

Nov. 26, 2008

**Mr. Bill Ayer, Chairman and CEO  
Alaska Air Group, Inc. ("AAG" or "company")  
PO Box 68947  
Seattle, WA 98168**

**Dear Mr. Ayer:**

**This Rule 14a-8 proposal is respectfully submitted for the next annual shareholder meeting. This proposal is submitted in support of the positive, long-term performance of our company.**

**The above format is requested for publication without re-editing, re-formatting or elimination of text, including beginning and concluding text, unless prior agreement is reached. It is respectfully requested that this proposal be proofread before it is published in the definitive proxy statement to ensure that the integrity of the submitted format is replicated in the proxy materials. Please advise if there is any typographical question.**

**Please note that the title of the proposal is part of the argument in favor of the proposal. In the interest of clarity and to avoid confusion, the title of this and each other ballot item is requested to be consistent throughout all the proxy materials.**

**The company is requested to assign a proposal number (represented by "3" above) based on the chronological order in which proposals are submitted. The requested designation of "3" or higher number allows for ratification of auditors to be item 2.**

**This proposal is believed to conform with Staff Legal Bulletin No. 14B (CF), September 15, 2004 including:**

- **Accordingly, going forward, we believe that it would not be appropriate for companies to exclude supporting statement language and/or an entire proposal in reliance on rule 14a-8(i)(3) in the following circumstances:**
  - **company officials object to factual assertions because they are not supported;**
  - **the company objects to factual assertions that, while not materially false or misleading, may be disputed or countered;**
  - **the company objects to factual assertions because those assertions may be interpreted by shareholders in a manner that is unfavorable**

to the company, its directors, or its officers; and/or

- the company objects to statements because they represent the opinion of the shareholder proponent or a referenced source, but the statements are not identified specifically as such [See also: Sun Microsystems, Inc. (July 21, 2005)].

Stock will be held until after the annual meeting and the proposal will be presented at the annual meeting.

Please acknowledge this proposal promptly by email.

This is the proxy for Mr. Richard D. Foley and/or his designee to act on my behalf in all shareholder matters, including this Rule 14a-8 proposal for the forthcoming shareholder meeting before, during and after the forthcoming shareholder meeting.

Please direct all future communication to Mr. Foley at:  
6040 N. Camino Arturo, Tucson, AZ 85718  
HM: (520) 742-5168  
FAX: (520) 742-6963  
Email: <[rerailer@earthlink.net](mailto:rerailer@earthlink.net)>

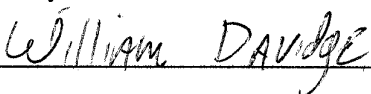
Your consideration and the consideration of the Board of Directors is appreciated.

Sincerely,

  
\_\_\_\_\_

(signature above)

(print your name on line below)

  
\_\_\_\_\_

**William B. Davidge**  
51459 EM Watts Road  
Scappoose OR 97056

[AAG: Rule 14a-8 Proposal; submitted Nov. 28, 2008 via FAX (206) 392-5807 and email to karengruen@alaskaair.com]

#### **4 – SHAREHOLDER SAY ON EXECUTIVE PAY**

RESOLVED, that shareholders request our board of directors to adopt a policy that provides shareholders the opportunity at each annual shareholder meeting to vote on an advisory resolution, proposed by management, to ratify the compensation of the named executive officers set forth in the proxy statement's Summary Compensation Table and the accompanying narrative disclosure of material factors provided to understand the Summary Compensation Table (but not the Compensation Discussion and Analysis). The proposal submitted to shareholders should make clear that the vote is non-binding and would not affect any compensation paid or awarded to any named executive officers.

#### **Statement of William Davidge**

Investors are increasingly concerned about mushrooming executive pay especially when it is insufficiently linked to performance. In 2008, shareholders filed close to 100 "Say on Pay" resolutions. Alaska Air was one of ten companies where shareholders voted more than 50% for "Say on Pay" – 54% based on yes and no votes. The Cumulative voting proposal by Terry Dayton also exceeded a 50% vote at our 2008 annual meeting.

The Council of Institutional Investors [www.cii.org](http://www.cii.org) recommended timely adoption of shareholder proposals upon receiving their first vote exceeding 50%. Large numbers of shareholder have been know to withhold votes from directors who do not adopt shareholder proposals receiving more than a 50% vote.

"There should be no doubt that executive compensation lies at the root of the current financial crisis," wrote Paul Hodgson, a senior research associate with research firm The Corporate Library. Shareholders at Wachovia and Merrill Lynch did not support "Say on Pay" ballot proposals in 2008. These investors don't have much of a say on anything now.

An Advisory Vote establishes an annual referendum process for shareholders about senior executive pay. The results of this vote would provide the board and management with useful information about shareholder views on the company's senior executive pay.

Aflac submitted an Advisory Vote in its 2008 proxy resulting in a 93% vote in favor, indicating strong investor support for good disclosure and a reasonable compensation package. To date eight other companies have also agreed to an Advisory Vote, including Verizon, MBIA, H&R Block, Blockbuster and Tech Data.

Influential proxy voting service RiskMetrics Group, recommends votes in favor, noting: "RiskMetrics encourages companies to allow shareholders to express their opinions of executive compensation practices by establishing an annual referendum

process. An advisory vote on executive compensation is another step forward in enhancing board accountability.”

The Council of Institutional Investors endorsed advisory votes and a bill to allow annual advisory votes passed the House of Representatives by a 2-to-1 margin. As presidential candidates, Senators Obama and McCain supported the Advisory Vote.

I urge our board to allow shareholders to express their opinion about senior executive pay.

### **Shareholder Say on Executive Pay – Yes on 4**

(For more information on this proposal, please visit [www.votepal.com/](http://www.votepal.com/))

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**Notes:**

William Davidge of 51459 EM Watts Road, Scappoose, OR 97056 submitted this proposal.

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