
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

**CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

April 30, 2007
(Date of earliest event reported)

ALASKA AIR GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

1-8957
(Commission File Number)

91-1292054
(IRS Employer Identification No.)

19300 International Boulevard, Seattle, Washington
(Address of Principal Executive Offices)

98188
(Zip Code)

(206) 392-5040
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements with certain officers:

On April 25, 2007, Kevin P. Finan, the Executive Vice President/Operations for Alaska Airlines, Inc. ("Alaska") announced plans to retire effective January 1, 2008. Until his retirement on December 31, 2007, Mr. Finan will serve as Executive Vice President of Strategic Projects and Interim Vice President/Flight Operations. Mr. Finan and Alaska have entered into an Employment, Retirement and Non-Compete Agreement (the "Retirement Agreement") and related Consulting Agreement, each dated April 25, 2007, which provide that Mr. Finan will provide Alaska with transition services through January 1, 2008. Pursuant to the Retirement Agreement, Mr. Finan has entered into a general release and re-affirmed his obligations not to compete with Alaska or solicit its employees for one year from the date on which his employment terminates. The Retirement Agreement and the Consulting Agreement are attached hereto as Exhibits 10.1 and 10.2, respectively, and incorporated herein by reference.

Under the Retirement Agreement, Mr. Finan will continue to receive base salary at an annual rate of \$260,000 through his retirement date, and he will be eligible to receive a bonus for 2007 under Alaska's Performance-Based Pay plan. In addition, Mr. Finan will be entitled to receive a bonus of \$200,000 upon his retirement and thereafter to receive certain travel benefits generally provided to Alaska's retired officers. Under the Consulting Agreement, Mr. Finan will be paid a retainer of \$276,000 for consulting services during the period from January 2, 2008 through January 1, 2009.

Also, on April 25, 2007, the Alaska Air Group Board of Directors announced a realignment of three senior executives. Gregg Saretsky, formerly Executive Vice President of Marketing and Planning, has been elected Executive Vice President of Flight and Marketing for Alaska Airlines. In this position, he will oversee the airline's Flight Operations, Inflight Services, Sales, Customer Experience and Brand Marketing organizations.

Glenn Johnson, 48, was promoted to Executive Vice President of Airport Services and Maintenance and Engineering for Alaska Airlines, adding oversight of the Maintenance and Engineering Division. He was previously Alaska's Senior Vice President of Customer Service-Airports.

Brad Tilden, 46, Alaska Air Group's Chief Financial Officer and Executive Vice President of Finance, will assume responsibility for the Planning, Revenue Management and Corporate Real Estate departments in addition to Finance. Mr. Tilden's new title is Executive Vice President/Finance & Planning and Chief Financial Officer of Alaska Air Group.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

10.1 Retirement and Non-Compete Agreement, dated as of April 25, 2007, by and between Alaska and Kevin P. Finan.

10.2 Consulting Agreement, dated as of April 25, 2007, by and between Alaska and Kevin P. Finan.

99.1 Press Release dated April 30, 2007.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALASKA AIR GROUP, INC.

Registrant

Date: April 30, 2007

/s/ Brandon S. Pedersen

Brandon S. Pedersen

Vice President/Finance and Controller

/s/ Bradley D. Tilden

Bradley D. Tilden

Executive Vice President/Finance and Chief Financial Officer

EMPLOYMENT, RETIREMENT AND NON-COMPETE AGREEMENT

This Retirement and Non-Compete Agreement (this "Agreement"), is made this __th day of April 2007 (the "Effective Date"), by and between Kevin Finan ("Executive"), an individual, and Alaska Airlines, Inc. ("Alaska"), an Alaska corporation that is a wholly owned subsidiary of Alaska Air Group, Inc. ("AAG"), a Delaware corporation.

WHEREAS, Executive is presently the Executive Vice President/Operations of Alaska;

WHEREAS, the Executive desires to retire, effective January 1, 2008;

WHEREAS, Alaska and the Executive desire that Executive transition to a role of Executive Vice President/Strategic Projects until January 1, 2008, on which date the Executive retires from Alaska; and

WHEREAS, Alaska and Executive both desire that Executive should provide transition consulting services to Alaska for a period of time following his retirement from Alaska.

NOW, THEREFORE, Alaska and Executive, in consideration of the covenants undertaken and the releases below, enter into this Agreement:

1. Employment. Alaska shall employ Executive as its Executive Vice President/Strategic Projects from the Effective Date until January 1, 2008 (the "Retirement Date"). Executive has authority consistent with that position, subject to Alaska's Charter and Bylaws, as may be granted from time to time by the Board of Directors of Alaska or Alaska's Chief Executive Officer. Executive will perform such duties as may be assigned from time to time by the Board of Directors of Alaska or Alaska's Chief Executive Officer, which relate to the business of Alaska, its subsidiaries, its affiliates, or any business ventures in which Alaska, its subsidiaries or its parent corporation may participate.

Executive will devote all of his entire productive time, ability, attention and effort to Alaska's business and will serve its interests during his employment by Alaska; provided, however, that Executive may devote reasonable periods of time to (a) engaging in personal investment activities and (b) engaging in charitable or community service activities, so long as none of the foregoing additional activities materially interfere with Executive's duties to Alaska.

