

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 ss. 240.14a-12

THE ALASKA AIR GROUP, Inc. ("the
Company-AAG") (Name of
Registrant as Specified In Its Charter)

**Stephen Nieman, Richard D. Foley, Robert
C. Osborne MD and
Terry K. Dayton** (Name of Persons Filing
Proxy Statement, if
other than the Registrant)

Payment of Filing Fee (Check the
appropriate box): No fee
required Fee computed on table below
per Exchange Act
Rules 14a-6(i)(4) and 0-11

1) Title of each class of securities to
which transaction
applies:

2) Aggregate number of securities to
which transaction
applies:

3) Per unit price or other underlying
value of transaction
computed pursuant to Exchange Act Rule
0-11 (set forth the
amount on which the filing fee is
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5) Total fee paid:

Fee paid previously with preliminary

materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing. 1) Amount Previously Paid: 2) Form, Schedule or Registration Statement No.:

3) Filing Party: 4) Date Filed:

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Richard D. Foley, Stephen Nieman, Robert
C. Osborne, MD and
Terry K. Dayton. **THIS PROXY IS BEING
SOLICITED ON BEHALF OF
THE PARTICIPANTS AND NOT ON BEHALF OF THE
COMPANY'S BOARD OF
DIRECTORS.** This proxy statement and form
of proxy are Definitive
copies.

II. ANNUAL MEETING OF STOCKHOLDERS

Scheduled to be held at the
William M. Allen Theater at The Museum of
Flight, 9404 E.
Marginal Way South, Seattle, Washington
at 2 p.m. on May 18,
2004. For more details, please reference
the Company-AAG's
April 23, 2004 Definitive Proxy statement
on page 4.

Note: Please reference in its entirety
the Company-AAG's April
23, 2004 Definitive Proxy Statement
(located at www.sec.gov).

III. BEGINNING OF THE CHALLENGERS'
REMARKS

Greetings to all Alaska Air Group, Inc.
(the Company-AAG")
shareholders! If we may, allow us to
introduce ourselves: We
are Richard Foley, Steve Nieman, Dr.
Robert Osborne and Terry
Dayton. We are the CHALLENGERS for
ELECTION to the board of
directors of the Company-AAG. We are
running against the
INCUMBENTS nominated for re-election by
the incumbent board.
All four of us have consented to be named
in the proxy
materials. All four of us have agreed to
accept nomination and
to serve if elected. For more information
on us, see VIII.

INFORMATION ABOUT CHALLENGER NOMINEES and
IX. PARTICIPANTS IN
THE SOLICITATION.

The CHALLENGERS provide these proxy materials to enable you to exercise your right to vote for their election to the board of directors at the Company-AAG's 2004 Annual Shareholders Meeting.

Shareholder rights, corporate democracy and corporate governance have become subjects of much debate. The U.S. Securities and Exchange Commission ("S.E.C.") continues to review proxy rules pursuant to its first announcement on April 14, 2003 that it will "Review Current Proxy Rules and Regulations to Improve Corporate Democracy" (see www.sec.gov).

We believe the existing systems can be confusing, complex and to some degree open to opposing legal interpretation. However, within the range of legal choices a company can make, we think there are choices that are optimal and help the shareholders to have a better understanding of complex subjects. Similarly, there are choices, we believe, that are less than optimal. In our opinion, we feel that wherever alternatives are legally equal, the path that optimizes shareholder understanding should be the one selected.

In the case of the Company-AAG, we see examples of what we think can be characterized as both types of choices. An example of an optimal choice can be found on page 46 of the Company-AAG's April 23, 2004 Definitive Proxy Statement under the heading OPPOSING SOLICITATION. This provides the shareholders important information about the CHALLENGERS. It properly names us and thereby, we think, infers that there are

additional nominees to select from for the four seats up for election.

We think that once having informed the shareholders about the OPPOSING SOLICITATION and naming the individuals on that alternate slate, it would be more optimal for the shareholders to have been empowered to exercise their right to vote for, against or withhold from any combination of four of the eight had all eight appeared on the Company-AAG's proxy card.

Therefore, the CHALLENGERS, Richard D. Foley, Steve Nieman, Robert C. Osborne, MD and Terry K. Dayton are undertaking to provide you with this Proxy Statement and proxy card to enable you to vote on the CHALLENGERS who are running. Only the CHALLENGERS will be listed on our proxy card. Unfortunately, there will be two proxy cards; neither will have all candidates listed. We apologize for this confusion.

We believe that a fresh perspective is needed on the board of directors, and that management of the Company-AAG would benefit from electing the four CHALLENGER candidates.

IV. EXPENSES

The total amount to be spent directly or indirectly will not exceed \$500 in aggregate. As of April 19, 2004, the CHALLENGERS have spent \$200. Contrary to customary practice and regardless the outcome of the vote, we have chosen NOT TO SEEK REIMBURSEMENT FOR THIS SOLICITATION from the Company-AAG.

In many contests, if the CHALLENGERS win, they seek to have their expenses reimbursed by the company, such as duplicative mailings, etc. In our view such a practice causes the

shareholders to pay twice for essentially the same thing. We plan limited printing and mailing by the U.S. Post Office or any other carrier. Electronic mail ("email") will be used to communicate with and contact some of the shareholders of the Company-AAG, such as institutional holders.

We will consider accepting donations (if offered) to help cover costs of our proxy contest. All such donations will be properly reported. Because we don't anticipate receiving donations amounting to any significant sum, we do not plan that any donors would join us in this solicitation. However, if anyone contributes in excess of \$500, they will be deemed participants in our solicitation. We plan to file Definitive additional materials to disclose any information regarding additional participants (if any).

Last year, the management of the Company-AAG offered, as was within its right to do, to mail our proxy statement and proxy card to all the shareholders. As this would have been a second mailing and a repeated cost of approximately forty to fifty thousand dollars that the CHALLENGERS would have had to pay, we chose to decline.

We believe that a more democratic system is a better system. We think that a proxy card, like any ballot in a democratic system, should contain the names of all qualified candidates. Further, like a regular election, the candidates should shoulder the costs of campaigning. This should apply for both incumbents and challengers.

