

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549

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 FORM S-3  
 REGISTRATION STATEMENT  
 UNDER THE SECURITIES ACT OF 1933

ALASKA AIR GROUP, INC. AND ALASKA AIRLINES, INC.  
 (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

ALASKA- ALASKA AIRLINES, INC.	92-0009235-ALASKA AIRLINES, INC.
DELAWARE-ALASKA AIR GROUP, INC.	91-1292054-ALASKA AIR GROUP, INC.
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

19300 PACIFIC HIGHWAY SOUTH, SEATTLE, WASHINGTON 98188  
 (206) 433-3200  
 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,  
 OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

MARJORIE E. LAWS  
 VICE PRESIDENT/CORPORATE AFFAIRS AND CORPORATE SECRETARY  
 19300 PACIFIC HIGHWAY SOUTH, SEATTLE, WASHINGTON 98188  
 (206) 433-3131  
 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING  
 AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:  
 STEPHEN A. MCKEON, ESQ.  
 JACK L. SIEMERING, ESQ.  
 PERKINS COIE  
 1201 THIRD AVENUE, 40TH FLOOR  
 SEATTLE, WASHINGTON 98101-3099

Approximate date of commencement of proposed sale to the public:  
 From time to time after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered  
 pursuant to dividend reinvestment plans, please check the following box. / /

If any of the securities being registered on this form are to be offered on  
 a delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
 1933, as amended, other than securities offered only in connection with dividend  
 or interest reinvestment plans, check the following box. /X/

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 CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
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Convertible Debt Securities of Alaska Air Group, Inc. . . . .		100%		
Common Stock, \$1.00 par value, of Alaska Air Group, Inc.(3) . . . . .		-		
Guarantees of Alaska Air Group, Inc.(4) . . . . .		-		
Debt Securities of Alaska Airlines, Inc. . . . .		100%		
Equipment Trust Certificates of Alaska Airlines, Inc. . . . .		100%		
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Total . . . . .	\$200,000,000	\$200,000,000	\$68,966
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<FN>

- (1) If any of these securities are issued at an original issue discount, the principal amount will be increased such that the aggregate proceeds will equal \$200,000,000.
- (2) Estimated solely for the purpose of computing the registration fee.
- (3) Such indeterminate number of shares of Common Stock as may be issuable upon conversion of Convertible Debt Securities. Includes rights to purchase Series A Participating Preferred Stock of Alaska Air Group, Inc. associated with the Common Stock.
- (4) To be issued in connection with Debt Securities of Alaska Airlines, Inc.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

This Registration Statement consists of three separate forms of Prospectuses, covering securities to be registered as follows:

- (1) Convertible Debt Securities of Alaska Air Group, Inc.
- (2) Debt Securities of Alaska Airlines, Inc. and Guarantees, if any, of Alaska Air Group, Inc.
- (3) Equipment Trust Certificates of Alaska Airlines, Inc.

None of these Prospectuses will be used to consummate sales of securities unless accompanied by a Prospectus Supplement applicable to the securities offered.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED FEBRUARY 14, 1994

PROSPECTUS

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ALASKA AIR GROUP, INC.

CONVERTIBLE DEBT SECURITIES

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Alaska Air Group, Inc. ("Air Group") may from time to time offer its convertible debt securities (the "Convertible Debt Securities"), consisting of debentures, notes and/or other evidences of indebtedness representing unsecured obligations of Air Group convertible into Common Stock, par value \$1.00 per share ("Common Stock"). The Convertible Debt Securities offered pursuant to this Prospectus may be issued in one or more series or issuances and will be limited to \$200,000,000 aggregate public offering price. Certain specific terms of the Convertible Debt Securities in respect of which this Prospectus is being delivered are set forth in the accompanying Prospectus Supplement (the "Prospectus Supplement"), including, where applicable, the specific designation, aggregate principal amount, the denomination, maturity, premium, if any, the rate (which may be fixed or variable), time and method of calculating payment of interest, if any, the place or places where principal of, premium, if any, and interest, if any, on such Convertible Debt Securities will be payable, any terms of redemption at the option of Air Group or the holder, any sinking fund provisions, terms for conversion into Common Stock, the initial public offering price and other special terms. The Prospectus Supplement will indicate whether the Convertible Debt Securities will be Convertible Senior Debt Securities, which will rank equally with all other unsubordinated and unsecured indebtedness of Air Group, or as Convertible Subordinated Debt Securities which will be

subordinated in right of payment to all Senior Indebtedness of Air Group (as hereinafter defined). See "Description of Convertible Debt Securities-- Subordination of Convertible Subordinated Debt Securities."

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
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Air Group may sell the Convertible Debt Securities to or through underwriters, through dealers or agents or directly to purchasers. See "Plan of Distribution." The accompanying Prospectus Supplement sets forth the names of any underwriters, dealers or agents involved in the sale of the Convertible Debt Securities in respect of which this Prospectus is being delivered, and any applicable fee, commission or discount arrangements with them.

This Prospectus may not be used to consummate sales of Convertible Debt Securities unless accompanied by a Prospectus Supplement applicable to the Convertible Debt Securities being sold.

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The date of this Prospectus is \_\_\_\_\_, 1994.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations not contained in this Prospectus in connection with the offering covered by this Prospectus. If given or made, such information or representations must not be relied upon as having been authorized by Air Group or the Underwriter. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the Convertible Debt Securities in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of Air Group since the date hereof.

#### AVAILABLE INFORMATION

Air Group is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549; 75 Park Place, 14th Floor, New York, New York 10007; and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may also be obtained at prescribed rates from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, such material filed by Air Group may be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

This Prospectus constitutes a part of a registration statement on Form S-3 (together with all amendments and exhibits, the "Registration Statement") filed by Air Group and Alaska Airlines, Inc. ("Alaska") with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all of the information included in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Statements contained herein concerning the provisions of any document do not purport to be complete and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is subject to and qualified in its entirety by such reference. Reference is made to such Registration Statement and to the exhibits relating thereto for further information with respect to Air Group and the Convertible Debt Securities offered hereby.

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated into this Prospectus by reference and made a part hereof: Air Group's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.

All documents filed by Air Group pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference in this Prospectus, and to be a part hereof from the date of filing of such documents. Any statement incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Air Group will provide without charge to each person to whom a copy of this Prospectus is delivered, upon the written or oral request of such person, a copy of any document incorporated by reference in this Prospectus (other than exhibits to such documents unless such exhibits are specifically incorporated by reference to such documents). Requests for such copies should be directed to the office of the Corporate Secretary, Alaska Air Group, Inc., P.O. Box 68947, Seattle, Washington 98168 (telephone (206) 433-3131).

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## AIR GROUP AND ALASKA

Air Group is a holding company whose principal subsidiary is Alaska. Alaska accounted for approximately 80% of Air Group's consolidated 1993 operating revenues and 91% of its total assets at December 31, 1993. Alaska's all jet fleet provides scheduled air transportation to 37 airports in six states (Alaska, Washington, Oregon, California, Nevada and Arizona), five cities in Mexico and three cities in Russia. Air Group also owns Horizon Air Industries, Inc. ("Horizon"), a regional airline operating in the Pacific Northwest and western Canada. The principal executive offices of Air Group are located at 19300 Pacific Highway South, Seattle, Washington 98188 (telephone (206) 433-3200).

In 1993 Alaska carried 6.4 million passengers. In each year since 1973, Alaska has carried more passengers between Alaska and the U.S. mainland than any other airline. Passenger traffic in the intra-Alaska markets and between Alaska and the U.S. mainland accounted for 29% of Alaska's total revenue passenger miles during 1993, while west coast traffic accounted for 59% and the Mexico markets 12%. Based on passenger enplanements, Alaska's leading airports are Seattle, Portland, Anchorage and Los Angeles. Based on revenues, the leading nonstop routes were Seattle-Anchorage, Seattle-Los Angeles and Seattle-San Francisco. Alaska's operating fleet at December 31, 1993 consisted of 66 jet aircraft.

## USE OF PROCEEDS

Unless otherwise indicated in the accompanying Prospectus Supplement, the net proceeds to Air Group from the sale of the Convertible Debt Securities offered hereby will be added to the working capital of Air Group and will be available for general corporate purposes, among which may be the repayment of outstanding indebtedness and financing of capital expenditures by Alaska and Horizon, including the acquisition of aircraft and related equipment.

## RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for Air Group for the periods indicated. Earnings represents earnings before accounting change, income tax expense and fixed charges (excluding interest capitalized). Fixed charges consist of interest and the portion of rental expense deemed representative of the interest factor.

Year Ended December 31,

	1993	1992	1991	1990	1989
Ratio .....	(a)	(a)	1.10	1.32	2.30

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(a) For the years ended December 31, 1993 and 1992, Air Group's earnings were inadequate to cover fixed charges by \$46.3 million and \$131.8 million, respectively.

DESCRIPTION OF CONVERTIBLE DEBT SECURITIES

The Convertible Senior Debt Securities are to be issued under an Indenture between Air Group and a Trustee (the "Convertible Senior Debt Indenture"). The Convertible Subordinated Debt Securities are to be issued under an Indenture between Air Group and a Trustee (the "Convertible Subordinated Debt Indenture"). The Convertible Senior Debt Securities Indenture and the Convertible Subordinated Debt Securities Indenture are referred to herein individually as the "Indenture" and collectively as the "Indentures." A copy of each Indenture is filed as an exhibit to the Registration Statement. Information regarding the Trustee will be set forth in the applicable Prospectus Supplement.

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The Convertible Debt Securities offered pursuant to this Prospectus will be limited to \$200,000,000 aggregate principal amount (or such greater amount, if Convertible Debt Securities are issued at an original issue discount, as shall result in aggregate proceeds of \$200,000,000 to Air Group). The statements herein relating to the Convertible Debt Securities and the Indentures are summaries and are subject to the detailed provisions of the Indentures. The following summaries of certain provisions of the Indentures do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indentures, including the definitions therein of certain terms capitalized in this Prospectus. Whenever particular Sections or defined terms of the Indentures are referred to herein or in a Prospectus Supplement, such Sections or defined terms are incorporated herein or therein by reference.

GENERAL

The Indentures do not limit the aggregate principal amount of Convertible Debt Securities which may be issued thereunder and provide that Convertible Debt Securities may be issued from time to time in one or more series. The Convertible Senior Debt Securities will be unsecured and unsubordinated obligations of Air Group and will rank on a parity with all other unsecured and unsubordinated indebtedness of Air Group. The Convertible Subordinated Debt Securities will be unsecured obligations of Air Group and, as set forth below under "Subordination of Convertible Debt Securities," will be subordinated in right of payment to all Senior Indebtedness. The Indenture does not limit Air Group's right to incur additional Senior Indebtedness. As of December 31, 1993, Senior Indebtedness of Air Group on a consolidated basis aggregated approximately \$308,700,000.

Reference is made to the Prospectus Supplement which accompanies this Prospectus for a description of the specific series of Convertible Debt Securities being offered thereby, including: (1) the specific designation of such Convertible Debt Securities; (2) any limit upon the aggregate principal amount of such Convertible Debt Securities; (3) the date or dates on which the principal of such Convertible Debt Securities will mature or the method of determining such date or dates; (4) the rate or rates (which may be fixed or variable) at which such Convertible Debt Securities will bear interest, if any, or the method of calculating such rate or rates; (5) the date or dates from

which interest, if any, will accrue or the method by which such date or dates will be determined; (6) the date or dates on which interest, if any, will be payable and the record date or dates therefor; (7) the place or places where principal of, premium, if any, and interest, if any, on such Convertible Debt Securities will be payable; (8) the period or periods within which, the price or prices at which, and the terms and conditions upon which, such Convertible Debt Securities may be redeemed, in whole or in part, at the option of Air Group; (9) the obligation, if any, of Air Group to redeem or purchase such Convertible Debt Securities pursuant to any sinking fund or analogous provisions, upon the happening of a specified event or at the option of a holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which, such Convertible Debt Securities shall be redeemed or purchased, in whole or in part, pursuant to such obligations; (10) the denominations in which such Convertible Debt Securities are authorized to be issued; (11) the terms and conditions upon which conversion will be effected, including the conversion price, the conversion period and other conversion provisions in addition to or in lieu of those described below; (12) if other than the principal amount thereof, the portion of the principal amount of such Convertible Debt Securities which will be payable upon declaration of the acceleration of the maturity thereof or the method by which such portion shall be determined; (13) the person to whom any interest on any such Convertible Debt Security shall be payable if other than the person in whose name such Convertible Debt Security is registered on the applicable record date; (14) any addition to, or modification or deletion of, any Event of Default (as hereinafter defined) or any covenant of Air Group specified in the Indenture with respect to such Convertible Debt Securities; (15) the application, if any, of such means of covenant defeasance as may be specified for such Convertible Debt Securities; (16) if applicable, provisions related to the issuance of Convertible Debt Securities in book entry form; (17) any addition to, or modification or deletion of, any provision of the Indenture related to the subordination of such Convertible Debt Securities; and (18) any other special terms pertaining to such Convertible Debt Securities. Unless otherwise specified in the applicable Prospectus Supplement, the Convertible Debt Securities will not be listed on any securities exchange. (Section \_\_\_\_\_.)

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Unless otherwise specified in the applicable Prospectus Supplement, Convertible Debt Securities will be issued in fully registered form without coupons. Where Convertible Debt Securities of any series are issued in bearer form, the special restrictions and considerations, including special offering restrictions and special federal income tax considerations, applicable to any such Convertible Debt Securities and to payment on and transfer and exchange of such Convertible Debt Securities will be described in the applicable Prospectus Supplement.

Convertible Debt Securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. Certain federal income tax consequences and special considerations applicable to any such Convertible Debt Securities will be described in the applicable Prospectus Supplement.

The general provisions of the Indentures do not afford holders of the Convertible Debt Securities protection in the event of a highly leveraged or other transaction involving Air Group or Alaska that may adversely affect holders of Convertible Debt Securities. Any covenants or other provisions included in a supplement or amendment to any Indenture for the benefit of the holders of any particular series of Convertible Debt Securities will be described in the applicable Prospectus Supplement.

#### PAYMENT, REGISTRATION, TRANSFER AND EXCHANGE

Unless otherwise provided in the applicable Prospectus Supplement, payments in respect of the Convertible Debt Securities will be made at the office or agency of Air Group maintained for that purpose, as Air Group may designate from time to time, except that, at the option of Air Group, interest payments, if

any, on Convertible Debt Securities in registered form may be made by (i) checks mailed by the Trustee to the holders of Convertible Debt Securities entitled thereto at their registered addresses or (ii) wire transfer to an account maintained by the Person entitled thereto as specified in the Register. (Sections \_\_\_\_ and \_\_\_\_.) Unless otherwise indicated in an applicable Prospectus Supplement, payment of any installment of interest on Convertible Debt Securities in registered form will be made to the Person in whose name such Convertible Debt Security is registered at the close of business on the regular record date for such interest. (Section \_\_\_\_.)

Unless otherwise provided in the applicable Prospectus Supplement, Convertible Debt Securities in registered form will be transferable or exchangeable at the agency of Air Group maintained for such purpose as designated by Air Group from time to time. (Sections \_\_\_ and \_\_\_\_.) Convertible Debt Securities may be transferred or exchanged without service change, other than any tax or other governmental charge imposed in connection therewith. (Section \_\_\_\_.)

#### CONVERSION RIGHTS

The terms on which Convertible Debt Securities of any series are convertible into Common Stock will be set forth in the Prospectus Supplement relating thereto. Such terms shall include provisions as to whether conversion is mandatory, at the option of the holder, or at the option of Air Group, and may include provisions in which the number of shares of Common Stock to be received by the holders of Convertible Debt Securities would be calculated according to the market price of Common Stock as of a time stated in the Prospectus Supplement.

#### SUBORDINATION OF CONVERTIBLE SUBORDINATED DEBT SECURITIES

Unless otherwise provided in the applicable Prospectus Supplement, the obligation of Air Group to make payment on account of the principal of, and premium, if any, and interest on Convertible Subordinated Debt Securities will be subordinated and junior in right of payment, as set forth in the Convertible Subordinated Debt Securities Indenture and described below, to the prior payment in full of all Senior Indebtedness.

"Senior Indebtedness" means all Indebtedness of Air Group unless such Indebtedness, by its terms or the terms of the instrument creating or evidencing it, is subordinate in right of payment to or PARI PASSU with the

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Convertible Subordinated Debt Securities. (Section \_\_\_\_.) Air Group's 7-1/4% Convertible Subordinated Notes Due 2006, 7-3/4% Convertible Subordinated Debentures Due 2010 and 6-7/8% Convertible Subordinated Debentures Due 2014 do not constitute Senior Indebtedness. "Indebtedness," when used with respect to Air Group, means, without duplication, the principal of, and premium, if any, and accrued and unpaid interest (including post-petition interest) on (i) indebtedness of Air Group for money borrowed, (ii) Indebtedness guarantees by Air Group of indebtedness for money borrowed by any other person, (iii) indebtedness of Air Group evidenced by notes, debentures, bonds or other instruments of indebtedness for payment of which Air Group is responsible or liable, by Indebtedness guarantees or otherwise, (iv) obligations for the reimbursement of any obligor on any letter of credit, bankers' acceptance or similar credit transaction, (v) obligations of Air Group under Capital Leases and Flight Equipment leases, (vi) obligations under interest rate and currency swaps, caps, collars, options, forward or spot contracts or similar arrangements or with respect to foreign currency hedges, and (vii) commitment and other bank financing fees under contractual obligations associated with bank debt; PROVIDED, HOWEVER, that Indebtedness shall not include amounts owed to trade creditors in the ordinary course of business. (Section \_\_\_\_.)

No payment on account of principal of, or premium, if any, or interest on, the Convertible Subordinated Debt Securities may be made if (i) any Senior Indebtedness is not paid when due or (ii) the maturity of any Senior

Indebtedness is accelerated unless, in either case, (a) such failure to pay or acceleration relates to such Senior Indebtedness in an aggregate amount equal to less than \$25 million, (b) the default has been cured or waived or has ceased to exist, (c) such acceleration has been rescinded, or (d) such Senior Indebtedness has been paid in full. During the continuance of any default (other than a default described in the preceding sentence) on Senior Indebtedness pursuant to which the maturity thereof may be accelerated immediately (I.E., without further notice and after the expiration of any applicable grace periods) and upon notice by holders of at least \$25 million of Senior Indebtedness to Air Group and the Trustee (a "Payment Notice"), Air Group may not make any payments (a "Payment Block") on the Convertible Subordinated Debt Securities until 120 days have elapsed following the receipt of such Payment Notice. After 120 days Air Group may resume payment on the Convertible Subordinated Debt Securities unless payment is prohibited by the first sentence of this paragraph. No more than one Payment Notice is permitted for any one default on Senior Indebtedness (which shall not bar subsequent Payment Notices for other such defaults). All events of default on Senior Indebtedness occurring within a 30-day period shall be treated as one event of default on such Senior Indebtedness for purposes of the preceding sentence. No more than two Payment Blocks are permitted within any 12-month period. Except as provided in the next paragraph, a failure to make any payment with respect to the Convertible Subordinated Debt Securities as a result of the foregoing provisions will not limit the right of the holders of the Convertible Subordinated Debt Securities to accelerate the maturity thereof as a result of such payment default. (Section \_\_\_\_.)

Upon any distribution of the assets of Air Group upon any dissolution, total or partial liquidation or reorganization of or similar proceeding relating to Air Group, the holders of Senior Indebtedness will be entitled to receive payment in full before the holders of the Convertible Subordinated Debt Securities are entitled to receive any payment. Upon any Event of Default with respect to the Convertible Subordinated Debt Securities, the Trustee or holders of 25% of the Convertible Subordinated Debt Securities must give notice of such Event of Default and the intention to accelerate to Air Group and any other holders of Senior Indebtedness which have theretofore requested such notice, and such acceleration shall not become effective unless and until such Event of Default is continuing on the 60th day after the date of delivery of such notice of intention to accelerate; PROVIDED, HOWEVER, that the Convertible Subordinated Debt Securities shall become immediately due and payable upon notice in the event of a bankruptcy or insolvency of Air Group. (Section \_\_\_\_.) By reason of such subordination, in the event of insolvency, creditors of Air Group who are holders of Senior Indebtedness or of other unsubordinated Indebtedness of Air Group may recover more, ratably, than the holders of the Convertible Subordinated Debt Securities.

#### CONSOLIDATION, MERGER OR SALE BY THE ISSUER

The Indentures provides that Air Group may, without the consent of the holders of Convertible Debt Securities, merge or consolidate with or into any other corporation or sell, convey, transfer or otherwise dispose of

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all or substantially all of its assets to any person, firm or corporation, if (i) (a) in the case of a merger or consolidation, Air Group is the surviving corporation or (b) in the case of a merger or consolidation where Air Group is not the surviving corporation and in the case of such a sale, conveyance or other disposition, the successor or acquiring corporation is a corporation organized and existing under the laws of the United States of America or a State thereof and such corporation expressly assumes by supplemental indenture all the obligations of Air Group under the Convertible Debt Securities and any coupons appertaining thereto and under the Indentures, and (ii) immediately after giving effect to such merger or consolidation, or such sale, conveyance, transfer or other disposition, no Default (as hereinafter defined) or Event of Default shall have occurred and be continuing. In the event a successor corporation assumes the obligations of Air Group, such successor corporation shall succeed to and be substituted for Air Group under the Indentures and under the Convertible Debt Securities and any coupons appertaining thereto and all obligations of Air Group



shall terminate. (Section \_\_\_\_.)

#### EVENTS OF DEFAULT, NOTICE AND CERTAIN RIGHTS ON DEFAULT

The Indentures provide that, if an Event of Default specified therein occurs with respect to the Convertible Debt Securities of any series issued thereunder and is continuing, the Trustee for such series or the holders of 25% in aggregate principal amount of all of the outstanding Convertible Debt Securities of that series, by written notice to Air Group (and to the Trustee for such series, if notice is given by such holders of Convertible Debt Securities), may declare the principal (or, if the Convertible Debt Securities of that series are original issue discount Convertible Debt Securities or indexed Convertible Debt Securities, such portion of the principal amount specified in the Prospectus Supplement) of all the Convertible Debt Securities of that series to be due and payable, subject in the case of Convertible Subordinated Debt Securities to the 60 day prior notice requirement described above under "Subordination of Convertible Subordinated Debt Securities," PROVIDED that Convertible Debt Securities shall become immediately due and payable without prior notice upon a bankruptcy or insolvency of Air Group. (Section \_\_\_\_.)

"Events of Default" with respect to Convertible Debt Securities of any series issued thereunder are defined in the Indentures as being: default for 30 days in payment of any interest on any Convertible Debt Security of that series or any coupon appertaining thereto or any additional amount payable with respect to Convertible Debt Securities of such series as specified in the applicable Prospectus Supplement when due; default for ten days in payment of principal, premium, if any, or on redemption or otherwise, or in the making of a mandatory sinking fund payment of any Convertible Debt Securities of that series when due; default for 60 days after notice to Air Group by the Trustee for such series, or by the holders of 25% in aggregate principal amount of the Convertible Debt Securities of such series then outstanding, in the performance of any other agreement in the Convertible Debt Securities of that series, in the Indentures or in any supplemental indenture or board resolution referred to therein under which the Convertible Debt Securities of that series may have been issued; default resulting in acceleration of other indebtedness of Air Group for borrowed money where the aggregate principal amount so accelerated exceeds \$25 million and such acceleration is not rescinded or annulled within ten days after the written notice thereof to Air Group by the Trustee or to Air Group and the Trustee by the holders of 25% in aggregate principal amount of the Convertible Debt Securities of such series then outstanding, PROVIDED that such Event of Default will be cured or waived if the default that resulted in the acceleration of such other indebtedness is cured or waived; and certain events of bankruptcy, insolvency or reorganization of Air Group. (Section \_\_\_\_.) Events of Default with respect to a specified series of Convertible Debt Securities may be added to the Indenture under which the series is issued and, if so added, will be described in the applicable Prospectus Supplement. (Sections \_\_\_\_ and \_\_\_\_.)

The Indentures provide that the Trustee for any series of Convertible Debt Securities shall, within 90 days after the occurrence of a Default with respect to Convertible Debt Securities of that series, give to the holder of the Convertible Debt Securities of that series notice of all uncured Defaults known to it, PROVIDED that, except in the case of default in payment on the Convertible Debt Securities of that series, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers (as described therein) in good faith determines that withholding such notice is in the interest of the holders of the Convertible Debt Securities of that series.

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(Section \_\_\_\_.) "Default" means any event which is, or, after notice or passage of time or both, would be, an Event of Default. (Section \_\_\_\_.)

The Indentures provide that the holders of a majority in aggregate principal amount of the Convertible Debt Securities of each series affected

(with each such series voting as a class) may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee for such series, or exercising any trust or power conferred on such Trustee. (Section \_\_\_\_.)

The Indenture includes a covenant that Air Group will file annually with the Trustee a certificate as to Air Group's compliance with all conditions and covenants of the applicable Indenture. (Section \_\_\_\_.)

The holders of a majority in aggregate principal amount of any series of Convertible Debt Securities by notice to the Trustee for such series may waive, on behalf of the holders of all Convertible Debt Securities of such series, any past Default or Event of Default with respect to that series and its consequences except a Default or Event of Default in the payment of the principal of, premium, if any, or interest, if any, on any Convertible Debt Security and certain other defaults. (Section \_\_\_\_.)

#### MODIFICATION OF THE INDENTURES

The Indenture contains provisions permitting Air Group and the Trustee to enter into one or more supplemental indentures without the consent of the holders of any of the Convertible Debt Securities in order (i) to evidence the succession of another corporation to Air Group and the assumption of the covenants of Air Group by a successor to Air Group; (ii) to add to the covenants of Air Group or surrender any right or power of Air Group; (iii) to add additional Events of Default with respect to any series; (iv) to add or change any provisions to such extent as necessary to permit or facilitate the issuance of Convertible Debt Securities in bearer form; (v) to add to, change or eliminate any provision affecting Convertible Debt Securities not yet issued; (vi) to secure the Convertible Debt Securities; (vii) to establish the form or terms of Convertible Debt Securities; (viii) to evidence and provide for successor Trustees; (ix) if allowed without penalty under applicable laws and regulations, to permit payment in respect of Convertible Debt Securities in bearer form in the United States; (x) to correct or supplement any inconsistent provisions or to make any other provisions with respect to matters or questions arising under the Indentures, PROVIDED that such action does not adversely affect the interests of any holder of Convertible Debt Securities of any series issued under such Indentures; or (xi) to cure any ambiguity or correct any mistake. (Section \_\_\_\_.)

The Indenture also contains provisions permitting Air Group and the Trustee, with the consent of the holders of a majority in aggregate principal amount of the outstanding Convertible Debt Securities of each series affected by such supplemental indenture, to execute supplemental indentures adding any provisions to or changing or eliminating any of the provisions of the Indenture or any supplemental indenture or modifying the rights of the holders of Convertible Debt Securities of such series, except that no such supplemental Indenture may, without the consent of the holder of each Convertible Debt Security so affected; (i) change the time for payment of principal or interest on any Convertible Debt Security; (ii) reduce the principal of, or any installment of principal of, or interest on any Convertible Debt Security; (iii) reduce the amount of premium, if any, payable upon the redemption of any Convertible Debt Security; (iv) reduce the amount of principal payable upon acceleration of the maturity of an Original Issue Discount Convertible Debt Security; (v) impair the right to institute suit for the enforcement of any payment on or with respect to any Convertible Debt Security; (vi) reduce the percentage in principal amount of the outstanding Convertible Debt Securities of any series the consent of whose holders is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indentures or for waiver of certain defaults; (vii) change the obligation of Air Group to maintain an office or agency in the places and for the purposes specified in the Indentures; or (viii) modify the provisions relating to waiver of certain defaults or any of the foregoing provisions. (Section \_\_\_\_.)

## COVENANT DEFEASANCE

If indicated in the Prospectus Supplement, Air Group may elect to be released from its obligations with respect to certain covenants applicable to the Convertible Debt Securities of or within any series ("covenant defeasance"), upon the deposit with the Trustee for such series (or other qualifying trustee), in trust for such purpose, of money and/or Government Obligations which through the payment of principal and interest in accordance with their terms will provide money in the amount sufficient to pay the principal of and any premium or interest on such Convertible Debt Securities to Maturity or redemption, as the case may be, and any mandatory sinking fund or analogous payment thereon. Upon the occurrence of a covenant defeasance, Air Group will be released only from its obligations to comply with certain covenants contained in the Indenture relating to such Convertible Debt Securities, will continue to be obligated in all other respects under such Convertible Debt Securities and will continue to be contingently liable with respect to the payment of principal, interest, if any, and premium, if any, with respect to such Convertible Debt Securities.

Unless otherwise specified in the applicable Prospectus Supplement and except as described below, the conditions to covenant defeasance are as follows: (i) such covenant defeasance must not result in a breach or violation of, or constitute a Default or Event of Default under, the Indentures, or result in a breach or violation of, or constitute a default under, any other material agreement or instrument of Air Group; (ii) certain bankruptcy related Defaults or Events of Default with respect to Air Group must not have occurred and be continuing during the period commencing on the date of the deposit of the trust funds to covenant defease such Convertible Debt Securities and ending on the 91st day after such date; (iii) Air Group must deliver to the Trustee an Opinion of Counsel to the effect that the holders of such Convertible Debt Securities will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts and in the same manner and at all the same times as would have been the case if such covenant defeasance had not occurred; (iv) Air Group must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel with respect to compliance with the conditions precedent to such covenant defeasance; and (v) any additional conditions to such covenant defeasance which may be imposed on Air Group pursuant to the Indentures. (Article \_\_\_\_ of the Indentures.) The Indenture requires that a nationally recognized firm of independent public accountants deliver to the Trustee a written certification as to the sufficiency of the trust funds deposited for the covenant defeasance of such Convertible Debt Securities. The Indenture does not provide the holders of such Convertible Debt Securities with recourse against such firm. As described above, in the event of a covenant defeasance, Air Group remains contingently liable with respect to the payment of principal, interest, if any, and premium, if any, with respect to the Convertible Debt Securities.

If Air Group exercises its covenant defeasance option, payment of such Convertible Debt Securities may not be accelerated by reason of a Default or an Event of Default with respect to the covenants to which such covenant defeasance is applicable. However, if such acceleration were to occur, the realizable value at the acceleration date of the money and Government Obligations in the defeasance trust could be less than the principal and interest then due on such Convertible Debt Securities, in that the required deposit in the defeasance trust is based upon scheduled cash flow rather than market value, which will vary depending upon interest rates and other factors.

## DESCRIPTION OF CAPITAL STOCK

Air Group is authorized to issue 30,000,000 shares of Common Stock, \$1.00 par value, and 5,000,000 shares of preferred stock.

VOTING RIGHTS. Each holder of Common Stock is entitled to one vote per share on all matters submitted to a vote of such class. Holders of Common Stock do not have cumulative rights. The Board of Directors is classified into three classes, with three or four Directors elected each year to three-year terms. A vote of three-fourths of the shares present at a meeting is required to elect each nominee as a Director and to approve any other matter brought before the

stockholders for a vote.

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**DIVIDEND RIGHTS.** Holders of Common Stock share ratably in dividends that may be declared by the Board of Directors out of funds legally available therefor.

**LIQUIDATION RIGHTS.** Upon any liquidation of Air Group, the holders of Common Stock are entitled to share ratably in the net assets of Air Group available for distribution on the Common Stock.

**OTHER.** The Common Stock has no preemptive or conversion rights and there are no redemption provisions applicable thereto. The Common Stock is listed on the New York Stock Exchange and the Pacific Stock Exchange. The registrar and transfer agent for the Common Stock is The First National Bank of Boston.