2. Compensation and Officers Supplemental Retirement Plan. Alaska agrees to pay and Executive agrees to accept in exchange for the services rendered hereunder by him during the period he is employed by Alaska, the following compensation:

a. *Base Salary*: Executive's base salary shall be at an annualized rate of \$260,000, subject to any required tax withholding and all customary payroll deductions. Such annual base salary shall be paid in substantially equal installments and at the same intervals as other officers of Alaska are paid.

b. *Officers Supplemental Retirement Plan*: Executive shall continue to participate in the Alaska Airlines Officers Supplemental Retirement Plan ("OSRP"), the Qualified Plan For Salaried Employees and the Alaska Saver 401(k) Plan, in accordance with the terms and conditions of those plans as they are in effect from time to time.

c. *Benefits*. Executive will be entitled to participate, subject to and in accordance with applicable terms and conditions of each program, in fringe benefit programs, including, but not limited to, health, dental and vision insurance, group life insurance, car allowance and maintenance, and such other programs as shall be provided from time to time by Alaska for its officers generally.

3. *Voluntary Retirement*. Executive hereby irrevocably retires from his position as Executive Vice President/Strategic Projects and as an employee of Alaska, its subsidiaries and affiliates, and as an officer, director and in any other capacity with Alaska, its parent, subsidiaries and affiliates, effective as of the Retirement Date. Concurrently herewith, Executive will execute and deliver to Alaska a retirement letter in the form of Exhibit A attached hereto.

4. *Separation Benefits*. In addition to any vested retirement benefits to which Executive has contributed and/or Alaska has contributed on Executive's behalf, Alaska shall provide to Executive the following separation benefits on and following the Retirement Date:

a. *Retirement Date Payments*. On his Retirement Date, Executive will receive a final paycheck representing all unpaid salary earned through the Retirement Date and a lump-sum payment equal to 6 weeks base pay which represents all accrued but unused vacation.

b. *Retirement Bonus*. On his Retirement Date, Alaska shall pay to Executive a retirement bonus equal to a sum of \$200,000, less all standard withholdings and authorized deductions.

c. *Performance-Based Pay Plan*. Executive will be eligible for a 2007 Performance-Based Pay ("PBP") payout, if any, based on 2007 base wages earned through the Retirement Date.

d. *Stock Options and Restricted Stock Units*. Executive's Stock Options and Restricted Stock Units will continue to vest through the Retirement Date.

Additional vesting time and time to exercise options will be as set forth in the option agreements for a retiring officer, and each award will otherwise be governed by the terms and conditions of the applicable award agreement.

e. *Travel and Board Room Membership.* Executive shall be entitled to normal online travel privileges for retired officers after the Retirement Date, including boarding priority normally afforded to retired officers. This shall be in addition to the travel benefits provided to Executive and spouse under the terms of the Consulting Agreement, as defined below. In addition, Executive shall be entitled to lifetime membership in Alaska's Board Room program.

5. Consulting Obligations. Executive agrees to execute the Consulting Agreement in the form attached hereto as Exhibit B, (the "Consulting Agreement") and provide Consulting Services to Alaska in accordance with the terms and conditions of the Consulting Agreement. In the event that Executive revokes this Agreement pursuant to Section 9 (d), the Consulting Agreement shall also be revoked.

6. Agreement Inadmissible. Neither this Agreement nor anything in this Agreement shall be construed to be or shall be admissible in any proceeding as evidence of or an admission by Alaska of any violation of its policies, procedures, state or federal laws or regulations. This Agreement may be introduced, however, in any proceeding to enforce the Agreement. Such introduction shall be pursuant to an order protecting its confidentiality.

7. General Release and Covenant Not To Sue. Except for those obligations created by or arising out of this Agreement, Executive on behalf of himself, his descendants, dependents, heirs, executors, administrators, assigns, and successors, and each of them, hereby covenants not to sue and fully releases and discharges Alaska, and its parent, subsidiaries and affiliates, past and present, and each of them, as well as its and their trustees, directors, officers, agents, attorneys, insurers, employees, stockholders, representatives, assigns, and successors, past and present, and each of them, hereinafter together and collectively referred to as "Releasees," with respect to and from any and all claims, wages, demands, rights, liens, agreements, contracts, covenants, actions, suits, causes of action, obligations, debts, costs, expenses, attorneys' fees, damages, judgments, orders and liabilities of whatever kind or nature in law, equity or otherwise, whether now known or unknown, suspected or unsuspected, and whether or not concealed or hidden, which he now owns or holds or he has at any time heretofore owned or held or may in the future hold as against said Releasees, including any claims arising out of or in any way connected with his employment relationship with Alaska, or his separation from the same, or any other transactions, occurrences, acts or omissions or any loss, damage or injury whatever, known or unknown, suspected or unsuspected, resulting from any act or omission by or on the part of said Releasees, or any of them, committed or omitted prior to the date of this Agreement including, without limiting the generality of the foregoing, any claim under Title VII of the Civil Rights Act of 1964 (as amended), the Age

Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act of 1993 (the "FMLA"), the Washington Law Against Discrimination, the Washington Age Discrimination Law, or any claim for severance pay, bonus, sick leave, holiday pay, vacation pay, life insurance, health or medical insurance or any other fringe benefit. This release does not, however, cover any claim that cannot be released as a matter of applicable law. Executive acknowledges and agrees that he has received any and all leave and other benefits that he has been and is entitled to pursuant to FMLA.