V. HOW WE PLAN TO SOLICIT

The dedicated Internet web site www.votepal.com will be used

for the purposes of conducting our solicitation. It will contain a downloadable/printable version of our Proxy Statement, Proxy Card and a Voting Instruction Form for 401(k) plan participants. The Proxy Card and Voting Instruction Form will not be available until we file a Definitive 14A with the S.E.C. The web site will provide email addresses, a telephone and fax number for shareholders to contact us. It will also reference the Company-AAG's proxy materials. For those who are unable to access the Internet at home or work, many public libraries offer free access to computers and the World Wide Web. We will upon certified request mail our proxy materials to shareholders who have exhausted all feasible means of accessing the Internet. Requests can be mailed to Steve Nieman, PO Box 602, Brush Prairie, WA 98606.

Presently over 90% of the Company-AAG's shares are held by institutional investors, therefore we expect to have little difficulty in contacting that percentage of the outstanding shares.

We may use a "telephone tree technique" to ask shareholders if they would be willing to contact two or three other shareholders to convince them to view our web site. It is our intention to lawfully maximize the use of Internet communication tools. We will make ourselves available to all media interested in our efforts and will strive to follow all legal requirements, regulations and guidelines.

For any proxy we receive, we will either email or postal mail a link to our proxy statement on www.votePAL.com (and keep a record) to prove the shareholder has been

furnished with our proxy statement. On our proxy card on www.votepal.com, we will have a block for senders to list return-contact information, either email or postal address, to ensure that we will have the correct address to send a link of our Proxy Statement to. If the shareholder votes our proxy card electronically, this contact information will be required to be filled in before the electronic proxy can be sent, i.e. a "required field" in the database of the ballot card.

VI. WE FAVOR OPEN AND FULL DISCLOSURE

One additional step we have taken this year is to make a Freedom of Information Act request ("FOIA") to the S.E.C. in an attempt to obtain relevant documents in regards to private filings management of the Company-AAG has made with the Commission since the challengers first ran for board seats last year.

We believe that the shareholders have the right to see all communications by the Company-AAG that is not competitively-sensitive in nature, such as management requests for no-action letters, expensive resources such as LexisNexis notwithstanding. We feel that FOIA requests are one way that all shareholders can have more complete access to more information.

We believe that the more the system is transparent, the better return there will be on investment.

VII. VOTING

VII.a. What Am I Voting On?

You are being asked to vote for the election of four director candidates from the offering of eight nominees, a Board

proposal to approve the AAG Inc's 2004 long-term incentive equity plan, and ten stockholder proposals (proposals numbered 11 and 12 only appear in our Proxy Statement and not the Company-AAG's.)

VII.b. How Do I Cast My Vote Using The CHALLENGERS' Proxy Card?

How common stock is possessed determines how it is voted. Employees of the Company-AAG can possess stock in three ways: as 401(k) plan participants; as beneficial owners; or as registered shareowners. In our proxy statement, this group of employee stockholders will be referred to as ("employee stockholders"). Since much of our proxy statement will discuss how employee stockholders instruct the 401(k) Trustee(s) to vote voting instructions, this group will be referred to as ("401(k) employee stockholders"). Non-employees can possess stock only as beneficial or registered stockholders. This group will be referred to as ("outside stockholders.")

From the Company-AAG's April 23, 2004 Definitive Proxy Statement, page 6) ...At the record date, 1,694,216 shares were held in the trust for 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 trustee will vote the shares in accordance with instructions received from participants. Putnam (Fiduciary Trust Company) will vote shares for which no instructions were received in the same proportion, for and against, as the shares for which instructions were received. Fidelity

(Institutional Retirement Services Company) will only vote shares for which instructions are indicated.

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 13, 2004.

For both employee and outside stockholders, there is a Voter Control Number that can be obtained from either postal-mailed or emailed proxy materials from the Company-AAG or your banker or broker. This Voter Control Number is provided by either EquiServe, the transfer agent hired by the management of the Company-AAG, or by ADP Automatic Data Processing, Inc. ("ADP"). ADP is an intermediary information processing and mailing agent used by stock exchanges for shareholders who own shares through bankers or brokers.

Last year, we received guidance from the staff of the S.E.C. that the Commission would not object to shareholders writing their Voter Control Number received from management of the Company-AAG, a banker, or a broker, on our proxy cards.

The CHALLENGERS encourage you to consider downloading and printing out your proxy card to send to the Company-AAG, EquiServe, ADP, your banker or broker, for your records--in an attempt to be certain that your ballot or voting instruction are properly counted. A reminder--shareholders are entitled to only one vote per share, and the later-dated proxy card, either by the CHALLENGER'S or the Company-AAG's, will count.

In order for outside stockholders to accurately identify themselves and enhance the potential that their proxy will be

counted, they may voluntarily write in their control number(s) on our proxy card and send it to us either electronically, by fax or postal mail according to instructions published on www.votepal.com.

Please remember if you are downloading and transmitting one of our proxy cards--**FILL IN THE NECESSARY INFORMATION TO ACCURATELY IDENTIFY YOURSELF AND THE NUMBER OF SHARES YOU OWN TO VOTE INCLUDING THE VOTER CONTROL NUMBER AND SIGN IT.**

We can't stress enough the importance of the Voter Control Number. Without it being properly included, your proxy will not be a valid form of proxy and will not be counted.

Primarily, we will be offering and collecting our proxy cards electronically. On www.votepal.com, we will provide a proxy card in pdf and text format that interested shareholders can view and transmit via a secure web page, or download, fill in, sign and mail to Steve Nieman, PO Box 602, Brush Prairie, WA 98606 or fax to (360) 666-6483.

For 401(k) employee stockholders, you will have to vote via EquiServe to complete the requirement that the Putnam Fiduciary Trust Company ("Putnam") and the Fidelity Institutional Retirement Services Company ("Fidelity") trustees be notified of your voting instructions. This must be completed before the May 13, 2004 11:59 Eastern Time deadline suggested by the Company-AAG. (See the Company-AAG's April 23, 2004 Definitive Proxy Statement on pages 5, 6 and 7 under the heading "You may vote in person at the meeting" and "How are shares voted that are held in a company 401(k) plan").