**POTENTIAL RIGHTS OF PREFERRED STOCK.** Under Air Group's Certificate of Incorporation, the Board of Directors has authority to issue up to 5,000,000 shares of preferred stock. Such shares would have such voting, dividend, liquidation, conversion, redemption and other rights as may be determined by the Board of Directors, subject to the provisions of the Certificate of Incorporation. Shares of Common Stock would be subject to the preferences, rights and powers of any such shares of preferred stock as set forth in Air Group's Certificate of Incorporation and in the resolutions establishing one or more series of preferred stock. No preferred stock was outstanding at the date of this Prospectus.

**CERTAIN OTHER PROVISIONS.** Air Group's Certificate of Incorporation contains certain provisions sometimes referred to as "anti-takeover" provisions. In the event that Air Group at any time has a stockholder who is a beneficial owner of more than 15% of the voting power of Air Group, these provisions would require the affirmative vote of the holders of not less than 80% of the outstanding shares of voting stock to approve a consolidation or merger of Air Group with any other corporation, the conveyance to any corporation or other person or any other disposition of all or substantially all of Air Group's assets, or the disposition by Air Group of all or substantially all of the stock or assets of any major subsidiary; provided, however, that this 80% voting requirement does not apply to a transaction which is approved by 80% of the disinterested members of the Board of Directors.

Air Group is party to a Rights Agreement designed to deter partial and two-tier tender offers, stock accumulation programs and other coercive tactics that might be used to gain control without giving the Board of Directors the opportunity to negotiate on behalf of the stockholders. In accordance with the Rights Agreement, one right is attached to each share of outstanding Common Stock. A holder of a right may, under certain circumstances, purchase at a discount from market value either shares of a special class of voting preferred stock of Air Group or shares of capital stock of a corporate entity attempting to acquire Air Group or surviving a merger or consolidation with Air Group.

#### PLAN OF DISTRIBUTION

Air Group may sell Convertible Debt Securities to one or more underwriters for public offering and sale by them or may sell Convertible Debt Securities to investors or other persons directly or through agents. Any such underwriter or agent involved in the offer and sale of the Convertible Debt Securities will be named in an applicable Prospectus Supplement.

Underwriters may offer and sell the Convertible Debt Securities at a fixed price or prices, which may be changed, or at prices related to prevailing market prices or at negotiated prices. Air Group also may offer and sell the Convertible Debt Securities in exchange for one or more of its outstanding issues of debt securities. Air Group also may, from time to time, authorize underwriters acting as Air Group's agents to offer and sell the Convertible Debt Securities upon the terms and conditions as shall be set forth in any Prospectus

Supplement. In connection with the sale of Convertible Debt Securities, underwriters may be deemed to have received compensation from Air Group in the form of underwriting discounts or commission and may also receive commissions from purchasers of Convertible Debt Securities for whom they may act as agent. Underwriters may sell Convertible Debt Securities to

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or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions (which may be changed from time to time) from the purchasers for whom they may act as agent.

Any underwriting compensation paid by Air Group to underwriters or agents in connection with the offering of Convertible Debt Securities, and any discounts, concessions or commissions allowed by underwriters to participating dealers, will be set forth in an applicable Prospectus Supplement. Underwriters, dealers and agents participating in the distribution of the Convertible Debt Securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the Convertible Debt Securities may be deemed to be underwriting discounts and commissions under the Securities Act. Underwriters, dealers and agents may be entitled, under agreements with Air Group, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act, and to reimbursement by Air Group for certain expenses.

Underwriters, dealers and agents may engage in transactions with, or perform services for, Air Group and its subsidiaries in the ordinary course of business.

#### LEGAL OPINIONS

Unless otherwise indicated in the applicable Prospectus Supplement, the validity of the Convertible Debt Securities offered hereby will be passed upon for Air Group by Perkins Coie, Seattle, Washington.

#### EXPERTS

The financial statements and schedules of Air Group incorporated by reference in this Prospectus and in the Registration Statement have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED FEBRUARY 14, 1994

PROSPECTUS  
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ALASKA AIRLINES, INC.

## DEBT SECURITIES

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Alaska Airlines, Inc. ("Alaska") may from time to time offer its Debt Securities, consisting of debentures, notes and/or other evidences of indebtedness representing unsecured obligations of Alaska, in amounts, at prices and on terms to be determined at the time of offering. The Debt Securities offered pursuant to this Prospectus may be issued in one or more series and will be limited to \$200,000,000 aggregate principal amount (or such greater amount, if Debt Securities are issued at an original issue discount, as shall result in aggregate proceeds of \$200,000,000). Certain specific terms of the Debt Securities in respect of which this Prospectus is being delivered are set forth in the accompanying Prospectus Supplement (the "Prospectus Supplement"), including, where applicable, the specific designation, aggregate principal amount, the denomination, maturity, premium, if any, the rate (which may be fixed or variable), time and method of calculating payment of interest, if any, the place or places where principal of, premium, if any, and interest, if any, on such Debt Securities will be payable, any terms of redemption at the option of Alaska or the holder, any sinking fund provisions, the terms of any guarantee by Alaska Air Group, Inc. ("Air Group"), the initial public offering price and other special terms, together with any other terms in connection with the offering and sale of the Debt Securities, and the net proceeds to Alaska from such offering. The Debt Securities may be issued in registered form or bearer form, or both.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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Alaska may sell the Debt Securities to or through underwriters, through dealers or agents or directly to purchasers. See "Plan of Distribution." The accompanying Prospectus Supplement sets forth the names of any underwriters, dealers or agents involved in the sale of the Debt Securities in respect of which this Prospectus is being delivered and any applicable fee, commission or discount arrangements with them.

This Prospectus may not be used to consummate sales of Debt Securities unless accompanied by a Prospectus Supplement.

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The date of this Prospectus is \_\_\_\_\_, 1994.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations not contained in this Prospectus in connection with the offering covered by this Prospectus. If given or made, such information or representations must not be relied upon as having been authorized by Air Group, Alaska or the Underwriter. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the Debt Securities in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of Alaska since the date hereof.

## AVAILABLE INFORMATION

Each of Alaska and Air Group is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549; 75 Park

Place, 14th Floor, New York, New York 10007; and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may also be obtained at prescribed rates from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, such material filed by Air Group may be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

This Prospectus constitutes a part of a registration statement on Form S-3 (together with all amendments and exhibits, the "Registration Statement") filed by Alaska and Air Group with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all of the information included in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Statements contained herein concerning the provisions of any document do not purport to be complete and, in each instance, reference is made to the copy of such document filed as in exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is subject to and qualified in its entirety by such reference. Reference is made to such Registration Statement and to the exhibits relating thereto for further information with respect to Alaska, Air Group and the Debt Securities offered hereby.

So long as Alaska is subject to such periodic reporting requirements, it will continue to furnish the information required thereby to the Commission and will furnish copies of such reports and other information to the holders of Certificates. Alaska's obligation to file periodic reports with the Commission will be suspended if each class of Alaska's securities is held of record by fewer than 300 holders at the beginning of any fiscal year of Alaska other than a fiscal year in which a registration statement with respect to any such securities becomes effective. Accordingly, in such case, Alaska may cease to file reports with the Commission in respect of such fiscal year. In the event Alaska ceases to file periodic reports with the Commission, Alaska is obligated pursuant to the Indenture (as hereinafter defined) to distribute to the holders of Debt Securities annual reports containing audited consolidated financial statements and a report thereon by Alaska's independent public accountants and quarterly reports for the first three quarters of each fiscal year containing unaudited condensed financial information.

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#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated into this Prospectus by reference and made a part hereof: Each of Alaska's and Air Group's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.

All documents filed by Alaska and Air Group pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference in this Prospectus, and to be a part hereof from the date of filing of such documents. Any statement incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Alaska and Air Group will provide without charge to each person to whom a copy of this Prospectus is delivered, upon the written or oral request of such person, a copy of any document incorporated by reference in this Prospectus (other than exhibits to such documents unless such exhibits are specifically incorporated by reference to such documents). Requests for such copies should be directed to the office of the Corporate Secretary, Alaska Airlines, Inc., P.O. Box 68947, Seattle, Washington 98168 (telephone (206) 433-3131).

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## ALASKA AND AIR GROUP

Alaska is a wholly owned subsidiary of Air Group, a holding company. Alaska accounted for approximately 80% of Air Group's consolidated 1993 operating revenues and 91% of its total assets at December 31, 1993. Alaska's all jet fleet provides scheduled air transportation to 37 airports in six states (Alaska, Washington, Oregon, California, Nevada and Arizona), five cities in Mexico and three cities in Russia. Air Group also owns Horizon Air Industries, Inc. ("Horizon"), a regional airline operating in the Pacific Northwest and western Canada. The principal executive offices of Alaska and Air Group are located at 19300 Pacific Highway South, Seattle, Washington 98188 (telephone (206) 433-3200).

In 1993 Alaska carried 6.4 million passengers. In each year since 1973, Alaska has carried more passengers between Alaska and the U.S. mainland than any other airline. Passenger traffic in the intra-Alaska markets and between Alaska and the U.S. mainland accounted for 29% of Alaska's total revenue passenger miles during 1993, while west coast traffic accounted for 59% and the Mexico markets 12%. Based on passenger enplanements, Alaska's leading airports are Seattle, Portland, Anchorage and Los Angeles. Based on revenues, the leading nonstop routes were Seattle-Anchorage, Seattle-Los Angeles and Seattle-San Francisco. Alaska's operating fleet at December 31, 1993 consisted of 66 jet aircraft.

### USE OF PROCEEDS

Unless otherwise indicated in the accompanying Prospectus Supplement, the net proceeds to Alaska from the sale of the Debt Securities offered hereby will be added to the working capital of Alaska and will be available for general corporate purposes, among which may be repayment of outstanding indebtedness and the financing of capital expenditures by Alaska, including the acquisition by Alaska of aircraft and related equipment.

### RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for Alaska and Air Group for the periods indicated. Earnings represents earnings before accounting change, income tax expense and fixed charges (excluding interest capitalized). Fixed charges consist of interest and the portion of rental expense deemed representative of the interest factor.

	Year Ended December 31,				
	1993	1992	1991	1990	1989
Alaska .....	(a)	(a)	1.14	1.35	2.67
Air Group.....	(b)	(b)	1.10	1.32	2.30

<FN>

(a) For the years ended December 31, 1993 and 1992, Alaska's earnings were inadequate to cover fixed charges by \$44.5 million and \$126.4 million, respectively.

(b) For the years ended December 31, 1993 and 1992, Air Group's earnings were inadequate to cover fixed charges by \$46.3 million and \$131.8 million, respectively.

### DESCRIPTION OF DEBT SECURITIES



The Debt Securities are to be issued under an Indenture between Alaska, Air Group and a Trustee (the "Indenture"). In the event that any Debt Securities are guaranteed by Air Group (see "Guarantees of Debt Securities"), the applicable Indenture will be supplemented by a Supplemental Indenture among Alaska, as issuer, Air Group, as Guarantor, and the Trustee (each, a "Supplemental Indenture"). A copy of the Indenture is filed as an exhibit to the

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Registration Statement. Any such Supplemental Indenture will be filed as an exhibit to a Current Report on Form 8-K, Quarterly Report on Form 10-Q or Annual Report on Form 10-K to be filed by Alaska with the Commission following the issuance of such series of guaranteed Debt Securities. Information regarding the Trustee will be set forth in the applicable Prospectus Supplement.

The Debt Securities offered pursuant to this Prospectus will be limited to \$200,000,000 aggregate principal amount (or such greater amount, if Debt Securities are issued at an original issue discount, as shall result in aggregate proceeds of \$200,000,000). The statements herein relating to the Debt Securities and the Indenture are summaries and reference is made to the detailed provisions of the Indenture, including the definitions therein of certain terms capitalized in this Prospectus. Whenever particular Sections or defined terms of the Indenture are referred to herein or in a Prospectus Supplement, such Sections or defined terms are incorporated herein or therein by reference.

#### GENERAL

The Indenture does not limit the aggregate principal amount of Debt Securities which may be issued thereunder. Debt Securities may be issued from time to time in one or more series. The Debt Securities will be unsecured and unsubordinated obligations of Alaska and will rank on a parity with all other unsecured and unsubordinated indebtedness of Alaska.

Reference is made to the Prospectus Supplement which accompanies this Prospectus for a description of the specific series of Debt Securities being offered thereby including: (1) the specific designation of such Debt Securities; (2) any limit upon the aggregate principal amount of such Debt Securities; (3) the date or dates on which the principal of such Debt Securities will mature or the method of determining such date or dates; (4) the rate or rates (which may be fixed or variable) at which such Debt Securities will bear interest, if any, or the method of calculating such rate or rates; (5) the date or dates from which interest, if any, will accrue or the method by which such date or dates will be determined; (6) the date or dates on which interest, if any, will be payable and the record date or dates therefor; (7) the place or places where principal of, premium, if any, and interest, if any, on such Debt Securities will be payable; (8) the period or periods within which, the price or prices at which, and the terms and conditions upon which, such Debt Securities may be redeemed, in whole or in part, at the option of Alaska; (9) the obligation, if any, of Alaska to redeem or purchase such Debt Securities pursuant to any sinking fund or analogous provisions, upon the happening of a specified event, or at the option of a holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which, such Debt Securities shall be redeemed or purchased, in whole or in part, pursuant to such obligations; (10), if applicable, the terms of any Guarantee; (11) the denominations in which such Debt Securities are authorized to be issued; (12) if other than the principal amount thereof, the portion of the principal amount of such Debt Securities which will be payable upon declaration of the acceleration of the maturity thereof or the method by which such portion shall be determined; (13) the person to whom any interest on any such Debt Security shall be payable if other than the person in whose name such Debt Security is registered on the applicable record date; (14) any addition to, or modification or deletion of, any Event of Default (as hereinafter defined) or any covenant of Alaska specified in the Indenture with respect to such Debt Securities; (15) the application, if any, of such means of defeasance or covenant defeasance as maybe specified for such Debt Securities; (16) if applicable, provisions related to

the issuance of Debt Securities in book entry form; and (17) any other special terms pertaining to such Debt Securities. Unless otherwise specified in the applicable Prospectus Supplement, the Debt Securities will not be listed on any securities exchange. (Section 3.1.)

Unless otherwise specified in the applicable Prospectus Supplement, Debt Securities will be issued in fully registered form without coupons. Where Debt Securities of any series are issued in bearer form, the special restrictions and considerations, including special offering restrictions and special Federal income tax considerations, applicable to any such Debt Securities and to payment on and transfer and exchange of such Debt Securities will be described in the applicable Prospectus Supplement.

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Debt Securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. Certain Federal income tax consequences and special considerations applicable to any such Debt Securities will be described in the applicable Prospectus Supplement.

The general provisions of the Indenture do not afford holders of the Debt Securities protection in the event of a highly leveraged or other transaction involving Air Group or Alaska that may adversely affect holders of Debt Securities. Any covenants or other provisions included in a supplement or amendment to any Indenture for the benefit of the holders of any particular series of Debt Securities will be described in the applicable Prospectus Supplement.

#### PAYMENT, REGISTRATION, TRANSFER AND EXCHANGE

Unless otherwise provided in the applicable Prospectus Supplement, payments in respect of the Debt Securities will be made at the office or agency of Alaska maintained for that purpose as Alaska may designate from time to time except that, at the option of Alaska, interest payments, if any, on Debt Securities in registered form may be made by (i) checks mailed by the Trustee to the holders of Debt Securities entitled thereto at their registered addresses or (ii) wire transfer to an account maintained by the Person entitled thereto as specified in the Register. (Sections 3.7(a) and 9.2.) Unless otherwise indicated in an applicable Prospectus Supplement, payment of any installment of interest on Debt Securities in registered form will be made to the Person in whose name such Debt Security is registered at the close of business on the regular record date for such interest. (Section 3.7(a).)

Unless otherwise provided in the applicable Prospectus Supplement, Debt Securities in registered form will be transferable or exchangeable at the agency of Alaska maintained for such purpose as designated by Alaska from time to time. (Sections 3.5 and 9.2.) Debt Securities may be transferred or exchanged without service charge, other than any tax or other governmental charge imposed in connection therewith. (Section 3.5.)

#### GUARANTEES OF DEBT SECURITIES

Air Group shall unconditionally guarantee to the holders from time to time of any series of Debt Securities that is not Investment Grade at the time of issuance the full and prompt payment of principal, premium, if any, and interest when and as the same shall become due and payable, whether at maturity, upon redemption or otherwise. The terms of any such guarantees (each, a "Guarantee") will be set forth in the applicable Supplemental Indenture. Any such Guarantee will be an unsecured obligation of Air Group. A series of Debt Securities shall be "Investment Grade" if so designated by at least one nationally recognized statistical rating organization (as that term is used in Rule 15c3-1(c) (2) (vi) (F) under the 1934 Act).

If a Guarantee is applicable to Debt Securities offered hereby, reference is made to the related Supplemental Indenture and the accompanying Prospectus

Supplement for a description of the specific terms of such Guarantee, including events of default relating thereto and, where applicable, subordination provisions of such Guarantee and covenants of Air Group.

The consolidated financial statements of Air Group are incorporated by reference herein. See "Incorporation of Certain Documents by Reference." As indicated by comparison of such consolidated financial statements with those of Alaska, the total assets, revenues and shareholders' equity of Alaska comprise a substantial portion of the consolidated total assets, revenues and shareholders' equity of Air Group.

#### CONSOLIDATION, MERGER OR SALE BY ALASKA

The Indenture provides that Alaska may merge or consolidate with or into any other corporation or sell, convey, transfer or otherwise dispose of all or substantially all of its assets to any person, firm or corporation, if (i) (a) in the case of a merger or consolidation, Alaska is the surviving corporation or (b) in the case of a merger or

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consolidation where Alaska is not the surviving corporation and in the case of such a sale, conveyance or other disposition, the successor or acquiring corporation is a corporation organized and existing under the laws of the United States of America or a State thereof and such corporation expressly assumes by supplemental indenture all the obligations of Alaska under the Debt Securities and any coupons pertaining thereto and under the Indenture, and (ii) immediately after giving effect to such merger or consolidation, or such sale, conveyance, transfer or other disposition, no Default (as hereinafter defined) or Event of Default shall have occurred and be continuing. In the event a successor corporation assumes the obligations of Alaska, such successor corporation shall succeed to and be substituted for Alaska under the Indenture and under the Debt Securities and any coupons appertaining thereto and all obligations of Alaska shall terminate. (Section 7.1.)

#### EVENTS OF DEFAULT, NOTICE AND CERTAIN RIGHTS ON DEFAULT

The Indenture provides that, if an Event of Default specified therein occurs with respect to the Debt Securities of any series issued thereunder and is continuing, the Trustee for such series or the holders of 25% in aggregate principal amount of all of the outstanding Debt Securities of that series, by written notice to Alaska (and to the Trustee for such series, if notice is given by such holders of Debt Securities), may declare the principal (or, if the Debt Securities of that series are original issue discount Debt Securities or indexed Debt Securities, such portion of the principal amount specified in the Prospectus Supplement) of all the Debt Securities of that series to be due and payable.

"Events of Default" with respect to Debt Securities of any series issued thereunder are defined in the Indenture as being: default for 30 days in payment of any interest on any Debt Security of that series or any coupon appertaining thereto or any additional amount payable with respect to Debt Securities of such series as specified in the applicable Prospectus Supplement when due; default for ten days in payment of principal, premium, if any, or on redemption or otherwise, or in the making of a mandatory sinking fund payment of any Debt Securities of that series when due; default for 60 days after notice to Alaska by the Trustee for such series, or by the holders of 25% in aggregate principal amount of the Debt Securities of such series then outstanding, in the performance of any other agreement in the Debt Securities of that series, in the Indenture or in any supplemental indenture or board resolution referred to therein under which the Debt Securities of that series may have been issued; default resulting in acceleration of other indebtedness of Alaska for borrowed money where the aggregate principal amount so accelerated exceeds \$25 million and such acceleration is not rescinded or annulled within ten days after the written notice thereof to Alaska by the Trustee or to Alaska and the Trustee by the holders of 25% in aggregate principal amount of the Debt Securities of such

series then outstanding, PROVIDED that such Event of Default will be cured or waived if the default that resulted in the acceleration of such other indebtedness is cured or waived; and certain events of bankruptcy, insolvency or reorganization of Alaska. (Section 5.1 of the Indenture.) Events of Default with respect to a specified series of Debt Securities may be added to the Indenture and, if so added, will be described in the applicable Prospectus Supplement. (Sections 3.1 and 5.1(7) of the Indenture.)

The Indenture provides that the Trustee for any series of Debt Securities shall, within ninety days after the occurrence of a Default with respect to Debt Securities of that series, give to the holder of the Debt Securities of that series notice of all uncured Defaults known to it, PROVIDED that, except in the case of default in payment on the Debt Securities of that series, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers (as defined therein) in good faith determines that withholding such notice is in the interest of the holders of the Debt Securities of that series. (Section 6.5.) "Default" means any event which is, or, after notice or passage of time or both, would be, an Event of Default. (Section 1.1.)

The Indenture provides that the holders of a majority in aggregate principal amount of the Debt Securities of each series affected (with each such series voting as a class) may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee for such series, or exercising any trust or power conferred on such Trustee. (Section 5.8.)

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The Indenture includes a covenant that Alaska will file annually with the Trustee a certificate as to Alaska's compliance with all conditions and covenants of the Indenture. (Section 9.7.)

The holders of a majority in aggregate principal amount of any series of Debt Securities by notice to the Trustee for such series may waive, on behalf of the holders of all Debt Securities of such series, any past Default or Event of Default with respect to that series and its consequences except a Default or Event of Default in the payment of the principal of, premium, if any, or interest, if any, on any Debt Security and certain other defaults. (Section 5.7.)

#### MODIFICATION OF THE INDENTURES

The Indenture contains provisions permitting Alaska and the Trustee to enter into one or more supplemental indentures without the consent of the holders of any of the Debt Securities in order (i) to evidence the succession of another corporation to Alaska and the assumption of the covenants of Alaska by a successor to Alaska; (ii) to add to the covenants of Alaska or surrender any right or power of Alaska; (iii) to add additional Events of Default, with respect to any series; (iv) to add to, change or eliminate any provision affecting Debt Securities not yet issued; (v) to secure the Debt Securities; (vi) to establish the form or terms of Debt Securities; (vii) to evidence and provide for successor Trustees; (viii) if allowed without penalty under applicable laws and regulations, to permit payment in respect of Debt Securities in bearer form in the United States; (ix) to correct or supplement any inconsistent provisions or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action does not adversely affect the interests of any holder of Debt Securities of any series issued under the Indenture; or (x) to cure any ambiguity or correct any mistake. (Section 8.1.)

The Indenture also contains provisions permitting Alaska and the Trustee, with the consent of the holders of a majority in aggregate principal amount of the outstanding Debt Securities of each series affected by such supplemental Indenture, to execute supplemental indentures adding any provisions to or changing or eliminating any of the provisions of the indentures or any supplemental indenture or modifying the rights of the holders of Debt Securities of such series, except that no such supplemental indenture may, without the

consent of the holder of each Debt Security so affected, (i) change the time for payment of principal or interest on any Debt Security; (ii) reduce the principal of, or any installment of principal of or interest on any Debt Security; (iii) reduce the amount of premium, if any, payable upon the redemption of any Debt Security; (iv) reduce the amount of principal payable upon acceleration of the maturity of an Original Issue Discount Debt Security; (v) impair the right to institute suit for the enforcement of any payment on or with respect to any Debt Security; (vi) reduce the percentage in principal amount of the outstanding Debt Securities of any series the consent of whose holders is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults; (vii) change the obligation of Alaska to maintain an office or agency in the places and for the purposes specified in the Indenture; or (viii) modify the provisions relating to waiver of certain defaults or any of the foregoing provisions. (Section 8.2 of the Indenture.)

#### DEFEASANCE AND COVENANT DEFEASANCE

If indicated in the Prospectus Supplement, Alaska may elect either (i) to defease and be discharged from any and all obligations with respect to the Debt Securities of or within any series (except as described below) ("defeasance") or (ii) to be released from its obligations with respect to certain covenants applicable to the Debt Securities of or within any series ("covenant defeasance"), upon the deposit with the Trustee for such series (or other qualifying trustee), in trust for such purpose, of money and/or Government Obligations which through the payment of principal and interest in accordance with their terms will provide money in the amount sufficient to pay the principal of and any premium or interest on such Debt Securities to Maturity or redemption, as the case may be, and any mandatory sinking fund or analogous payments thereon. Upon the occurrence of a defeasance, Alaska will be deemed to have paid and discharged the entire indebtedness represented by such Debt Securities and any coupons appertaining thereto and to have satisfied all of its other obligations under such Debt Securities and any coupons appertaining thereto (except for (i) the rights of holders of such Debt Securities to receive, solely from the

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trust funds deposited to defease such Debt Securities, payments in respect of the principal of, premium, if any, and interest, if any, on such Debt Securities or any coupons appertaining thereto when such payments are due and (ii) certain other obligations as provided in the Indenture). Upon the occurrence of a covenant defeasance, Alaska will be released only from its obligations to comply with certain covenants contained in the Indenture relating to such Debt Securities, will continue to be obligated in all other respects under such Debt Securities and will continue to be contingently liable with respect to the payment of principal, interest, if any, and premium, if any, with respect to such Debt Securities.

Unless otherwise specified in the applicable Prospectus Supplement and except as described below, the conditions to both defeasance and covenant defeasance are as follows: (i) such defeasance or covenant defeasance must not result in a breach or violation of, or constitute a Default or Event of Default under, the Indenture, or result in a breach or violation of, or constitute a default under, any other material agreement or instrument of Alaska; (ii) certain bankruptcy related Defaults or Events of Default with respect to Alaska must not have occurred and be continuing during the period commencing on the date of the deposit of the trust funds to defease such Debt Securities and ending on the 91st day after such date; (iii) Alaska must deliver to the Trustee an Opinion of Counsel to the effect that the holders of such Debt Securities will not recognize income, gain or loss for Federal income tax purposes a result of such defeasance or covenant defeasance and will be subject to Federal income tax on the same amounts and in the same manner and at all the same times as would have been the case if such defeasance or covenant defeasance had not occurred; (iv) Alaska must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel with respect to compliance with the conditions precedent

to such defeasance or covenant defeasance; and (v) any additional conditions to such defeasance or covenant defeasance which may be imposed on Alaska pursuant to the Indenture. (Article 4.) The Indenture requires that a nationally recognized firm of independent public accountants deliver to the Trustee a written certification as to the sufficiency of the trust funds deposited for the defeasance or covenant defeasance of such Debt Securities. The Indentures do not provide the holders of such Debt Securities with recourse against such firm. If indicated in the Prospectus Supplement, in addition to obligations of the United States or an agency or instrumentality thereof, Government Obligations may include obligations of the government or an agency or instrumentality of the government issuing the currency in which Debt Securities of such series are payable. (Sections 1.1 and 3.1.) In the event that Government Obligations deposited with the Trustee for the defeasance of such Debt Securities decrease in value or default subsequent to their being deposited, Alaska will have no further obligation, and the holders of such Debt Securities will have no additional recourse against Alaska, as a result of such decrease in value or default. As described above, in the event of a covenant defeasance, Alaska remains contingently liable with respect to the payment of principal, interest, if any, and premium, if any, with respect to the Debt Securities.

Alaska may exercise its defeasance option with respect to such Debt Securities notwithstanding its prior exercise of its covenant defeasance option. If Alaska exercises its defeasance option, payment of such Debt Securities may not be accelerated because of a Default or an Event of Default. If Alaska exercises its covenant defeasance option, payment of such Debt Securities may not be accelerated by reason of a Default or an Event of Default with respect to the covenants to which such covenant defeasance is applicable. However, if such acceleration to occur, the realizable value at the acceleration date of the money and Government Obligations in the defeasance trust could be less than the principal and interest then due on such Debt Securities, in that the required deposit in the defeasance trust is based upon scheduled cash flow rather than market value, which will vary depending upon interest rates and other factors.

#### PLAN OF DISTRIBUTION

Alaska may sell Debt Securities to one or more underwriters for public offering and sale by them or may sell Debt Securities to investors or other persons directly or through agents. Any such underwriter or agent involved in the offer and sale of the Debt Securities will be named in an applicable Prospectus Supplement.

Underwriters may offer and sell the Debt Securities at a fixed price or prices, which may be changed, or from time to time at market prices prevailing at the time of sale, at prices related to such prevailing market prices or

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at negotiated prices. Alaska also may offer and sell the Debt Securities in exchange for one or more of its outstanding issues of debt securities. Alaska also may, from time to time, authorize underwriters acting as Alaska's agents to offer and sell the Debt Securities upon the terms and conditions as shall be set forth in any Prospectus Supplement. In connection with the sale of Debt Securities, underwriters may be deemed to have received compensation from Alaska in the form of underwriting discounts or commissions and may also receive commissions from purchasers of Debt Securities for whom they may act as agent. Underwriters may sell Debt Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions (which may be changed from time to time) from the purchasers for whom they may act as agent.

Any underwriting compensation paid by Alaska to underwriters or agents in connection with the offering of Debt Securities, and any discounts, concessions or commissions allowed by underwriters to participating dealers, will be set forth in an applicable Prospectus Supplement. Underwriters, dealers and agents participating in the distribution of the Debt Securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit

realized by them on resale of the Debt Securities may be deemed to be underwriting discounts and commissions under the Securities Act. Underwriters, dealers and agents may be entitled, under agreements with Alaska, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act, and to reimbursement by Alaska for certain expenses.

Underwriters, dealers and agents may engage in transactions with, or perform services for, Alaska and its subsidiaries in the ordinary course of business.

#### LEGAL OPINIONS

Unless otherwise indicated in the applicable Prospectus Supplement, the validity of the Debt Securities offered hereby will be passed upon for Alaska by Perkins Coie, Seattle, Washington.

#### EXPERTS

The financial statements and schedules of Air Group and of Alaska incorporated by reference in this Prospectus and in the Registration Statement have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED FEBRUARY 14, 1994

PROSPECTUS

ALASKA AIRLINES, INC.

#### EQUIPMENT TRUST CERTIFICATES

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Up to \$200,000,000 aggregate principal amount of Equipment Trust Certificates (or such greater amount if Certificates are issued at an original issue discount, as shall result in aggregate proceeds of \$200,000,000) may be offered for sale from time to time pursuant to this Prospectus and related Prospectus Supplements (as hereinafter defined). Certificates may be issued in one or more series in amounts, at prices and on terms to be determined at the time of the offering. Certificates will be issued (a) on a nonrecourse basis by one or more Owner Trustees (as hereinafter defined) pursuant to separate leveraged lease transactions (the "Leased Aircraft Certificates") to finance or refinance a portion of the equipment cost of aircraft, including engines (each, a "Leased Aircraft" and collectively, the "Leased Aircraft"), which have been or will be leased to Alaska Airlines, Inc. ("Alaska") or (b) with recourse to Alaska (the "Owned Aircraft Certificates" and, together with any Leased Aircraft Certificates, the "Certificates") to finance all or a portion of the equipment cost of aircraft, including engines (each, an "Owned Aircraft" and collectively, the "Owned Aircraft" and, together with the Leased Aircraft, the "Aircraft"), which have been or will be purchased and owned by Alaska.

Certain specific terms of the particular Certificates in respect of which this Prospectus is being delivered are set forth in the accompanying Prospectus Supplement (the "Prospectus Supplement"), including, where applicable, the specific designation, form, aggregate principal amount, initial public offering

price, maturity, premium, if any, the rate (which may be fixed or variable), time and method of calculating payment of interest, if any, mandatory or optional redemption by the applicable Owner Trustee or Alaska, the Aircraft relating to such Certificates, the leveraged lease transactions or financing arrangements, as the case may be, related thereto and other special terms relating to such Certificates and the net proceeds from the offering of such Certificates. The Certificates shall be issued in registered form only and may, if so specified in the applicable Prospectus Supplement, be issued in accordance with a book-entry system.