8. Release of Unknown Claims. It is the intention of Executive in executing this Agreement that the same shall be effective as a bar to each and every claim, demand and cause of action hereinabove specified. In furtherance of this intention, Executive hereby expressly waives any and all rights and benefits conferred upon him by any law, statute, or legal doctrine that would otherwise prevent the release of unknown claims and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those related to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified. Executive acknowledges that he may hereafter discover claims or facts in addition to or different from those which Executive now knows or believes to exist with respect to the subject matter of this Agreement and which, if known or suspected at the time of executing this Agreement, may have materially affected this settlement. Nevertheless, Executive hereby waives any right, claim or cause of action that might arise as a result of such different or additional claims or facts. Executive acknowledges that he understands the significance and consequence of such release and waiver.

9. Federal Age Discrimination in Employment Act Waiver and Advisements. Executive expressly acknowledges and agrees that, by entering into this Agreement, he is waiving any and all rights or claims that he may have arising under the Age Discrimination in Employment Act of 1967, as amended (the "ADEA"), which have arisen on or before the date of execution of this Agreement. Executive further expressly acknowledges and agrees that:

- a. In return for this Agreement, he will receive compensation beyond that which he was already entitled to receive before entering into this Agreement;
- b. He was orally advised by Alaska and is hereby advised in writing by this Agreement to consult with an attorney before signing this Agreement;
- c. He was given a copy of this Agreement on _____ and informed that he had twenty one (21) days within which to consider the Agreement, but and that if he wished to execute this Agreement prior to the expiration of such 21-day period, he should execute the Acknowledgment and Waiver attached as Exhibit C;

d. He was informed that he has seven (7) days following the date of execution of the Agreement in which to revoke the Agreement.

10. Confidential and Proprietary Information. Executive acknowledges that by reason of his position with Alaska he is aware of and has been given access to concepts, designs, processes, technologies, trade secrets, customer lists, marketing plans, business plans, and other forms of confidential and proprietary information, whether or not developed by Executive. Executive agrees promptly to return all related documents, data and other materials of whatever nature. Executive further represents that he has held all such information confidential and will continue to do so, and that he will not use such information and relationships for any business (which term herein includes a partnership, firm, corporation or any other entity) without the prior written consent of Alaska.

11. Non-Competition. Executive agrees that he will not, directly or indirectly, during his employment and for a period of one (1) year from the date on which his employment with Alaska terminates for any reason, be employed by, consult with or otherwise perform services for, own, manage, operate, join, control or participate in the ownership, management, operation or control of or be connected with, in any manner, any Competitor. A "Competitor" shall include, (a) any entity which provides air transportation services anywhere in the world, and (b) any business whose efforts are in competition with the efforts of the company, including, without limitation, any business whose efforts involve any research and development, products or services in competition with products or services which are, during or at the end of the Term, either (i) produced, marketed or otherwise commercially exploited by Alaska or (ii) in actual or demonstrably anticipated research or development by Alaska, unless released from such obligation in writing by Alaska's Board of Directors. Executive shall be deemed to be related to or connected with a Competitor if such Competitor is (x) a partnership in which he is a general or limited partner or employee, (y) a corporation or association of which he is a shareholder, officer, employee or director, or (z) a partnership, corporation or association of which he is a member, consultant or agent; provided, however, that nothing herein shall prevent the purchase or ownership by Executive of shares which constitute less than five percent of the outstanding equity securities of a publicly or privately held corporation, so long as Executive has no other relationship with such corporation.

12. Non-Solicitation. Executive shall not, during his employment and for a period of one (1) year from the date on which his employment with Alaska terminate for any reason, directly or indirectly solicit, influence or entice, or attempt to solicit, influence or entice, any employee or consultant of Alaska to cease his or her relationship with Alaska or solicit, influence, entice or in any way divert any customer, distributor, partner, joint venturer or supplier of Alaska to do business or in any way become associated with any Competitor.

13. Cooperation with Investigations. Nothing in this Agreement limits, restricts or precludes either Alaska or Executive from cooperating with any governmental

agency in the performance of its investigative or other lawful duties. Further, Executive agrees to cooperate fully with Alaska, including but not limited to the prosecution or defense of any civil or criminal action or other legal proceedings in which Alaska determines that Executive has relevant information or knowledge. Such cooperation shall include, without limitation, communicating with representatives (including attorneys) for Alaska, providing truthful testimony in oral or written form, preparing for such testimony with attorneys for Alaska, and reviewing documents in connection with such communications or preparations; *provided, however*, that the foregoing shall not be deemed to require Executive to waive any Fifth Amendment or other privilege with respect to events that occurred during Executive's tenure at Alaska.

14. Full Payment of Compensation Due and Owing. Executive agrees that the payments described in paragraphs 2, 3, and 4 above are the sole and exclusive compensation to which he is entitled from Alaska or any other of the Releasees, and acknowledges that the payments described in said paragraphs fully satisfy any salary, wages, bonuses, accrued vacation, commissions, severance benefits, and any and all other benefits due to Executive.

15. No Assignments. Executive warrants and represents that he has not heretofore assigned or transferred to any person not a party to this Agreement any released matter or any part or portion thereof and shall defend, indemnify and hold harmless Releasees from and against any claim (including the payment of attorneys' fees and costs actually incurred whether or not litigation is commenced) based on or in connection with or arising out of any such assignment or transfer made, purported or claimed.

16. No Disparagement. Executive agrees that he shall not make any disparaging, uncomplimentary or negative remarks about Alaska, AAG, or their products, business affairs or employees.