However, since our candidates will not be printed on the Company-AAG's proxy card, 401(k) employee stockholders will need to VOTE A VOTING INSTRUCTION FORM THAT WILL BE AVAILABLE ON WWW.VOTEPAL.COM. WE ARE IN THE PROCESS OF ENDEAVORING TO OBTAIN THE APPLICABLE INFORMATION AND PROCEDURE FROM PUTNAM AND FIDELITY, WHICH ARE THE DESIGNATED, DIRECTED-TRUSTEES. When further information becomes available, we will file additional Definitive material to our Proxy Statement with the S.E.C. to advise stockholders. We will also publish this information on www.votepal.com.

VII.c. How Do I Cast My Vote Using The Company-AAG's Proxy Card?

For 401(k) employee stockholders, you will have to vote via EquiServe to complete the requirement that the Putnam and Fidelity trustees be notified of your voting instructions. This must be completed before the May 13, 2004 11:59 Eastern Time deadline suggested by the Company-AAG. (See the Company-AAG's April 23, 2004 Definitive Proxy Statement on pages 5, 6 and 7 under the heading "You may vote in person at the meeting" and "How are shares voted that are held in a company 401(k) plan").

However, since our candidates will not be printed on the Company-AAG's proxy card, 401(k) employee stockholders will need to VOTE A VOTING INSTRUCTION FORM. WE ARE IN THE PROCESS OF ENDEAVORING TO OBTAIN THE APPLICABLE INFORMATION AND PROCEDURE FROM PUTNAM AND FIDELITY, WHICH ARE THE DESIGNATED, DIRECTED-TRUSTEES. When further information becomes available, we will file additional Definitive material to our Proxy Statement with the S.E.C. to advise

stockholders. We will also publish this information on www.votepal.com.

Last year, Putnam agreed to permit the voting of voting instructions by plan participants for the CHALLENGER candidates.

Since the four CHALLENGER candidates will not be listed on the Company AAG's proxy card, there will be no way for shareholders to vote for us using it. You can use the Company-AAG's proxy card to vote your preferences for the shareholder proposals, except for proposals numbered 11 and 12, which appear only on the CHALLENGER'S proxy card, but not for the CHALLENGER candidates.

If you wish to vote regarding proposals 11 and 12, you will have to seek out our proxy card at www.votepal.com. Remember: the management of the Company-AAG is under no obligation to require that all candidates and all shareholder proposals are listed on the Company-AAG's proxy card.

To enhance the potential that your proxy for the CHALLENGERS will be properly counted, we ask that you accurately identify yourselves by voluntarily writing in your Voter Control Number(s) on our proxy card, and send it to us either electronically, by fax or postal mail according to instructions published on www.votepal.com. **We can't stress enough the importance of the Voter Control Number. Without it being properly included, your proxy will not be a valid form of proxy and will not be counted.**

GENERALLY ACCEPTED PRACTICE IS THAT THE MOST RECENTLY-DATED LEGAL PROXY WILL BE THE ONE COUNTED.

VII.d. You May Vote In Person At The Meeting

We plan to have extra copies of our Proxy Statement and proxy card available for those shareholders at the shareholders meeting who have been unable to download copies of them. For employee and outside stockholders, if you hold your shares through a bank or broker, you must CONTACT THEM TO RECEIVE FROM THEM A LEGAL PROXY, and bring the legal proxy with you in order to vote at the meeting. You may call and request a legal proxy from your stockbroker, or download and print one at the Internet voting site to which your proxy materials direct you. However, these forms of proxy will not have the CHALLENGERS' names printed on them.

To enhance the probability that your vote will be counted for the CHALLENGERS, you will need to voluntarily write in the Voter Control Number on our proxy card that we will supply you at the meeting, check the names of your selections for election, and/or mark your choices regarding the proposals, and deliver that completed proxy to the inspector of elections or his appointee(s) at the meeting.

401(k) employee stockholders cannot vote their voting instructions at the shareholders meeting. 401(k) employee stockholders, as beneficial holders of such shares, must give directions to the trustee(s), the record holders of such shares, on how to vote their shares in advance of the meeting by properly returning their Voting Instruction Form. That deadline is May 13, 2004 at 11:59 pm Eastern Daylight Time.

Some of the causes for this state of affairs regarding stockholders being able to vote for the CHALLENGERS (or not) is due to the choice we made not to do a regular mailing. HOWEVER, WE BELIEVE THAT ALL STOCKHOLDERS

SHOULD BE ENTITLED
TO THE LEAST COSTLY AND SIMPLEST METHOD
OF OBTAINING A LEGAL
FORM OF PROXY TO VOTE FOR THE CANDIDATES
OF THEIR CHOICE. THE
INTERNET IS ONE OF THOSE RESOURCES, WHICH
WE ARE UTILIZING.

The law of Delaware, under which the
Company-AAG is
incorporated, specifically permits
electronically transmitted
proxies, provided that each such proxy
contains or is
submitted with information from which the
inspectors of
election can determine that it was
authorized by the
stockholder. (General Corporation Law of
the State of
Delaware, Section 212(c).)

In general there is some disagreement on
whether
electronically transmitted proxies are
valid and lawful where
a state of a "contested election" has
been declared. The
CHALLENGERS position on this is that we
have no objection to
electronic proxy voting. In the past, we
have discussed this
with management of the Company-AAG, and
indicated our
willingness to participate in developing
a viable method to
maximize the convenience for all
stockholders to vote, and
maximize the ease and accuracy of the
tabulation of the proxy
votes. Our position is that the
determination of a contested
election exists when the Company-AAG and
the CHALLENGERS have
filed accordingly with the S.E.C.

We understand that in the past the New
York Stock Exchange
("NYSE") did not agree with positions
like ours. It maintains
that challengers have to do a mailing to
all shareholders who
hold their shares in street name through
banks, brokers or other intermediaries.
In our proxy contest last year, the NYSE
said we
would have to do a mailing, which is

substantiated by an April 30, 2003 fax that we sent to the NYSE and the Commission contesting this decision. We can only view such a position that the NYSE took as being wrong on two counts. We feel: (1) this decision should be made by the participants and the S.E.C.--not by intermediaries; and (2) to be forced to pay for an essentially duplicative mailing wastes time and resources.