Certificates may be issued in respect of an Aircraft in one or more series, each series having its own interest rate and final maturity date. The Certificates issued with respect to each Aircraft will be secured by a security interest in such Aircraft and, in the case of the Leased Aircraft, by a security interest in the lease relating thereto, including the right to receive rentals payable in respect of such Leased Aircraft by Alaska. Although the Leased Aircraft Certificates will not be direct obligations of, or guaranteed by, Alaska, the amounts unconditionally payable by Alaska for lease of Leased Aircraft will be sufficient to pay in full when due all payments required to be made on the corresponding Leased Aircraft Certificates.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The Certificates may be sold to or through underwriters, through dealers or agents or directly to purchasers. See "Plan of Distribution." The accompanying Prospectus Supplement sets forth the names of any underwriters, dealers or agents involved in the sale of the Certificates in respect of which this Prospectus is being delivered and any applicable fee, commission or discount arrangements with them. See "Plan of Distribution" for information concerning secondary trading of the Certificates.

This Prospectus may not be used to consummate sales of Certificates unless accompanied by a Prospectus Supplement.

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The date of this Prospectus is \_\_\_\_\_, 1994.

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No dealer, salesperson or other individual has been authorized to give any information or to make any representations not contained in this Prospectus in connection with the offering covered by this Prospectus. If given or made, such information or representations must not be relied upon as having been authorized by Alaska or the Underwriter. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the Certificates in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of Alaska since the date hereof.

#### AVAILABLE INFORMATION

Alaska is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information may be inspected and copied



at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549; 75 Park Place, 14th Floor, New York, New York 10007; and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may also be obtained at prescribed rates from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

This Prospectus constitutes a part of a registration statement on Form S-3 (together with all amendments and exhibits, the "Registration Statement") filed by Alaska and Alaska Air Group, Inc. ("Air Group") with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all of the information included in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Statements contained herein concerning the provisions of any document do not purport to be complete and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is subject to and qualified in its entirety by such reference. Reference is made to such Registration Statement and to the exhibits relating thereto for further information with respect to Alaska and the Certificates offered hereby.

So long as Alaska is subject to such periodic reporting requirements, it will continue to furnish the information required thereby to the Commission and will furnish copies of such reports and other information to the holders of Certificates. Alaska's obligation to file periodic reports with the Commission will be suspended if each class of Alaska's securities is held of record by fewer than 300 holders at the beginning of any fiscal year of Alaska other than a fiscal year in which a registration statement with respect to any such securities becomes effective. Accordingly, in such case, Alaska may cease to file reports with the Commission in respect of such fiscal year. In the event Alaska ceases to file periodic reports with the Commission, Alaska is obligated pursuant to the Indentures (as hereinafter defined) to distribute to the holders of Certificates annual reports containing audited consolidated financial statements and a report thereon by Alaska's independent public accountants and quarterly reports for the first three quarters of each fiscal year containing unaudited condensed financial information.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated into this Prospectus by reference and made a part hereof: Alaska's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.

All documents filed by Alaska pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference in this Prospectus, and to be a part hereof from the date of filing of such documents. Any statement incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement modified or

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superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Alaska will provide without charge to each person to whom a copy of this Prospectus is delivered, upon the written or oral request of such person, a copy of any document incorporated by reference in this Prospectus (other than exhibits to such documents unless such exhibits are specifically incorporated by reference to such documents). Requests for such copies should be directed to the office of the Corporate Secretary, Alaska Airlines, Inc., P.O. Box 68947, Seattle, Washington 98168 (telephone (206) 433-3131).

#### THE COMPANY

Alaska is a wholly owned subsidiary of Air Group, a holding company. Alaska accounted for approximately 80% of Air Group's consolidated 1993 operating revenues and 91% of its total assets at December 31, 1993. Alaska's all jet fleet provides scheduled air transportation to 37 airports in six states (Alaska, Washington, Oregon, California, Nevada and Arizona), five cities in Mexico and three cities in Russia. The principal executive offices of Alaska and Air Group are located at 19300 Pacific Highway South, Seattle, Washington 98188 (telephone (206) 433-3200).

In 1993 Alaska carried 6.4 million passengers. In each year since 1973, Alaska has carried more passengers between Alaska and the U.S. mainland than any other airline. Passenger traffic in the intra-Alaska markets and between Alaska and the U.S. mainland accounted for 29% of Alaska's total revenue passenger miles during 1993, while west coast traffic accounted for 59% and the Mexico markets 12%. Based on passenger enplanements, Alaska's leading airports are Seattle, Portland, Anchorage and Los Angeles. Based on revenues, the leading nonstop routes were Seattle-Anchorage, Seattle-Los Angeles and Seattle-San Francisco. Alaska's operating fleet at December 31, 1993 consisted of 66 jet aircraft.

#### USE OF PROCEEDS

The proceeds from the sale of the Certificates offered pursuant to any Prospectus Supplement will be used (a) with respect to any Leased Aircraft Certificates, by the respective Owner Trustee or Owner Trustees to finance or refinance the debt portion of and, in certain cases, to refinance some of the equity portion of the equipment cost of the related Leased Aircraft as described in the applicable Prospectus Supplement, or (b) with respect to any Owned Aircraft Certificates, by Alaska to finance all or a portion of the aggregate principal amount of debt to be issued, or the purchase of all or a portion of the aggregate principal amount of the debt previously issued, by Alaska in respect of the equipment cost of the related Owned Aircraft as described in the applicable Prospectus Supplement.

With respect to each Leased Aircraft, the related Owner Participant will have provided or will provide from sources other than the Leased Aircraft Certificates a portion (as specified in the applicable Prospectus Supplement) of the equipment cost of the related Leased Aircraft. No Owner Participant, however, will be personally liable for any amount payable under the related Leased Aircraft Indenture or the Leased Aircraft Certificates issued thereunder. Simultaneously with the acquisition of each Leased Aircraft, the related Owner Trustee leased or will lease such Aircraft to Alaska pursuant to a separate lease agreement (each such lease agreement being herein referred to as a "Lease").

#### RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for Alaska for the periods indicated. Earnings represents earnings before accounting change, income tax expense and fixed charges (excluding interest capitalized). Fixed charges consist of interest and the portion of rental expense deemed representative of the interest factor.

Year Ended December 31,

	1993	1992	1991	1990	1989
Ratio.....	(a)	(a)	1.14	1.35	2.67

<FN>

(a) For the years ended December 31, 1993 and 1992, Alaska's earnings were inadequate to cover fixed charges by \$44.5 million, and \$126.4 million, respectively.

#### DESCRIPTION OF THE CERTIFICATES

The Certificates offered pursuant to this Prospectus will be limited to \$200,000,000 aggregate principal amount (or such greater amount if Certificates are issued at an original issue discount, as shall result in aggregate proceeds of \$200,000,000).

The Leased Aircraft Certificates will be issued under a separate Supplement (each, a "Leased Aircraft Indenture Supplement") among Alaska, an Indenture Trustee and an institution specified in the related Prospectus Supplement acting, not in its individual capacity, but solely as owner trustee (an "Owner Trustee") of a separate trust for the benefit of one or more institutional investors (each, an "Owner Participant") and Alaska to the Trust Indenture and Security Agreement between the Indenture Trustee and Alaska with respect to Leased Aircraft (the "Leased Aircraft Indenture"). Information regarding the Indenture Trustee and Owner Trustee will be set forth in the applicable Prospectus Supplement.

The Owned Aircraft Certificates will be issued under a separate Supplement (each, an "Owned Aircraft Indenture Supplement," any Owned Aircraft Indenture Supplement or Leased Aircraft Indenture Supplement being an "Indenture Supplement") to the Trust Indenture and Security Agreement between the Indenture Trustee, as trustee thereunder, and Alaska with respect to Owned Aircraft (the "Owned Aircraft Indenture," any Owned Aircraft Indenture or Leased Aircraft Indenture being an "Indenture"). A copy of each Indenture is filed as an exhibit to the Registration Statement.

The statements made under this caption are summaries and do not purport to be complete. The summaries relate to each of the Indentures and each of the Indenture Supplements and the Certificates of each series, except to the extent, if any, described in the applicable Prospectus Supplement. The summaries include descriptions of material terms and are qualified in their entirety by reference to all of the provisions of the Indentures. The Indenture Supplement relating to each series of Certificates, and, with respect to Leased Aircraft Certificates, the related Lease, Trust Agreement and Participation Agreement will be filed as exhibits to a Current Report on Form 8-K, Quarterly Report on Form 10-Q or Annual Report on Form 10-K to be filed by Alaska with the Commission following the issuance of such series of Certificates. Where no distinction is made between the Leased Aircraft Certificates and the Owned Aircraft Certificates or between their respective Indentures, such summaries refer to any Certificates and either Indenture.

#### GENERAL

Reference is made to the Prospectus Supplement that accompanies this Prospectus for a description of the specific series of Certificates being

offered thereby, including: (1) the Aircraft in which a security interest is being granted to secure payment of the Certificates of such series; (2) the

specific designation of such Certificates, including whether such Certificates are serial or installment Certificates; (3) if the Certificates are serial Certificates, the dates on which the principal of the Certificates of the series shall be payable; (4) if the Certificates are installment certificates, the dates on which each installment payment of principal of the Certificates shall be payable and the percentage of principal of the Certificates payable on each such date; (5) the rate or rates at which the Certificates shall bear interest or the method of calculating such rate or rates, the date or dates from which interest will accrue or the method by which such dates shall be determined and the date or dates on which interest will be payable and the record date or dates therefor; (6) the period or periods within which, the price or prices at which and the terms and conditions upon which such Certificates may or must be redeemed, in whole or in part, by Alaska; (7) the events of default, the remedies exercisable upon the occurrence of such events of default and any limitations on the exercise of such remedies with respect to such Certificates; (8) the application, if any, of such means of defeasance as may be specified for such Certificates; (9) if applicable, provisions related to the issuance of Certificates in book entry form; and (10) any other special terms pertaining to such Certificates.

Additionally, with respect to any Prospectus Supplement that relates to the offering of Leased Aircraft Certificates, such Prospectus Supplement will include the following: (1) the names of the related Owner Trustees; (2) the Leases in which an assignment is being granted to secure payment of the Certificates of such series; (3) the period or periods within which, the price or prices at which and the terms and conditions upon which such Certificates may or must be redeemed, in whole or in part, by the Owner Trustee; (4) the extent, if any, to which the provisions of the operative documents applicable to the Certificates of the series may be amended by the parties thereto without the consent of the holders of, or only upon the consent of the holders of a specified percentage of the aggregate principal amount of, the Certificates of such series; and (5) any other special terms pertaining to such Certificates.

With respect to each Leased Aircraft, the related Owner Trustee has acquired or will acquire such Aircraft from Alaska, or the manufacturer of such Aircraft, as the case may be, has granted or will grant a security interest in such Aircraft to the Indenture Trustee as security for the payment of the Certificates of the series related thereto, and has leased or will lease such Aircraft to Alaska under the related Lease which was or will be assigned to the Indenture Trustee. Pursuant to each Lease, Alaska will be obligated to make or cause to be made rental and other payments to the related Indenture Trustee on behalf of the related Owner Trustee in amounts that will be sufficient to make payments of the principal, interest and premium, if any, required to be made in respect of the series of Certificates issued with respect to such Aircraft when and as due and payable.

The rental obligations of Alaska under each Lease and the obligations of Alaska under the Owned Aircraft Indenture and the Owned Aircraft Certificates will be general obligations of Alaska. Except in certain circumstances involving Alaska's purchase of a Leased Aircraft and the assumption of the Leased Aircraft Certificates related thereto, the Leased Aircraft Certificates are not obligations of, or guaranteed by, Alaska.

Payments in respect of Certificates will be made at the principal corporate trust office of the Indenture Trustee or at such other office of the Indenture Trustee or another institution maintained for such purpose (the "Paying Agent") as the Indenture Trustee shall provide for pursuant to the Indenture or the applicable Indenture Supplement; payment of interest and installments of principal, if any, on each installment payment date other than at maturity, may, however, be made at the option of the Indenture Trustee or the Paying Agent by check mailed to the address of the person entitled thereto, as such address appears in the Register. (Sections \_\_\_\_ and \_\_\_\_.)

The Certificates will be issued in fully registered form only in denominations as set forth in the applicable Prospectus Supplement. Certificates may be surrendered for registration of transfer or exchange for Certificates of the same series and maturity at the principal corporate trust office of the Indenture Trustee with respect to such series or the office of the

Registrar. No service charge will be made for any registration of any transfer or exchange of Certificates, but payment may be required of any tax or other governmental charges that may be imposed in connection therewith. (Sections \_\_\_\_ and \_\_\_\_.)

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## SECURITY

The Leased Aircraft Certificates will be secured by (i) an assignment by the related Owner Trustee to the Indenture Trustee of such Owner Trustee's rights (except for certain rights, including those described below) under the Lease with respect to such Aircraft, including the right to receive payments of rent thereunder, (ii) a mortgage granted to the Indenture Trustee on such Aircraft, subject to the rights of Alaska under such Lease, and (iii) an assignment to the Indenture Trustee of certain of such Owner Trustee's rights with respect to such Aircraft under the purchase agreement between Alaska and the related manufacturer. Under the terms of each Lease, Alaska's obligations in respect of each Leased Aircraft will be those of a lessee under a "net lease." Accordingly, Alaska will be obligated, among other things and at its expense, to cause each Leased Aircraft to be duly registered, to pay all costs of operating such Aircraft and to maintain, service, repair and overhaul (or cause to be maintained, serviced, repaired and overhauled) such Aircraft.

The Owned Aircraft Certificates will be secured by a mortgage granted to the Indenture Trustee of all of Alaska's right, title and interest in and to such Owned Aircraft and an assignment to the Indenture Trustee of certain of Alaska's rights with respect to such Aircraft under the purchase agreement between Alaska and the related manufacturer. Under the terms of the Owned Aircraft Indenture, Alaska will be obligated, among other things and at its expense, to cause each Owned Aircraft to be duly registered, to pay all costs of operating such Aircraft and to maintain, service, repair and overhaul (or cause to be maintained, serviced, repaired and overhauled) such Aircraft.

Alaska will be required, except under certain circumstances, to keep each Aircraft registered under the Federal Aviation Act of 1958, as amended (the "Aviation Act"), and to record the Indenture and the Lease, if any, among other documents, with respect to each Aircraft under the Aviation Act. Such recordation of the Indenture, the Lease, if any, and other documents with respect to each Aircraft will give the related Indenture Trustee a first priority perfected security interest in the related Aircraft wherever it is located in the United States or any of its territories and possessions; the Convention on the International Recognition of Rights in Aircraft (the "Convention") provides that such security will also be recognized, with certain limited exceptions, in those jurisdictions that have ratified or adhere to the Convention. Although Alaska has no current intention to do so, Alaska will have the right, subject to certain conditions, at its own expense to register each Aircraft in countries other than the United States. Unless otherwise specified in the applicable Prospectus Supplement, prior to any such change in the jurisdiction of registry, the related Indenture Trustee shall have received an opinion of Alaska's counsel that, among other things, confirms the perfected status of the lien of the related Indenture and, in the case of Leased Aircraft, confirms the validity and enforceability of the related Lease in such jurisdiction, in each case subject, in certain cases, to certain filings, recordations or other actions. Each Aircraft may also be operated by Alaska or under lease, sublease or interchange arrangements in countries that are not parties to the Convention. The extent to which the related Indenture Trustee's security interest would be recognized in an Aircraft located in a country that is not a party to the Convention, and the extent to which such security interest would be recognized in a jurisdiction adhering to the Convention if the Aircraft is registered in a jurisdiction not a party to the Convention, is uncertain. Moreover, in the case of an event of default under an Indenture, the ability of the related Indenture Trustee to realize upon its security interest in an Aircraft could be adversely affected as a legal or practical matter if such Aircraft were registered or located outside the United States.

The Certificates are not cross-collateralized and consequently the Certificates issued in respect of any one Aircraft will not be secured by any other Aircraft or, in the case of Leased Aircraft Certificates, the Lease related thereto. With respect to the Leased Aircraft, the assignment by the related Owner Trustee to the Indenture Trustee of its rights under the related Lease will exclude, among other things, rights of such Owner Trustee and the related Owner Participant relating to indemnification by Alaska for certain matters, insurance proceeds payable to such Owner Trustee in its individual capacity and to such Owner Participant under liability insurance maintained by Alaska pursuant to such Lease or by such Owner Trustee or such Owner Participant, insurance proceeds payable to such Owner Trustee in its individual capacity or to such Owner Participant under certain casualty insurance maintained by such Owner Trustee or such Owner Participant pursuant to such Lease, and any rights of such

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Owner Participant or such Owner Trustee to enforce payment of the foregoing amounts and their respective rights to the proceeds of the foregoing.

Unless otherwise specified in the applicable Prospectus Supplement, Alaska will, at its expense, maintain or cause to be maintained all-risk aircraft hull insurance covering each Aircraft, fire and extended coverage and, to the extent available at reasonable cost, all-risk property damage insurance covering engines and parts while temporarily removed from an Aircraft and not replaced by similar components, at all times in an amount not less than, with respect to any Leased Aircraft, the applicable stipulated loss value (which will be an amount at least equal to the aggregate unpaid principal of, together with all unpaid interest accrued on, the outstanding Leased Aircraft Certificates related to such Aircraft) or, with respect to any Owned Aircraft, the aggregate unpaid principal of, together with all unpaid interest accrued on, the applicable Owned Aircraft Certificates. Unless otherwise specified in the applicable Prospectus Supplement, during any period when an Aircraft is on the ground and not in operation Alaska may carry or cause to be carried, in lieu of the insurance required by the previous sentence, insurance otherwise conforming with the provisions of said sentence except that the scope of the risks covered and the type of insurance shall be the same as are from time to time applicable to aircraft owned or leased by Alaska of the same type as such Aircraft similarly on the ground and not in operation, in an amount at least equal to, with respect to any Leased Aircraft, the applicable stipulated loss value or, with respect to any Owned Aircraft, the aggregate unpaid principal of, together with the accrued interest on, the applicable Owned Aircraft Certificates. All policies covering loss of or damage to an Aircraft shall be made payable to the applicable Indenture Trustee for any loss in excess of that certain amount specified in the applicable Prospectus Supplement. Alaska may self-insure a portion of these risks, but in no case will the self-insurance with respect to all of the aircraft in Alaska's fleet (including the Aircraft) exceed the lesser of 50% of the largest replacement value of any single aircraft in Alaska's fleet or 1 1/2% of the average aggregate insurable value (during the preceding calendar year) of all aircraft on which Alaska carries insurance. In addition, unless otherwise specified in the applicable Prospectus Supplement, Alaska will, at its expense, maintain or cause to be maintained comprehensive airline liability (including, without limitation, passenger, contractual, bodily injury and property damage liability) insurance (exclusive of manufacturer's product liability insurance) and cargo liability insurance with respect to each Aircraft (i) in amounts that are not less than the greater of the comprehensive airline liability insurance as is from time to time applicable to aircraft owned and operated by Alaska of the same type as such Aircraft, and an amount specified in the applicable Prospectus Supplement, and (ii) of the types and covering the same risks as are from time to time applicable to aircraft owned or operated by Alaska of the same type as such Aircraft and which is maintained in effect with insurers of recognized responsibility, provided that Alaska need not maintain cargo liability insurance, or may maintain such insurance in an amount less than that specified above for the respective Aircraft as long as the amount of cargo liability insurance, if any, maintained with respect to such Aircraft is the

same as the cargo liability insurance, if any, maintained for other aircraft of the same model as such Aircraft owned or operated by Alaska. Unless otherwise specified in the applicable Prospectus Supplement, during any period when an Aircraft is on the ground and not in operation Alaska may carry or cause to be carried, in lieu of the insurance required by the previous sentence, insurance otherwise conforming with the provisions of said sentence except that the amounts of coverage shall not be required to exceed the amounts of comprehensive airline liability insurance, and the scope of risks covered and type of insurance shall be the same, as are from time to time in effect with respect to aircraft owned or leased by Alaska of the same type as such Aircraft similarly on the ground and not in operation. Alaska may also self-insure a portion of these risks subject to the same limitations described above for insurance for risks of loss of or damage to the Aircraft. The applicable Indenture Trustee, any applicable Owner Participant and any applicable Owner Trustee, in its individual capacity and as owner of the Aircraft, and Alaska will each be named as insured parties under all liability insurance policies required with respect to the related Aircraft. In addition, the insurance policies maintained under the Lease (with respect to any Leased Aircraft) or the Indenture (with respect to any Owned Aircraft), as the case may be, will provide that, in respect of the respective interests of the applicable Indenture Trustee, any applicable Owner Participant, and any Owner Trustee, relating to such Aircraft, the insurance shall not be invalidated by any action or inaction of Alaska and shall insure the respective interests of such Indenture Trustee, Owner Participant or Owner Trustee, as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Alaska.

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Funds, if any, held from time to time by the Indenture Trustee, prior to the distribution thereof, will be invested and reinvested by the Indenture Trustee. Such investment and reinvestment will be at the direction of Alaska (except, with respect to a Leased Aircraft, in the case of an event of default under the applicable Lease or, with respect to an Owned Aircraft, in the case of an event of default under the Owned Aircraft Indenture) in certain investments described in the related Indenture. The net amount of any loss resulting from such investments will be paid by Alaska. (Section \_\_\_\_.)

Section 1110 of title 11 of the United States Code (the "Bankruptcy Code") provides that the right of lessors, conditional vendors and holders of purchase money security interests with respect to aircraft, air carriers operating under certificates issued under Section 401 or 418 of the Aviation Act, to take possession of such aircraft in compliance with the provisions of the lease, conditional sale contract or purchase money equipment security agreement, as the case may be, is not affected by (i) the automatic stay provision of the Bankruptcy Code, which provision enjoins repossessions by creditors for the duration of the reorganization period, (ii) the provision of the Bankruptcy Code allowing the debtor in possession and/or the bankruptcy trustee to use property of the bankruptcy estate during the bankruptcy case and (iii) any power of the bankruptcy court to enjoin a repossession. Section 1110 provides, however, that the right of a lessor, conditional vendor or holder of a purchase money equipment security interest to take possession of an aircraft in the event of any event of default may not be exercised for 60 days following the date of commencement of the reorganization proceedings (unless specifically permitted by the bankruptcy court) and may not be exercised at all if, within such 60-day period, the debtor in possession and/or the bankruptcy trustee agrees to perform the debtor's obligations that become due on or after such date and cures all existing defaults (other than defaults resulting solely from the financial condition, bankruptcy, insolvency or reorganization of the debtor).

In connection with any issuance of Certificates under this Prospectus and the applicable Prospectus Supplement, Alaska shall have received an opinion from its General Counsel to the effect that (i) with respect to any Leased Aircraft, the related Owner Trustee, as lessor under the related Lease, and the related Indenture Trustee, as assignee of such Owner Trustee's rights under such Lease pursuant to the related Indenture, should be entitled to the benefits of

Section 1110 of the Bankruptcy Code with respect to the Aircraft initially delivered under such Lease and subjected to the related Indenture or (ii) with respect to any Owned Aircraft, the related Indenture Trustee under the related Indenture should be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to the Aircraft initially subjected to the related Indenture. Such opinions will not address the possible replacement of an Aircraft after an Event of Loss in the future.

#### PAYMENTS AND LIMITATION OF LIABILITY

Each Leased Aircraft will be leased separately by the related Owner Trustee to Alaska for a term commencing on the delivery date thereof to such Owner Trustee and expiring on a date not earlier than the latest maturity date of the Leased Aircraft Certificates, unless previously terminated as permitted by the terms of the related Lease. The basic rent and other payments under each such Lease will be payable by Alaska in accordance with the terms specified in the applicable Prospectus Supplement, and will be assigned by the related Owner Trustee under the related Indenture to provide the funds necessary to pay principal of, premium, if any, interest due from such Owner Trustee or the Leased Aircraft Certificates issued under such Indenture. In certain cases, the basic rent payments under a Lease may be adjusted, but each Lease will provide that under no circumstances will rent payments by Alaska be less than the scheduled payments on the related Leased Aircraft Certificates. The balance of any basic rent payment under each Lease, after payment of amounts due on the Leased Aircraft Certificates issued under the Indenture corresponding to such Lease, will be paid over to the applicable Owner Participant. Alaska's obligation to pay rent and to cause other payments to be made under each Lease will be general obligations of Alaska.

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With respect to the Leased Aircraft Certificates, except in certain circumstances involving Alaska's purchase of a Leased Aircraft and the assumption of the Leased Aircraft Certificates related thereto, the Leased Aircraft Certificates will not be obligations of, or guaranteed by, Alaska. With respect to the Leased Aircraft Certificates, none of the Owner Trustees, the Owner Participants or the Indenture Trustee shall be personally liable to any holder of such Certificate for any amounts payable under such Certificates or, except as provided in the Indentures relating thereto in the case of the Owner Trustees and the Indenture Trustees, for any liability under such Indentures. Except in the circumstances referred to above, all amounts payable under the Leased Aircraft Certificates (other than payments made in connection with an optional redemption or purchase by the related Owner Trustee or the related Owner Participant) will be payable only from the assets subject to the lien of the Leased Aircraft Indenture or the income and proceeds received by the Indenture Trustee therefrom (including rent payable by Alaska under the related Lease). (Section 2.10 of the Leased Aircraft Indenture.)

With respect to the Leased Aircraft Certificates, except as otherwise provided in the Leased Aircraft Indenture, no Owner Trustee shall be personally liable for any amount payable or for any statements, representations, warranties, agreements or obligations made under such Indenture or under such Leased Aircraft Certificates except for its own willful misconduct or gross negligence. None of the Owner Participants shall have any duty or responsibility under the Leased Aircraft Indenture or under such Leased Aircraft Certificates to the Indenture Trustee or to any holder of any such Certificate. (Leased Aircraft Indenture, Section \_\_\_\_)

Alaska's obligations under the Owned Aircraft Indenture and under the Owned Aircraft Certificates will be general obligations of Alaska.

#### MERGER, CONSOLIDATION AND TRANSFER OF ASSETS

Alaska will be prohibited from consolidating with or merging into any other corporation or transferring substantially all of its assets as an entirety to any other corporation unless (i) the surviving successor or transferee



corporation shall (a) be a "citizen of the United States" as defined in the Aviation Act, (b) be a United States certificated air carrier and (c) expressly assume all of the obligations of Alaska contained in the Indentures, and, with respect to the Leased Aircraft Certificates, the Participation Agreements and the Leases, and any other operative documents; (ii) immediately after giving effect to such transaction, no Indenture event of default (with respect to the Owned Aircraft Certificates) or Lease event of default (with respect to the Leased Aircraft Certificates) shall have occurred and be continuing; and (iii) Alaska shall have delivered a certificate and an opinion or opinions of counsel indicating that such transaction, in effect, complies with such conditions. (Section \_\_\_\_.)

The Indentures do not contain any covenants or provisions which may afford holders of Certificates issued thereunder protection in the event of a highly leveraged transaction, including transactions effected by management or affiliates, which may or may not result in a change in control of Alaska. No other instrument or agreement currently evidencing other indebtedness of Alaska contains covenants or provisions affording holders of Debt protection in the event of a change in control of Alaska.

#### EVENTS OF DEFAULT, NOTICE AND WAIVER

The applicable Prospectus Supplement will set forth the events of default applicable to a Leased Aircraft or an Owned Aircraft. There are no cross-default provisions in the Indentures. Therefore, events resulting in a default with respect to one series of Certificates will not in itself result in the occurrence of an event of default with respect to any other series of Certificates.

Each Indenture provides that the Indenture Trustee thereunder shall, after the occurrence of any event known to it to be an event of default with respect to such series of Certificates, promptly send written notice thereof to Alaska and, with respect to Leased Aircraft, the related Owner Trustee and the related Owner Participant, and within 90 days after the occurrence thereof if such default remains uncured, and notice thereof to the holders of outstanding Certificates of such series, but such Indenture Trustee may withhold such notice, except in the case of a

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default in the payment of the principal of, premium, if any, or interest on any Certificates of such series, if it in good faith determines that withholding such notice is in the interest of such holders. (Section \_\_\_\_.)

The holders of at least a majority in principal amount of outstanding Certificates of the series to which an event of default relates, by notice to the applicable Indenture Trustee, may on behalf of all of such holders waive any existing event of default or default and its consequences except an event of default or a default in the payment of the principal of, premium, if any, or interest on any such Certificates or a default in respect of certain other matters. (Section \_\_\_\_.)

#### REMEDIES

If an event of default with respect to a series of Certificates shall occur and be continuing, the Indenture Trustee thereunder or the holders of not less than 25% in unpaid principal amount of outstanding Certificates of such series may declare the principal of all Certificates of such series immediately due and payable. The holders of a majority in unpaid principal amount of all outstanding Certificates of such series may annul any such declaration by such Indenture Trustee or by the holders at any time prior to the sale of the related Aircraft after such an event of default if (i) there has been deposited with such Indenture Trustee an amount sufficient to pay all installments of principal of, and premium, if any, on any such Certificates that have become due otherwise than by such declaration of acceleration, and any interest thereon and interest due or past due, if any, and certain expenses, (ii) such annulment will not

conflict with any judgment or decree and (iii) all other events of default and defaults have been cured or waived. (Section \_\_\_\_.)

Each Indenture provides that, if an event of default under such Indenture has occurred and is continuing, the Indenture Trustee thereunder may exercise certain rights or remedies available to it under applicable law, including, with respect to Leased Aircraft (if an event of default under the related Lease has occurred and is continuing) one or more of the remedies with respect to the related Aircraft afforded to the applicable Owner Trustee by the related Lease for events of default thereunder. The applicable Prospectus Supplement will describe any limitation on the exercise of remedies by the Indenture Trustee. (Section \_\_\_\_.)

The holders of a majority in principal amount of outstanding Certificates of each series may direct the time, method and place of conducting any proceeding for any remedy available to the related Indenture Trustee with respect to such series or of exercising any trust or power conferred on such Indenture Trustee, but in such event such Indenture Trustee shall be entitled to be indemnified by the holders of Certificates of such series before proceeding so to act and such Indenture Trustee may not be held liable for any such action taken in good faith. (Sections \_\_\_\_ and \_\_\_\_.)

The right of any holder of Certificates of any series to institute an action for any remedy with respect to such Certificates (except the right to enforce payment of the principal of, premium, if any, and interest on its Certificates when due) is subject to certain conditions precedent, including a request to the related Indenture Trustee by the holders of not less than 25% in principal amount of outstanding Certificates of the applicable series to take action, and an offer to such Indenture Trustee of satisfactory indemnification against liabilities incurred by it in so doing. (Sections \_\_\_\_ and \_\_\_\_.)

If an event of default with respect to any series of Certificates occurs and is continuing, any sums held or received by the Indenture Trustee thereunder may be applied to reimburse such Indenture Trustee for any tax, expense or other loss incurred by it and to pay any other amounts due such Indenture Trustee prior to any payments to holders of such series. (Section \_\_\_\_.)

With respect to a Leased Aircraft, in the event of insolvency proceedings involving an Owner Participant, the related Aircraft and the related Lease could become part of such insolvency proceedings. In such event, payments under such Lease or on the related Certificates might be interrupted and the ability of the Indenture Trustee to exercise its remedies under the applicable Indenture might be restricted, although the Indenture

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Trustee would retain its status as a secured creditor in respect of the Lease and the Aircraft.

#### MODIFICATION OF AGREEMENTS

Without the consent of holders of a majority in principal amount of outstanding Certificates of a series, the provisions of the Indentures may be amended or modified (a) to cure any ambiguity, defect or inconsistency or to make any change consistent with the provisions of the Indenture and related supplement, PROVIDED that such change does not adversely affect the interests of any holder of such series of Certificates in any material respect, (b) to provide for a successor Indenture Trustee and, with respect to Leased Aircraft Certificates, a successor Owner Trustee, (c) to establish the forms or terms of Certificates of any series as permitted by the Indenture, (d) to facilitate the defeasance and discharge or a series of Certificates, PROVIDED that such change does not adversely affect the interests of the holders of such series of Certificates or any other series of Certificates in any material respect, (e) to convey, transfer, assign, mortgage or pledge any property to or with the Indenture Trustee or to make any other provisions with respect to matters or questions arising hereunder so long as such action shall not adversely affect

the interests of the holders of such series of Certificates, (f) to correct or amplify the description of any property at any time subject to the lien of the Indenture or better to assure, convey and confirm until the Indenture Trustee any property subject to the lien of the Indenture, (g) to add to the covenants of Alaska and, with respect to Leased Aircraft Certificates, the Owner Trustee, or to surrender any rights or powers conferred upon, with respect to Owned Aircraft Certificates, Alaska and, with respect to Leased Aircraft Certificates, the related Owner Trustee or Owner Participant, (h) to comply with any requirements of the Commission, (i) to add to the rights of the holders of such series of Certificates, (j) with respect to Leased Aircraft Certificates, to provide for the assumption by Alaska of the obligations of the related Owner Trustee and (k) to include on the Certificates of any series any legend required by law. (Section \_\_\_\_.)