17. End of Employment Relationship. Executive and Alaska acknowledge that any employment relationship between them shall terminate on the Retirement Date, and that they will have no continuing contractual relationship except as expressly provided in this Agreement. Executive acknowledges that the Change of Control Agreement between Executive and Company dated September 11, 2000 shall terminate on the Retirement Date.

18. Taxes. Executive agrees that he shall be exclusively liable for the payment of all federal and state taxes which may be due as the result of the consideration received herein and hereby represents that he shall make payments on such taxes at the time and in the amount required of him. In addition, Executive hereby agrees fully to defend, indemnify and hold harmless Releasees and each of them from payment of taxes, interest and/or penalties that are required of them by any government agency at any time as the result of payment of the consideration set forth herein.

19. Entire Agreement. This instrument constitutes and contains the entire agreement and final understanding concerning Executive's employment, voluntary retirement from the same and the other subject matters addressed herein between the parties. It is intended by the parties as a complete and exclusive statement of the terms of their agreement. It supersedes and replaces all prior negotiations and all agreements proposed or otherwise, whether written or oral, concerning the subject matters hereof. Any representation, promise or agreement not specifically included in this Agreement shall not be binding upon or enforceable against either party. This is a fully integrated agreement.

20. Revocation. Either Executive or Alaska may revoke this Agreement in its entirety during the seven (7) days following execution of the Agreement by Executive. Any revocation of the Agreement must be in writing and hand-delivered during the revocation period. This Agreement will become effective and enforceable seven (7) days following execution by Executive, unless it is revoked during the seven-day period. If so revoked during such period, this Agreement and the Consulting Agreement shall be null and void in their entirety.

21. Severability. If any provision of this Agreement or the application thereof is held invalid, such invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable.

22. Washington Law Governs. This Agreement shall be deemed to have been executed and delivered within the State of Washington, and the rights and obligations of the parties hereunder shall be construed and enforced in accordance with, and governed by, the laws of the State of Washington without regard to principles of conflict of laws.

23. Execution in Counterparts. This Agreement may be executed in counterparts, and each counterpart, when executed, shall have the efficacy of a signed original. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

24. Binding Arbitration of Disputes. Any dispute or controversy between Executive, on the one hand, and Alaska (or any other Releasee), on the other hand, in any way arising out of, related to, or connected with this Agreement or the subject matter thereof, or otherwise in any way arising out of, related to, or connected with Executive's employment with Alaska or the conclusion of Executive's employment with Alaska, shall be resolved through final and binding arbitration before an arbitrator in King County, Washington. The arbitrator shall be selected by mutual agreement of the parties; if none, then by striking from a panel of seven arbitrators provided by the American Arbitration Association. By entering into this agreement to arbitrate, the parties voluntarily waive any right to have covered disputes decided by a court of law and/or jury. In the event of such arbitration, the prevailing party shall be entitled to recover all reasonable costs and

expenses incurred by such party in connection therewith, including attorneys' fees. The nonprevailing party shall also be solely responsible for all costs of the arbitration, including, but not limited to, the arbitrator's fees, court reporter fees, and any and all other administrative costs of the arbitration, and promptly shall reimburse the prevailing party for any portion of such costs previously paid by the prevailing party. Any dispute as to the reasonableness of costs and expenses shall be determined by the arbitrator.

Except as may be necessary to enter judgment upon the award or to the extent required by applicable law, all claims, defenses and proceedings (including, without limiting the generality of the foregoing, the existence of the controversy and the fact that there is an arbitration proceeding) shall be treated in a confidential manner by the arbitrator, the parties and their counsel, and each of their agents, and employees and all others acting on behalf of or in concert with them. Without limiting the generality of the foregoing, no one shall divulge to any third party or person not directly involved in the arbitration the contents of the pleadings, papers, orders, hearings, trials, or awards in the arbitration, except as may be necessary to enter judgment upon an award as required by applicable law. Any court proceedings relating to the arbitration hereunder, including, without limiting the generality of the foregoing, to prevent or compel arbitration or to confirm, correct, vacate or otherwise enforce an arbitration award, shall be filed under seal with the court, to the extent permitted by law.

25. Notice. All notices given hereunder (except for notices of revocation pursuant to paragraph 20 above) shall be given in writing, shall specifically refer to this Agreement, and shall be personally delivered or sent by telecopy or other electronic facsimile transmission or by registered or certified mail, return receipt requested, at the address set forth below or at such other address as may hereafter be designated by notice given in compliance with the terms hereof.

If to Executive: Kevin Finan
6416 – 163rd Place SE
Bellevue, Washington 98006

If to Alaska: Alaska Airlines, Inc.
Attn: Chief Executive Officer
19300 Pacific Highway South
Seattle, WA 98188
Fax: (206) 431-3819

If notice is mailed, such notice shall be effective upon mailing, or if notice is personally delivered or sent by telecopy or other electronic facsimile transmission, it shall be effective upon receipt.

26. Limitations on Waiver. No waiver of any breach of any term or provision of this Agreement shall be construed to be, or shall be, a waiver of any other breach of this Agreement. No waiver shall be binding unless in writing and signed by the party waiving the breach.

27. Legal Counsel. Each party recognizes that this is a legally binding contract and acknowledges and agrees that they have had the opportunity to consult with legal counsel of their choice. Executive agrees and acknowledges that he has read and understands this Agreement, is entering into it freely and voluntarily, and has been advised to seek counsel prior to entering into this Agreement and has had ample opportunity to do so.