We have contacted the NYSE this year regarding the position it will take in reference to our 2004 proxy contest. On April 28, 2004, we received a telephone call from Mr. Stephen Walsh of the NYSE. He said the NYSE had not changed its position in the last year, and would not classify our solicitation this year as a "contest."

VII.e. What If I Change My Mind After I Submit My Proxy?

If the CHALLENGER'S proxy card is signed with a voting direction indicated, the proxy will be voted according to the direction given. If no direction is given with respect to a proposal, the proxy will be voted as follows with respect to any such proposal (listed in the order of presentation and using the same numbering as the Company-AAG's proxy material on page 40 for ease of comparison): AGAINST Proposal 2 and FOR Proposals 3 through 12 and FOR CHALLENGER director candidates Richard D. Foley, Stephen Nieman, Robert C. Osborne MD and Terry K. Dayton.

Before the polls close at the meeting, you may revoke your proxy and change your vote by submitting a later-dated proxy. Before the day of the meeting, you may do this by contacting the CHALLENGERS via fax at (360)

666-6483, toll free phone
call at 1-866-2-vote-us (1-866-286-8387)
or email to
help@votepal.com.

Referencing the Company-AAG's proxy
statement on page 7 under
the heading "What if I change my mind
after I submit my
proxy?"--

You may revoke your proxy and change your
vote at any time
before the polls close at the meeting.
You may do this by:
voting again by telephone or on the
Internet (your latest
telephone or Internet proxy is counted);
signing another proxy
card with a later date; or voting again
at the meeting. (If
you hold your shares through a broker,
you must bring a legal
proxy in order to vote at the meeting.)

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 206-392-5567. If your shares
are held by a broker or
a bank, you may obtain a new voting
instruction by contacting
your broker 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.
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, your first proxy card
or voting
instructions will be revoked and your
choices on the proxy
card or voting instruction will be voted
as you instruct.

VIII. INFORMATION ABOUT CHALLENGER

NOMINEES

Mr. Richard De Wayne Foley, 57; retired 32-year railroad conductor and President of The Foley Group. Mr. Steve Nieman, 51; pilot for Horizon Air since 1978. Robert C. Osborne, M.D., 59; physician in private practice. Mr. Terry K. Dayton, 49, communications agent for Horizon Air since 1985. For more information, see IX. PARTICIPANTS IN THE SOLICITATION below.

Mr. Nieman and Mr. Foley became acquainted with each other through membership in CESJ, the Center for Economic and Social Justice, a non-profit organization advocating stakeholder ownership among other advocacies. In 2000, Mr. Nieman formed the non-profit Washington State corporation HACECA, Inc., which stands for the Horizon/Alaska Customer/Employee Co-Ownership Association . After Mr. Foley and Mr. Nieman became acquainted, Mr. Nieman asked Mr. Foley to join HACECA's board, which he agreed to. HACECA is a party in this solicitation.

Mr. Nieman traveled to Tucson, Arizona in March 2002. Mr. Foley introduced Mr. Nieman to Robert C. Osborne, MD during this visit. Sharing similar interests in worker ownership, these three men agreed to work to build a resource of information and assistance to promote responsible exercise of worker ownership shareholder rights. Under that premise, they formed OUR (Ownership Union), which was certified by the U.S. Dept. of Labor in June 2002. OUR is neither a party to, nor an associate in or participant in the solicitation.

In the fall of 2002 at the request of Mr. Nieman, Dr. Osborne and Mr. Foley agreed to accept nomination for election to the

board of directors of the Company-AAG in 2003. They also agreed to accept nomination for election in 2004. Mr. Dayton agreed to join the slate in April, 2004 to round out the four-man slate to match the number of director seats available.

IX. PARTICIPANTS IN THE SOLICITATION

Richard D. Foley, Steve Nieman, Robert C. Osborne MD and Terry K. Dayton are participants in the solicitation. Neither Mr. Foley nor Dr. Osborne owns any of the Company-AAG's stock.

As of March 31, 2004, Mr. Nieman owns a total of 940 shares of the Company-AAG's stock. The following list below sets forth all purchases (Mr. Nieman has not sold any stock) of the Company-AAG's common stock since January 1, 2001:

1/1/01 thru 3/31/01--7 shares bought through the 401(k) 4/1/01 thru 6/30/01--5 shares [401(k)] 7/1/01 thru 9/30/01--9 shares [401(k)] 10/1/01 thru 12/31/01--11 shares [401(k)] 1/1/02 thru 3/31/02--12 shares [401(k)] 4/1/02 thru 6/30/02--11 shares [401(k)] 7/1/02 thru 9/30/02--16 shares [401(k)] 10/1/02 thru 12/31/02--30 shares--19 [401(k)] and 11 through the Company-AAG's Employee Stock Purchase Plan ("ESPP") 1/1/03 thru 3/31/03--32 shares--18 [401(k)] and 14 through the ESPP; 4/01/03 thru 3/31/04--95 shares [401(k)] and 58 shares through the ESPP.

As of March 31, 2004, Mr. Dayton owns a total of 869 shares of the Company-AAG's stock. The following list below sets forth all purchases (Mr. Dayton has not sold any stock) of the Company-AAG's common stock since April 1, 2003:

4/1/03 thru 4/1/04--60 shares bought

through the 401(k).

Neither Steve Nieman, Terry Dayton, Richard Foley nor Dr. Osborne has any family relationship with any of the officers or directors of the Company-AAG, nor are they parties to, or in any way involved in any securities litigation involving the Company-AAG or any other registrant. None of them are promoters or control persons. None of them have been involved in any bankruptcy petitions or proceedings. None of them have been involved in any type of transaction or any other type of business relationship with the Company-AAG, other than Mr. Nieman's employment as a pilot, and Mr. Dayton's employment as a communication's agent with Horizon Air. None of them have been involved in any solicitation of any registrant within the last five years, other than the 2003 solicitation at the AAG. None of them have received any payment or income, other than Mr. Nieman's within the normal course of his regular employment.