The Indenture also contain provisions permitted Alaska, the Indenture Trustee and, with respect to Leased Aircraft Certificates, the related Owner Trustee, with the consent of the holders of the Certificates of any series aggregating not less than a majority interest of such series of Certificates, to execute supplemental indentures adding any provisions to or changing or eliminating any of the provisions of the Indentures, to the extent relating to such series of Certificates, or modifying the rights of the Certificate holders of such series, except that no such supplemental indenture may, without the consent of the holder of each outstanding Certificate of a series affected thereby, (a) reduce the principal amount, premium, if any, or any payment of interest due on any Certificate of such series, (b) change the date on which any principal, premium, if any, or interest is due or payable on any Certificate of such series, (c) create any security interest with respect to the property subject to the lien of the Indenture ranking prior to or on a parity with the security interest created by the Indenture or deprive any holder of a Certificate of such series of the lien of the Indenture upon the property subject thereto, (d) reduce the percentage in principal amount of outstanding Certificates of such series necessary to modify or amend any provision of such Indenture or to waive compliance therewith or (e) modify any of the provisions relating to the rights of holders in respect of the waiver of events or default or receipt of payment. (Section \_\_\_\_.)

With respect to Leased Aircraft Certificates, certain provisions of the Leases, the Participation Agreements and the Trust Agreements related thereto may not be modified by the parties thereto without the consent of the holders of all or a portion of the outstanding Certificates of the series related thereto as is specified in the applicable Prospectus Supplement. (Section \_\_\_\_ of the Leased Aircraft Indenture.)

#### DEFEASANCE OF THE INDENTURES AND THE CERTIFICATES IN CERTAIN CIRCUMSTANCES

Unless otherwise specified in the applicable Prospectus Supplement, the applicable Indenture provides that the obligation of the Indenture Trustee and, with respect to any series of Leased Aircraft Certificates, the Owner Trustee, and, with respect to any series of Owned Aircraft Certificates, Alaska under the applicable Indenture and Indenture Supplement with respect to such series shall be deemed to have been discharged and paid in full (except for certain obligations, including the obligation to register the transfer or exchange of Certificates, to replace stolen,

lost, destroyed or mutilated Certificates and to maintain paying agencies and hold money for payment in trust) on the 91st day after the date of irrevocable deposit with the related Indenture Trustee of money or certain United States government obligations which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an aggregate amount sufficient to pay when due (including as a consequence of redemption in respect of which notice is given on or prior to the date of such deposit) principal of, premium, if any, and interest on all Certificates of such series issued thereunder in accordance with the terms of such Indenture and the applicable Indenture Supplement. Such discharge may occur only if, among other

things, Alaska has delivered to the Indenture Trustee an Opinion of Counsel to the effect that holders of such Certificates will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not yet occurred. (Sections \_\_\_\_ and \_\_\_\_.)

Upon such defeasance, or upon payment in full of the principal of, premium, if any, and interest on all Certificates in a series on the maturity date of such Certificates or deposit with the applicable Indenture Trustee of money sufficient therefor no earlier than one year prior to the date of such maturity, the holders of such Certificates will have no beneficial interest in or other rights with respect to the related Aircraft or other assets subject to the line of the Indenture and the related Indenture Supplement and such lien shall terminate. (Section \_\_\_\_.)

#### ASSUMPTION OF OBLIGATIONS BY ALASKA

Unless otherwise specified by the applicable Prospectus Supplement, with respect to Leased Aircraft, upon the exercise by Alaska of any purchase options it may have under the related Lease prior to the end of the term of such Lease, Alaska may assume on a full recourse basis all of the obligations of the Owner Trustee (other than its obligations in its individual capacity) under the indenture with respect to such Aircraft, including the obligations to make payments in respect of the related Leased Aircraft Certificates. In such event, certain relevant provisions of the related Lease, including (among others) provisions relating to maintenance, possession and use of the related Aircraft, liens, insurance and events of default will be incorporated into such Indenture, and the Leased Aircraft Certificates issued under such Indenture Supplement will not be redeemed and will continue to be secured by such Aircraft. It is a condition to such assumption that, if such Aircraft is registered under the laws of the United States, an opinion of counsel be delivered at the time of such assumption substantially to the effect that the Indenture Trustee should, immediately following such assumption, be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to such Aircraft (including the engines related thereto), but such opinion need not be delivered to the extent that the benefits of such Section 1110 are not available to the Indenture Trustee with respect to such Aircraft or any engine related thereto immediately prior to such assumption. (Section \_\_\_\_ of the Leased Aircraft Indenture.)

#### THE INDENTURE TRUSTEE

The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers. The Indenture Trustee shall be under no obligation to exercise any of its rights or powers under such Indenture unless it receives indemnity satisfactory to it for any loss, liability or expense. The Indentures provide that the Indenture Trustee in its individual or any other capacity may acquire and hold Certificates issued thereunder and, subject to certain conditions, may otherwise deal with Alaska and, with respect to Leased Aircraft, with any Owner Trustee with the same rights it would have if it were not the Indenture Trustee. (Sections \_\_\_\_ and \_\_\_\_.)

The Indenture Trustee may resign with respect to the Certificates of any series at any time, in which event Alaska or, with respect to any Leased Aircraft Certificates, the related Owner Trustee, will be obligated to appoint a successor indenture trustee. The holders of a majority in principal amount of the outstanding Certificates of any series may remove the related Indenture Trustee by giving at least 30 days' prior written notice to such Indenture Trustee and Alaska and, with respect to any Leased Aircraft Certificates, the related Owner Trustee, and may appoint a successor Indenture Trustee with the consent of Alaska and, with respect to any Leased Aircraft

Certificates, the related Owner Trustee. If an Indenture Trustee ceases to be eligible to continue as Indenture Trustee with respect to a series of Certificates or becomes incapable of acting as Indenture Trustee or becomes insolvent, Alaska or, with respect to any Leased Aircraft Certificates, the related Owner Trustee, may remove such Indenture Trustee. Any resignation or removal of such Indenture Trustee and appointment of a successor indenture trustee for a series of Certificates does not become effective until acceptance of the appointment by the successor indenture trustee. (Section \_\_\_\_.) Pursuant to such resignation and successor indenture trustee provisions, it is possible that a different indenture trustee could be appointed to act as the successor indenture trustee with respect to each series of Certificates. All references in this Prospectus to the Indenture Trustee should be read to take into account the possibility that each series of Certificates could have different successor indenture trustees in the event of such a resignation or removal.

The Indentures provide that Alaska or, with respect to any Leased Aircraft Certificates, the related Owner Trustee will pay the Indenture Trustee's fees and expenses. (Section \_\_\_\_.)

#### FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of the anticipated material United States federal income tax consequences to the initial holders of the certificates of the purchase, ownership and disposition of the Certificates and should be read in conjunction with any additional discussion of federal income tax consequences included in the applicable Prospectus Supplement. The discussion is based on laws, regulations, rulings and decisions, all as in effect on the date of this Prospectus and all of which are subject to change or different interpretations. The discussion below does not purport to address all of the federal income tax consequences that may be applicable to particular categories of investors, some of which (for example, insurance companies and foreign investors) may be subject to special rules. The statements of law and legal conclusions set forth herein are based upon the opinion of Perkins Coie, counsel to Alaska. Investors should consult their own tax advisors in determining the federal, state, local, foreign and any other tax consequences to them of the purchase, ownership and disposition of the Certificates.

#### PAYMENT OF INTEREST

Subject to the discussion below under "Original Issue Discount," interest on a Certificate will generally be includible in income by a holder as ordinary income at the time it is accrued or received in accordance with the holder's method of accounting.

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#### SALES OF CERTIFICATES

A holder that sells a Certificate should recognize gain or loss equal to the difference between its adjusted tax basis in the Certificate and the amount realized on the sale (except to the extent attributable to accrued and unpaid interest, which should be taxable as ordinary income). Any such gain or loss will be capital gain or loss if the Certificate was held as a capital asset and will be long-term capital gain or loss if the Certificate was held for more than one year. Net capital gain (the excess of net long-term capital gain over net short-term capital loss) of individuals is, under certain circumstances, taxed at lower rates than items of ordinary income.

#### ORIGINAL ISSUE DISCOUNT

Certificates may be issued with original issue discount ("OID"), which may require the holders to include such OID in gross income in advance of receipt or accrual of the stated interest on such Certificates.

The Prospectus Supplement will state whether the Certificates are issued with OID. Generally, a holder of a debt instrument issued with OID that is not de minimis (i.e., is not less than one-quarter of 1% of the redemption price at maturity multiplied by the number of complete years to maturity) must include such OID in income for federal income tax purposes as it accrues, in advance of the receipt of the cash attributable to such income, under a method that takes into account the compounding of interest.

#### BACKUP WITHHOLDING

Payments made on the Certificates, and proceeds from the sale of the Certificates to or through certain brokers, may be subject to a "backup" withholding tax of 31% unless the holder complies with certain reporting procedures or is exempt from such requirements under section 3406 of the Code. Any such withheld amounts are allowed as a credit against the holder's federal income tax.

#### INFORMATION REPORTING

Information reports will be made by the Indenture Trustee to the Internal Revenue Service, and to holders of record that are not exempt from the reporting requirements, annually or as otherwise required with respect to interest paid (or OID accrued, if any) on the Certificates.

#### ERISA CONSIDERATIONS

Unless otherwise indicated in the applicable Prospectus Supplement, the Certificates may, subject to certain legal restrictions, be purchased and held by an employee benefit plan (a "Plan") subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or an individual retirement account or an employee benefit plan subject to section 4975 of the Code. A fiduciary of a Plan must determine that the purchase and holding of a Certificate is consistent with its fiduciary duties under ERISA and does not result in a non-exempt prohibited transaction as defined in section 406 of ERISA or section 4975 of the Code. Employee benefit plans which are governmental plans (as defined in section 3(32) of ERISA) and certain church plans (as defined in section 3(33) of ERISA) are not subject to Title I of ERISA or section 4975 of the Code. The Certificates may, subject to certain legal restrictions, be purchased and held by such plans.

#### PLAN OF DISTRIBUTION

The Certificates being offered hereby may be sold in any one or more of the following ways from time to time: (i) through agents; (ii) to or through underwriters; (iii) through dealers; and (iv) directly to other purchasers.

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The distribution of the Certificates may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

Offers to purchase the Certificates may be solicited by agents designated by Alaska from time to time. Any such agent involved in the offer or sale of the Certificates in respect of which this Prospectus is delivered will be named, and any commissions payable by Alaska to such agent will be set forth in the applicable Prospectus Supplement. Unless otherwise indicated in such Prospectus Supplement, any such agent will be acting on a best efforts basis for the period of its appointment. Any such agent may be deemed to be an underwriter, as that term is defined in the Securities Act, of the Certificates so offered and sold.

If the Certificates are sold by means of an underwritten offering, Alaska will execute an underwriting agreement with an underwriter or underwriters at the time an agreement for such sale is reached, and the names of the specific managing underwriter or underwriters, as well as any other underwriters, and the

terms of the transaction, including commissions, discounts and any other compensation of the underwriters and dealers, if any, will be set forth in the Prospectus Settlement which will be used by the underwriters to make offers and sales of the Certificates in respect of which this Prospectus is delivered to the public. If underwriters are utilized in the sale of the Certificates in respect of which this Prospectus is delivered, the Certificates will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at fixed public offering prices or at varying prices determined by the underwriters at the time of sale. The Certificates may be offered to the public either through underwriting syndicates represented by managing underwrites or directly by the managing underwriters. If any underwriter or underwriters are utilized in the sale of the Certificates, unless otherwise indicated in the Prospectus Supplement, the underwriting agreement will provide that the obligations of the underwriters are subject to certain conditions precedent and that the underwriters with respect to a sale of Certificates will be obligated to purchase all such Certificates if any are purchased. Alaska does not intend to apply for listing of the Certificates on a national securities exchange. If the Certificates are sold by means of an underwritten offering, the underwriters may make a market in the Certificates as permitted by applicable laws and regulations. No underwriter would be obligated, however, to make a market in the Certificates and any such market making could be discontinued at any time at the sole discretion of such underwriter. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Certificates.

If a dealer is utilized in the sale of the Certificates in respect of which this Prospectus is delivered, such Certificates will be sold to the dealer as principal. The dealer may then resell such Certificates to the public at varying prices to be determined by such dealer at the time of resale. Any such dealer may be deemed to be an underwriter, as such term is defined in the Securities Act, of the Certificates so offered and sold. The name of the dealer and the terms of the transactions will be set forth in the Prospectus Supplement relating thereto.

Offers to purchase the Certificates may be solicited directly and the sale thereof may be made directly to institutional investors or others, who may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale thereof. The terms of any such sales will be described in the Prospectus Supplement relating thereto.

Agents, underwriters and dealers may be entitled under relevant agreements to indemnification or contribution by Alaska against certain liabilities, including liabilities under the Securities Act.

Agents, underwriters and dealers may engage in transactions with, or perform services for, Air Group, Alaska and Air Group's other subsidiaries in the ordinary course of business.

#### LEGAL OPINIONS

Unless otherwise indicated in the applicable Prospectus Supplement, the validity of the Certificates offered hereby will be passed upon for Alaska by Perkins Coie, Seattle, Washington. Unless otherwise indicated in the

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applicable Prospectus Supplement, Perkins Coie will rely on the opinion of counsel for the Owner Trustee for each series of Certificates as to certain matters relating to the authorization, execution and delivery of such series of Certificates by, and the valid and binding effect thereof on, such Owner Trustee.

#### EXPERTS

The financial statements and schedules of Alaska incorporated by reference

in this Prospectus and in the Registration Statement have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The estimated expenses in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions, are set forth in the following table.

Securities and Exchange Commission registration fee.....	\$ 68,966
Blue Sky fees and expenses.....	*
Printing and engraving expenses.....	*
Legal fees and expenses.....	*
Rating agency fees.....	*
Accounting fees and expenses.....	*
Owner Trustee fees and expenses.....	*
Indenture Trustee fees and expenses.....	*
Miscellaneous.....	*
	-----
Total.....	\$ *
	-----
	-----

<FN>

\*Information to be added by amendment.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the General Corporation Law of Delaware and Section 10.06.490 of the Alaska Corporations Code each provide that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with specified actions or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation--a "derivative action"), if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action, and the statutes require court approval before there can be any indemnification where the person seeking indemnification has been found liable for negligence or misconduct in the performance of the person's duty to the corporation. The statutes provide that they are not exclusive of other indemnification that may be granted by a corporation's bylaws, agreement, vote of shareholders or disinterested directors or otherwise.

Article VIII of Air Group's By-Laws and Article VI of Alaska's Bylaws require indemnification to the full extent permitted by the Delaware Corporation Law and the Alaska Corporations Code, respectively. Subject to any restrictions



imposed by Delaware or Alaska law, respectively, the Bylaws of Air Group and Alaska provide a right to indemnification for all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by any person in connection with any actual or threatened action, suit or proceeding by reason of the fact that such person is or was a director or officer of Air Group or Alaska or is or was serving at the request of Air Group or Alaska as a director or officer of another corporation. The Bylaws of Air Group and Alaska also provide that each of them may, by action of its Board of Directors, approve indemnification of any other person whom they have the power to indemnify under the Delaware Corporation Law and the Alaska Corporations Code, respectively.

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Officers and directors of Air Group and Alaska are covered by insurance (with certain exceptions and within certain limitations) which indemnifies them against losses and liabilities arising from certain alleged "wrongful acts," including alleged errors or misstatements, or certain other alleged wrongful acts or omissions constituting neglect or breach of duty.

The Underwriting Agreements, filed as Exhibits 1(a), 1(b) and 1(c) hereto, contain provisions whereby the Underwriters agree to indemnify the registrant, its directors and certain officers and certain other persons, and are incorporated herein by reference.

ITEM 16. EXHIBITS

(a) The following Exhibits are filed as part of this Registration Statement:

Exhibit 1(a)	Form of Underwriting Agreement for Convertible Debt Securities of Air Group*
Exhibit 1(b)	Form of Underwriting Agreement for Debt Securities of Alaska
Exhibit 1(c)	Form of Underwriting Agreement for Equipment Trust Certificates of Alaska*
Exhibit 4(a)(1)	Form of Convertible Senior Debt Securities Indenture for Air Group*
Exhibit 4(a)(2)	Form of Convertible Senior Debt Securities of Air Group (included in Exhibit 4(a)(1))*
Exhibit 4(a)(3)	Form of Convertible Subordinated Debt Securities Indenture for Air Group*
Exhibit 4(a)(4)	Form of Convertible Subordinated Debt Securities of Air Group (included in Exhibit 4(a)(3))*
Exhibit 4(b)(1)	Form of Debt Securities Indenture for Alaska
Exhibit 4(b)(2)	Form of Debt Securities of Alaska (included in Exhibit 4(b)(1))
Exhibit 4(c)(1)	Forms of Trust Indenture and Security Agreement among the Owner Trustee, the Indenture Trustee and Alaska relating to Equipment Trust Certificates of Alaska*
Exhibit 4(c)(2)	Form of Equipment Trust Certificate of Alaska (included in Exhibit 4(c)(1))*
Exhibit 4(d)	Certificate of Incorporation of Alaska Air Group, Inc., as

amended to date

- Exhibit 4 (e) Bylaws of Alaska Air Group, Inc., as amended to date (incorporated by reference to Exhibit 3.(ii) to Form 10-K of Alaska Air Group, Inc. for the year ended December 31, 1993)
- Exhibit 4 (f) Rights Agreement dated as of December 2, 1986 between Alaska Air Group, Inc. and The First National Bank of Boston, as Rights Agent (incorporated by reference to Exhibit No. 1 to Form 8-A of Alaska Air Group, Inc. filed December 12, 1986)
- Exhibit 5 (a) Opinion of Perkins Coie, counsel for Alaska\*
- Exhibit 5 (b) Form of Opinion of counsel for Owner Trustee\*\*
- Exhibit 5 (c) Opinion of Steven G. Hamilton, General Counsel for Alaska\*
- Exhibit 8 Tax Opinion of Perkins Coie\*\*
- Exhibit 12 (a) Computation of Ratio of Earnings to Fixed Charges of Air Group
- Exhibit 12 (b) Computation of Ratio of Earnings to Fixed Charges of Alaska
- Exhibit 23 (a) Consent of Perkins Coie (included in Exhibit 5 (a))\*

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- Exhibit 23 (b) Consent of counsel for Owner Trustee (included in Exhibit 5 (b))\*\*
- Exhibit 23 (c) Consent of Steven G. Hamilton (included in Exhibit 5 (c))\*
- Exhibit 23 (d) Consent of Perkins Coie (included in Exhibit 8)\*\*
- Exhibit 23 (e) Consent of Arthur Andersen & Co.
- Exhibit 25 Power of Attorney (included on signature pages to the Registration Statement)
- Exhibit 26 (a) Form T-1 Statement of Eligibility of Trustee under Convertible Debt Securities Indenture of Air Group\*\*
- Exhibit 26 (b) Form T-1 Statement of Eligibility of Trustee under Debt Securities Indenture of Alaska\*\*
- Exhibit 26 (c) Form T-1 Statement of Eligibility of Trustee under Trust Indenture and Security Agreement relating to Equipment Trust Certificates of Alaska\*\*

<FN>

\* To be filed by amendment.

\*\* To be filed on Form 8-K pursuant to Item 601(b)(1) of Regulation S-K.

#### ITEM 17. UNDERTAKINGS

A. The undersigned registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(a) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "1933 Act");

(b) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(c) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; provided, however, that paragraphs A(1)(a) and A(1)(b) do not apply if the information required to be included in such post-effective amendment is contained in a periodic report filed by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and incorporated by reference in this registration statement.

(2) That, for the purpose of determining any liability under the 1933 Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

B. The undersigned hereby undertake that, for purposes of determining any liability under the 1933 Act, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the 1934 Act (and, where applicable, each filing of an employee benefits plan's annual report pursuant to Section 15(d) of the 1934 Act) that is incorporated by reference in the registration statement shall be deemed to be a new

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registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

C. Insofar as indemnification for liabilities arising under the 1933 Act may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions described under Item 15 above, or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

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#### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Alaska Air Group, Inc. certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-3 and has duly caused this

Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seattle, Washington, this 14th day of February, 1994.

ALASKA AIR GROUP, INC.

By: Raymond J. Vecci  
-----  
Raymond J. Vecci  
Chairman of the Board, President and  
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities indicated on this 14th day of February, 1994. Each person whose signature appears below hereby constitutes and appoints Raymond J. Vecci and J. Ray Vingo, and each of them, his true and lawful attorneys and agents, with full power of substitution, each with power to act alone, to sign, execute, and file with the Securities and Exchange Commission on behalf of the undersigned in any and all capacities any amendment or amendments to this registration statement on Form S-3, including any post-effective amendments, and each of the undersigned does hereby ratify and confirm all that each of said attorneys and agents, or his substitutes, shall do or cause to be done by virtue hereof.

Signature	Title
Chief Executive Officer:	
Raymond J. Vecci	Chairman of the Board, President and Chief Executive Officer
----- (Raymond J. Vecci)	
Chief Financial Officer:	
J. Ray Vingo	Vice President/Finance, Chief Financial Officer and Director
----- (J. Ray Vingo)	
Chief Accounting Officer:	
Kathleen H. Iskra	Controller
----- (Kathleen H. Iskra)	
William H. Clapp	Director
----- (William H. Clapp)	
Ronald F. Cosgrave	Director
----- (Ronald F. Cosgrave)	
Mary Jane Fate	Director
----- (Mary Jane Fate)	
John F. Kelly	Director
----- (John F. Kelly)	

Bruce R. Kennedy	Director
-----	
(Bruce R. Kennedy)	
R. Marc Langland	Director
-----	
(R. Marc Langland)	
Byron I. Mallott	Director
-----	
(Byron I. Mallott)	
Robert L. Parker, Jr.	Director
-----	
(Robert L. Parker, Jr.)	
Richard A. Wien	Director
-----	
(Richard A. Wien)	

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Alaska Airlines, Inc. certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seattle, Washington, this 14th day of February, 1994.

ALASKA AIRLINES, INC.

By: Raymond J. Vecci  
-----  
Raymond J. Vecci  
Chairman of the Board, President and  
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities indicated on this 14th day of February, 1994. Each person whose signature appears below hereby constitutes and appoints Raymond J. Vecci and J. Ray Vingo, and each of them, his true and lawful attorneys and agents, with full power of substitution, each with power to act alone, to sign, execute, and file with the Securities and Exchange Commission on behalf of the undersigned in any and all capacities any amendment or amendments to this registration statement on Form S-3, including any post-effective amendments, and each of the undersigned does hereby ratify and confirm all that each of said attorneys and agents, or his substitutes, shall do or cause to be done by virtue hereof.

Signature	Title
Chief Executive Officer:	
Raymond J. Vecci	Chairman of the Board, President and Chief Executive Officer
-----	
(Raymond J. Vecci)	

Chief Financial Officer:

J. Ray Vingo

Vice President/Finance, Chief  
Financial Officer and Director

-----  
(J. Ray Vingo)

Chief Accounting Officer:

Kathleen H. Iskra

Controller

-----  
(Kathleen H. Iskra)

William H. Clapp

Director

-----  
(William H. Clapp)

Ronald F. Cosgrave

Director

-----  
(Ronald F. Cosgrave)

R. Marc Langland

Director

-----  
(R. Marc Langland)

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INDEX TO EXHIBITS

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-----	-----	-----
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Exhibit 4(e)	Bylaws of Alaska Air Group, Inc., as amended to date (incorporated by reference to Exhibit 3.(ii) to Form 10-K of	

Alaska Air Group, Inc. for the year ended December 31, 1993)

Exhibit 4(f) Rights Agreement dated as of December 2, 1986 between Alaska Air Group, Inc. and The First National Bank of Boston, as Rights Agent (Exhibit No. 1 to Form 8-A of Alaska Air Group, Inc. filed December 12, 1986)

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<FN>

\* To be filed by amendment.

\*\* To be filed on Form 8-K pursuant to Item 601(b)(1) of Regulation S-K.

S&C Draft of February 10, 1994

ALASKA AIRLINES, INC.  
ALASKA AIR GROUP, INC.  
(GUARANTOR)

GUARANTEED DEBT SECURITIES

UNDERWRITING AGREEMENT

, 19

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[GOLDMAN, SACHS & CO.,  
[[NAMES OF CO-REPRESENTATIVE(S),]  
C/O GOLDMAN, SACHS & CO.,]  
85 BROAD STREET,  
NEW YORK, NEW YORK 10004.]

[TO THE REPRESENTATIVES OF THE  
SEVERAL UNDERWRITERS NAMED IN THE  
RESPECTIVE PRICING AGREEMENTS  
HEREINAFTER DESCRIBED.]

Dear Sirs:

From time to time Alaska Airlines, Inc., an Alaska corporation (the "Company"), and Alaska Air Group, Inc., a Delaware corporation (the "Guarantor" or "Air Group"), propose to enter into one or more Pricing Agreements in the form of Annex I hereto, with such additions and deletions as the parties thereto may determine, and, subject to the terms and conditions stated herein and therein, the Company proposes to issue and sell to the firms named in Schedule I to the applicable Pricing Agreement (such firms constituting the "Underwriters" with respect to such Pricing Agreement and the securities specified therein) certain of its debt securities (the "Securities"), with the guarantees (the "Guarantees") endorsed thereon of the Guarantor, specified in Schedule II to such Pricing Agreement (with respect to such Pricing Agreement, such Securities and Guarantees are called the "Designated Securities").

The terms and rights of any particular issuance of Designated Securities shall be as specified in the Pricing Agreement relating thereto and in or pursuant to the indenture (the "Indenture") identified in such Pricing Agreement.

The Securities and the Guarantees are among the securities registered pursuant to the Registration Statement (hereinafter defined), all of which are herein called the "Registered Securities".

1. Particular sales of Designated Securities may be made from time to time to the Underwriters of such Securities, for whom the firms designated as representatives of the Underwriters of such Securities in the Pricing Agreement relating thereto will act as representatives (the "Representatives"). The term "Representatives" also refers to a single firm

acting as sole representative of the Underwriters and to Underwriters who act without any firm being designated as their representative. This Underwriting Agreement shall not be construed as an obligation of the Company to sell any of the Securities or as an obligation of any of the Underwriters to purchase the Securities. The obligation of the Company to issue and sell any of the



Securities and the obligation of any of the Underwriters to purchase any of the Securities shall be evidenced by the Pricing Agreement with respect to the Designated Securities specified therein. Each Pricing Agreement shall specify the aggregate principal amount of such Designated Securities, the initial public offering price of such Designated Securities, the purchase price to the Underwriters of such Designated Securities, the names of the Underwriters of such Designated Securities, the names of the Representatives of such Underwriters and the principal amount of such Designated Securities to be purchased by each Underwriter and shall set forth the date, time and manner of delivery of such Designated Securities and payment therefor. The Pricing Agreement shall also specify (to the extent not set forth in the Indenture and the registration statement and prospectus with respect thereto) the terms of such Designated Securities. A Pricing Agreement shall be in the form of an executed writing (which may be in counterparts), and may be evidenced by an exchange of telegraphic communications or any other rapid transmission device designed to produce a written record of communications transmitted. The obligations of the Underwriters under this Agreement and each Pricing Agreement shall be several and not joint.

2. The Company and the Guarantor represent and warrant to, and agree with, each of the Underwriters that:

(a) A registration statement (No. 33- ) in respect of the Registered Securities has been filed with the Securities and Exchange Commission (the "Commission"); such registration statement and any post-effective amendment thereto, each in the form heretofore delivered or to be delivered to the Representatives and, excluding exhibits to such registration statement, but including all documents incorporated by reference in the prospectus contained therein, to the Representatives for each of the other Underwriters, have been declared effective by the Commission in such form; no other document with respect to such registration statement or document incorporated by reference therein has heretofore been filed or transmitted for filing with the Commission; and no stop order suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in such registration statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Securities Act of 1933, as amended (the "Act"), being hereinafter called a "Preliminary Prospectus"; the various parts of such registration statement, including all exhibits thereto and the documents incorporated by reference in the prospectus contained in the registration statement at the time such part of the registration statement become effective but excluding Form T-1, each as amended at the time such part of the registration statement become effective, being hereinafter called the "Registration Statement"; the prospectus relating to the Designated Securities, in the form in which it has most recently been filed, or transmitted for filing, with the Commission on or prior to the date of this Agreement, being hereinafter called the "Prospectus"; any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to the applicable form under the Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities

Exchange Act of 1934, as amended (the "Exchange Act"), and incorporated by reference in such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and any reference to the Prospectus as amended or

supplemented shall be deemed to refer to the Prospectus as amended or supplemented in relation to the applicable Designated Securities in the form in which it is filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof, including any documents incorporated by reference therein as of the date of such filing);

(b) The documents incorporated by reference in the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter of Designated Securities through the Representatives expressly for use in the Prospectus as amended or supplemented relating to such Designated Securities;

(c) The Registration Statement and the Prospectus conform, and any further amendments or supplements to the Registration Statement or the Prospectus will conform, in all material respects to the requirements of the Act and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter of Designated Securities through the Representatives expressly for use in the Prospectus as amended or supplemented relating to such Designated Securities;

(d) The Company, the Guarantor and its subsidiaries, taken as a whole, have not sustained since the date of the latest audited financial statements included or incorporated by reference in the Prospectus any material loss or interference with their business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus; and, since the

respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any material change in the capital stock or long-term debt of the Company, the Guarantor and its subsidiaries, taken as a whole, or any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company, the Guarantor and its subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Prospectus;

(e) Each of the Company and the Guarantor is validly existing as a

corporation in good standing under the laws of the jurisdiction of its incorporation, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction; and each other subsidiary of the Guarantor has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation; the Company is an "air carrier" and a "citizen of the United States" within the meaning of the Federal Aviation Act of 1958, as amended, and is "an air carrier operating under a certificate of convenience and necessity issued by the Civil Aeronautics Board" within the meaning of 11 U.S.C. Section 1110. All of the outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and nonassessable and are owned by the Guarantor directly, free and clear of any pledge, lien, security interest, charge, claim, equity or encumbrance of any kind; and all of the issued shares of capital stock of Horizon Air Industries, Inc. ("Horizon") have been duly and validly authorized and issued, are fully paid and non-assessable and (except for directors' qualifying shares and except as otherwise set forth in the Prospectus) are owned directly or indirectly by the Guarantor, free and clear of all liens, encumbrances, equities or claims;

(f) The Guarantor has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Guarantor have been duly and validly authorized and issued and are fully paid and non-assessable;

(g) The Securities and the Guarantees have been duly authorized, and, when Designated Securities are issued and delivered pursuant to this Agreement and the Pricing Agreement with respect to such Designated Securities, such Securities and the related Guarantees will have been duly executed, authenticated, issued and delivered and will constitute valid and legally binding obligations to the Company and the Guarantor, respectively, entitled to the benefits provided by the Indenture, which will be substantially in the form filed as an exhibit to the Registration Statement; the Indenture has been duly authorized and duly qualified under the Trust Indenture Act and, at the Time of Delivery for such Designated Securities (as defined in Section 4 hereof), the Indenture will constitute a valid and legally binding instrument, enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles; and the Indenture conforms, and the Designated Securities will conform, to the descriptions thereof contained in the Prospectus as amended or supplemented with respect to such Designated Securities;

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(h) The issue and sale of the Securities and Guarantees and the compliance by the Company and the Guarantor with all of the provisions of the Securities, the Guarantees, the Indenture, this Agreement and any Pricing Agreement, and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, sale/leaseback agreement, loan agreement or other agreement or instrument to which the Company or the Guarantor is a party or by which the Company or the Guarantor is bound or to which any of the property or assets of the Company or the Guarantor is subject, nor will such action result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company or the Guarantor or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or the

Guarantor or any of their properties; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities and Guarantees or the consummation by the Company or the Guarantor of the transactions contemplated by this Agreement or any Pricing Agreement or the Indenture, except such as have been, or will have been prior to the Time of Delivery, obtained under the Act and the Trust Indenture Act and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Securities and Guarantees by the Underwriters;

(i) Other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or the Guarantor or any of its subsidiaries is a party or of which any property of the Company or the Guarantor or any of its subsidiaries is the subject which, if determined adversely to the Company or the Guarantor or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on the consolidated financial position, stockholders' equity or results of operations of the Company, the Guarantor and its subsidiaries, taken as a whole; and, to the best of the Company's and the Guarantor's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(j) The Company, the Guarantor and Horizon have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company, the Guarantor and Horizon; and any real property and buildings held under lease by the Company, the Guarantor and Horizon are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company, the Guarantor and Horizon; and

(k) Arthur Andersen & Co., who have certified certain financial statements of the Company and its subsidiaries, and of the Guarantor and its subsidiaries, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder.