28. Section 409A. Notwithstanding any provision of this Agreement to the contrary, if Executive is a “specified employee” as defined in Section 409A of the Internal Revenue Code (“Code Section 409A”), Executive shall not be entitled to any payments upon a separation of his service until the earlier of (i) the date which is six (6) months after his separation from service for any reason other than death, or (ii) the date of Executive’s death. Furthermore, with regard to any benefit to be provided upon a termination of employment, to the extent required by Code Section 409A, Executive shall pay the premium for such benefit during the aforesaid period and be reimbursed by Alaska therefore promptly after the end of such period. Any amounts otherwise payable to Executive following a termination of his employment that are not so paid by reason of this Section 26(a) shall be paid as soon as practicable after the date that is six (6) months after Executive’s separation from service (or, if earlier, the date of the Executive’s death). The provisions of this Section 26(a) shall only apply if, and to the extent, required to comply with Code Section 409A and avoid the imputation of tax, interest or penalties thereunder.

It is the intent of the parties that no payment or benefit pursuant to this Agreement will be subject to any tax, interest or penalty pursuant to Code Section 409A and this Agreement shall be construed and interpreted consistent with that intent.

I have read the foregoing Agreement and I accept and agree to the provisions it contains and hereby execute it voluntarily with full understanding of its consequences.

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

EXECUTED this _____ day of April, 2007 at King County, Washington.

/s/ Kevin Finan
Kevin Finan

EXECUTED this _____ day of April 2007 at King County, Washington.

ALASKA AIRLINES, INC.

By _____ ,
Its _____

EXHIBIT A

Date: _____

William S. Ayer
Chairman, President and Chief Executive Officer
Alaska Airlines, Inc.
19300 International Blvd.
Seattle, Washington 98188

Dear Bill:

This is to advise you that, effective January 1, 2008, I hereby voluntarily retire from my position as Executive Vice President/Strategic Projects and any other capacity with Alaska Airlines, Inc.

Sincerely yours,

/s/ Kevin Finan

Kevin Finan

EXHIBIT B

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT for independent contractor consulting services ("Consulting Agreement") is made and entered into as of _____, by and between Alaska Airlines, Inc. (the "Company"), a corporation, and Kevin Finan (the "Contractor"), an individual.

IT IS AGREED:

1. Independent Contractor Relationship. In accordance with the mutual intentions of the Company and the Contractor, this Consulting Agreement establishes between them an independent contractor relationship, and all of the terms and conditions of this Consulting Agreement shall be interpreted in light of that relationship. There is no intention to create by this Consulting Agreement an employer-employee relationship or for Contractor to participate in any benefits offered to active employees of the Company.
2. Term. The Contractor shall provide services from January 2, 2008 through January 1, 2009; provided, however, that the Contractor shall not be obligated to perform should Contractor become physically or mentally disabled from doing so.
3. Amount of Service. It is understood by the parties that the Company does not have the exclusive right to the Contractor's services. It is understood and agreed, however, that the Company has the right (although it has no obligation) to use and the Contractor shall provide services for up to 30 days during the term specified in Section 2 to be rendered at mutually agreeable times and places and so as not to interfere unreasonably with other consulting or employment of the Contractor. The Contractor warrants and represents that there is no conflict of interest in the Contractor's other contracts for services or other employment, if any, with the services to be provided pursuant to this Consulting Agreement and that the Contractor will ensure that no such conflict arises during the term of this Consulting Agreement (which includes but is in no way limited to use of another's confidential and proprietary information).
4. Conflict of Interest Prohibited. It is also understood that, during the term of this Consulting Agreement, the Contractor may not consult, work or serve in any capacity for (1) another person or entity which intends to operate or does operate in any business in competition with the Company or (2) any past, current or future customer of the Company. The Contractor further acknowledges that he will comply with the terms of Sections 10, 11, 12 and 13 of the Employment, Retirement and Non-compete Agreement entered into between Consultant and the Company on or about the date hereof (the "Retirement Agreement").
5. Type of Service. The Company will purchase from the Contractor, and the Contractor will sell to the Company, any services reasonably requested by the Company,

including services related to the transition of his former duties as an employee of the Company. William S. Ayer (or his successor) is the only person authorized to request the Contractor's services.

6. Payment. During the term of this Consulting Agreement, the Company shall pay to the Contractor for his services (and will so pay even if it chooses not to exercise its right to use his services) a fee of \$276,000 payable as follows: \$69,000 on April 1, 2008; \$69,000 on July 1, 2008; \$69,000 on October 1, 2008; and \$69,000 on January 1, 2009. In addition, Contractor shall be entitled to unlimited, positive space travel on Alaska Airlines for his personal and business travel during the term of this agreement. Contractor shall be responsible for all taxes incurred as a result of such travel. This payment herein provided shall constitute full payment for the Contractor's services to the Company during the term of this Consulting Agreement, and the Contractor shall not receive any additional benefits or compensation for consulting services, except that the Company will reimburse the Contractor for reasonable and customary expenses incurred at the Company's request in connection with such consulting. All such costs and expenses shall be itemized by statement and each statement shall be accompanied by substantiating bills or vouchers. Air travel will be first class when available.

