's Community Board. She also is on the boards of Alaska Airlines, Nordstrom, SAFECO Corporation and Puget Energy, and is a member of the Board of Trustees of Seattle University.	53	2002
Mark R. Hamilton	Mr. Hamilton has been a director since 2001 and serves on the Company's Audit and Safety Committees, as well as on the board of Horizon Air. He has served as President of the University of Alaska since 1998. That same year, he retired as a U.S. Army Major General following 31 years of active military duty, primarily in the fields of teaching, management and administration. Formerly, Mr. Hamilton was Chief of Staff of the Alaskan Command at Elmendorf Air Force Base and Commander of Division Artillery at Fort Richardson. Mr. Hamilton is a graduate of the U.S. Military Academy at West Point and is the recipient of the Army's highest peacetime award, the Distinguished Service Medal.	59	2001
Byron I. Mallott	Mr. Mallott has been a director since 1982 and is Chairman of the Company's Audit Committee. He is President of the First Alaskans Institute (a nonprofit organization dedicated to the development of Alaska Native peoples and their communities). From 1995 to 1999, he served as Executive Director (chief executive officer) of the Alaska Permanent Fund Corporation, a trust managing proceeds from the state of Alaska's oil revenues. He was a director of Sealaska Corporation, Juneau, Alaska, from 1972 to 1988, Chairman from 1976 to 1983, and Chief Executive Officer from 1982 to 1992. He owns Mallott Enterprises (personal investments) and is a director of Alaska Airlines, Sealaska Corporation and the Alaska Communications Systems Group Incorporated.	61	1982

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Name	Principal Occupation or Employment and Other Business Affiliations	Age	Director Since
Richard A. Wien	Mr. Wien has been a director since 1982. He serves on the Company's Audit Committee and is Chairman of the Safety Committee. Mr. Wien played an active role in the management of Wien Airlines until 1969, when he was elected President of Merric, Inc., an Alaska helicopter contract and charter service company. After Merric merged with Era Aviation in 1973, Mr. Wien served as Era's Executive Vice President until 1981. He has been Chairman and Chief Executive Officer of Florcraft, Inc. (retail flooring), Fairbanks and Anchorage, Alaska, since 1986. He is also a director of Alaska Airlines and Usibelli Coal Mine.	69	1982

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A
VOTE FOR ELECTION OF EACH OF THE DIRECTOR
NOMINEES.**

CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2006

Name	Principal Occupation or Employment and Other Business Affiliations	Age	Director Since
Patricia M. Bedient	Ms. Bedient was appointed to the Board of Directors in December 2004. She is Vice President of Strategic Planning for Weyerhaeuser, one of the world's largest integrated forest products companies. A certified public accountant, she served as the managing partner of Arthur Andersen LLP's Seattle office prior to joining Weyerhaeuser. Ms. Bedient also worked at the firm's Portland and Boise offices as a partner and as a CPA during her 27-year career with Andersen. Ms. Bedient is on the Oregon State University Foundation Board of Trustees, the Weyerhaeuser Foundation Board and the advisory board of the University of Washington School of Business. She has also served on the boards of a variety of civic organizations, including the World Forestry Center, the City Club of Portland, St. Mary's Academy of Portland and the Chamber of Commerce of Boise, Idaho. She is a member of the American Institute of CPAs and the Washington Society of CPAs.	51	2004
Bruce R. Kennedy	Mr. Kennedy has been a director since 1972 and serves as Chairman of the Governance and Nominating Committee. He is Chairman Emeritus of Alaska Air Group and served as its Chairman, Chief Executive Officer and President from 1985 to 1991. He was also Chairman of Alaska Airlines from 1979 to 1991, Chief Executive Officer from 1979 to 1990 and President from 1978 to 1990. He is on the board of directors of Horizon Air and serves as Chairman of Quest Aircraft Trust, an aircraft design and manufacturing company.	66	1972

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Name	Principal Occupation or Employment and Other Business Affiliations	Age	Director Since
Jessie J. Knight, Jr.	Mr. Knight has been a director since 2002 and serves on the Compensation Committee and the Governance and Nominating Committee. He is the President and Chief Executive Officer of the San Diego Regional Chamber of Commerce, an organization whose primary focus is economic development. Before assuming his current position in 1999, Mr. Knight served from 1993 through 1998 as a commissioner of the California Public Utilities Commission, which is responsible for the regulatory oversight of all energy, telecommunications, shipping, railroad and investor-owned utilities in the state. Mr. Knight is also on the board of directors of Alaska Airlines, Avista Corporation and Environmental Power Corporation and is a standing member of the Council on Foreign Relations.	54	2002
J. Kenneth Thompson	Mr. Thompson has been a director since October 1999 and serves on the Company's Governance and Nominating Committee and its Safety Committee. He served as executive vice president of ARCO's Asia Pacific oil and gas operating companies in Alaska, California, Indonesia, China and Singapore from 1998 to 2000. Prior to that, he was President of ARCO Alaska, Inc., the parent company's oil and gas producing division based in Anchorage. Mr. Thompson is President and CEO of Pacific Star Energy LLC, a natural gas pipeline company in Alaska. He is also managing partner of Alaska Venture Capital Group and Chairman of AVCG's oil and gas exploration subsidiary, Brooks Range Petroleum Corporation, which are private companies. He is on the board of directors of Coeur d'Alene Mines Corporation, Horizon Air, and a number of community service organizations.	53	1999

CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2007

Name	Principal Occupation or Employment and Other Business Affiliations	Age	Director Since
William S. Ayer	Mr. Ayer has been a director since 1999. He is Chairman, President and CEO of Alaska Air Group and Alaska Airlines and Chairman of Horizon Air. He served as Alaska Airlines' president and chief operating officer from November 1997 to January 2002. Prior to that, he served in various marketing, planning and operational capacities with Horizon Air, including Senior Vice President, Operations. Mr. Ayer serves on the boards of Alaska Airlines, Puget Energy, Angel Flight, the Alaska Airlines Foundation, the University of Washington Business School Advisory Board and the Museum of Flight.	50	1999
Dennis F. Madsen	Mr. Madsen has been a director since 2003 and serves on the Compensation and Safety Committees. He was President and CEO of Recreational Equipment, Inc. (REI), a retailer and online merchant for outdoor gear and clothing through March 2005. He served as REI's Executive Vice President and Chief Operating Officer from 1987 to 2000 and has held numerous positions throughout the Company. Mr. Madsen also serves on the boards	56	2003

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Western Washington University and the Washington Roundtable.

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Name	Principal Occupation or Employment and Other Business Affiliations	Age	Director Since
R. Marc Langland	Mr. Langland has been a director since 1991. He is a member of the Company's Governance and Nominating Committee and Chairman of the Compensation Committee. He has been President of Northrim Bank, Anchorage, Alaska, since November 1990 and Chairman since January 1998. Mr. Langland has also been Chairman, President and CEO of its parent company, Northrim BanCorp, Inc., since December 2001. He was Chairman and Chief Executive Officer of Key Bank of Alaska from 1987 to 1988 and President from 1985 to 1987. He served on the Board of Trustees of the Alaska Permanent Fund Corporation from February 1987 to January 1991 and was Chairman from June 1990 to January 1991. He is also a director of Horizon Air, Northrim BanCorp, Inc., Saltchuk Resources and Usibelli Coal Mine, and is a member of the Anchorage Chamber of Commerce.	63	1991
John V. Rindlaub	Mr. Rindlaub has been a director since 1996 and serves on the Company's Audit and Compensation Committees. He is CEO, Pacific Northwest Region, Wells Fargo Bank. Prior to joining Wells Fargo, he held a number of positions with Bank of America between 1989 and 2001, including President, Bank of America, Northwest and Chairman of Seafirst Bank. Prior to his position at Seafirst, Mr. Rindlaub was Group Executive Vice President/Asia Division for Bank America and a managing director for Bankers Trust Company New York, Investment Banking Group. He is also a director of Horizon Air, Saltchuk Resources, Inc., Washington Roundtable and the Greater Seattle Chamber of Commerce.	60	1996

CORPORATE GOVERNANCE**STRUCTURE OF THE BOARD OF DIRECTORS**

In accordance with the Delaware General Corporation Law and the Company's Certificate of Incorporation and Bylaws, our business affairs are managed under the direction of our Board of Directors. Directors meet their responsibilities by, among other things, participating in meetings of the Board and Board committees on which they sit, discussing matters with our Chairman and Chief Executive Officer and other officers, reviewing materials provided to them, and visiting our facilities.

Pursuant to the Bylaws, the Board of Directors has established four standing committees, which are the Audit Committee, the Compensation Committee, the Governance and Nominating Committee, and the Safety Committee. Only independent directors serve on these committees. The Board has adopted a written charter for each committee. The charters of the Audit, Compensation, Governance and Nominating, and Safety Committees are posted on the Company's website and can be accessed free of charge at www.alaskaair.com and are available in print to any stockholder who requests them.

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The table below shows the current membership of the standing Board committees. An asterisk identifies the chairman of each committee.

Name	Audit	Compensation	Governance and Nominating	Safety
Patricia M. Bedient				
Phyllis J. Campbell			X	X
Mark R. Hamilton	X			X
Bruce R. Kennedy			X*	
Jessie J. Knight, Jr.				