3. Upon the execution of the Pricing Agreement applicable to any Designated Securities and authorization by the Representatives of the release of such Designated

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Securities, the several Underwriters propose to offer such Designated Securities for sale upon the terms and conditions set forth in the Prospectus as amended or supplemented.

4. Designated Securities to be purchased by each Underwriter pursuant to the Pricing Agreement relating thereto, in definitive form to the extent practicable, and in such authorized denominations and registered in such names as the Representatives may request upon at least forty-eight hours' prior notice to the Company, shall be delivered by or on behalf of the Company to the Representatives for the account of such Underwriter, against payment by such Underwriter or on its behalf of the purchase price therefor by certified or official bank check or checks, payable to the order of the Company in the funds specified in such Pricing Agreement, all at the place and time and date specified in such Pricing Agreement or at such other place and time and date as the Representatives and the Company may agree upon in writing, such time and date being herein called the "Time of Delivery" for such Securities.

5. The Company and the Guarantor agree with each of the Underwriters

of any Designated Securities:

(a) To prepare the Prospectus as amended and supplemented in relation to the applicable Designated Securities in a form approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of the Pricing Agreement relating to the applicable Designated Securities or, if applicable, such earlier time as may be required by Rule 424(b); to make no further amendment or any supplement to the Registration Statement or Prospectus as amended or supplemented after the date of the Pricing Agreement relating to such Securities and prior to the Time of Delivery for such Securities which shall be disapproved by the Representatives for such Securities promptly after reasonable notice thereof; to advise the Representatives promptly of any such amendment or supplement after such Time of Delivery and furnish the Representatives with copies thereof; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company or the Guarantor with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act for so long as the delivery of a prospectus is required in connection with the offering or sale of such Securities, and during such same period to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed with the Commission, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any prospectus relating to the Registered Securities, of the suspension of the qualification of such Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any such stop order or of any such order preventing or suspending the use of any prospectus relating to the Registered Securities or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;

(b) Promptly from time to time to take such action as the Representatives may reasonably request to qualify the Registered Securities for offering and sale under the securities laws of such jurisdictions as the Representatives may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of such

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Securities, provided that in connection therewith the Company and the Guarantor shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) To furnish the Underwriters with copies of the Prospectus as amended or supplemented in such quantities as the Representatives may from time to time reasonably request, and, if the delivery of a prospectus is required at any time in connection with the offering or sale of the Designated Securities and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act, the Exchange Act or the Trust Indenture Act, to notify the Representatives and upon their request to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as the Representatives may from time to time reasonably request of an amended

Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c)), earning statements of the Company and the Guarantor (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including at the option of the Company and the Guarantor Rule 158);

(e) During the period beginning from the date of the Pricing Agreement for such Designated Securities and continuing to and including the later of (i) the termination of trading restrictions for such Designated Securities, as notified to the Company by the Representatives and (ii) the Time of Delivery for such Designated Securities, not to offer, sell, contract to sell or otherwise dispose of any debt securities of the Company or the Guarantor which mature more than one year after such Time of Delivery and which are substantially similar to such Designated Securities, without the prior written consent of the Representatives;

(f) To furnish to the holders of the Designated Securities as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Company and its consolidated subsidiaries, and the Guarantor and its consolidated subsidiaries, certified by independent public accounts) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), consolidated summary financial information of the Company and its subsidiaries, and the Guarantor and its consolidated subsidiaries, for such quarter in reasonable detail; and

(g) During a period of five years from the effective date of the Registration Statement, to furnish to the Representatives copies of all reports or other communications (financial or other) furnished to stockholders, and deliver to the Representatives (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities

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exchange on which the Designated Securities or any class of securities of the Company or the Guarantor is listed; and (ii) such additional information concerning the business and financial condition of the Company or the Guarantor as the Representatives may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its subsidiaries, or the Guarantor and its subsidiaries, are consolidated in reports furnished to its stockholders generally or to the Commission).

6. The Company and the Guarantor covenant and agree with the several Underwriters that the Company and the Guarantor will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's and the Guarantor's counsel and accountants in connection with the registration of the Registered Securities under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, any Pricing Agreement, any Indenture, any Blue Sky and Legal Investment Memoranda and any other documents in connection with the offering, purchase, sale and delivery of the Designated Securities, including any corporate histories or bound volumes prepared for the Company or the Guarantor, their counsel and their accountants; (iii) all expenses in connection with the qualification of the Registered Securities for offering and sale under

state securities laws as provided in Section 5(b) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky and legal investment surveys; (iv) any fees charged by securities rating services for rating such Securities; (v) any filing fees incident to any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of such Securities; (vi) the cost of preparing the Designated Securities; (vii) the fees and expenses of any Trustee and any agent of any Trustee and the fees and disbursements of counsel for any Trustee in connection with any Indenture and the Designated Securities; and (viii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, Section 8 and Section 11 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, transfer taxes on resale of any of the Designated Securities by them, and any advertising expenses connected with any offers they may make.

7. The obligations of the Underwriters of any Designated Securities under the Pricing Agreement relating to such Designated Securities shall be subject, in the discretion of the Representatives, to the condition that all representations and warranties and other statements of the Company and the Guarantor in or incorporated by reference in the Pricing Agreement relating to such Designated Securities are, at and as of the Time of Delivery for such Designated Securities, true and correct, the condition that the Company and the Guarantor shall have performed all of their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus as amended or supplemented in relation to the applicable Designated Securities shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part

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of the Commission shall have been complied with to the Representatives' reasonable satisfaction;

(b) Counsel for the Underwriters shall have furnished to the Representatives such opinion or opinions, dated the Time of Delivery for such Designated Securities, with respect to the incorporation of the Company and the Guarantor, the validity of the Indenture, the Designated Securities, the Registration Statement, the Prospectus as amended or supplemented and other related matters as the Representatives may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Counsel for the Company and the Guarantor satisfactory to the Representatives, which may include Steven G. Hamilton, Vice President and General Counsel of the Company and the Guarantor, and Perkins Coie, counsel to the Company and the Guarantor, it being understood that such counsel may divide the following clauses as appropriate so long as [allocation to come] and so long as they both shall include clause (x) in their respective opinions, shall have furnished to the Representatives their written opinion or opinions, dated the Time of Delivery for such Designated Securities, in form and substance satisfactory to the Representatives, to the effect that:

(i) Each of the Company and the Guarantor is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own its properties and conduct its business as described in the Prospectus as amended or supplemented; the Company is an "air carrier"

and a "citizen of the United States" within the meaning of the Aviation Act and is "an air carrier operating under a certificate of convenience and necessity issued by the Civil Aeronautics Board" within the meaning of 11 U.S.C. Section 1110; each of the Company and the Guarantor has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction (such counsel being entitled to rely in respect of the opinion in this clause upon opinions of local counsel and in respect of matters of fact upon certificates of officers of the Company or the Guarantor, provided that such counsel shall state that they believe that both the Underwriters and they are justified in relying upon such opinions and certificates; and Horizon has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation; and all of the issued shares of capital stock of the Company and of Horizon have been duly and validly authorized and issued, are fully paid and non-assessable, and (except for directors' qualifying shares) are owned directly or indirectly by the Guarantor, free and clear of all liens, encumbrances, equities or claims (such counsel being entitled to rely in respect of the opinion in this clause upon opinions of local counsel and in respect of matters of fact upon certificates of officers of the Guarantor or its subsidiaries, provided that such counsel shall state that they believe that both the Underwriters and they are justified in relying upon such opinions and certificates).

(ii) The Guarantor has an authorized capitalization as set forth in the Prospectus as amended or supplemented and all of the issued shares of

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capital stock of the Guarantor have been duly and validly authorized and issued and are fully paid and non-assessable;

(iii) To the best of such counsel's knowledge and other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or the Guarantor or any of its subsidiaries is a party or of which any property of the Company or the Guarantor or any of its subsidiaries is the subject which, if determined adversely to the Company, the Guarantor or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on the consolidated financial position, stockholders' equity or results of operations of the Company, the Guarantor and its subsidiaries, taken as a whole, and, to the best of such counsel's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(iv) This Agreement and the Pricing Agreement with respect to the Designated Securities have been duly authorized, executed and delivered by the Company and the Guarantor;

(v) The Securities and the related Guarantees being delivered at such Time of Delivery have been duly authorized, executed, authenticated, issued and delivered and constitute valid and legally binding obligations of the Company and the Guarantor, respectively, entitled to the benefits provided by the Indenture; and the Designated Securities and the Indenture conform to the descriptions thereof in the Prospectus as amended or supplemented;

(vi) The Indenture has been duly authorized, executed and delivered by the parties thereto and constitutes a valid and legally binding instrument, enforceable in accordance with its terms, subject,



as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles; and the Indenture has been duly qualified under the Trust Indenture Act;

(vii) The issue and sale of the Designated Securities and the compliance by the Company and the Guarantor with all of the provisions of the Designated Securities, the Indenture, this Agreement and the Pricing Agreement with respect to the Designated Securities and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, sale/leaseback agreement, loan agreement or other agreement or instrument known to such counsel to which the Company or the Guarantor is a party or by which the Company or the Guarantor is bound or to which any of the property or assets of the Company or the Guarantor is subject, nor will such actions result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company or the Guarantor or any statute or any order, rule or regulation known to such counsel of any court or governmental agency or body having jurisdiction over the Company or the Guarantor or any of their properties;

(viii) No consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is

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required for the issue and sale of the Designated Securities or the consummation by the Company or the Guarantor of the transactions contemplated by this Agreement or such Pricing Agreement or the Indenture, except such as have been obtained under the Act and the Trust Indenture Act and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Designated Securities by the Underwriters;

(ix) The documents incorporated by reference in the Prospectus as amended or supplemented (other than the financial statements and related schedules therein, as to which such counsel need express no opinion), when they became effective or were filed with the Commission, as the case may be, complied as to form in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder; and they have no reason to believe that any of such documents, when they became effective or were so filed, as the case may be, contained, in the case of a registration statement which became effective under the Act, an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or, in the case of other documents which were filed under the Act or the Exchange Act with the Commission, an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such documents were so filed, not misleading; and

(x) The Registration Statement and the Prospectus as amended or supplemented and any further amendments and supplements thereto made by the Company or the Guarantor prior to the Time of Delivery for the Designated Securities (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) comply as to form in all material respects with the requirements of the Act and the Trust Indenture Act and the rules and regulations thereunder; they have no reason to believe that, as of its

effective date, the Registration Statement or any further amendment thereto made by the Company or the Guarantor prior to the Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that, as of its date, the Prospectus as amended or supplemented or any further amendment or supplement thereto made by the Company or the Guarantor prior to the Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading or that, as of the Time of Delivery, either the Registration Statement or the Prospectus as amended or supplemented or any further amendment or supplement thereto made by the Company or the Guarantor prior to the Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; and

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they do not know of any amendment to the Registration Statement required to be filed or any contracts or other documents of a character required to be filed as an exhibit to the Registration Statement or required to be incorporated by reference into the Prospectus as amended or supplemented or required to be described in the Registration Statement or the Prospectus as amended or supplemented which are not filed or incorporated by reference or described as required;

(d) On the date of the Pricing Agreement for such Designated Securities and at the Time of Delivery for such Designated Securities, the independent accountants of the Company and the Guarantor who have certified the financial statements of the Company and its subsidiaries, and the Guarantor and its subsidiaries, included or incorporated by reference in the Registration Statement shall have furnished to the Representatives a letter or letters, dated the effective date of the Registration Statement or the date of the most recent report filed with the Commission containing financial statements and incorporated by reference in the Registration Statement, if the date of such report is later than such effective date, and a letter or letters dated such Time of Delivery, respectively, to the effect set forth in Annex II hereto, and with respect to such letter or letters dated such Time of Delivery, as to such other matters as the Representatives may reasonably request and in form and substance satisfactory to the Representatives;

(e) (i) The Company, the Guarantor and its subsidiaries, taken as a whole, shall not have sustained since the date of the latest audited financial statements included or incorporated by reference in the Prospectus as amended or supplemented any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus as amended or supplemented, and (ii) since the respective dates as of which information is given in the Prospectus as amended or supplemented there shall not have been any change in the capital stock or long-term debt of the Company, the Guarantor and its subsidiaries, taken as a whole, or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company, the Guarantor and its subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Prospectus as amended or supplemented, the effect of

which, in any such case described in Clause (i) or (ii), is in the judgment of the Representatives so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Designated Securities on the terms and in the manner contemplated in the Prospectus as amended or supplemented;

(f) On or after the date of the Pricing Agreement relating to the Designated Securities (i) no downgrading shall have occurred in the rating accorded the Company's or the Guarantor's debt securities by any nationally recognized statistical rating organization," as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's or the Guarantor's debt securities;

(g) On or after the date of the Pricing Agreement relating to the Designated Securities there shall not have occurred any of the following:  
(i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange;

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(ii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities; (iii) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a National Emergency or war, if the effect of any such event specified in this clause (iii) in the judgment of the Representatives makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Designated Securities on the terms and in the manner contemplated by the Prospectus as amended and supplemented; or (iv) the occurrence of any material adverse change in the existing financial, political or economic conditions in the United States or elsewhere which, in the judgment of the Representatives would materially and adversely affect the financial markets or the market for the Designated Securities and other debt securities; and

(h) The Company and the Guarantor shall have furnished or caused to be furnished to the Representatives at the Time of Delivery for the Designated Securities a certificate or certificates of officers of the Company and the Guarantor satisfactory to the Representatives as to the accuracy of the representations and warranties of the Company and the Guarantor herein at and as of such Time of Delivery, as to the performance by the Company and the Guarantor of all of their obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and (e) of this Section and as to such other matters as the Representatives may reasonably request.

8. (a) The Company and the Guarantor, jointly and severally, will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement, the Prospectus as amended or supplemented and any other prospectus relating to the Registered Securities, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company and the Guarantor shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement, the

Prospectus as amended or supplemented and any other prospectus relating to the Registered Securities, or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter of Designated Securities through the Representatives expressly for use in the Prospectus as amended or supplemented relating to such Securities.

(b) Each Underwriter will indemnify and hold harmless the Company and the Guarantor against any losses, claims, damages or liabilities to which the Company or the Guarantor may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement, the Prospectus as amended or supplemented and any other prospectus relating to the Registered Securities, or any amendment or supplement thereto, or arise out of or are based upon the omission or

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alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement, the Prospectus as amended or supplemented and any other prospectus relating to the Registered Securities, or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives expressly for use therein; and will reimburse the Company and the Guarantor for any legal or other expenses reasonably incurred by the Company or the Guarantor in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Guarantor on the one hand and the Underwriters of the Designated Securities on the other from the offering of the Designated Securities to which such loss, claim, damage or liability (or action in respect thereof) relates. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above,

then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Guarantor on the one hand and the Underwriters of the Designated Securities on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Guarantor on the one hand and such Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from such offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by such Underwriters. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and the Guarantor on the one

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hand or such Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Guarantor and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the applicable Designated Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligations of the Underwriters of Designated Securities in this subsection (d) to contribute are several in proportion to their respective underwriting obligations with respect to such Securities and not joint.

(e) The obligations of the Company and the Guarantor under this Section 8 shall be in addition to any liability which the Company and the Guarantor may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company or the Guarantor and to each person, if any, who controls the Company or the Guarantor within the meaning of the Act.

9. (a) If any Underwriter shall default in its obligation to purchase the Designated Securities which it has agreed to purchase under the Pricing Agreement relating to such Designated Securities, the Representatives may in their discretion arrange for themselves or another party or other parties to purchase such Designated Securities on the terms contained herein. If within thirty-six hours after such default by any Underwriter the Representatives do not arrange for the purchase of such Designated Securities, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to the Representatives to purchase such Designated Securities on such terms. In the event that, within the respective prescribed period, the Representatives notify the Company that they have so arranged for the purchase of such Designated Securities, or the Company notifies the Representatives that it has so arranged for the purchase of

such Designated Securities, the Representatives or the Company shall have the right to postpone the Time of Delivery for such Designated Securities for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus as amended or supplemented, or in any other documents or arrangements, and the Company and the Guarantor agree to file promptly any amendments or supplements to the Registration Statement or the Prospectus which in the opinion of the Representatives may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to the Pricing Agreement with respect to such Designated Securities.

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(b) If, after giving effect to any arrangements for the purchase of the Designated Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate principal amount of such Designated Securities which remains unpurchased does not exceed one-eleventh of the aggregate principal amount of the Designated Securities, then the Company shall have the right to require each non-defaulting Underwriter to purchase the principal amount of Designated Securities which such Underwriter agreed to purchase under the Pricing Agreement relating to such Designated Securities and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the principal amount of Designated Securities which such Underwriter agreed to purchase under such Pricing Agreement) of the Designated Securities of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Designated Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate principal amount of Designated Securities which remains unpurchased exceeds one-eleventh of the aggregate principal amount of the Designated Securities, as referred to in subsection (b) above, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Designated Securities of a defaulting Underwriter or Underwriters, then the Pricing Agreement relating to such Designated Securities shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company or the Guarantor, except for the expenses to be borne by the Company and the Guarantor and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company and the Guarantor and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company or the Guarantor, or any officer or director or controlling person of the Company or the Guarantor, and shall survive delivery of and payment for the Securities.

11. If any Pricing Agreement shall be terminated pursuant to Section 9 hereof, or due to a failure of condition under Section 7(g) hereof, the Company and the Guarantor shall not then be under any liability to any Underwriter with respect to the Designated Securities covered by such Pricing Agreement except as provided in Section 6 and Section 8 hereof; but, if for any other reason Designated Securities are not delivered by or on behalf of the Company and the Guarantor as provided herein, the Company and the Guarantor will reimburse the Underwriters through the Representatives for all out-of-pocket expenses approved in writing by the Representatives, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making

preparations for the purchase, sale and delivery of such Designated Securities, but the Company and the Guarantor shall then be under no further liability to any Underwriter with respect to such Designated Securities except as provided in Section 6 and Section 8 hereof.

12. In all dealings hereunder, the Representatives of the Underwriters of Designated Securities shall act on behalf of each of such Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf

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of any Underwriter made or given by such Representatives jointly or by such of the Representatives, if any, as may be designated for such purpose in the Pricing Agreement.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to the address of the Representatives as set forth in the Pricing Agreement; and if to the Company or the Guarantor shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company or the Guarantor set forth in the Registration Statement: Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 8(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company and the Guarantor by the Representatives upon request. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement and each Pricing Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company, the Guarantor and, to the extent provided in Section 8 and Section 10 hereof, the officers and directors of the Company or the Guarantor and each person who controls the Company or the Guarantor or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement or any such Pricing Agreement. No purchaser of any of the Securities from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of each Pricing Agreement. As used herein, "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

15. This Agreement and each Pricing Agreement shall be governed by and construed in accordance with the laws of the State of New York.

16. This Agreement and each Pricing Agreement may be executed by any one or more of the parties hereto and thereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

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If the foregoing is in accordance with your understanding, please sign and return to us several counterparts hereof.

Very truly yours,

ALASKA AIRLINES, INC.

By: \_\_\_\_\_  
Name:

Title:

ALASKA AIR GROUP, INC.

By: \_\_\_\_\_

Name:

Title:

[ACCEPTED AS OF THE DATE HEREOF:

[Goldman, Sachs & Co.

[Name(s) of Co-Representative(s)]]

[By:] \_\_\_\_\_  
(Goldman, Sachs & Co.)

[[Name(s) of Co-Representative Corporation(s)]

By: \_\_\_\_\_

Name:

Title:

\_\_\_\_\_  
[(Name(s) of Co-Representative  
Partnership(s)]]

PRICING AGREEMENT

Goldman, Sachs & Co.,

[NAMES OF CO-REPRESENTATIVE(S), (1)]

As Representatives of the several

Underwriters named in Schedule I hereto,

[C/O GOLDMAN, SACHS & CO., (1)]

85 Broad Street,

New York, New York 10004.

\_\_\_\_\_, 19\_\_

Dear Sirs:

Alaska Airlines, Inc., an Alaska corporation (the "Company"), proposes, subject to the terms and conditions stated herein and in the Underwriting Agreement, dated \_\_\_\_\_, 19\_\_ (the "Underwriting Agreement"), [between the Company and Alaska Air Group, Inc., a Delaware corporation (the "Guarantor" or "Air Group") on the one hand and Goldman, Sachs & Co. [and (names of Co-Representatives named therein)] on the other hand], to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") the Securities and the related Guarantees specified in Schedule II hereto (the "Designated



Securities"). Each of the provisions of the Underwriting Agreement is incorporated herein by reference in its entirety, and shall be deemed to be a part of this Agreement to the same extent as if such provisions had been set forth in full herein; and each of the representations and warranties set forth therein shall be deemed to have been made at and as of the date of this Pricing Agreement, except that each representation and warranty which refers to the Prospectus in Section 2 of the Underwriting Agreement shall be deemed to be a representation or warranty as of the date of the Underwriting Agreement in relation to the Prospectus (as therein defined), and also a representation and warranty as of the date of this Pricing Agreement in relation to the Prospectus as amended or supplemented relating to the Designated Securities which are the subject of this Pricing Agreement. Each reference to the Representatives herein and in the provisions of the Underwriting Agreement so incorporated by reference shall be deemed to refer to you. Unless otherwise defined herein, terms defined in the Underwriting Agreement are used herein as therein defined. The Representatives designated to act on behalf of the Representatives and on behalf of each of the Underwriters of the Designated Securities pursuant to Section 12 of the Underwriting Agreement and the address of the Representatives referred to in such Section 12 are set forth at the end of Schedule II hereto.

An amendment to the Registration Statement, or a supplement to the Prospectus, as the case may be, relating to the Designated Securities, in the form heretofore delivered to you is now proposed to be filed with the Commission.

Subject to the terms and conditions set forth herein and in the Underwriting Agreement incorporated herein by reference, the Company and, with respect to the related Guarantees, the Guarantor agree to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company and the

Guarantor, at the time and place and at the purchase price to the Underwriters set forth in Schedule II hereto, the principal amount of Designated Securities set forth opposite the name of such Underwriter in Schedule I hereto.

If the foregoing is in accordance with your understanding, please sign and return to us several counterparts hereof, and upon acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof, including the provisions of the Underwriting Agreement incorporated herein by reference, shall constitute a binding agreement between each of the Underwriters and the Company and the Guarantor. It is understood that your acceptance of this letter on behalf of each of the Underwriters is or will be pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to the Company and the Guarantor for examination upon request, but without warranty on the part of the Representatives as to the authority of the signers thereof.

Very truly yours,

ALASKA AIRLINES, INC.

By: \_\_\_\_\_  
Name:  
Title:

ALASKA AIR GROUP, INC.

By: \_\_\_\_\_  
Name:  
Title:

Accepted as of the date hereof:

[GOLDMAN, SACHS & CO.  
[NAME(S) OF CO-REPRESENTATIVE(S)]]

[BY:] \_\_\_\_\_  
(Goldman, Sachs & Co.)

[[NAME(S) OF CO-REPRESENTATIVE  
CORPORATION(S)]]

BY: \_\_\_\_\_  
[(NAME(S) OF CO-REPRESENTATIVE  
PARTNERSHIP(S)]]

On behalf of each of the Underwriters

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SCHEDULE I

Underwriter -----	Principal Amount of Designated Securities to be Purchased -----
Goldman, Sachs & Co. . . . .	\$
[Name(s) of Co-Representative(s)]. . . . .	
[Names of other Underwriters]. . . . .	

Total. . . . .	\$ -----
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SCHEDULE II

TITLE OF DESIGNATED SECURITIES:

[ %] Guaranteed [Floating Rate] [Zero Coupon] [Notes]  
[Debentures] due

AGGREGATE PRINCIPAL AMOUNT:

[\$]

PRICE TO PUBLIC:

\_\_% of the principal amount of the Designated  
Securities, plus accrued interest from to [and accrued  
amortization, if any, from to ]

PURCHASE PRICE BY UNDERWRITERS:

\_\_% of the principal amount of the Designated  
Securities, plus accrued interest from to [and accrued  
amortization, if any, from to ]

SPECIFIED FUNDS FOR PAYMENT OF PURCHASE PRICE:

[New York] Clearing House funds

INDENTURE:

Indenture dated , 19 , between the Company, the Guarantor  
and , as Trustee

MATURITY:

INTEREST RATE:

[ %] [Zero Coupon] [See Floating Rate Provisions]

INTEREST PAYMENT DATES:

[months and dates]

REDEMPTION PROVISIONS:

[No provisions for redemption]

[The Designated Securities may be redeemed, otherwise  
than through the sinking fund, in whole or in part at the option of the  
Company, in the amount of [\$] or an integral multiple thereof,

[on or after , at the following redemption prices  
(expressed in percentages of principal amount). If [redeemed on or  
before , %, and if] redeemed during the 12-month period  
beginning ,

REDEMPTION

YEAR  
----

PRICE  
-----

and thereafter at 100% of their principal amount, together in each case with accrued interest to the redemption date.]

[on any interest payment date falling in or after \_\_\_\_\_, \_\_\_\_\_, at the election of the Company, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption.]

[Other possible redemption provisions, such as mandatory redemption upon occurrence of certain events or redemption for changes in tax law]

[Restriction on refunding]

SINKING FUND PROVISIONS:

[No sinking fund provisions]

[The Designated Securities are entitled to the benefit of a sinking fund to retire [\$] \_\_\_\_\_ principal amount of Designated Securities on in each of the years \_\_\_\_\_ through \_\_\_\_\_ at 100% of their principal amount plus accrued interest][,together with [cumulative] [noncumulative] redemptions at the option of the Company to retire an additional [\$] principal amount of Designated Securities in the years \_\_\_\_\_ through \_\_\_\_\_ at 100% of their principal amount plus accrued interest].

[IF SECURITIES ARE EXTENDABLE DEBT SECURITIES, INSERT--

EXTENDABLE PROVISIONS:

Securities are repayable on \_\_\_\_\_, [insert date and years], at the option of the holder, at their principal amount with accrued interest. Initial annual interest rate will be \_\_\_\_\_%, and thereafter annual interest rate will be adjusted on \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ to a rate not less than \_\_\_\_\_% of the effective annual interest rate on U.S. Treasury obligations with \_\_\_\_\_-year maturities as of the [insert date 15 days prior to maturity date] prior to such [insert maturity date].]

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[IF SECURITIES ARE FLOATING RATE DEBT SECURITIES, INSERT--

FLOATING RATE PROVISIONS:

Initial annual interest rate will be \_\_\_\_\_% through \_\_\_\_\_ and thereafter will be adjusted [monthly] [on each \_\_\_\_\_ and \_\_\_\_\_] [to an annual rate of \_\_\_\_\_% above the average rate for \_\_\_\_\_-year [month] [securities] [certificates of deposit] issued by \_\_\_\_\_ and \_\_\_\_\_ [insert names of banks].] [and the annual interest rate [thereafter] [from \_\_\_\_\_ through \_\_\_\_\_] will be the interest yield equivalent of the weekly average per annum market discount rate for \_\_\_\_\_-month Treasury bills plus \_\_\_\_\_% of Interest Differential (the excess, if any, of (i) then current weekly average per annum secondary market yield for \_\_\_\_\_-month certificates of deposit over (ii) then current interest yield equivalent of the weekly average per annum market discount rate for \_\_\_\_\_-month Treasury bills); [from \_\_\_\_\_ and thereafter the rate will be the then current interest yield equivalent plus \_\_\_\_\_% of Interest Differential].]

DEFEASANCE PROVISIONS:

TIME OF DELIVERY:

CLOSING LOCATION:

NAMES AND ADDRESSES OF REPRESENTATIVES:

Designated Representatives:

Address for Notices, etc.:

[OTHER TERMS]\*:

- -----

\* A description of particular tax, accounting or other unusual features (such as the addition of event risk provisions) of the Securities should be set forth, or referenced to an ATTACHED and ACCOMPANYING description, if necessary to ensure agreement as to the terms of the Securities to be purchased and sold. Such a description might appropriately be in the form in which such features will be described in the Prospectus Supplement for the offering.

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ANNEX II

Pursuant to Section 7(d) of the Underwriting Agreement, the accountants shall furnish letters to the Underwriters to the effect that:

(i) They are independent certified public accountants with respect to the Company and its subsidiaries, and the Guarantor and its subsidiaries, within the meaning of the Act and the applicable published rules and regulations thereunder;

(ii) In their opinion, the financial statements and any supplementary financial information and schedules audited (and, if applicable, prospective financial statements and/or pro forma financial information examined) by them and included or incorporated by reference in the Registration Statement or the Prospectus comply as to form in all material respects with the applicable accounting requirements of the Act or the Exchange Act, as applicable, and the related published rules and regulations thereunder; and, if applicable, they have made a review in accordance with standards established by the American Institute of Certified Public Accounts of the consolidated interim financial statements, selected financial data, pro forma financial information, prospective financial statements and/or condensed financial statements derived from audited financial statements of the Company or the Guarantor for the periods specified in such letter, as indicated in their reports thereon, copies of which have been furnished to the representatives of the Underwriters (the "Representatives");

(iii) The unaudited selected financial information with respect to the consolidated results of operations and financial position of the Company and the Guarantor for the five most recent fiscal years included in the Prospectus and included or incorporated

by reference in Item 6 of the Company's or the Guarantor's Annual Report on Form 10-K for the most recent fiscal year agrees with the corresponding amounts (after restatement where applicable) in the audited consolidated financial statements for five such fiscal years which were included or incorporated by reference in the Company's or the Guarantor's Annual Reports on Form 10-K for such fiscal years;

(iv) On the basis of limited procedures, not constituting an audit in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements and other information referred to below, a reading the latest available interim financial statements of the Company or the Guarantor and its subsidiaries, inspection of the minute books of the Company and the Guarantor and its subsidiaries since the date of the latest audited financial statements included or incorporated by reference in the Prospectus, inquiries of officials of the Company and the Guarantor and its subsidiaries responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included or incorporated by reference in the Company's or the Guarantor's Quarterly Reports on Form 10-Q incorporated by reference in the Prospectus do not comply as to form in all material

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respects with the applicable accounting requirements of the Exchange Act as it applies to Form 10-Q and the related published rules and regulations thereunder or are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with the basis for the audited consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included or incorporated by reference in the Company's or the Guarantor's Annual Report on Form 10-K for the most recent fiscal year;

(B) any other unaudited income statement data and balance sheet items included in the Prospectus do not agree with the corresponding items in the unaudited consolidated financial statements from which such data and items were derived, and any such unaudited data and items were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited consolidated financial statements included or incorporated by reference in the Company's or the Guarantor's Annual Report on Form 10-K for the most recent fiscal year;

(C) the unaudited financial statements which were not included in the Prospectus but from which were derived the unaudited condensed financial statements referred to in clause (A) and any unaudited income statement data and balance sheet items included in the Prospectus and referred to in Clause (B) were not determined on a basis substantially consistent with the basis for the audited financial statements included or incorporated by reference in the Company's or the Guarantor's Annual Report on Form 10-K for the most recent fiscal year;

(D) any unaudited pro forma consolidated condensed financial statements included or incorporated by reference in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the published rules and regulations thereunder or the pro forma adjustments have not been properly applied to the historical

amounts in the compilation of those statements;

(E) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the consolidated capital stock (other than issuances of capital stock upon exercise of options and stock appreciation rights, upon earn-outs of performance shares and upon conversions of convertible securities, in each case which were outstanding on the date of the latest balance sheet included or incorporated by reference in the Prospectus) or any increase in the consolidated long-term debt of the Company and its subsidiaries, or the Guarantor and its subsidiaries, or any decreases in consolidated net current assets or net assets or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with amounts shown in the latest balance sheet included or incorporated by reference in the

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Prospectus of the Company or the Guarantor, as the case may be, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(F) for the period from the date of the latest financial statements included or incorporated by reference in the Prospectus to the specified date referred to in Clause (E) there were any decreases in consolidated net revenues or operating profit or the total or per share amounts of consolidated net income or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Representatives, except in each case for increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(v) In addition to the audit referred to in their report(s) included or incorporated by reference in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraphs (iii) and (iv) above, they have carried out certain specified procedures, not constituting an audit in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Representatives which are derived from the general accounting records of the Company and its subsidiaries, or the Guarantor and its subsidiaries, which appear in the Prospectus (excluding documents incorporated by reference), or in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Representatives or in documents incorporated by reference in the Prospectus specified by the Representatives, and have compared certain of such amounts, percentages and financial information with the accounting records of the Company and its subsidiaries, or the Guarantor and its subsidiaries, and have found them to be in agreement.