RICHARD DE WAYNE FOLEY
6040 N. Camino Arturo Tucson, AZ 85718
President & CEO. The
Foley Group ("TFG") November 1989 to
present.

Principal business: Consulting;
Shareholder services &
computer mapping. TFG was incorporated in
November 1989.
Please note that TFG has no corporate
involvement with any
shareholder actions at the Company-AAG;
nor are any of its
officers, workers or associates in the
Company-AAG. Mr. Foley
and TFG own no shares of the Company-AAG
either beneficially
or in any other manner; nor do they have
any business
relationships, past, existing or
contemplated with the AAG;
nor any purchase or ownership, the voting

of any proxies, or
the withholding of any proxies of the
Company-AAG's stock.

Founder of OUR (Ownership Union), and
serves as Chairman. OUR
is a registered federal labor union
started in 2002. Address:
Box 602, Brush Prairie, WA 98606.

Mr. Foley has not been convicted in a
criminal proceeding.

Note: Mr. Foley has agreed to endeavor to
assist several
worker shareholders of the Company-AAG,
including Steve Nieman
and Terry Dayton, in the exercise of
their shareholder rights
to make proposals, and to serve as a
communication coordinator
for these shareholders. In every instance
of this assistance,
the individual shareholder retained full
control of the action
of the exercise of their shareholder
rights. In no case or
instance has there been any contract or
agreement wherein Mr.
Foley would be paid or receive any
compensation of any kind by
or from any of these shareholders or any
other parties. The
limited proxy by these shareholders did
not include any voting
rights, and it was limited to assisting
in the preparing and
presentation of shareholder proposals to
the Company-AAG, and
follow up with any necessary revisions.
With the exception of
Mr. Nieman and Mr. Dayton, none of the
other shareholders
assisted by Mr. Foley are associated in
any way with this
contest or any solicitation of proxies
for votes at the
Company-AAG's 2004 annual meeting and
election of directors.

STEVE NIEMAN
Pilot for Horizon Air since December 1978
Address: Horizon Air
8070 N.E. Air Trans Way Portland, OR
97218. Mr. Nieman is 51
years old.

Home Address: 15204 NE 181st Loop, Brush
Prairie, WA 98606.
Phone: (360) 687-3187.

President of the Horizon/Alaska
Customer/Employee Co-Ownership
Association, a non-profit incorporated
Aug. 2000 in Washington
state--Address: Box 602, Brush Prairie,
WA 98606. Founder of
OUR (Ownership Union), which is a
registered U.S. federal
labor union started in 2002--Address: Box
602, Brush Prairie,
WA 98606.

Mr. Nieman has not been convicted in a
criminal proceeding.

Mr. Nieman is acquainted with many worker
shareholders of the
registrant. Mr. Nieman is associated with
Dr. Osborne and
Richard D. Foley in only non-profit
organizations.

Steve Nieman is not a "significant
employee" of the Company-
AAG as described in the S.E.C.
regulations S-K.

ROBERT C. OSBORNE MD
Principle business: Osborne Anesthesia
Services Address: 800
N. Swan Rd. Suite 114 Tucson, AZ 85711;
Phone (520) 319-2093.

Dr. Osborne is 58 years old. He is a
physician in private
practice.

Founder of OUR (Ownership Union), and
Secretary/Treasurer. OUR
is a registered federal labor union
started in 2002. Address:
Box 602, Brush Prairie, WA 98606.

Mr. Osborne has not been convicted in a
criminal proceeding.

TERRY K. DAYTON
Communications agent for Horizon Air
since 1985. Address:
Horizon Air 8070 N.E. Air Trans Way
Portland, OR 97218

Home Address: 10510 E. 6th Avenue,

Spokane Valley, WA 99206;
phone (509-922-2531).

Terry Dayton is 49 years old.

Member of the OUR (Ownership Union),
which is a registered
U.S. federal labor union.

Mr. Dayton has not been convicted in a
criminal proceeding.

Mr. Dayton is acquainted with many worker
shareholders of the
registrant.

Terry Dayton is not a "significant
employee" of the Company-
AAG as described in the S.E.C.
regulations S-K.

THE HORIZON/ALASKA CUSTOMER/EMPLOYEE
CO-OWNERSHIP ASSOCIATION,
INC. ("HACECA")

HACECA was founded by Steve Nieman. It is
a non-profit
organization formed to promote better
understanding and
cooperation between employees, customers
and shareholders. As
a method of addressing the varied and
sometimes conflicting
interests of these groups, HACECA chose
to define
relationships between the three on a
conceptual basis
revolving around expanding ownership. In
various writings at
various times appearing on a number of
pages on the HACECA web
site www.eahop.org, arguments are
presented advocating a
restructuring of ownership designs of the
Company-AAG through
shifting ownership of the stock to the
stakeholder tripartite
instead of most of the stock being owned
by large
institutional entities. A more common
term to which HACECA may
be understood would be an ESOP or
employee stock ownership
plan, and CSOP, customer stock ownership
plan. HACECA
advocates a mutually-beneficial
participation of the

stakeholder tripartite in a more formulated and power-balanced structure of ownership. Thus, HACECA should be understood as an expression of a business philosophy, rather than as applying to a specific sale or offer to purchase the Company-AAG.

HACECA does not propose any specific sale of the Company-AAG. HACECA owns no stock in the company. It has not contributed money or assistance to this solicitation.

HACECA has no family relationship with any of the officers or directors of the Company-AAG, nor is it a party to or in any way involved in any securities litigation involving the Company-AAG or any other registrant. It is not a promoter or control person. It has not been involved in any bankruptcy petitions or proceedings. It has not been involved in any type of transaction or any other type of business relationship with the Company-AAG. It has not been involved in any solicitation of any registrant within the last five years. It has not received any payment or income from the Company-AAG except for \$1,000 that Horizon Air donated to it in Nov. 2000. It is not an employee of the Company-AAG, nor has had any contractual relationship with the Company-AAG. It has never been a party to any legal action civil or criminal.