7. Contractor Responsible for its Agents and Employees. The Contractor shall select and shall have full and complete control of and responsibility for all agents, employees and subcontractors, if any, employed or used by the Contractor and for the conduct of the Contractor's independent business and none of said agents, employees or subcontractors shall be, or shall be deemed to be, the agent, employee or subcontractor of the Company for any purpose whatsoever, and the Company shall have no duty, liability or responsibility, of any kind, to or for the acts or omissions of Contractor or such agents, employees or subcontractors, or any of them. Contractor agrees to defend, indemnify and hold the Company harmless from and with respect to any and all claims of any kind based on any act or omission of the Contractor or Contractor's agents, employees or subcontractors.

8. Contractor Responsible for Taxes and Indemnification. Without limiting any of the foregoing, the Contractor agrees to accept exclusive liability for the payment of taxes or contributions for unemployment insurance or pensions or annuities or social security payments which are measured by the wages, salaries or other remuneration paid to the Contractor or the employees of the Contractor, if any, and to reimburse and indemnify the Company for such taxes or contributions or penalties which the Company may be compelled to pay. The Contractor also agrees to comply with all valid administrative regulations respecting the assumption of liability for such taxes and contributions.

9. Means and Methods. The Contractor agrees to furnish personal services as provided herein as an independent contractor using the Contractor's own means and methods.

10. Contractor Work Product Owned by Company. All writings, plans and other information developed under this Consulting Agreement, of whatever type relating to the work performed under this Consulting Agreement, shall be the exclusive property of the Company.

11. Confidentiality. The Contractor agrees that all data and information about the Company's business, plans, finances, plants, equipment, processes and methods of operation disclosed to, acquired by or developed by the Contractor during performance of the work hereunder is and shall remain the exclusive property of the Company. Except for such information and data as can be proven by the Contractor to be in or to have entered the public domain through no fault of the Contractor or to have been in the Contractor's possession prior to disclosure to the Contractor by the Company and/or the performance of Contractor's services hereunder, Contractor shall during the term of the Consulting Agreement and thereafter in perpetuity maintain as confidential and not disclose to third parties or otherwise use, and will enjoin the Contractor's employees, agents or subcontractors (as applicable) from using, such information except as duly authorized in the conduct of the Company's business or as otherwise authorized in advance in writing. The Contractor agrees that such data and information shall be used by the Contractor solely for the purpose of performing services for the Company and not for the benefit of any other person or entity whatsoever.

12. Termination by Death. This Consulting Agreement shall automatically terminate upon the Contractor's death. In such event, the Company shall be obligated to pay the Contractor's estate or beneficiaries only the accrued but unpaid fees and expenses due as of the date of death.

13. No Assignments by Contractor. The Contractor shall not assign or transfer any rights under this Consulting Agreement without the Company's prior written consent, and any attempt of assignment or transfer without such consent shall be void.

14. Washington Law Governs. This Consulting Agreement shall be deemed to have been executed and delivered within the State of Washington, and the rights and obligations of the parties hereunder shall be construed and enforced in accordance with, and governed by, the laws of the State of Washington without regard to principles of conflict of laws.

15. Severability. If any provision of this Consulting Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Consulting Agreement which can be given effect without the invalid provisions or applications and, to this end, the provisions of this Consulting Agreement are declared to be severable.

16. Waiver of Breach. No waiver of any breach of any term or provision of this Consulting Agreement shall be construed to be, or shall be, a waiver of any other breach of this Consulting Agreement. No waiver shall be binding unless in writing and signed by the party waiving the breach.

17. Notice. All notices given hereunder shall be given in writing, shall specifically refer to this Consulting Agreement, and shall be personally delivered or sent by telecopy or other electronic facsimile transmission or by registered or certified mail, return receipt requested, at the address set forth below or at such other address as may hereafter be designated by notice given in compliance with the terms hereof.

If to Executive: Kevin Finan
6416 –163rd Place SE
Bellevue, Washington 98006

If to Alaska: Alaska Airlines, Inc.
Attn: Chief Executive Officer
19300 Pacific Highway South
Seattle, WA 98188
Fax: (206) 431-3819

If notice is mailed, such notice shall be effective upon mailing, or if notice is personally delivered or sent by telecopy or other electronic facsimile transmission, it shall be effective upon receipt.

18. Compliance with Law. The Contractor shall comply with any and all applicable laws and regulations including but not limited to health, safety and security rules and regulations which are now in effect or which may become applicable.

19. Arbitration of Disputes. Any controversy or claim arising out of or relating to this Consulting Agreement, its enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of its provisions, shall be submitted to final and binding arbitration, to be held in King County, Washington. The arbitrator shall be selected by mutual agreement of the parties; if none, then by striking from a panel of seven arbitrators provided by the American Arbitration Association. By entering into this agreement to arbitrate, the parties voluntarily waive any right to have covered disputes decided by a court of law and/or jury. In the event either party institutes arbitration under this Consulting Agreement, the party prevailing in any such arbitration shall be entitled, in addition to all other relief, to reasonable attorneys' fees relating to such arbitration. The nonprevailing party shall be responsible for all costs of the arbitration, including but not limited to, the arbitration fees, court reporter fees, etc.