All references in this Annex II to the Prospectus shall be deemed to refer to the Prospectus (including the documents incorporated by reference therein) as defined in the Underwriting Agreement as of the date of the letter delivered on the date of the Pricing Agreement for purposes of such letter and to the Prospectus as amended or supplemented (including the documents incorporated by reference therein) in relation to the applicable Designated Securities for purposes of the letter delivered at the Time of Delivery for such Designated Securities.





ALASKA AIRLINES, INC., ISSUER  
AND  
ALASKA AIR GROUP, INC., GUARANTOR  
TO  
\_\_\_\_\_, TRUSTEE

\_\_\_\_\_  
INDENTURE

DATED AS OF \_\_\_\_\_, 1994

\_\_\_\_\_  
DEBT SECURITIES

Reconciliation and tie between Indenture, dated as of \_\_\_\_\_, 1994,  
and the Trust Indenture Act of 1939, as amended.

Trust Indenture Act of 1939 Section -----	Indenture Section -----
310 (a) (1) .....	6.12
(a) (2) .....	6.12
(a) (3) .....	TIA
(a) (4) .....	Not applicable
(a) (5) .....	TIA
(b) .....	6.10; 6.12; TIA
311 (a) .....	TIA
(b) .....	TIA
312 (a) .....	6.8
(b) .....	TIA
(c) .....	TIA
313 (a) .....	6.7; TIA
(b) .....	TIA
(c) .....	TIA
(d) .....	TIA
314 (a) .....	9.6; 9.7; TIA
(b) .....	Not applicable
(c) (1) .....	1.2
(c) (2) .....	1.2
(c) (3) .....	Not applicable
(d) .....	Not applicable
(e) .....	TIA
(f) .....	TIA
315 (a) .....	TIA
(b) .....	6.6
(c) .....	TIA

(d) (1).....	TIA
(d) (2).....	TIA
(d) (3).....	TIA
(e).....	TIA
316(a) (last sentence).....	1.1
(a) (1) (A).....	5.2; 5.8
(a) (1) (B).....	5.7
(b).....	5.9; 5.10
(c).....	TIA
317(a) (1).....	5.3
(a) (2).....	5.4
(b).....	9.3
318(a).....	1.11
(b).....	TIA
(c).....	1.11; TIA

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This reconciliation and tie section does not constitute part of the Indenture.

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INDENTURE, dated as of \_\_\_\_\_, 1994, from ALASKA AIRLINES, INC., an Alaska corporation (the "Company"), as issuer, and ALASKA AIR GROUP, INC., a Delaware corporation ("Air Group"), as guarantor (the "Guarantor"), to \_\_\_\_\_, a \_\_\_\_\_ corporation, as Trustee (the "Trustee").

#### RECITALS

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured debentures, notes or other evidences of indebtedness ("Securities") to be issued in one or more series as herein provided.

All things necessary to make the Securities, when executed by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

The Guarantor has duly authorized the execution and delivery of this

Indenture to provide for the issuance from time to time, at the option of the Guarantor, of guarantees (the "Guarantees") to be endorsed on the Securities of one or more series as herein provided.

All things necessary to make the Guarantees, when endorsed on the Securities to which they relate and executed by the Guarantor, the valid obligations of the Guarantor, and to make this Indenture a valid agreement of the Guarantor, in accordance with their and its terms, have been done.

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed as follows for the equal and ratable benefit of the Holders of the Securities:

## ARTICLE 1

### DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

#### SECTION 1.1 DEFINITIONS

(a) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; and

(4) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"AFFILIATE" of any specified Person means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"AGENT" means any Paying Agent or Registrar.

"AUTHENTICATING AGENT" means any authenticating agent appointed by the Trustee pursuant to Section 6.13.

"AUTHORIZED NEWSPAPER" means a newspaper of general circulation, in the English language, customarily published on each Business Day whether or not published on Saturdays, Sundays or holidays, and of general circulation in the place in connection with which the term is used or in the financial community of such place. Whenever successive publications in an Authorized Newspaper are required hereunder they may be made (unless otherwise expressly provided herein) on any Business Day and in the same or different Authorized Newspapers.

"BOARD" or "BOARD OF DIRECTORS" means the Board of Directors of the Company, the Executive Committee or any other duly authorized committee thereof.

"BOARD RESOLUTION" means a copy of a resolution of the Board of Directors, certified by the Corporate Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and

effect on the date of such certification, and delivered to the Trustee.

"BUSINESS DAY", when used with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Securities, means, unless otherwise specified with respect to any Securities pursuant to Section 3.1, each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment or particular location are authorized or obligated by law or executive order to close.

"COMMISSION" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

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"COMPANY" means the Person named as the Company in the first paragraph of this Indenture until one or more successor corporations shall have become such pursuant to the applicable provisions of this Indenture, and thereafter means such successors.

"COMPANY ORDER" and "COMPANY REQUEST" mean, respectively, a written order or request signed in the name of the Company by the Chairman of the Board, the President, any Executive Vice President or any Senior Vice President, signing alone, by any Vice President signing together with the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary of the Company, or, with respect to Sections 3.3, 3.4, 3.5 and 6.1, any other employee of the Company named in an Officers' Certificate delivered to the Trustee.

"CORPORATE TRUST OFFICE" means the principal office of the Trustee at which at any particular time its corporate trust business shall be principally administered.

"CORPORATION" includes corporations, associations, companies and business trusts.

"DEFAULT" means any event which is, or after notice or passage of time, or both, would be, an Event of Default.

"GOVERNMENT OBLIGATIONS" means securities which are (i) direct obligations of the United States or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States, which are not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depositary receipt, PROVIDED that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Government Obligation evidenced by such depositary receipt.

"GUARANTEE" means the Guarantor's unconditional guarantee of the payment of Securities of one or more series as more fully described in Article 12.

"GUARANTOR" means the Person named as the "Guarantor" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Guarantor" shall mean such successor corporation.

"GUARANTOR ORDER" and "GUARANTOR REQUEST" mean, respectively, a written order or request signed in the name of the Guarantor by its Chairman of the Board, its Vice Chairman of the Board, its President, any Executive Vice President or any Senior Vice President, signing alone, or by any Vice President

signing together with the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary of the Guarantor, or with respect to Sections 3.3, 3.4, 3.5 and 6.1, any other employee of the Guarantor named in an Officers' Certificate delivered to the Trustee.

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"HOLDER" means, a person in whose name a Security is registered on the Register.

"INDENTURE" means this Indenture as originally executed or as amended or supplemented from time to time and shall include the forms and terms (but not defined terms established in an Officers' Certificate or a Board Resolution) of particular series of Securities established as contemplated by Section 2.1 and Section 3.1.

"INDEXED SECURITY" means a Security the terms of which provide that the principal amount thereof payable at Stated Maturity may be more or less than the principal face amount thereof at original issuance.

"INTEREST", when used with respect to an Original Issue Discount Security which by its terms bears interest only after maturity, means interest payable after maturity.

"INTEREST PAYMENT DATE", when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"MATURITY", when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"OFFICER" means the Chairman of the Board of Directors, the President, any Executive Vice President, any Senior Vice President, any Vice President or the Corporate Secretary of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed by the Chairman of the Board, the President, any Executive Vice President or any Senior Vice President, signing alone, or by any Vice President signing together with the Corporate Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company, or the Guarantor, as the case may be.

"OPINION OF COUNSEL" means a written opinion of legal counsel, who may be (a) the senior attorney employed by the Company, (b) Perkins Coie, or (c) other counsel designated by the Company and who shall be reasonably acceptable to the Trustee.

"ORIGINAL ISSUE DISCOUNT SECURITY" means any Security which provides for an amount less than the stated principal amount thereof to be due and payable upon declaration of acceleration of the Maturity thereof pursuant to Section 5.2.

"OUTSTANDING", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

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(ii) Securities, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own

Paying Agent) for the Holders of such Securities PROVIDED that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provisions therefor satisfactory to the Trustee have been made;

(iii) Securities, except to the extent provided in Sections 4.4 and 4.5, with respect to which the Company has effected defeasance and/or covenant defeasance as provided in Article 4; and

(iv) Securities which have been paid pursuant to Section 3.6 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

PROVIDED, HOWEVER, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, or whether sufficient funds are available for redemption or for any other purpose, and for the purpose of making the calculations required by section 313 of the Trust Indenture Act, (x) the principal amount of any Original Issue Discount Securities that may be counted in making such determination or calculation and that shall be deemed to be Outstanding for such purpose shall be equal to the amount of principal thereof that would be (or shall have been declared to be) due and payable, at the time of such determination, upon a declaration of acceleration of the maturity thereof pursuant to Section 5.2, and (y) Securities owned by the Company, the Guarantor or any other obligor upon the Securities or any Affiliate of the Company or the Guarantor or of such other obligor shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company, the Guarantor or any other obligor upon the Securities or any Affiliate of the Company, the Guarantor or of such other obligor.

"PAYING AGENT" means any Person authorized by the Company to pay the principal of, premium, if any, or interest on any Securities on behalf of the Company.

"PERIODIC OFFERING" means an offering of Securities of a series from time to time the specific terms of which Securities, including, without limitation, the rate or rates of interest or formula for determining the rate or rates of interest thereon, if any, the Stated Maturity or

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Stated Maturities thereof, the original issue date or dates thereof, the redemption provisions, if any, with respect thereto, and any other terms specified as contemplated by Section 3.1 with respect thereto, are to be determined by the Company upon the issuance of such Securities.

"PERSON" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PLACE OF PAYMENT", when used with respect to the Securities of or within any series, means the place or places where, subject to the provisions of Section 9.2 the principal of, premium, if any, and interest on such Securities are payable as specified as contemplated by Section 3.1.

"PREDECESSOR SECURITY" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such



particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.6 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"REDEMPTION DATE", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"REDEMPTION PRICE", when used with respect to any Security to be redeemed, in whole or in part, means the price at which it is to be redeemed pursuant to this Indenture.

"REGULAR RECORD DATE" for the interest payable on any Interest Payment Date on the Securities of or within any series means the date specified for that purpose as contemplated by Section 3.1.

"RESPONSIBLE OFFICER", when used with respect to the Trustee, shall mean the chairman or any vice chairman of the board of directors, the chairman or any vice chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any senior vice president, any vice president, any assistant vice president, the secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer, any trust officer, the controller, any assistant controller, or any other officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, and also means, with respect to a particular corporate trust matter, any other officer to whom such corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"SECURITY" or "SECURITIES" has the meaning stated in the first recital of this Indenture and more particularly means any Security or Securities of the Company issued, authenticated and delivered under this Indenture.

"SPECIAL RECORD DATE" for the payment of any Defaulted Interest on the Securities of any issue means a date fixed by the Trustee pursuant to Section 3.7.

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"STATED MATURITY", when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"SUBSIDIARY" means any corporation of which the Company at the time owns or controls, directly or indirectly, more than 50% of the shares of outstanding stock having general voting power under ordinary circumstances to elect a majority of the Board of Directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency).

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939, as amended, as in effect on the date of this Indenture, except as provided in Section 8.3.

"TRUSTEE" means the party named as such in the first paragraph of this Indenture until a successor Trustee replaces it pursuant to the applicable provisions of this Indenture, and thereafter means such successor Trustee and if, at any time, there is more than one Trustee, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to the Securities of that series.

"YIELD TO MATURITY" means the yield to maturity, calculated by the Company at the time of issuance of a series of Securities or, if applicable, at the most recent determination of interest on such series, in accordance with accepted financial practice.

(b) The following terms shall have the meanings specified in the Sections referred to opposite such term below:

Term ----	Section -----
"Act"	1.4(a)
"Bankruptcy Law"	5.1
"Custodian"	5.1
"Defaulted Interest"	3.7(b)
"Event of Default"	5.1
"Register"	3.5
"Registrar"	3.5
"Valuation Date"	3.7(c)

#### SECTION 1.2 COMPLIANCE CERTIFICATES AND OPINIONS

Upon any application or request by the Company or the Guarantor to the Trustee to take any action under any provision of this Indenture, the Company or the Guarantor shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to

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which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Sections 2.3, 3.3 and 9.7) shall include:

- (1) a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and
- (4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

#### SECTION 1.3 FORM OF DOCUMENT DELIVERED TO TRUSTEE

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificates or opinions of an officer of the Company or the Guarantor

may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company or the Guarantor stating that the information with respect to such factual matters is in the possession of the Company or the Guarantor, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations as to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

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#### SECTION 1.4 ACTS OF HOLDERS

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company and the Guarantor, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other reasonable manner which the Trustee deems sufficient.

(c) The ownership of Securities shall be proved by the Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company or the Guarantor in reliance thereon, whether or not notation of such action is made upon such Security.

(e) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to an Officers' Certificate delivered to the Trustee, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the

requisite proportion of Outstanding Securities have authorized or agreed to consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; PROVIDED that no such authorization, agreement or

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consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of clause (a) of this Section 1.4 not later than six months after the record date.

#### SECTION 1.5 NOTICES, ETC., TO TRUSTEE, COMPANY AND GUARANTOR

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company or the Guarantor shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its [Corporate Trust Office, Attention: Corporate Trust Trustee Administration], or

(2) the Company or the Guarantor by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company or the Guarantor addressed to it at Alaska Airlines, Inc., P.O. Box 68947, Seattle, Washington 98168, Attention: Vice President-Finance or at any other address previously furnished in writing to the Trustee by the Company or the Guarantor, respectively.

#### SECTION 1.6 NOTICE TO HOLDERS; WAIVER

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided or otherwise agreed to by a Holder) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Register, within the time prescribed for the giving of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Any notice mailed to a Holder in the manner herein prescribed shall be conclusively deemed to have been received by such Holder, whether or not such Holder actually receives such notice.

If by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice as provided above, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

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#### SECTION 1.7 HEADINGS AND TABLE OF CONTENTS

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.8 SUCCESSORS AND ASSIGNS

All covenants and agreements in this Indenture by the Company and the Guarantor shall bind its successors and assigns, whether so expressed or not.

SECTION 1.9 SEPARABILITY

In case any provision of this Indenture or the Securities or the Guarantees shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.10 BENEFITS OF INDENTURE

Nothing in this Indenture or in the Securities or the Guarantees, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.11 GOVERNING LAW

THIS INDENTURE, THE SECURITIES AND THE GUARANTEES ENDORSED THEREON SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. This Indenture is subject to the Trust Indenture Act and if any provision hereof limits, qualifies or conflicts with the Trust Indenture Act, the Trust Indenture Act shall control.

SECTION 1.12 LEGAL HOLIDAYS

In any case where any Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture of any Security other than a provision in the Securities of any series which specifically states that such provision shall apply in lieu of this Section) payment of principal, premium, if any, or interest need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on such date; PROVIDED that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity, as the case may be.

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ARTICLE 2

SECURITY FORMS

SECTION 2.1 FORMS GENERALLY

The Securities of each series and the Guarantees endorsed thereon shall be in substantially the forms set forth in this Article, or in such other form or forms as shall be established by delivery to the Trustee of an Officers' Certificate or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities and Guarantees as evidenced by their execution of the Securities and Guarantees. If temporary Securities of any series are issued as permitted by Section 3.4, the form thereof also shall be established as provided in the preceding sentence. If the form of Securities and Guarantees of any series are established by an Officers' Certificate, such Officers' Certificate shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 3.3 for the authentication and delivery of such Securities.

The permanent Securities shall be printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner, all as determined by the officers executing such Securities as evidenced by their execution of such Securities.

SECTION 2.2 FORM OF FACE OF SECURITY

[IF THE SECURITY IS AN ORIGINAL ISSUE DISCOUNT SECURITY, INSERT--FOR PURPOSES OF SECTIONS 1273 AND 1275 OF THE UNITED STATES INTERNAL REVENUE CODE, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ON THIS SECURITY IS % OF ITS PRINCIPAL AMOUNT AND THE ISSUE DATE IS , 19 [, -- AND] THE YIELD TO MATURITY IS %. [THE METHOD USED TO DETERMINE THE YIELD IS AND THE AMOUNT OF ORIGINAL ISSUE DISCOUNT APPLICABLE TO THE SHORT ACCRUAL PERIOD OF , 19 TO , 19 IS % OF THE PRINCIPAL AMOUNT OF THIS SECURITY.]]

ALASKA AIRLINES, INC.

\$ No.

ALASKA AIRLINES, INC., a corporation duly organized and existing under the laws of the State of Alaska (herein called the "Company," which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to

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or registered assigns, the principal sum of Dollars on [IF THE SECURITY IS TO BEAR INTEREST PRIOR TO MATURITY, INSERT--, and to pay interest thereon from or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on and in each year, commencing , [IF THE SECURITY IS TO BEAR INTEREST AT A FIXED RATE, INSERT-- - at the rate of % per annum] [IF THE SECURITY IS TO BEAR INTEREST AT AN ADJUSTABLE RATE, INSERT--at a rate per annum computed or determined in accordance with the provisions below], until the principal hereof is paid or made available for payment [IF APPLICABLE, INSERT--, and (to the extent that the payment of such interest shall be legally enforceable) at the rate of % per annum on any overdue principal and premium and on any overdue installment of interest]. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the or (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture].

[IF THE SECURITY IS NOT TO BEAR INTEREST PRIOR TO MATURITY, INSERT--The principal of this Security shall not bear interest except in the case of a default in payment of principal upon acceleration or redemption or at the Stated Maturity and in such case the overdue principal of this Security shall bear interest at the rate of % per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such default in payment to the date payment of such principal has been made or duly provided for. Interest on any overdue principal shall be payable on demand. Any such interest on any overdue principal that is not so paid on demand shall bear interest at the rate of % per annum (to the extent

that the payment of such interest shall be legally enforceable), which shall accrue from the date of such demand for payment to the date payment of such interest has been made or duly provided for, and such interest shall also be payable on demand.]

Payment of the principal of (and premium, if any, on) and [IF APPLICABLE, INSERT--any such] interest on this Security will be made at the office or agency of the Company maintained for that purpose in the City and State of New York in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts [IF APPLICABLE, INSERT-- ; PROVIDED, HOWEVER, that at the option of the Company payment of interest may be made by check mailed on or before the relevant Interest Payment Date to the address of the Person entitled thereto as such address shall appear in the Register].

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Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

ALASKA AIRLINES, INC.

By \_\_\_\_\_

Attest:

### SECTION 2.3 FORM OF REVERSE OF SECURITY

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities") issued and to be issued in one or more series under an Indenture, dated as of \_\_\_\_\_, 1994 (herein called the "Indenture"), between the Company (which term includes any successor corporation under the Indenture) [, Alaska Air Group, Inc., as Guarantor (the "Guarantor")] and \_\_\_\_\_, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture with respect to the series of which this Security is a part), to which the Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof[, limited in aggregate principal amount to \$ \_\_\_\_\_].

[IF APPLICABLE, INSERT--The Securities of this series are subject to redemption upon not less than 30 days' notice by mail, [IF APPLICABLE, INSERT--(1) on \_\_\_\_\_ in any year commencing with the year \_\_\_\_\_ and ending with the year \_\_\_\_\_ at a Redemption Price equal to \_\_\_\_\_ % of the principal amount and (2)] at any time [on or after 19 \_\_\_\_\_], as a whole or in part, at the election of the Company, at the following Redemption Prices (expressed as percentages of the principal amount): If redeemed [on or before \_\_\_\_\_, \_\_\_\_\_ %, and if redeemed] during the 12-month period beginning \_\_\_\_\_ of the years indicated,

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Year	Redemption Price	Year	Redemption Price
----	-----	----	-----

and thereafter at a Redemption Price equal to \_\_% of the principal amount, together in the case of any such redemption with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Dates referred to on the face hereof, all as provided in the Indenture.]

[IF APPLICABLE, INSERT--The Securities of this series are subject to redemption upon not less than 30 days' notice by mail, (1) on \_\_\_\_\_ in any year commencing with the year \_\_\_\_\_ and ending with the year \_\_\_\_\_ through operation of the sinking fund for this series at the Redemption Prices for redemption through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below and (2) at any time [on or after \_\_\_\_\_], as a whole or in part, at the election of the Company, at the Redemption Prices for redemption otherwise than through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below: If redeemed during the 12-month period beginning \_\_\_\_\_ of the years indicated,

	Redemption Price for Redemption Through Operation of the	Redemption Price for Redemption Otherwise Than Through
Year	Sinking Fund	Operation of the Sinking Fund
- ----	-----	-----

and thereafter at a Redemption Price equal to \_\_\_\_% of the principal amount, together in the case of any such redemption (whether through operation of the sinking fund or otherwise) with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Dates referred to on the face hereof, all as provided in the Indenture.]

[Notwithstanding the foregoing, the Company may not, prior to \_\_\_\_\_, redeem any Securities of this series as contemplated by [Clause (2) of] the preceding paragraph as a part of, or in anticipation of, any refunding operation by the application, directly or indirectly, of moneys borrowed having an interest cost to the Company (calculated in accordance with generally accepted financial practice) of less than \_\_\_% per annum.]

[The sinking fund for this series provides for the redemption on \_\_\_\_\_



in each year beginning with the year \_\_\_\_\_ and ending with the year \_\_\_\_\_ of [not less than] \$ \_\_\_\_\_ [("mandatory sinking fund")] and not more than \$ \_\_\_\_\_ aggregate principal amount of Securities of this series. [Securities of this series acquired or redeemed by the Company otherwise than through [mandatory] sinking fund payments may be credited against subsequent [mandatory] sinking fund payments otherwise required to be made in the [DESCRIBE ORDER] order in which they become due.]

[In the event of redemption of this Security in part only, a new Security or Securities of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.]

[IF APPLICABLE, INSERT--The Securities of this series are subject to the [defeasance] [covenant defeasance] [defeasance and covenant defeasance] provisions set forth in Article Four of the Indenture.]

[IF THE SECURITY IS NOT AN ORIGINAL ISSUE DISCOUNT SECURITY, INSERT--If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.]

[IF THE SECURITY IS AN ORIGINAL ISSUE DISCOUNT SECURITY, INSERT--If an Event of Default with respect to Securities of this series shall occur and be continuing, an amount of principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture. Such amount shall be equal to--INSERT FORMULA FOR DETERMINING THE AMOUNT. Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal and overdue interest (in each case to the extent that the payment of such interest shall be legally enforceable), all the Company's obligations in respect of the payment of the principal of and interest, if any, on the Securities of this series shall terminate.]

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Outstanding Securities of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Outstanding Securities of each series, on behalf of the Holders of all Outstanding Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

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No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the amount of principal of (and premium, if any, on) and interest, if any, on this Security herein provided, and at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any, on) and interest, if any, on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of \$\_\_\_\_\_ and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of different authorized denominations as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company nor the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

SECTION 2.4 FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

The Trustee's certificate of authentication shall be in substantially the following form:

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This is one of the Securities of a series issued under the within-mentioned Indenture.

\_\_\_\_\_,  
as Trustee

By \_\_\_\_\_  
Authorized Signatory

SECTION 2.5 FORM OF GUARANTEE

The Guarantee, if applicable, shall be in substantially the following form:

ALASKA AIR GROUP, INC. (the "Guarantor") hereby unconditionally guarantees (the "Guarantee") the due and punctual payment of the principal of and premium, if any, and interest on, any Redemption Price with respect to, this Security, when and as the same shall become due and payable, whether at maturity, by acceleration or redemption or otherwise, in accordance with the terms of this Security and of the Indenture. In case of the failure of the Company punctually to pay any such principal, premium or interest payment or Redemption Price, the Guarantor hereby agrees to cause any such payment to be made punctually when and as the same shall become due and payable, whether at maturity, upon acceleration or redemption or otherwise, and as if such payment were made by the Company.

The Guarantor hereby agrees that its obligations hereunder shall be as principal and not merely as surety, and shall be absolute and unconditional, irrespective of, and shall be unaffected by, any invalidity, irregularity or failure to enforce the provisions of this Security or the Indenture, or any waiver, modification, consent or indulgence granted to the Company with respect

thereto (unless the same shall also be provided the Guarantor), by the Holder of such Security or the Trustee, the recovery of any judgment against the Company or any action to enforce the same, or any other circumstances which may otherwise constitute a legal or equitable discharge of a surety or guarantor. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger, insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest or notice with respect to any such Security or the indebtedness evidenced thereby and all demands whatsoever, and covenants that this Guarantee will not be discharged, except by payment in full of the principal, premium, if any, and interest on, and any Redemption Price in respect of, the Securities and the complete performance of all other obligations contained in the Securities.

The Guarantor shall be subrogated to all rights of the Holder of any Security against the Company in respect of any amounts paid to such Holder by the Guarantor pursuant to the provisions of this Guarantee; PROVIDED, HOWEVER, that the Guarantor shall not be entitled to enforce, or to receive any payments arising out of or based upon, such right of subrogation

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until the principal of, premium, if any, and interest on, and any Redemption Price in respect of all Securities shall have been paid in full.

Dated:

ALASKA AIR GROUP, INC.

By: \_\_\_\_\_

### ARTICLE 3

#### THE SECURITIES

##### SECTION 3.1 AMOUNT UNLIMITED; ISSUABLE IN SERIES

(a) The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued from time to time in one or more series.

(b) The following matters shall be established and (subject to Section 3.3) set forth, or determined in the manner provided, in an Officers' Certificate and a Board Resolution of the Company and, if the Guarantor guarantees such Securities in accordance with Section 12.1, an Officer's Certificate and a Board Resolution of the Guarantor, or one or more indentures supplemental hereto:

(1) the title of the Securities of the series (which title shall distinguish the Securities of the series from all other Securities);

(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (which limit shall not pertain to (i) Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 3.4, 3.5, 3.6, 8.6, or 10.7 and (ii) any Securities which, pursuant to the last paragraph of Section 3.3, are deemed never to have been authenticated and delivered thereunder);

(3) the date or dates on which the principal of the Securities of the

series is payable or the method of determination thereof;

(4) the rate or rates at which the Securities of the series shall bear interest, if any, or the method of calculating such rate or rates of interest, the date or dates from which such interest shall accrue or the method by which such date or dates shall be

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determined, the Interest Payment Dates on which any such interest shall be payable and the Regular Record Date, if any, for the interest payable on any Interest Payment Date;

(5) the place or places where, subject to the provisions of Section 9.2, the principal of, premium, if any, and interest, if any, on Securities of the series shall be payable;

(6) the period or periods within which, the price or prices at which, and the other terms and conditions upon which, Securities of the series may be redeemed, in whole or in part, at the option of the Company and, if other than as provided in Section 10.3, the manner in which the particular Securities of such series (if less than all Securities of such series are to be redeemed) are to be selected for redemption;

(7) the obligation, if any, of the Company to redeem or purchase Securities of the series pursuant to any sinking fund or analogous provisions or upon the happening of a specified event or at the option of a Holder thereof and the period or periods within which, the price or prices at which, and the other terms and conditions upon which, Securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(8) if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which Securities of the series shall be issuable;

(9) if the amount of payments or principal of, premium, if any, and interest, if any, on the Securities of the series shall be determined with reference to an index, formula or other method, the index, formula or other method by which such amounts shall be determined;

(10) if other than the principal amount thereof, the portion of the principal amount of such Securities of the series which shall be payable upon declaration of the acceleration thereof pursuant to Section 5.2 or the method by which such portion shall be determined;

(11) if other than as provided in Section 3.7, the Person to whom any interest on any Security of the series shall be payable and the extent to which, or the manner in which (including any certification requirement and other terms and conditions under which), any interest payable on a temporary Security on an Interest Payment Date will be paid if other than in the manner provided in Section 3.4, as applicable;

(12) provisions, if any, granting special rights to the Holders of Securities of the series upon the occurrence of such events as may be specified;

(13) any deletions from, modifications of or additions to the Events of Default set forth in Section 5.1 or covenants of the Company and/or the Guarantor set forth in Article 9 pertaining to the Securities of the series;

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(14) under what circumstances, if any, the Company or the Guarantor

will pay additional amounts on the Securities of that series held by a Person who is not a U.S. Person in respect of taxes or similar charges withheld or deducted and, if so, whether the Company will have the option to redeem such Securities rather than pay such additional amounts (and the terms of any such option);

(15) the date as of which any temporary Security representing outstanding Securities of the series shall be dated if other than the date of original issuance of the first Security of the series to be issued;

(16) the applicability, if any, to the Securities of or within the series of Sections 4.4 and 4.5, or such other means of defeasance or covenant defeasance as may be specified for the Securities of such series;

(17) if other than the Trustee, the identity of the Registrar and any Paying Agent;

(18) any terms which may be related to warrants issued by the Company in connection with, or for the purchase of, Securities of such series, including whether and under what circumstances the Securities of any series may be used toward the exercise price of any such warrants;

(19) whether Guarantees will be endorsed on Securities of the series, and, if so, the terms of the Guarantees if other than as specified in Section 12.2; and

(20) any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture), including any terms which may be required by or advisable under United States laws or regulations or advisable in connection with the marketing of Securities of the series.

(c) All Securities of any one series shall be substantially identical except as to denomination and the rate or rates of interest, if any, and Stated Maturity, the date from which interest, if any, shall accrue and except as may otherwise be provided in or pursuant to an Officers' Certificate pursuant to this Section 3.1 or in an indenture supplemental hereto. All Securities of any one series need not be issued at the same time and, unless otherwise provided, a series may be reopened, without the consent of the Holders, for issuances of additional Securities of such series or for the establishment of additional terms with respect to the Securities of such series.