X. PROPOSALS

For additional information on the following proposals, we direct you to the Company-AAG's April 23, 2004 Definitive Proxy Statement pages 39-60.

X.a. Proposal No. 1 Election Of Directors

The challenger candidates have consented to be named in this proxy, and to serve if elected. The

challenger nominees are:

Mr. Richard De Wayne Foley; Mr. Stephen Nieman; Robert C. Osborne, MD; Terry K. Dayton.

The AAG's Board of Director nominees are:

Mr. William S. Ayer; Mr. Dennis F. Madsen; Mr. R. Marc Langland; and Mr. John V. Rindlaub.

In the election of directors, the four nominees who receive the highest number of FOR votes will be elected (see the Company-AAG's April 23, 2004 Def. Proxy Statement pg. 8.)

You may vote FOR or you may WITHHOLD authority to vote for each nominee for director.

X.b. Further Matters

Because they are privy to information regarding this solicitation that other shareholders are not, there might be some who feel it would be improper for Mr. Foley and Dr. Osborne to buy stock. Therefore, they will wait until after the shareholders meeting to purchase shares.

We reference this because we believe it expresses the essence of the goal for why the proposals were made and the reason for our efforts to bring these proxy materials to the shareholders. We believe that the workers have not only their money invested in the Company-AAG, but also their lives. We believe that the relationship between workers and the management of the Company-AAG must be enhanced by providing new transparency and flexibility through teaming with customers and outside stockholders. Ownership-sharing of productive capital assets represented by ownership of securities instruments such as common stock, could address ever-climbing fixed

costs covering employee compensation and benefits. These lower fixed costs could be supplemented by variable payouts from capital ownership, such as a payout of profit sharing, employee performance bonuses, stock options, dividends on stock, as well as share price appreciation.

If part or all of the CHALLENGER slate is elected, we will occupy a minority of the board, and will have to convince the majority as to the viability of our plans. There is no assurance that we will be able to successfully carry out what we advocate and foresee for the future.

IF THE CHALLENGERS ARE NOT ELECTED, they plan to continue to exercise their First Amendment rights of free speech regarding beliefs they hold. The CHALLENGERS support growing alliances between stockholders, workers and customers.

XI. SHAREHOLDER PROPOSALS

We believe we have complied with the Company-AAG's Bylaws, Article II Meeting of Stockholders, Section 9 Proper Business for Stockholders' Meetings by filing all of these proposals with the Corporate Secretary by the Dec. 16, 2003 deadline.

THE FULL DETAILS OF THE FOLLOWING SHAREHOLDER PROPOSALS CAN BE FOUND IN THE COMPANY-AAG'S APRIL 23, 2004 DEFINITIVE PROXY STATEMENT BEGINNING ON PAGE 39 AND RUNNING THROUGH PAGE 56.

In the election of directors, the four nominees who receive the highest number of FOR votes will be elected (see the Company-AAG's April 23, 2004 Definitive Proxy Statement pg. 8.)

PROPOSAL NO. 2 BOARD PROPOSAL TO APPROVE THE AAG, INC. 2004

LONG-TERM INCENTIVE EQUITY
PLAN--RECOMMEND A VOTE AGAINST PROPOSAL
2.

PROPOSAL NO. 3 STOCKHOLDER PROPOSAL ON
SIMPLE-MAJORITY VOTE--
RECOMMEND A VOTE FOR PROPOSAL 3.

PROPOSAL NO. 4 STOCKHOLDER PROPOSAL ON
STOCKHOLDER RIGHTS
PLANS--RECOMMEND A VOTE FOR PROPOSAL 4.

PROPOSAL NO. 5 STOCKHOLDER PROPOSAL ON
SHARES NOT VOTED NOT
COUNTED--RECOMMEND A VOTE FOR PROPOSAL 5.

PROPOSAL NO. 6 STOCKHOLDER PROPOSAL ON
LEAD INDEPENDENT
DIRECTOR--RECOMMEND A VOTE FOR PROPOSAL
6.

PROPOSAL NO. 7 STOCKHOLDER PROPOSAL ON AN
INDEPENDENT BOARD
CHAIRMAN--RECOMMEND A VOTE FOR PROPOSAL
7.

PROPOSAL NO. 8 STOCKHOLDER PROPOSAL ON
CONFIDENTIAL
SHAREHOLDER VOTING--RECOMMEND A VOTE FOR
PROPOSAL 8.

PROPOSAL NO. 9 STOCKHOLDER PROPOSAL ON
REPORTING EMPLOYEE
STOCK OWNERSHIP--RECOMMEND A VOTE FOR
PROPOSAL 9.

PROPOSAL NO. 10 STOCKHOLDER PROPOSAL ON
CUMULATIVE VOTING--
RECOMMEND A VOTE FOR PROPOSAL NO. 10.

XII. TWO SHAREHOLDER PROPOSALS THAT DID
NOT APPEAR IN THE
COMPANY-AAG'S PROXY STATEMENT BUT
NEVERTHELESS WERE PROPOSED:

The Company-AAG submitted no-action
letter requests to the
S.E.C. on both (which we provide links
below to archives of
their entire 2003/2004 history). To the
best of our
understanding, the S.E.C. responded that
it would not
recommend enforcement action if the
company excluded these two
proposals from its proxy statement. In
our opinion, this does

not preclude us from presenting these proposals to you in our Proxy Statement for your consideration and vote. These are precatory (nonbinding) proposals; nevertheless this allows you an opportunity to express your opinions on these issues to allow ample latitude for them to be functionally implemented.

XII.a. NEW ELECTION STANDARD: LIMITING ELECTIONEERING EXPENSES REGARDLESS WHO RUNS FOR THE BOARD (click on nemo04aagproposal.htm on www.votepal.com).

No. 11--New Election Standard: Limiting Electioneering Expenses Regardless Who Runs For The Board

Resolved: Shareholders propose that our board of directors amend the Bylaws to establish a New Election Standard, which will protect the shareholders' treasury and limit expenses of director elections regardless who runs for board seats.