20. Entire Agreement. This instrument and the Retirement Agreement c constitutes and contains the entire agreement and final understanding between the parties covering the services provided by the Contractor. They are intended by the parties as a complete and exclusive statement of the terms of their agreement. They supercede all prior negotiations and agreements, proposed or otherwise, whether written or oral, between the parties concerning services provided by the Contractor. Any representation, promise or agreement not specifically included in this Consulting Agreement or the Retirement Agreement shall not be binding upon or enforceable against either party. This Consulting Agreement (together with the Retirement Agreement) is a fully integrated document. This Consulting Agreement may be modified only with a written instrument duly executed by each of the parties. No person has any authority to make any representation or promise on behalf of any of the parties not set forth herein or in the Retirement Agreement and this Consulting Agreement has not been executed in reliance upon any representations or promises except those contained herein.

21. Headings Not Controlling. Headings are used only for ease of reference and are not controlling.

EXECUTED this __ day of _____ 2007, at _____ County, Washington.

/s/ Kevin Finan _____
Kevin Finan

EXECUTED this __ day of _____ 2007, at _____ County, Washington.

ALASKA AIRLINES, INC.

By _____ ,
Its _____

EXHIBIT C

ACKNOWLEDGEMENT AND WAIVER

I, Kevin Finan, hereby acknowledge that I was given twenty one (21) days to consider the foregoing Employment, Retirement and Non-Compete Agreement (the "Agreement") and voluntarily chose to sign the Agreement prior to the expiration of the 21-day period.

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

EXECUTED this __ day of _____ 2007, at _____ County, Washington.

/s/ Kevin Finan

Kevin Finan

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT for independent contractor consulting services ("Consulting Agreement") is made and entered into as of _____, by and between Alaska Airlines, Inc. (the "Company"), a corporation, and Kevin Finan (the "Contractor"), an individual.

IT IS AGREED:

1. Independent Contractor Relationship. In accordance with the mutual intentions of the Company and the Contractor, this Consulting Agreement establishes between them an independent contractor relationship, and all of the terms and conditions of this Consulting Agreement shall be interpreted in light of that relationship. There is no intention to create by this Consulting Agreement an employer-employee relationship or for Contractor to participate in any benefits offered to active employees of the Company.

2. Term. The Contractor shall provide services from January 2, 2008 through January 1, 2009; provided, however, that the Contractor shall not be obligated to perform should Contractor become physically or mentally disabled from doing so.

3. Amount of Service. It is understood by the parties that the Company does not have the exclusive right to the Contractor's services. It is understood and agreed, however, that the Company has the right (although it has no obligation) to use and the Contractor shall provide services for up to 30 days during the term specified in Section 2 to be rendered at mutually agreeable times and places and so as not to interfere unreasonably with other consulting or employment of the Contractor. The Contractor warrants and represents that there is no conflict of interest in the Contractor's other contracts for services or other employment, if any, with the services to be provided pursuant to this Consulting Agreement and that the Contractor will ensure that no such conflict arises during the term of this Consulting Agreement (which includes but is in no way limited to use of another's confidential and proprietary information).

4. Conflict of Interest Prohibited. It is also understood that, during the term of this Consulting Agreement, the Contractor may not consult, work or serve in any capacity for (1) another person or entity which intends to operate or does operate in any business in competition with the Company or (2) any past, current or future customer of the Company. The Contractor further acknowledges that he will comply with the terms of Sections 10, 11, 12 and 13 of the Employment, Retirement and Non-compete Agreement entered into between Consultant and the Company on or about the date hereof (the "Retirement Agreement").

5. Type of Service. The Company will purchase from the Contractor, and the Contractor will sell to the Company, any services reasonably requested by the Company,

including services related to the transition of his former duties as an employee of the Company. William S. Ayer (or his successor) is the only person authorized to request the Contractor's services.

6. Payment. During the term of this Consulting Agreement, the Company shall pay to the Contractor for his services (and will so pay even if it chooses not to exercise its right to use his services) a fee of \$276,000 payable as follows: \$69,000 on April 1, 2008; \$69,000 on July 1, 2008; \$69,000 on October 1, 2008; and \$69,000 on January 1, 2009. In addition, Contractor shall be entitled to unlimited, positive space travel on Alaska Airlines for his personal and business travel during the term of this agreement. Contractor shall be responsible for all taxes incurred as a result of such travel. This payment herein provided shall constitute full payment for the Contractor's services to the Company during the term of this Consulting Agreement, and the Contractor shall not receive any additional benefits or compensation for consulting services, except that the Company will reimburse the Contractor for reasonable and customary expenses incurred at the Company's request in connection with such consulting. All such costs and expenses shall be itemized by statement and each statement shall be accompanied by substantiating bills or vouchers. Air travel will be first class when available.

7. Contractor Responsible for its Agents and Employees. The Contractor shall select and shall have full and complete control of and responsibility for all agents, employees and subcontractors, if any, employed or used by the Contractor and for the conduct of the Contractor's independent business and none of said agents, employees or subcontractors shall be, or shall be deemed to be, the agent, employee or subcontractor of the Company for any purpose whatsoever, and the Company shall have no duty, liability or responsibility, of any kind, to or for the acts or omissions of Contractor or such agents, employees or subcontractors, or any of them. Contractor agrees to defend, indemnify and hold the Company harmless from and with respect to any and all claims of any kind based on any act or omission of the Contractor or Contractor's agents, employees or subcontractors.

8. Contractor Responsible for Taxes and Indemnification. Without limiting any of the foregoing, the Contractor agrees to accept exclusive liability for the payment of taxes or contributions for unemployment insurance or pensions or annuities or social security payments which are measured by the wages, salaries or other remuneration paid to the Contractor or the employees of the Contractor, if any, and to reimburse and indemnify the Company for such taxes or contributions or penalties which the Company may be compelled to pay. The Contractor also agrees to comply with all valid administrative regulations respecting the assumption of liability for such taxes and contributions.