(d) If any of the terms of the Securities of any series and the Guarantees endorsed thereon are established by action taken pursuant to a Board Resolution, a copy of such Board Resolution shall be certified by the Corporate Secretary or an Assistant Secretary of the Company or the Guarantor and delivered to the Trustee at or prior to the delivery of the Officers' Certificate of the Company or the Guarantor setting forth, or providing the manner for determining, the terms of the Securities of such series and the Guarantees endorsed

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thereon, and an appropriate record of any action taken pursuant thereto in connection with the issuance of any Securities of such series and the Guarantees endorsed thereon shall be delivered to the Trustee prior to the authentication and delivery thereof. With respect to Securities of a series and the Guarantees endorsed thereon subject to a Periodic Offering, such Board Resolution or Officers' Certificate may provide general terms for Securities of such series and the Guarantees endorsed thereon and provide either that the specific terms of particular Securities of such series and the Guarantees endorsed thereon shall be specified in a Company Order and a Guarantor Order or that such terms shall be determined by the Company and the Guarantor, or one or more of the Company's agents designated in an Officers' Certificate, in accordance with the Company Order and the Guarantor Order as contemplated by the first proviso of the third paragraph of Section 3.3

## SECTION 3.2 DENOMINATIONS

The Securities of each series shall be issuable only in definitive registered form without coupons and in such denominations as shall be specified as contemplated by Section 3.1. In the absence of any such provisions with respect to the Securities of any series, the Securities of such series shall be issuable in denominations of \$1,000 and any integral multiple thereof.

## SECTION 3.3 EXECUTION, AUTHENTICATION, DELIVERY AND DATING

Securities shall be executed on behalf of the Company and the Guarantees endorsed thereon shall be executed on behalf of the Guarantor, respectively, by their respective Chairman, President or Chief Executive Officer and attested to by the Secretary of the Company or the Guarantor, as the case may be. The Company's and the Guarantor's seal shall be affixed to the Securities and the Guarantees, respectively, or a facsimile of such seal shall be engraved, printed, or otherwise reproduced on the Securities and the Guarantees. The signatures of such officers on the Securities or the Guarantees, as the case may be may be manual or facsimile signatures of the present or any future such authorized officers and may be imprinted or otherwise reproduced on the Securities and the Guarantees.

Securities and Guarantees bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company or the Guarantor shall bind the Company and the Guarantor, respectively, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities and Guarantees.

At any time and from time to time, the Company may deliver Securities, together with the Guarantees endorsed thereon executed by the Guarantor, of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and make available for delivery such Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Securities; PROVIDED, HOWEVER, that in the case of Securities offered in a Periodic Offering, the Trustee shall authenticate and deliver such Securities from time to time in accordance with such other procedures (including, without limitation, the receipt by the Trustee of oral or electronic instructions from the

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Company or its duly authorized agents, promptly confirmed in writing) acceptable to the Trustee as may be specified by or pursuant to a Company Order delivered to the Trustee prior to the time of the first authentication of Securities of such series.

If the form or terms of the Securities of a series have been established by or pursuant to one or more Officers' Certificates as permitted by Sections 2.1 and 3.1, in authenticating such Securities and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to section 315(a) through (d) of the Trust Indenture Act) shall be fully protected in relying upon, an Opinion of Counsel stating,

(1) that the forms and terms of such Securities and the Guarantees endorsed thereon have been established in conformity with the provisions of this Indenture; and

(2) that such Securities and the Guarantees endorsed thereon, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company and the Guarantor, enforceable in accordance with their terms, subject to customary exceptions;

PROVIDED, HOWEVER, that, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication of Securities of such series and that the Opinion of Counsel above may state:

(x) that the forms of such Securities and the Guarantees endorsed thereon have been, and the terms of such Securities and the Guarantees endorsed thereon (when established in accordance with such procedures as may be specified from time to time in a Company Order, all as contemplated by and in accordance with a Board Resolution or an Officers' Certificate pursuant to Section 3.1, as the case may be) will have been, established in conformity with the provisions of this Indenture; and

(y) that such Securities and the Guarantees endorsed thereon, when (1) executed by the Company and the Guarantor, (2) completed, authenticated and delivered by the Trustee in accordance with this Indenture, and (3) issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company and the Guarantor, enforceable in accordance with their terms, subject to customary exceptions.

With respect to Securities of a series subject to a Periodic Offering, the Trustee may conclusively rely, as to the authorization by the Company and the Guarantor of any of such Securities and Guarantees, respectively, the form and terms thereof and the legality, validity, binding effect and enforceability thereof, upon the Opinion of Counsel and other documents delivered pursuant to Sections 2.1 and 3.1 of this Section, as applicable, at or prior to the time of the first authentication of Securities of such series unless and until it has received written

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notification that such opinion or other documents have been superseded or revoked. In connection with the authentication and delivery of Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to assume that the Company's instructions to authenticate and deliver such Securities do not violate any rules, regulations or orders of any governmental agency or commission having jurisdiction over the Company.

Reference is made to Section 12.2 concerning the execution and delivery of the Guarantees.

If the form or terms of the Securities of a series have been established by or pursuant to one or more Officers' Certificates as permitted by Sections 2.1 and 3.1, the Trustee shall have the right to decline to authenticate such Securities if the issue of such Securities pursuant to this Indenture will adversely affect the Trustee's own rights, duties or immunities under this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Notwithstanding the provisions of Section 3.1 and of the two preceding paragraphs, if all of the Securities of any series are not to be issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 3.1 at or prior to the time of the authentication of each Security of such series if the Officers' Certificate is delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

Each Security shall be dated the date of its authentication.

No Security or Guarantee endorsed thereon shall be entitled to any benefits under this Indenture or be valid or obligatory for any purpose until authenticated by the manual signature of one of the authorized signatories of the Trustee or an Authenticating Agent. Such signature upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered under this Indenture and is entitled to the benefits

of this Indenture.

Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 3.9 together with a written statement (which need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall not be entitled to the benefits of this Indenture.

#### SECTION 3.4 TEMPORARY SECURITIES

Pending the preparation of definitive Securities of any series, the Company may execute and, upon Company Order, the Trustee shall authenticate and deliver temporary Securities of such series (having Guarantees endorsed thereon) which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized

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denomination, substantially of the tenor and form of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause permanent Securities of such series to be prepared without unreasonable delay. After preparation of such permanent Securities, the temporary Securities shall be exchangeable for such permanent Securities of like tenor upon surrender of the temporary Securities of such series at the office or agency of the Company pursuant to Section 9.2 in a Place of Payment for such series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series (accompanied by the Guarantees endorsed thereon), the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of Permanent Securities of the same series of authorized denominations and of like tenor. Until so exchanged, the temporary Securities of any series and the Guarantees endorsed thereon shall in all respects be entitled to the same benefits under this Indenture as permanent Securities of such series except as otherwise specified as contemplated by Section 3.1.

#### SECTION 3.5 REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE

The Company shall cause to be kept at the Corporate Trust Office of the Trustee or in any office or agency to be maintained by the Company in accordance with Section 9.2 in a Place of Payment a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and the registration of transfers of Securities. The Register shall be in written form or any other form capable of being converted into written form within a reasonable time. The Trustee is hereby appointed "Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security of any series at the office or agency maintained pursuant to Section 9.2 in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series (having Guarantees duly endorsed thereon), of any authorized denominations and of a like aggregate principal amount and tenor.

At the option of the Holder, Securities of any series may be exchanged for other Securities of the same series, of any authorized denominations and of like aggregate principal amount containing identical terms and provisions, upon



surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive and the Guarantor shall execute the Guarantees endorsed thereon.

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Whenever any Securities are surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive, having endorsed thereon a Guarantee duly executed by the Guarantor.

All Securities, and the Guarantees thereon, issued upon any registration of transfer or upon any exchange of Securities shall be the valid obligations of the Company and the Guarantor, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of such transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Registrar or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to those of the Company, the Registrar and the Trustee requiring such written instrument of transfer duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or for any exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration or transfer or exchange of Securities, other than exchanges pursuant to Section 3.4 or 10.7 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of, or exchange any Securities for a period beginning at the opening of business 15 days before any selection for redemption of Securities of like tenor and of the series of which such Security is a part and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all Holders of Securities of like tenor and of such series to be redeemed or (ii) to register the transfer of or exchange of any Security so selected for redemption, in whole or in part, except the unredeemed portion of any Security being redeemed in part.

#### SECTION 3.6 REPLACEMENT SECURITIES

If a mutilated Security is surrendered to the Trustee, together with, in proper cases, such security or indemnity as may be required by the Company or the Trustee to save each of them harmless, the Company shall execute and the Trustee shall authenticate and deliver a replacement Security (with a Guarantee duly endorsed thereon) of the same series and date of maturity, if the Trustee's requirements are met.

If there shall be delivered to the Company, the Guarantor and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agency of either of them harmless, then, in the absence of notice to the Company, the Guarantor or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver in lieu of any such destroyed, lost or stolen Security, a

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replacement Security (with a Guarantee duly endorsed thereon) of the same series and principal amount, containing identical terms and provisions and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee connected therewith).

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security, shall constitute an original additional contractual obligation of the Company guaranteed by the Guarantor, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities and Guarantees of that series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

#### SECTION 3.7 PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED

Unless otherwise provided as contemplated by Section 3.1, interest, if any, on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest at the office or agency maintained for such purpose pursuant to Section 9.2; PROVIDED, HOWEVER, that, at the option of the Company or the Guarantor, interest on any series of Securities that bear interest may be paid (i) by check mailed to the address of the Person entitled thereto as it shall appear on the Register of Holders of Securities of such series or (ii) to the extent specified as contemplated by Section 3.1, by wire transfer to an account maintained by the Person entitled thereto as specified in the Register of Holders of Securities of such series.

Unless otherwise provided as contemplated by Section 3.1, any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any interest payment date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company or the Guarantor, at its election in each case, as provided in clause (1) or (2) below:

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(1) The Company or the Guarantor may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company or the Guarantor shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause (1) provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company or the Guarantor of such Special Record Date and, in the name and at the expense of the Company or the Guarantor, as the case may be, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be

mailed, first-class postage prepaid, to each Holder of Securities of such series at his address as it appears in the Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company or the Guarantor may make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a specified date in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause (2), such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section and Section 3.5, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

#### SECTION 3.8 PERSONS DEEMED OWNERS

Prior to due presentment of any Security for registration of transfer, the Company, the Guarantor, the Trustee and any agent of the Company, the Guarantor or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of, premium, if any, and (subject to Section 3.7)

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interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Guarantor, the Trustee nor any agent of the Company, the Guarantor or the Trustee shall be affected by notice to the contrary.

#### SECTION 3.9 CANCELLATION

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and any Paying Agent shall forward to the Trustee any Securities surrendered to them for replacement, for registration of transfer, or for exchange or payment. The Trustee shall cancel all Securities surrendered for replacement, for registration of transfer, or for exchange, payment, redemption or cancellation and may dispose of cancelled Securities and issue a certificate of destruction to the Company. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation, except as expressly permitted in the terms of Securities for any particular series or as permitted pursuant to the terms of this Indenture.

#### SECTION 3.10 COMPUTATION OF INTEREST

Except as otherwise specified as contemplated by Section 3.1 (i) interest of any Securities that bear interest at a fixed rate shall be computed on the basis of a 360-day year of twelve 30 day months and (ii) interest on any Securities the bear interest at a variable rate shall be computed on the basis of the actual number of days in an interest period divided by 360 or the actual number of days in the year.

#### SECTION 3.11 CUSIP NUMBERS

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers (in addition to the other identification numbers printed on the Securities) in

notices of redemption as a convenience to Holders; PROVIDED that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

#### ARTICLE 4

##### SATISFACTION, DISCHARGE AND DEFEASANCE

###### SECTION 4.1 TERMINATION OF COMPANY'S OBLIGATIONS UNDER THE INDENTURE

Except as otherwise provided as contemplated by Section 3.1, this Indenture shall upon Company Request or Guarantor Request cease to be of further effect with respect to Securities of or within any series (except as to any surviving rights of registration of transfer or exchange of such Securities and replacement of such Securities which may have been lost, stolen or mutilated as herein expressly provided for) and the Trustee, at the expense of the Company or

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the Guarantor, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to such Securities when

(1) either

(A) all such Securities previously authenticated and delivered (other than (i) such Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.6, and (ii) such Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 9.3) have been delivered to the Trustee for cancellation; or

(B) all Securities of such series not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving of notice of redemption by the Trustee in the name, and at the expense, of the Company or the Guarantor, as the case may be,

and the Company or the Guarantor, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal, premium, if any, and interest, with respect thereto, to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company or the Guarantor has paid or caused to be paid all other sums payable hereunder by the Company or the Guarantor; and

(3) the Company and the Guarantor have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all

conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture as to such series have been complied with.

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Notwithstanding the satisfaction and discharge of this Indenture, the obligation of the Company and the Guarantor to the Trustee and any predecessor Trustee under Section 6.8, the obligations of the Company to any Authenticating Agent under Section 6.13 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.2 and the last paragraph of Section 9.3 shall survive.

#### SECTION 4.2 APPLICATION OF TRUST FUNDS

Subject to the provisions of the last paragraph of Section 9.3, all money deposited with the Trustee pursuant to Section 4.1 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, if any, and any interest for whose payment such money has been deposited with or received by the Trustee, but such money need not be segregated from other funds except to the extent required by law.

#### SECTION 4.3 APPLICABILITY OF DEFEASANCE PROVISIONS; COMPANY'S OPTION TO EFFECT DEFEASANCE OR COVENANT DEFEASANCE

If pursuant to Section 3.1 provision is made for either or both of (i) defeasance of the Securities of or within a series under Section 4.4 or (ii) covenant defeasance of the Securities of or within a series under Section 4.5, then the provisions of such Section or Sections, as the case may be, together with the provisions of Sections 4.6 through 4.9 inclusive, with such modifications thereto as may be specified pursuant to Section 3.1 with respect to any Securities, shall be applicable to such Securities, and the Company may at its option by Board Resolution, at any time, with respect to such Securities, elect to have Section 4.4 (if applicable) or Section 4.5 (if applicable) be applied to such Outstanding Securities upon compliance with the conditions set forth below in this Article.

#### SECTION 4.4 DEFEASANCE AND DISCHARGE

Upon the Company's exercise of the option specified in Section 4.3 applicable to this Section with respect to the Securities of or within a series, the Company and the Guarantor shall be deemed to have been discharged from its obligations with respect to such Securities on the date the conditions set forth in Section 4.6 are satisfied (hereinafter "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by such Securities which shall thereafter be deemed to be "Outstanding" only for the purposes of Section 4.7 and the other Sections of this Indenture referred to in clause (ii) of this Section, and to have satisfied all its other obligations under such Securities and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Company, shall on Company Order execute proper instruments acknowledging the same), except the following which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of such Securities to receive, solely from the trust funds described in Section 4.6(a) and as more fully set forth in such Section, payments in

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respect of the principal of, premium, if any, and interest, if any, on such Securities when such payments are due; (ii) the Company's and the Guarantor's obligations with respect to such Securities under Sections 3.5, 3.6, 9.2 and 9.3 and with respect to the payment of additional amounts, if any, payable with respect to such Securities as specified pursuant to Section 3.1(b)(16);

(iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder; and (iv) this Article 4. Subject to compliance with this Article 4, the Company may exercise its option under this Section notwithstanding the prior exercise of its option under Section 4.5 with respect to such Securities. Following a defeasance, payment of such Securities may not be accelerated because of an Event of Default.

#### SECTION 4.5 COVENANT DEFEASANCE

Upon the Company's exercise of the option specified in Section 4.3 applicable to this Section with respect to any Securities of or within a series, the Company and the Guarantor shall be released from its obligations under Sections 7.1, 9.4 and 9.5, and, if specified pursuant to Section 3.1, its obligations under any other covenant, with respect to such Securities on and after the date the conditions set forth in Section 4.6 are satisfied (hereinafter, "covenant defeasance"), and such Securities shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with Sections 7.1, 9.4 and 9.5, or such other covenant, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to such Securities, the Company and the Guarantor may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section or such other covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or such other covenant or by reason of reference in any such Section or such other covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 5.1(3) or 5.1(7) or otherwise, as the case may be, but, except as specified above, the remainder of this Indenture and such Securities and the related Guarantees shall be unaffected thereby.

#### SECTION 4.6 CONDITIONS TO DEFEASANCE OR COVENANT DEFEASANCE

The following shall be the conditions to application of Section 4.4 or Section 4.5 to any Securities of or within a series:

(a) The Company or the Guarantor shall have deposited or caused to be deposited irrevocably with the Trustee (or another trustee satisfying the requirements of Section 6.11 who shall agree to comply with, and shall be entitled to the benefits of, the provisions of Sections 4.3 through 4.9 inclusive and the last paragraph of Section 9.3 applicable to the Trustee, for purposes of such Sections also a "Trustee") as trust funds in trust for the purpose of making the payments referred to in clauses (x) and (y) of this Section 4.6(a), specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, with instructions to the Trustee as to the application thereof, (A) money in an amount, or (B) if Securities of such series are

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not subject to repayment at the option of Holders, Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment referred to in clause (x) or (y) of this Section 4.6(a), money in an amount or (C) a combination thereof in an amount, sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee to pay and discharge, (x) the principal of, premium, if any, and interest, if any, on such Securities on the Maturity of such principal or installment of principal or interest and (y) any mandatory sinking fund payments applicable to such Securities on the day on which such payments are due and payable in accordance with the terms of this Indenture and such Securities. Before such a deposit the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date or dates in accordance with

Article 10 which shall be given effect in applying the foregoing.

(b) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a Default or Event of Default under, this Indenture or result in a breach or violation of, or constitute a default under, any other material agreement or instrument to which the Company or the Guarantor is a party or by which it is bound.

(c) No Default or Event of Default under Section 5.1(5) or 5.1(6) with respect to such Securities shall have occurred and be continuing during the period commencing on the date of such deposit and ending on the 91st day after such date (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(d) In the case of an election under Section 4.4, the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel to the effect that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of execution of this Indenture, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of such Securities will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit, defeasance and discharge had not occurred.

(e) In the case of an election under Section 4.5, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Securities will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

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(f) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance under Section 4.4 or the covenant defeasance under Section 4.5 (as the case may be) have been complied with and an Opinion of Counsel to the effect that either (i) as a result of a deposit pursuant to subsection (a) above and the related exercise of the Company's option under Section 4.4 or Section 4.5 (as the case may be), registration is not required under the Investment Company Act of 1940, as amended, by the Company, with respect to the trust funds representing such deposit or by the trustee for such trust funds or (ii) all necessary registrations under said act have been effected.

(g) Such defeasance or covenant defeasance shall be effected in compliance with any additional or substitute terms, conditions or limitations which may be imposed on the Company or the Guarantor in connection therewith as contemplated by Section 3.1.

SECTION 4.7 DEPOSITED MONEY AND GOVERNMENT OBLIGATIONS TO BE HELD IN TRUST

Subject to the provisions of the last paragraph of Section 9.3, all money and Government Obligations (or other property as may be provided pursuant to Section 3.1) (including the proceeds thereof) deposited with the Trustee pursuant to Section 4.6 in respect of any Securities of any series shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities of all sums due and to become due thereon in respect of principal, premium, if any, and interest, if

any, but such money need not be segregated from other funds except to the extent required by law.

#### SECTION 4.8 TRANSFERS AND DISTRIBUTION AT COMPANY REQUEST

To the extent permitted by the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 76, as amended or interpreted by the Financial Accounting Standards Board from time to time, or any successor thereto ("Standard No. 76"), or to the extent permitted by the Commission, the Trustee shall, from time to time, take one or more of the following actions as specified in a Company Request:

(a) Retransfer, reassign and deliver to the Company or the Guarantor any securities deposited with the Trustee pursuant to Section 4.6(a), provided that the Company or the Guarantor shall in substitution therefor, simultaneously transfer, assign and deliver to the Trustee other Government Obligations appropriate to satisfy the Company's obligations in respect of the relevant Securities; and

(b) The Trustee (and any Paying Agent) shall promptly pay to the Company or the Guarantor upon Company Request or Guarantor Request any excess money or securities held by them at any time, including, without limitation, any assets deposited

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with the Trustee pursuant to Section 4.6(a) exceeding those necessary for the purposes of Section 4.6(a).

The Trustee shall not take the actions described in subsections (a) and (b) of this Section 4.8 unless it shall have first received a written report of Arthur Andersen & Co., or another nationally recognized independent public accounting firm, (i) expressing their opinion that the contemplated action is permitted by Standard No. 76 or the Commission, for transactions accounted for as extinguishment of debt under the circumstances described in paragraph 3.c of Standard No. 76 or any successor provision and (ii) verifying the accuracy, after giving effect to such action or actions, of the computations which demonstrate that the amounts remaining to be earned on the Government Obligations deposited with the Trustee pursuant to Section 4.6(a) will be sufficient for purposes of Section 4.6(a).

### ARTICLE 5

#### DEFAULTS AND REMEDIES

##### SECTION 5.1 EVENTS OF DEFAULT

An "Event of Default" occurs with respect to the Securities of any series if (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) the Company defaults in the payment of interest on any Security of that series or any additional amount payable with respect to any Security of that series as specified pursuant to Section 3.1(b)(14) when the same becomes due and payable and such default continues for a period of 30 days;

(2) the Company defaults in the payment of the principal of or any premium on any Security of that series when the same becomes due and payable at its Maturity or on redemption or otherwise, or in the payment of a mandatory sinking fund payment when and as due by the terms of the Securities of that series, and in each case such default continues for a period of ten days;

(3) the Company or the Guarantor defaults in the performance of, or



breaches, any covenant or warranty of the Company or the Guarantor in this Indenture with respect to any Security or any Guarantee endorsed thereon of that series (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and such default or breach continues for a period of 60 days after there has been given, by registered or certified mail, to the Company and the Guarantor by the Trustee or to the Company, the Guarantor and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

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(4) the Company or the Guarantor defaults under the terms of any agreement or instrument evidencing or under which the Company has at the date of this Indenture or hereafter outstanding any indebtedness for borrowed money and such indebtedness shall be accelerated so that the same shall be or become due and payable prior to the date on which the same would otherwise become due and payable and the aggregate principal amount thereof so accelerated exceeds \$25,000,000 and such acceleration is not rescinded or annulled within ten days after there has been given, by registered or certified mail, to the Company and the Guarantor by the Trustee or to the Company, the Guarantor and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series a written notice specifying such default and stating that such notice is a "Notice of Default" hereunder; (it being understood, however, that, subject to the provisions of Section 6.1, the Trustee shall not be deemed to have knowledge of such default under such agreement or instrument unless either (A) a Responsible Officer of the Trustee shall have actual knowledge of such default or (B) a Responsible Officer of the Trustee shall have received written notice thereof from the Company, from the Guarantor, from any Holder, from the holder of any such indebtedness or from the trustee under any such agreement or other instrument); PROVIDED, HOWEVER, that if such default under such agreement or instrument is remedied or cured by the Company or waived by the holders of such indebtedness, then the Event of Default hereunder by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of such Holders;

(5) the Company or the Guarantor pursuant to or within the meaning of any Bankruptcy Law (A) commences a voluntary case, (B) consents to the entry of an order for relief against it in an involuntary case, (C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or (D) makes a general assignment for the benefit of its creditors;

(6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (A) is for relief against the Company or the Guarantor in an involuntary case, (B) appoints a Custodian of the Company or the Guarantor or for all or substantially all of its property, or (C) orders the liquidation of the Company; and the order or decree remains unstayed and in effect for 90 consecutive days; or

(7) any other Event of Default provided as contemplated by Section 3.1 with respect to Securities of that series.

The term "Bankruptcy Law" means Title 11, U.S. Code, or any similar federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

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If an Event of Default with respect to the Securities of any series at the time Outstanding occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of all of the outstanding Securities of that series, by written notice to the Company and the Guarantor (and, if given by the Holders, to the Trustee), may declare the principal (or, if the Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be due and payable and upon any such declaration such principal (or, in the case of original Issue Discount Securities or Indexed Securities, such specified amount) shall be immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the outstanding Securities of that series, by written notice to the Trustee, may rescind and annul such declaration and its consequences if all existing Defaults and Events of Default with respect to Securities of that series, other than the nonpayment of the principal of Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 5.7. No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 5.3 COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE

The Company covenants that if

(1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof and such default continues for a period of 10 days,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal, premium, if any, and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal, premium, if any, and on any overdue interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee

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shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 5.4 TRUSTEE MAY FILE PROOFS OF CLAIM

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders of Securities allowed in any judicial proceedings relating to the Company or the Guarantor, its creditors or its property.

SECTION 5.5 TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES

All rights of action and claims under this Indenture or the Securities or the Guarantees may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto.

SECTION 5.6 DELAY OR OMISSION NOT WAIVER

No delay or omission by the Trustee or any Holder of any Securities to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of or acquiescence in any such Event of Default.

SECTION 5.7 WAIVER OF PAST DEFAULTS

The Holders of a majority in aggregate principal amount of Outstanding Securities of any series by notice to the Trustee may waive on behalf of the Holders of all Securities of such series a past Default or Event of Default with respect to that series and its consequences except (i) a Default or Event of Default in the payment of the principal of, premium, if any, or interest on any Security of such series or (ii) in respect of a covenant or provision hereof which pursuant to Section 8.2 cannot be amended or modified without the consent of the Holder of each outstanding Security of such series adversely affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture.

SECTION 5.8 CONTROL BY MAJORITY

The Holders of a majority in aggregate principal amount of the Outstanding Securities of each series affected (with each such series voting as a class) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it with respect to Securities of that series; PROVIDED, HOWEVER, that (i) the Trustee may refuse to follow any direction that conflicts with law or this Indenture, (ii) the Trustee may refuse to follow any direction that is unduly prejudicial to the rights of the Holders of Securities of such series not consenting, or that would in the good-faith judgment of the Trustee have a substantial likelihood of involving the

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Trustee in personal liability and (iii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 5.9 LIMITATION ON SUITS BY HOLDERS

No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) the Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series have made a written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be, or which may be, incurred by the Trustee in pursuing the remedy;

(4) the Trustee for 60 days after its receipt of such notice, request

and the offer of indemnity has failed to institute any such proceedings;  
and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series has not given to the Trustee a direction inconsistent with such written request.

No one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

#### SECTION 5.10 RIGHTS OF HOLDERS TO RECEIVE PAYMENT

Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of principal of, premium, if any, and, subject to Section 3.7, interest on the Security, on or after the respective due dates expressed in the Security (or, in case of redemption, on the redemption dates), or, subject to Section 5.9, to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

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#### SECTION 5.11 APPLICATION OF MONEY COLLECTED

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, premium, if any, or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: to the Trustee for amounts due under Section 6.9;

SECOND: to Holders of Securities in respect of which or for the benefit of which such money has been collected for amounts due and unpaid on such Securities for principal of, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium, if any, and interest, respectively; and

THIRD: to the Company.

#### SECTION 5.12 RESTORATION OF RIGHTS AND REMEDIES

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Guarantor, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

#### SECTION 5.13 RIGHTS AND REMEDIES CUMULATIVE

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 3.6, no right or remedy herein conferred upon or reserved to the Trustee or the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter

existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

## ARTICLE 6

### THE TRUSTEE

#### SECTION 6.1 CERTAIN DUTIES AND RESPONSIBILITIES

(a) Except during the continuance of an Event of Default,

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(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing with respect to the Securities of any series, the Trustee shall exercise such of the rights and powers vested in it by this Indenture with respect to the Securities of such series, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, EXCEPT that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities of any series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series.

(d) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 6.2 RIGHTS OF TRUSTEE

Subject to the provisions of the Trust Indenture Act:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Company or the Guarantor mentioned herein shall be sufficiently evidenced by a Company Request or Company Order or a Guarantor Request or Guarantor Order, as the case may be (other than delivery of any Security, together with the Guarantees endorsed thereon, to the Trustee for authentication and delivery pursuant to Section 3.3, which shall be sufficiently evidenced as provided therein) and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution.

(c) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate.

(d) The Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company and the Guarantor, personally or by agent or attorney.

(g) The Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(h) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(i) The Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if it shall

have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

#### SECTION 6.3 TRUSTEE MAY HOLD SECURITIES

The Trustee, any Paying Agent, any Registrar or any other agent of the Company or the Guarantor, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 310(b) and 311 of the Trust Indenture Act, may otherwise deal with the Company, an Affiliate or Subsidiary and the Guarantor with the same rights it would have if it were not Trustee, Paying Agent, Registrar or such other agent.

#### SECTION 6.4 MONEY HELD IN TRUST

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company or the Guarantor.

#### SECTION 6.5 TRUSTEE'S DISCLAIMER

The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, shall be taken as the statements of the Company and the Guarantor, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities or the Guarantees. The Trustee shall not be accountable for the Company's use of the proceeds from the Securities or for monies paid over to the Company or the Guarantor pursuant to the Indenture.

#### SECTION 6.6 NOTICE OF DEFAULTS

If a Default occurs and is continuing with respect to the Securities of any series and if it is known to the Trustee, the Trustee shall, within 90 days after it occurs, transmit, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, notice of all uncured Defaults known to it; PROVIDED, HOWEVER, that, in the case of a Default in payment on the Securities of any series, the Trustee may withhold the notice if and so long as the board of directors, the executive committee or a committee of its Responsible Officers in good faith determines that withholding such notice is in the interests of Holders of Securities of that

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series; PROVIDED FURTHER that, in the case of any default or breach of the character specified in Section 5.1(3) with respect to the Securities of such series, no such notice to Holders shall be given until at least 60 days after the occurrence thereof.

#### SECTION 6.7 REPORTS BY TRUSTEE TO HOLDERS

Within 60 days after each May 15 of each year commencing with the first May 15 after the first issuance of Securities pursuant to this Indenture, the Trustee shall transmit by mail to all Holders of Securities as provided in Section 313(c) of the Trust Indenture Act a brief report dated as of such May 15 if required by Section 313(a) of the Trust Indenture Act. The Trustee also shall comply with Section 313(b) and (d) of the Trust Indenture Act.

#### SECTION 6.8 SECURITYHOLDER LISTS

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders of Securities of each series. If the Trustee is not the Registrar, the Company shall furnish to the Trustee semiannually on or before the last day of June and December in each year, and at such other times as the Trustee may request in writing, a list, in such form and as of such date as the Trustee may

reasonably require, containing all the information in the possession of the Registrar, the Company or any of its Paying Agents other than the Trustee as to the names and addresses of Holders of Securities of each such series.

#### SECTION 6.9 COMPENSATION AND INDEMNITY

(a) The Company shall pay to the Trustee from time to time such compensation as shall be agreed between the Company and the Trustee for all services rendered by it hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it in connection with the performance of its duties under this Indenture, except any such expense as may be attributable to its negligence or bad faith. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents and counsel.

(b) The Company shall indemnify the Trustee for, and hold it harmless against, any loss, liability or expense incurred by it without negligence or bad faith on its part arising out of or in connection with its acceptance or administration of the trust or trusts hereunder. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent.

(c) The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence or bad faith.

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(d) To secure the payment obligations of the Company pursuant to this Section, the Trustee shall have a lien prior to the Securities of any series on all money or property held or collected by the Trustee, except that held in trust to pay principal, premium, if any, and interest on particular Securities.

(e) when the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 5.1(5) or Section 5.1(6), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

(f) The provisions of this Section shall survive the termination of this Indenture.

#### SECTION 6.10 REPLACEMENT OF TRUSTEE

(a) The resignation or removal of the Trustee and the appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in Section 6.11.

(b) The Trustee may resign at any time with respect to the Securities of any series by giving written notice thereof to the Company and the Guarantor. If the instrument of acceptance by a successor Trustee required by Section 6.11 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities or such series.

(c) The Holders of a majority in aggregate principal amount of the Outstanding Securities of any series may remove the Trustee with respect to that series by so notifying the Trustee and the Company and the Guarantor and may appoint a successor Trustee for such series with the Company's and the Guarantor's consent.