Horizon Air Captain Steve Nieman submits this proposal. He can be contacted toll free at 1-866-286-8387 (1866-2voteus) or through www.votepal.com.

The present standard to nominate candidate(s) to the board is simply that stockholders be "registered shareholders." The New Election Standard would establish a new category which adds the following stipulation: Shareholders who are not trying to take control of the board of directors, and own \$2,000 of stock for one year through the election will be entitled to nominate. Their nominees' names and other information will be printed in the Company's Proxy Statement and on ballot cards in the same size and space afforded management nominees, and will be sent to

shareholders of the
Company.

Further, the Company should not pay for,
nor reimburse the
expense of, any additional proxy
solicitation, re-solicitation
or electioneering by, or on behalf of,
incumbents' or
challengers' nominees, regardless the
outcome of the election.

Furthermore, no nominee should be
eligible for election on
whose behalf there has been spent an
amount of money which
exceeds a match of the per-candidate
expense of the average
spent on the campaigns of the incumbent
directors. This New
Election Standard would establish a
universal director
election, covered equally in a section in
the annual Proxy
Statement, including the use of a
universal proxy card. This
could ensure that elections at our
Company take place on a
level playing field where no candidate
receives preferential
treatment at the expense of the
shareholders. This proposal
attempts to establish spending limits for
the annual election
of directors. The board could decide what
specific mechanisms
could accomplish this goal.

Supporting Statement

Such a New Election Standard is meant to
emulate the existing
SEC standard for shareholder proposals.
This New Election
Standard should be designed to curtail
the "blank check"
electioneering of the shareholder
treasury when incumbent
management nominees' are challenged.

It could voluntarily create a "universal
candidate" section in
the Company's Proxy Statement, and a
"universal ballot" for a
proxy card which would contain all
nominees for shareholders
to choose from.

The shareholders already pay all the electioneering costs of incumbent nominees. The shareholders' treasury pays for management nominee's printing, handling and mailing of all campaign materials in the Company's proxy statement and proxy card, which satisfies legal requirements.

However in contested elections, it permits unlimited additional electioneering costs by management nominees, such as duplicative solicitation, mailing, telephoning and traveling expenses (to meet with selected shareholders), which again comes from the shareholders' treasury. Such expenses can add tens of thousands of dollars to election costs. At some companies, campaigns have cost shareholders millions of dollars, such as what happened at recent contested elections at El Paso, Corp. and Computer Associates, Intl.

Currently, there is no limit as to how much of the shareholders treasury can be spent to elect incumbent management nominees, or defeat deep-pocketed challengers whose interests might only be raiding the corporation's assets.

When challengers win, common practice has been that they, too, seek reimbursement of expenses from stockholders, thereby forcing the shareholders to pay for both campaigns. Regardless how the SEC reforms proxy rules, there must be safeguards to protect shareholder investment from the potential disruption of contested elections.

Limit Electioneering Expenses Regardless Who Runs For The Board: Request the current board act to create a New Election Standard at our Company--Vote Yes On No.

Company proxy materials
as a candidate(s) for permanent election
to the board.

Following the confirmation, the board
would vote to remove an
equal number of directors, none of which
may be a newly-
confirmed director(s).

Horizon Air Spokane, WA Communications
Agent Terry K. Dayton
submits this proposal. He can be
contacted toll free 1-866-
286-8387 (1866-2voteus) or via
www.votepal.com.

Supporting Statement

Shareholders should have the right to
know, which allows them
to attempt to replace, directors who are
not receptive to
majority votes. Currently, our Company
has no procedure to
disclose lack of action regarding
majority votes. These
procedures could ensure that there is a
consequence for the
management of the Company failing to
clearly, and in a timely
manner, communicate with the shareholders
about the results of
the voting, especially majority votes,
and how the desires of
the shareholders expressed in such votes
may be acted upon in
a constructive manner.

Over the last four years, the management
of our Company has
opposed all shareholder proposals, eight
of which have won
majority votes.

In our opinion, good communication and a
willingness to work
with various corporate stakeholders has a
positive impact on
shareholder investment, market value of
the stock price and
overall Company harmony. Continued
resolve to ignore majority
votes promotes volatility, depresses
stock price and invites
corporate raiders to commence destructive
takeovers merely to

pick up assets at a discount of the true value of a Company.

Corporate boards have fiduciary duties to stockholders. Yet, without reasonable enforcement mechanisms as suggested in this proposal, the Company's Bylaws and Articles of Incorporation won't reflect these responsibilities.

We believe we cannot afford to wait any longer for time-consuming deliberations by the S.E.C. to reform proxy rules. We have the right to act in our own best interests now!

When Majority Votes are Ignored: Pay The Consequences--Vote Yes On No. 12

XIII. CONCLUDING REMARKS OF THE CHALLENGERS

All the Company-AAG Shareholders--You want to know our opinion of the real story behind the management team running Alaska Airlines and Horizon Air? We urge and encourage you all to closely examine the full record.

Wise men say a picture is worth a thousand words. We can't post artwork via the S.E.C.'s EDGAR electronic filing system, but we can let the words paint a picture of the dedication of this management team, in our opinion, to exclude and disregard any and all input by shareholders, most disheartening, its employee shareholders.

To properly protect your investment in the Company-AAG, we believe you should take the time to research the record we have compiled in the materials published at www.votepal.com, and also available at numerous other publicly-accessible websites such as www.sec.gov, www.sec.gov/edgar and www.secinfo.com.

In our opinion, shareholders should enjoy a reasonable expectation that the board will communicate clearly to them regarding majority votes. The writing is on the wall for all AAG stockholders to behold. We cannot believe rational investors in the Company-AAG will endorse the form of business philosophy that the management of the Company-AAG has demonstrated.

WE URGE YOU TO REVIEW THE ENTIRE RECORD. WE BELIEVE THAT YOU HAVE THE UNDENIABLE RIGHT TO THE TRUTH FROM AN OPPOSING VIEWPOINT. This full record rings the bell, and no matter how hard some might wish to unring it, we have captured the vibrations in public records, so that all might investigate and become more enlightened before voting for who sits on this board.