9. Means and Methods. The Contractor agrees to furnish personal services as provided herein as an independent contractor using the Contractor's own means and methods.

10. Contractor Work Product Owned by Company. All writings, plans and other information developed under this Consulting Agreement, of whatever type relating to the work performed under this Consulting Agreement, shall be the exclusive property of the Company.

11. Confidentiality. The Contractor agrees that all data and information about the Company's business, plans, finances, plants, equipment, processes and methods of operation disclosed to, acquired by or developed by the Contractor during performance of the work hereunder is and shall remain the exclusive property of the Company. Except for such information and data as can be proven by the Contractor to be in or to have entered the public domain through no fault of the Contractor or to have been in the Contractor's possession prior to disclosure to the Contractor by the Company and/or the performance of Contractor's services hereunder, Contractor shall during the term of the Consulting Agreement and thereafter in perpetuity maintain as confidential and not disclose to third parties or otherwise use, and will enjoin the Contractor's employees, agents or subcontractors (as applicable) from using, such information except as duly authorized in the conduct of the Company's business or as otherwise authorized in advance in writing. The Contractor agrees that such data and information shall be used by the Contractor solely for the purpose of performing services for the Company and not for the benefit of any other person or entity whatsoever.

12. Termination by Death. This Consulting Agreement shall automatically terminate upon the Contractor's death. In such event, the Company shall be obligated to pay the Contractor's estate or beneficiaries only the accrued but unpaid fees and expenses due as of the date of death.

13. No Assignments by Contractor. The Contractor shall not assign or transfer any rights under this Consulting Agreement without the Company's prior written consent, and any attempt of assignment or transfer without such consent shall be void.

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If to Executive: Kevin Finan
6416 – 163rd Place SE
Bellevue, Washington 98006

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Attn: Chief Executive Officer
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Seattle, WA 98188
Fax: (206) 431-3819

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21. Headings Not Controlling. Headings are used only for ease of reference and are not controlling.

EXECUTED this ____ day of _____ 2007, at _____ County, Washington.

/s/ Kevin Finan
Kevin Finan

EXECUTED this ____ day of _____ 2007, at _____ County, Washington.

ALASKA AIRLINES, INC.

By _____ ,
Its _____



Contact: Amanda Tobin Bielawski -or- Caroline Boren
(206) 392-5134 (206) 392-5799

FOR IMMEDIATE RELEASE

April 27, 2007

ALASKA AIR GROUP ANNOUNCES SENIOR MANAGEMENT CHANGES

SEATTLE — The Alaska Air Group board of directors today announced changes to Alaska Airlines' senior management structure. Three senior executives have been elected to new divisional leadership roles, and the company announced the upcoming retirement of Kevin Finan, executive vice president of operations.

The realignment will foster greater collaboration between divisions, accelerate operational improvements, unify company planning efforts, and further the airline's ongoing transformation.

Gregg Saretsky, 47, formerly executive vice president of marketing and planning, has been elected executive vice president of flight and marketing. In this position, he will oversee the airline's Flight Operations, Inflight Services, Sales, Customer Experience and Brand Marketing organizations.

Glenn Johnson, 48, was promoted to executive vice president of airport services and maintenance and engineering, adding oversight of the Maintenance and Engineering Division. He was previously Alaska's senior vice president of customer service-airports.

Brad Tilden, 46, Alaska Air Group's chief financial officer and executive vice president of finance, will assume responsibility for the Planning, Revenue Management and Corporate Real Estate departments, in addition to Finance, with an expanded title of executive vice president of finance and planning.

Until his retirement at the end of 2007, Finan, 60, will serve as executive vice president of strategic projects and interim vice president of flight operations. He formerly oversaw Flight Operations, Customer Service-Airports, Maintenance and Engineering, and Corporate Real Estate.

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“Kevin’s desire to retire at the end of the year presented an opportunity to revisit our organizational makeup on the ground and in the air, and explore options to enable better cross-team solutions for serving our customers,” said Bill Ayer, Alaska Air Group’s chairman and chief executive officer.

“This restructuring aligns Alaska’s maintenance, ground support and airport customer service functions under one leader, promoting increased teamwork and more streamlined operations,” Ayer said. “Unifying our inflight services, flight operations and customer experience areas is designed to achieve similar cross-division collaboration and focus.

“Likewise, shifting planning, revenue management and corporate real estate to our finance organization creates further alignment with our overall strategic planning efforts,” Ayer said.

As part of the realignment, Captain Ben Forrest, previously vice president of flight operations, will return to his line pilot and check airman role. Saretsky will lead the search for a new vice president of flight operations.

“Ben has made significant contributions this past year, including overseeing the operational transition from the 737-200 to the 737-400 Combi and Freighter, and expanding the use of RNP flight guidance technology,” Saretsky said. “His passion for improving the operation and dedication to the company will continue to benefit Flight Operations as he returns to line flying.”

Alaska Airlines and sister carrier, Horizon Air, together serve 90 cities through an expansive network throughout Alaska, the Lower 48, Canada and Mexico. For reservations visit alaskaair.com. For more news and information, visit the Alaska Airlines/Horizon Air Newsroom at alaskaair.com/newsroom.

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