XIV. PROXY CARD
THIS PROXY IS BEING SOLICITED ON BEHALF OF THE PARTICIPANTS AND NOT ON BEHALF OF THE-COMPANY AAG'S BOARD OF DIRECTORS.

The filling out with the required and necessary personal information and submission of this Proxy Card is voluntary.

Voter Control Number

The undersigned hereby appoints Steve Nieman and Richard Foley proxy, with full power of substitution, to vote with the same force and effect as the undersigned at the Annual Meeting of the Stockholders of the Alaska Air Group, Inc. to be held at the William M. Allen Theater at The Museum of Flight, 9404 E. Marginal Way South, Seattle, Washington at 2 p.m. on May 18, 2004, and any adjournment or postponement thereof, upon the matters set forth herein and upon

such
other matters as may properly come before
the meeting, all
in accordance with the notice and
accompanying proxy
statement for said meeting, receipt of
which is
acknowledged.

(THIS PROXY REVOKES ALL PRIOR PROXIES
GIVEN BY THE
UNDERSIGNED.) This proxy, when properly
executed, will be
voted in the manner directed herein.
Please date, sign and
send your proxy card back today.

When completed and signed, this
proxy/voting instruction
form will be voted as you have directed.
If no direction is
given, it will be voted FOR ALL OF THE
CHALLENGER NOMINEES
(nominee numbers (01)/(02)/(03)/(04) in
Proposal 1, AGAINST Proposal 2 and FOR
Proposals 3 through 12.

You may vote FOR or you may WITHHOLD
authority to vote for
each nominee for director.

Proposal No. 1: Election of
Directors--Nominees:

(01) Richard D. Foley (02) Stephen Nieman
(03) Robert C.
Osborne, MD (04) Terry K. Dayton

FOR

WITHHOLD

THE FULL DETAILS OF THE FOLLOWING
SHAREHOLDER PROPOSALS CAN BE
FOUND IN THE COMPANY-AAG'S APRIL 23, 2004
DEFINITIVE PROXY
STATEMENT BEGINNING ON PAGE 39 AND
RUNNING THROUGH PAGE 56.

You may vote FOR or AGAINST or ABSTAIN on
the shareholder
proposals. If you ABSTAIN from voting on
any proposal, the
abstention has the same effect as a vote
against such

proposal.

FOR / AGAINST / ABSTAIN No. 2 BOARD
PROPOSAL TO APPROVE THE
AAG, INC.'S 2004 LONG-TERM INCENTIVE
EQUITY PLAN/ / / / /
Recommend vote AGAINST Proposal 2. **If no
direction is given,
the proxy will be voted AGAINST Proposal
2.**

FOR / AGAINST / ABSTAIN No. 3 STOCKHOLDER
PROPOSAL ON SIMPLE-
MAJORITY VOTE/ / / / / Recommend vote
FOR Proposal 3. **If no
direction is given, the proxy will be
voted FOR Proposal 3.**

FOR / AGAINST / ABSTAIN No. 4 STOCKHOLDER
PROPOSAL ON
STOCKHOLDER RIGHTS PLANS/ / / / /
Recommend vote FOR
Proposal 4. **If no direction is given, the
proxy will be voted
FOR Proposal 4.**

FOR / AGAINST / ABSTAIN No. 5 STOCKHOLDER
PROPOSAL ON SHARES
NOT VOTED NOT COUNTED/ / / / /
Recommend vote FOR Proposal
5. **If no direction is given, the proxy
will be voted FOR
Proposal 5.**

FOR / AGAINST / ABSTAIN No. 6 STOCKHOLDER
PROPOSAL ON LEAD
INDEPENDENT DIRECTOR/ / / / / Recommend
vote FOR Proposal 6.
**If no direction is given, the proxy will
be voted FOR
Proposal 6.**

FOR / AGAINST / ABSTAIN No. 7 STOCKHOLDER
PROPOSAL ON AN
INDEPENDENT BOARD CHAIRMAN/ / / / /
Recommend vote FOR
Proposal 7. **If no direction is given, the
proxy will be voted
FOR Proposal 7.**

FOR / AGAINST / ABSTAIN No. 8 STOCKHOLDER
PROPOSAL ON
CONFIDENTIAL SHAREHOLDER VOTING/ / / / /
/ Recommend vote FOR
Proposal 8. **If no direction is given, the
proxy will be voted
FOR Proposal 8.**

FOR / AGAINST / ABSTAIN No. 9 STOCKHOLDER
PROPOSAL ON
REPORTING EMPLOYEE STOCK OWNERSHIP/ / / /
/ / Recommend vote
FOR Proposal 9. **If no direction is given,
the proxy will be
voted FOR Proposal 9.**

FOR AGAINST ABSTAIN No. 10 STOCKHOLDER
PROPOSAL ON CUMULATIVE
VOTING/ / / / / / Recommend vote FOR
Proposal 10. **If no
direction is given, the proxy will be
voted FOR Proposal 10.**

FOR / AGAINST / ABSTAIN No. 11
STOCKHOLDER PROPOSAL ON NEW
ELECTION STANDARD: LIMITING
ELECTIONEERING EXPENSES REGARDLESS
WHO RUNS FOR THE BOARD/ / / / / /
Recommend vote FOR Proposal
11. **If no direction is given, the proxy
will be voted FOR
Proposal 11.**

FOR / AGAINST / ABSTAIN No. 12
STOCKHOLDER PROPOSAL ON TRUTH
OR CONSEQUENCES WHEN BOARD IGNORES
MAJORITY VOTES/ / / / / /
Recommend vote FOR Proposal 12. **If no
direction is given, the
proxy will be voted FOR Proposal 12.**

Note In their discretion, the proxies
are authorized to vote
upon such other business as may properly
come before the
meeting or at any adjournments or
postponements thereof.
PLEASE SIGN, DATE AND RETURN TODAY.

DATE _____, 2004

Signature

Signature

Title(s)

NOTE: Please sign exactly as name appears
hereon. Joint owners
should each sign. When signing as
attorney, executor,
administrator, trustee or guardian,
please give full title as
such.