(d) If at any time:

(1) the Trustee fails to comply with Section 310(b) of the Trust Indenture Act after written request therefor by the Company or the Guarantor or by any Holder who has been a bona fide Holder of a Security for at least six months; or

(2) the Trustee shall cease to be eligible under Section 310(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company, the Guarantor or by any Holder of a Security who has been a bona fide Holder of a Security for at least six months; or

(3) the Trustee becomes incapable of acting, is adjudged a bankrupt or an insolvent or a receiver or public officer takes charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (i) the Company or the Guarantor by or pursuant to a Board Resolution may

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remove the Trustee with respect to all Securities, or (ii) subject to Section 315(e) of the Trust Indenture Act, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all other similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, with respect to Securities of one or more series, the Company or the Guarantor, by or pursuant to Board Resolution, shall promptly appoint a successor Trustee with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 6.11. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 6.11, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company or the Guarantor. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Guarantor or the Holders and accepted appointment in the manner required by Section 6.11, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

#### SECTION 6.11 ACCEPTANCE OF APPOINTMENT BY SUCCESSOR

(a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee shall execute, acknowledge and deliver to the Company, the Guarantor and to the retiring Trustee an instrument accepting such appointment. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers and duties of the retiring Trustee; but, on the request of the Company, the Guarantor or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the Guarantor, the retiring Trustee and such successor Trustee shall execute and deliver an indenture supplemental hereto wherein such successor Trustee shall accept such appointment and which (i) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, such

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successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (ii) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (iii) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company, the Guarantor or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company and the Guarantor shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under the Trust Indenture Act.

(e) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series in the manner provided for notices to the Holders of Securities in Section 1.6. Each notice shall include the name of the successor Trustee with respect to the securities of such series and the address of its Corporate Trust office.

#### SECTION 6.12 ELIGIBILITY; DISQUALIFICATION

There shall at all times be a Trustee hereunder which shall be eligible to act as Trustee under Section 310(a)(1) of the Trust Indenture Act and shall have a combined capital and surplus of at least \$50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or the requirements of Federal, State Territorial or District of Columbia supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital

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and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

#### SECTION 6.13 MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

#### SECTION 6.14 APPOINTMENT OF AUTHENTICATING AGENT

The Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue exchange, registration of transfer or partial redemption thereof, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Any such appointment shall be evidenced by an instrument in writing signed by a Responsible Officer of the Trustee, a copy of which instrument shall be promptly furnished to the Company and the Guarantor. Wherever reference is made in this Indenture to the authenticating and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and the Guarantor and, except as may otherwise be provided pursuant to Section 3.1, shall at all times be a bank or trust company or corporation organized and doing business and in good standing under the laws of the United States of America or of any State or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$10,000,000 and subject to supervision or examination by Federal or State authorities. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

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Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, PROVIDED, such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent for any series of Securities may at any time resign by giving written notice of resignation to the Trustee for such series and to the Company and the Guarantor. The Trustee for any series of Securities may at

any time terminate the agency of an Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company and the Guarantor. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee for such series may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall give notice of such appointment to all Holders of Securities of the series with respect to which such Authenticating Agent will serve in the manner set forth in Section 1.6. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent herein. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation, including reimbursement of its reasonable expenses for its services under this Section.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to or in lieu of the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Securities of a series issued under the within-mentioned Indenture.

\_\_\_\_\_,  
as Trustee

By \_\_\_\_\_  
as Authenticating Agent

By \_\_\_\_\_  
Authorized Officer

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SECTION 6.15 TRUSTEE'S APPLICATION FOR INSTRUCTIONS FROM THE COMPANY

Any application by the Trustee for written instructions from the Company or the Guarantor may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than fifteen Business Days after the date any officer of the Company or the Guarantor actually receives such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Trustee shall have received written instructions in response to such application specifying the action to be taken or omitted.

ARTICLE 7

CONSOLIDATION, MERGER OR SALE BY THE COMPANY AND THE GUARANTOR

SECTION 7.1 CONSOLIDATION, MERGER OR SALE OF ASSETS BY THE COMPANY PERMITTED

The Company may merge or consolidate with or into any other corporation or

sell, convey, transfer or otherwise dispose of all or substantially all of its assets to any person, firm or corporation, if (i) (A) in the case of a merger or consolidation, the Company is the surviving corporation or (B) in the case of a merger or consolidation where the Company is not the surviving corporation and in the case of any such sale, conveyance or other disposition, the successor or acquiring corporation is a corporation organized and existing under the laws of the United States or a State thereof and such corporation expressly assumes by supplemental indenture all of the obligations of the Company under the Securities and under this Indenture, (ii) immediately thereafter, giving effect to such merger or consolidation, or such sale, conveyance, transfer or other disposition, no Default or Event of Default shall have occurred and be continuing and (iii) the company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such merger or consolidation, or such sale, conveyance, transfer or other disposition, complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with. In the event of the assumption by a successor corporation of the obligations of the Company as provided in clause (i)(B) of the immediately preceding sentence, such successor corporation shall succeed to and be substituted for the Company hereunder and under the Securities and all such obligations of the Company shall terminate.

SECTION 7.2 CONSOLIDATION, MERGER OR SALE OF ASSETS BY THE GUARANTOR PERMITTED

The Guarantor may merge or consolidate with or into any other corporation or sell, convey, transfer or otherwise dispose of all or substantially all of its assets to any person, firm or corporation, if (i) (A) in the case of a merger or consolidation, the Guarantor is the surviving

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corporation or (B) in the case of merger or consolidation where the Guarantor is not the surviving corporation and in the case of any such sale, conveyance or other disposition, the successor or acquiring corporation is a corporation organized and existing under the laws of the United States or a State thereof and such corporation expressly assumes by supplemental indenture all the obligations of the Guarantor under the Guarantees and under this Indenture, (ii) immediately thereafter, giving effect to such merger or consolidation, or such sale, conveyance, transfer or other disposition, no Default or Event of Default shall have occurred and be continuing and (iii) the Guarantor has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such merger or consolidation, or such sale, conveyance, transfer or other disposition complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with. In the event of the assumption by a successor corporation of the obligations of the Guarantor as provided in clause (i)(B) of the immediately preceding sentence, such successor corporation shall succeed to and be substituted for the Guarantor hereunder and under the Guarantees, and all such obligations of the Guarantor shall terminate.

ARTICLE 8

SUPPLEMENTAL INDENTURES

SECTION 8.1 SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into indentures supplemental hereto, in form reasonably satisfactory to the Trustee, for any of the following purposes:

- (1) to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default with respect to all or any series of Securities; or

(4) to add to or change any of the provisions of this Indenture to such extent as shall be necessary to facilitate the issuance of Securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons, or to facilitate the issuance of Securities in global form; or

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(5) to add to, change or eliminate any of the provisions of this Indenture, PROVIDED that any such addition, change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(6) to secure the Securities or the Guarantees; or

(7) to establish the form or terms of Securities and the Guarantees of any series as permitted by Sections 2.1 and 3.2; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.10; or

(9) to correct or supplement any provision herein which may be inconsistent with any other provision herein or to make any other provisions with respect to matters or questions arising under this Indenture, PROVIDED such action shall not adversely affect the interests of the Holders of Securities of any series, or to cure any ambiguity or correct any mistake.

## SECTION 8.2 WITH CONSENT OF HOLDERS

With the written consent of the Holders of a majority of the aggregate principal amount of the Outstanding Securities of each series adversely affected by such supplemental indenture, the Company, the Guarantor and the Trustee may enter into an indenture or indentures supplemental hereto to add any provisions to or to change or eliminate any provisions of this Indenture or of any other indenture supplemental hereto or to modify the rights of the Holders of Securities of each such series; PROVIDED, HOWEVER, that without the consent of the Holder of each Outstanding Security affected thereby, an amendment under this Section may not:

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2, or change the coin or currency in which, any Securities or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date);

(2) reduce the percentage in principal amount of the Outstanding

Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance

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with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture;

(3) change any obligation of the Company to maintain an office or agency in the places and for the purposes specified in Section 9.2; or

(4) make any change in Section 5.7 or this 8.2(a) except to increase any percentage or to provide that certain other provisions of this Indenture cannot be modified or waived with the consent of the Holders of each Outstanding Security affected thereby.

A supplemental indenture that changes or eliminates any covenant or other provision of this Indenture, which has expressly been included solely for the benefit of one or more particular series of Securities, or that modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It is not necessary under this Section 8.2 for the Holders to consent to the particular form of any proposed supplemental indenture, but it is sufficient if they consent to the substance thereof.

#### SECTION 8.3 COMPLIANCE WITH TRUST INDENTURE ACT

Every supplemental indenture executed pursuant to this Article shall comply with the requirements of the Trust Indenture Act as then in effect.

#### SECTION 8.4 EXECUTION OF SUPPLEMENTAL INDENTURES

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

#### SECTION 8.5 EFFECT OF SUPPLEMENTAL INDENTURES

Upon the execution of any supplemental indenture under this article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

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#### SECTION 8.6 REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

ARTICLE 9

COVENANTS

SECTION 9.1 PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST

The Company covenants and agrees for the benefit of the Holders of each series of Securities that it will duly and punctually pay the principal of, premium, if any, and interest on the Securities of that series in accordance with the terms of the Securities of such series and this Indenture. An installment of principal or interest shall be considered paid on the date it is due if the Trustee or Paying Agent holds on that date money designated for and sufficient to pay the installment.

SECTION 9.2 MAINTENANCE OF OFFICE OR AGENCY

The Company or the Guarantor will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company or the Guarantor will give prompt written notice to the Trustee of the location, and any change in the location, of any such office or agency. If at any time the Company or the Guarantor shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company and the Guarantor hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company or the Guarantor may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company or the Guarantor of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company or the Guarantor will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

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Unless otherwise specified as contemplated by Section 3.1, the Trustee shall initially serve as Paying Agent.

SECTION 9.3 MONEY FOR SECURITIES TO BE HELD IN TRUST; UNCLAIMED MONEY

If the Company or the Guarantor shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of, premium, if any, or interest on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal, premium, if any, or interest so becoming due until such sums shall be paid to such persons or otherwise disposed of as herein provided and will promptly notify the Trustee in writing of its action or failure so to act.

The Company or the Guarantor will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

- (1) hold all sums held by it for the payment of the principal of, premium, if any, or interest on Securities of that series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to



such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company or the Guarantor (or any other obligor upon the Securities of that series) in the making of any payment of principal, premium, if any, or interest on the Securities; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company or the Guarantor may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order or by Guarantor Order, as the case may be, direct any paying Agent to pay, to the Trustee all sums held in trust by the Company or the Guarantor or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or the Guarantor or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company or the Guarantor, in trust for the payment of any principal, premium or interest on any Security of any series and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on Company Request (or, if deposited by the Guarantor, paid to the Guarantor on Guarantor

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Request), or (if then held by the Company or the Guarantor) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company or the Guarantor for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company or the Guarantor as trustee thereof, shall thereupon cease; PROVIDED, HOWEVER, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company or the Guarantor cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, or cause to be mailed to such Holder, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company or the Guarantor.

#### SECTION 9.4 CORPORATE EXISTENCE

Subject to Article 7, the Company and the Guarantor each will at all times do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises; PROVIDED that nothing in this Section 9.4 shall prevent the abandonment or termination of any right or franchise of the Company or the Guarantor if, in the opinion of the Company or the Guarantor, as the case may be, such abandonment or termination is in the best interests of the Company or the Guarantor, as the case may be and does not materially adversely affect the ability of the Company or the Guarantor, as the case may be, to operate its business or to fulfill its obligations hereunder.

#### SECTION 9.5 INSURANCE

The Company and the Guarantor each covenants and agrees that it will maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations or through a program of self-insurance in such amounts and covering such risks as are consistent with sound business practice for corporations engaged in the same or a similar business similarly situated.

SECTION 9.6      REPORTS BY THE COMPANY AND THE GUARANTOR

The Company and the Guarantor each covenants:

(a) to file with the Trustee, within 30 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the

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supplementary and periodic information, documents and reports which may be required pursuant to section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture, as may be required from time to time by such rules and regulations; and

(c) to transmit to all Holders of Securities, within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsections (a) and (b) of this Section 9.6, as may be required by rules and regulations prescribed from time to time by the Commission.

SECTION 9.7      ANNUAL REVIEW CERTIFICATE; NOTICE OF DEFAULT

(a) The Company covenants and agrees to deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, a brief certificate from the principal executive officer, principal financial officer, or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 9.7, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture. The Company shall file with the Trustee written notice of occurrence of any Event of Default within thirty Business Days of its becoming aware of any such Event of Default.

(b) The Guarantor covenants and agrees to deliver to the Trustee, within 120 days after the end of each fiscal year of the Guarantor, a brief certificate from the principal executive officer, principal financial officer, or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 9.7, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture. The Guarantor shall file with the Trustee written notice of occurrence of any Event of Default within 30 Business Days of its becoming aware of any such Event of Default.

SECTION 9.8      PROVISION OF FINANCIAL STATEMENTS

If the Company is not required to file with the Commission periodic reports and other information pursuant to section 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934, the Company shall furnish without cost to each

Holder and file with the Trustee (i) within 135 days after the end of each fiscal year, annual reports containing the information required to be contained in Items 1, 2, 3, 5, 6, 7, 8 and 9 of Form 10-K promulgated under the Securities

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Exchange Act of 1934, or substantially the same information required to be contained in comparable items of any successor form, (ii) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, quarterly reports containing the information required to be contained in Form 10-Q promulgated under the Securities Exchange Act of 1934, or substantially the same information required to be contained in any successor form and (iii) promptly from the time after the occurrence of an event required to be therein reported, such other reports containing information required to be contained in Form 8-K promulgated under the Securities Exchange Act of 1934, or substantially the same information required to be contained in any successor form. The Company shall also make such reports available to prospective purchasers of the Securities, securities analysts and broker-dealers upon their request.

#### ARTICLE 10

#### REDEMPTION

##### SECTION 10.1 APPLICABILITY OF ARTICLE

Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 3.1 for Securities of any series) in accordance with this Article.

##### SECTION 10.2 ELECTION TO REDEEM; NOTICE TO TRUSTEE

The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution or any Officers' Certificate. In the case of any redemption at the election of the Company of less than all the Securities, if any, of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date, of the principal amount of Securities of such series to be redeemed and, if applicable, of the tenor of the Securities to be redeemed. In the case of any redemption of Securities (i) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture or (ii) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

##### SECTION 10.3 SELECTION OF SECURITIES TO BE REDEEMED

Unless otherwise specified as contemplated by Section 3.1, if less than all the Securities of a series with the same original issue date, interest rate and Stated Maturity are to be redeemed, the Trustee, not more than 45 days prior to the redemption date, shall select the Securities of the series to be redeemed in such manner as the Trustee shall deem fair and appropriate. The Trustee shall make the selection from Securities of the series that are Outstanding and that have not previously been called for redemption and may provide for the selection for redemption of portions (equal to the minimum authorized denomination for

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Securities of that series or any integral multiple thereof) of the principal amount of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of that series. The Trustee shall promptly notify the Company in writing of the Securities selected by the Trustee

for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

#### SECTION 10.4 NOTICE OF REDEMPTION

Unless otherwise specified as contemplated by Section 3.1, notice of redemption shall be given in the manner provided in Section 1.6 not less than 30 days nor more than 60 days prior to the Redemption Date to the Holders of the Securities to be redeemed.

All notices of redemption shall state:

- (1) the Redemption Date;
- (2) the Redemption Price;
- (3) if fewer than all the Outstanding Securities of a series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Security or Securities to be redeemed;
- (4) in case any Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the holder will receive, without a charge, a new Security or Securities of authorized denominations for the principal amount thereof remaining unredeemed;
- (5) the Place or Places of Payment where such Securities maturing after the Redemption Date, are to be surrendered for payment for the Redemption Price;
- (6) that Securities of the series called for redemption must be surrendered to the Paying Agent to collect the redemption price;
- (7) that, on the Redemption Date, the Redemption Price will become due and payable upon each such Security, or the portion thereof, to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date;
- (8) that the redemption is for a sinking fund, if such is the case;  
and
- (9) CUSIP number.

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Notice of redemption of Securities to be redeemed shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

#### SECTION 10.5 DEPOSIT OF REDEMPTION PRICE

On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 9.3) an amount of money sufficient to pay on the Redemption Date the Redemption Price of, and (unless the Redemption Date shall be an Interest Payment Date) interest accrued to the Redemption Date on, all Securities or portions thereof which are to be redeemed on that date.

Unless any Security by its terms prohibits any sinking fund payment

obligation from being satisfied by delivering and crediting Securities (including Securities redeemed otherwise than through a sinking fund), the Company may deliver such Securities to the Trustee for crediting against such payment obligation in accordance with the terms of such Securities and this Indenture.

#### SECTION 10.6 SECURITIES PAYABLE ON REDEMPTION DATE

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Except as provided in the next succeeding paragraph, upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; PROVIDED, HOWEVER, that, unless otherwise specified as contemplated by Section 3.1, installments of interest on Securities whose Stated Maturity is prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 3.7.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

#### SECTION 10.7 SECURITIES REDEEMED IN PART

Upon surrender of a Security that is redeemed in part at any Place of Payment therefor (with, if the Company or the Trustee so required, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute and the Trustee shall authenticate and deliver to the Holder of that Security, without service charge, a new Security or Securities of the same series with a Guarantee or Guarantees endorsed thereon, the

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same form and the same Maturity in any authorized denomination equal in aggregate principal amount to the unredeemed portion of the principal of the Security surrendered.

### ARTICLE 11

#### SINKING FUNDS

##### SECTION 11.1 APPLICABILITY OF ARTICLE

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 3.1 for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment," and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment." If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 11.2. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

## SECTION 11.2 SATISFACTION OF SINKING FUND PAYMENTS WITH SECURITIES

The Company (i) may deliver Outstanding Securities of a series (other than any previously called for redemption) and (ii) may apply as a credit Securities of a series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; PROVIDED that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

## SECTION 11.3 REDEMPTION OF SECURITIES FOR SINKING FUND

Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 11.2 and will also deliver to the Trustee any Securities to be so delivered. Not less than 30 days before each such sinking fund payment date, the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in

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Section 10.3 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 10.4. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 10.6 and 10.7.

## ARTICLE 12

### OPTIONAL GUARANTEE OF SECURITIES

#### SECTION 12.1 GUARANTOR'S OPTION TO GUARANTEE SECURITIES

The Guarantor may, at its option, elect to guarantee Securities of one or more series. An election to guarantee Securities of a particular series, and the terms of such Guarantees if different from those contained in this Article 12, shall be set forth in an Officers' Certificate and Board Resolution of the Guarantor or one or more indentures supplemental hereto delivered pursuant to Section 3.1 in connection with the issuance of Securities of such series. Notwithstanding anything to the contrary contained in this Indenture, the Guarantor shall have no obligation under this Article 12 or any other provision of this Indenture, and any provision of this Indenture to the extent applicable to the Guarantor or any Guarantee (other than this Section 12.1) shall be of no force and effect, until such time, if any, as the Guarantor shall have elected to guarantee Securities of one or more series as described in this Section 12.1. Thereafter, the Guarantor's obligations hereunder, and any provision hereof applicable to the Guarantor or any Guarantee, shall be in full force and effect, but only with respect to the particular Securities as to which the Guarantor has made such election.

#### SECTION 12.2 UNCONDITIONAL GUARANTEE

The Guarantor hereby unconditionally guarantees to each Holder of a Security of any series authenticated and delivered by the Trustee or Authenticating Agent, the due and punctual payment of the principal of and premium, if any, and interest on, any Redemption Price with respect to, such Security, when and as the same shall become due and payable, whether at

maturity, by acceleration or redemption or otherwise, in accordance with the terms of such Security and of this Indenture. In case of the failure of the Company punctually to pay any such principal, premium or interest payment or Redemption Price, the Guarantor hereby agrees to cause any such payment to be made punctually when and as the same shall become due and payable, whether at maturity, upon acceleration or redemption or otherwise, and as if such payment were made by the Company.

The Guarantor hereby agrees that its obligations hereunder shall be as principal and not merely as surety, and shall be absolute and unconditional, irrespective of, and shall be unaffected by, any invalidity, irregularity or failure to enforce the provisions of any such Security or this Indenture, or any waiver, modification, consent or indulgence granted to the Company with respect thereto (unless the same shall also be provided the Guarantor), by the Holder of such Security or the Trustee, the recovery of any judgment against the Company or any action to enforce the same, or any other circumstances which may otherwise constitute a

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legal or equitable discharge of a surety or guarantor. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger, insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest or notice with respect to any such Security or the indebtedness evidenced thereby and all demands whatsoever, and covenants that this Guarantee will not be discharged, except by payment in full of the principal, premium, if any, and interest on, and any Redemption Price in respect of, the Securities and the complete performance of all other obligations contained in the Securities.

The Guarantor shall be subrogated to all rights of the Holder of any Security against the Company in respect of any amounts paid to such Holder by the Guarantor pursuant to the provisions of this Guarantee; PROVIDED, HOWEVER, that the Guarantor shall not be entitled to enforce, or to receive any payments arising out of or based upon, such right of subrogation until the principal of, premium, if any, and interest on, and any Redemption Price in respect of all Securities shall have been paid in full.

#### SECTION 12.3 EXECUTION OF GUARANTEES

To evidence its Guarantee to the Holders specified in Section 12.2, the Guarantor hereby agrees to execute the Guarantee in substantially the form above recited to be endorsed on each Security authenticated and delivered by the Trustee. Each such Guarantee shall be executed on behalf of the Guarantor and dated as set forth in Section 3.3 prior to the authentication of the Security on which it is endorsed, and the delivery of such Security on which it is endorsed, and the delivery of such Security by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of such Guarantee on behalf of the Guarantor.

The Guarantee set forth in this Article shall not be valid or become obligatory for any purpose with respect to a Security until the certificate of authentication on such Security shall have been signed by the Trustee or Authenticating Agent.

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

ALASKA AIRLINES, INC.

By: \_\_\_\_\_  
Title: Vice President - Finance

[Seal]

Attest:

-----  
Title: Vice President

ALASKA AIR GROUP, INC.

By: \_\_\_\_\_  
Title: Vice President - Finance

[Seal]

Attest

-----  
Title: Vice President

\_\_\_\_\_, TRUSTEE

By: \_\_\_\_\_  
Title:

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[Seal]

Attest:

-----  
Title:

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RESTATED CERTIFICATE OF INCORPORATION

Alaska Air Group, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is:

ALASKA AIR GROUP, INC.

The date of filing its original Certificate of Incorporation with the Secretary of State was March 15, 1985.

2. This Restated Certificate of Incorporation restates and integrates and further amends the Certificate of Incorporation of this corporation by adding Article 11 to limit the liability of the directors.

3. The text of the Certificate of Incorporation as amended or supplemented heretofore is further amended hereby to read as herein set forth in full:

CERTIFICATE OF INCORPORATION  
OF  
ALASKA AIR GROUP, INC.

ARTICLE 1. NAME

The name of this corporation is Alaska Air Group, Inc.

ARTICLE 2. REGISTERED OFFICE AND AGENT

The address of the initial registered office of this corporation is Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, and the name of its initial registered agent at such address is The Corporation Trust Company.

ARTICLE 3. PURPOSES

The purpose of this corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE 4. SHARES

4.1 AUTHORIZED CAPITAL. The total number of shares of all classes of stock which this corporation shall have authority to issue is 35,000,000 shares, of which 5,000,000 shares shall be preferred stock having a par value of \$1.00 per share and 30,000,000 shares shall be common stock having a par value of \$1.00 per share.

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Alaska Air Group, Inc.  
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4.2 ISSUANCE OF PREFERRED STOCK IN SERIES. The Board of Directors of this corporation (the "Board of Directors") is expressly authorized to adopt, from time to time, a resolution or resolutions providing for the issuance of preferred stock in one or more series, to fix the number of shares in each such series and to fix the designations and the powers, preferences and relative, participating, optional or other special rights, and the qualifications,

limitations and restrictions, of each such series, including, but not limited to, dividend rates, conversion rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices and liquidation preferences. Any of the voting powers, designations, preferences, rights and qualifications, limitations or restrictions of any such series may be made dependent upon facts ascertainable outside of this Certificate of Incorporation or of any amendment hereto, or outside the resolution or resolutions providing for the issuance of such series adopted by the Board of Directors, provided that the manner in which such facts shall operate upon the voting powers, designations, preferences, rights and qualifications, limitations or restrictions of such series is clearly and expressly set forth in the resolution or resolutions providing for the issuance of such series adopted by the Board of Directors.

4.3 DIVIDENDS. Subject to any preferential rights granted for any series of preferred stock, the holders of shares of the common stock shall be entitled to receive dividends, out of the funds of this corporation legally available therefor, at such rates and at such times as may be determined by the Board of Directors. The holders of shares of the preferred stock shall be entitled to receive dividends to the extent determined by the Board of Directors in designating the particular series of preferred stock.

4.4 VOTING. The holders of shares of the common stock, on the basis of one vote per share, shall have the right to vote for the election of members of the Board of Directors and the right to vote on all other matters, except those matters in which a separate class of stockholders vote by class or series. To the extent provided in a resolution of the Board of Directors authorizing the issue of a series of preferred stock, the holders of each such series shall have the right to vote for the election of members of the Board of Directors and the right to vote on all other matters, except those matters in which a separate class of stockholders vote by class or series.

ARTICLE 5. INCORPORATOR

The name and mailing address of the incorporator is:

Jan David Blais  
19300 Pacific Highway South  
Seattle, Washington 98188

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ARTICLE 6. DIRECTORS

The Board of Directors shall be composed of no less than nine and no more than fifteen Directors, the specific number to be set by resolution of the Board of Directors; provided, that the Board of Directors may be less than nine until vacancies are filled. The Board of Directors shall be divided into three classes, with said classes to be as equal in number as may be possible. The term of office of each class shall initially be as follows:

Class	Term
-----	----

Class 1	Until the 1986 annual meeting of stockholders
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Class 2	Until the 1987 annual meeting of stockholders
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Class 3 Until the 1988 annual meeting of stockholders

Subsequent to the expiration of the initial term, a Director's term shall be three years, and each Director shall serve for the term for which he was elected or until his successor shall have been elected and qualified, whichever is later, or until his death, resignation or removal from office.

ARTICLE 7. INITIAL BOARD OF DIRECTORS

The powers of the incorporator shall terminate upon the filing of this Certificate of Incorporation with the Secretary of State of the State of Delaware. The names, mailing addresses and classifications of the persons who are to serve as Directors until the annual meeting of stockholders at which their term expires or until their successors are elected and qualify are:

Name -----	Mailing Address -----	Class -----
William H. Clapp	19300 Pacific Highway South Seattle, Washington 98188	1
Charles Q. Conway	19300 Pacific Highway South Seattle, Washington 98188	1
Ronald F. Cosgrave	19300 Pacific Highway South Seattle, Washington 98188	1
Richard A. Wien	19300 Pacific Highway South Seattle, Washington 98188	2
Byron I. Mallott	19300 Pacific Highway South Seattle, Washington 98188	2

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Robert L. Parker, Jr.	19300 Pacific Highway South Seattle, Washington 98188	2
Bruce R. Kennedy	19300 Pacific Highway South Seattle, Washington 98188	2
O.F. Benecke	19300 Pacific Highway South Seattle, Washington 98188	3
Mary Jane Fate	19300 Pacific Highway South Seattle, Washington 98188	3

ARTICLE 8. BYLAWS

The Board of Directors shall have the power to adopt, amend or repeal the

Bylaws for this corporation, at a duly called meeting or by written consent in accordance with Article 9, subject to the power of the stockholders to adopt, amend or repeal such Bylaws, and, to the extent, if any, provided by resolution of the Board of Directors providing for the issue of a series of preferred stock, by the affirmative vote of the holders of not less than a majority of the outstanding shares of each such series entitled to vote thereon.

ARTICLE 9. ACTION BY STOCKHOLDERS WITHOUT A MEETING

Any action which could be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a written consent setting forth the action so taken is signed by all stockholders entitled to vote with respect to the subject matter thereof.

ACTION 10. SPECIAL VOTING

If this corporation has a "controlling stockholder", the affirmative vote of the holders of not less than 80% of the outstanding shares of voting stock shall be required for this corporation to (a) consolidate with, or merge with any other corporation, (b) convey to any corporation or other person or otherwise dispose of all or substantially all of its assets, or (c) dispose of by any means all or substantially all of the stock or assets of any major subsidiary. For purposes of this Article, a controlling stockholder is a person who, including associates of such person, is the beneficial owner of more than 15% of the voting power of this corporation. This voting requirement shall not be applicable if 80% of the disinterested members (not representing or being associated with the controlling stockholder) of this corporation's full Board of Directors have voted in favor of the proposed consolidation, merger, conveyance, or disposition.

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If there is a controlling stockholder, this Article 10 can be amended only by the affirmative vote of 80% of the voting power of this corporation. Any determination made by the Board of Directors, on the basis of information at the time available to it, as to whether any person is an associate of a controlling stockholder, shall be conclusive and binding for all purposes of this Article 10.

The Board of Directors, when evaluating any offer of another party to (a) make a tender or exchange offer for any equity security of this corporation, (b) merge or consolidate this corporation with another corporation, or (c) purchase or otherwise acquire all or substantially all of the properties and assets of this corporation, shall, in connection with the exercise of its judgment in determining what is in the best interests of this corporation and its stockholders, give due consideration to all relevant factors, including, without limitation, the social and economic effects on the employees, customers and other constituents of this corporation.

ARTICLE 11. LIMITATION OF DIRECTOR LIABILITY

To the full extent that the Delaware General Corporation Law, as it exists on the date hereof or may hereafter be amended, permits the limitation or elimination of the liability of directors, a Director of the corporation shall not be liable to the corporation or its stockholders for monetary damages for conduct as a Director. Any amendment to or repeal of this Article 11 shall not adversely affect any right or protection of a Director of the corporation for or with respect to any acts or omissions of such Director occurring prior to such amendment or repeal.

Terms of the masculine gender used for convenience in this Certificate of Incorporation should be understood in the feminine gender where appropriate.

I, Jan David Blais, being the incorporator hereinbefore named for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly I have hereunto set my hand this 15th day of March, 1985.

Jan David Blais, Incorporator  
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Jan David Blais, Incorporator

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IN WITNESS WHEREOF, said Alaska Air Group, Inc. has caused this certificate to be signed by its Chairman, Chief Executive Officer and President, and attested by its Secretary this 29th day of June, 1987.

Alaska Air Group, Inc.

By Bruce R. Kennedy  
-----  
Bruce R. Kennedy  
Chairman, Chief Executive  
Officer and President

ATTEST:

By Marjorie E. Laws  
-----  
Marjorie E. Laws, Secretary

## EXHIBIT 12(a)

ALASKA AIR GROUP, INC.  
 STATEMENT RE COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
 (in thousands, except ratios)

	1993	1992	1991	1990	1989
	-----	-----	-----	-----	-----
Earnings:					
Income (loss) before income tax expense and accounting change . . . . .	\$ (45,812)	\$ (125,706)	\$ 16,207	\$ 127,918	\$ 69,367
Less: Capitalized interest . . .	(446)	(6,102)	(8,301)	(9,024)	(3,768)
Add:					
Interest on indebtedness . . . .	37,624	43,223	40,180	20,266	19,432
Amortization of debt expense	690	643	519	440	182
Portion of rent under long-term operating leases representative of an interest factor . . . . .	60,136	49,889	41,327	38,346	30,791
	-----	-----	-----	-----	-----
Earnings Available for Fixed Charges . . . . .	\$ 52,192	\$ (38,053)	\$ 89,932	\$ 77,946	\$ 116,004
	-----	-----	-----	-----	-----
Fixed Charges:					
Interest . . . . .	\$ 37,624	\$ 43,223	\$ 40,180	\$ 20,266	\$ 19,432
Amortization of debt expense	690	643	519	440	182
Portion of rent under long-term operating leases representative of an interest factor . . . . .	60,136	49,889	41,327	38,346	30,791
	-----	-----	-----	-----	-----
Total Fixed Charges . . . . .	\$ 98,450	\$ 93,755	\$ 82,026	\$ 59,052	\$ 50,405
	-----	-----	-----	-----	-----
Ratio of Earnings to Fixed Charges . . . . .	0.53	(0.41)	1.10	1.32	2.30
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Coverage deficiency . . . . .	\$ 46,258	\$ 131,808	--	--	--
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EXHIBIT 12(b)

ALASKA AIRLINES, INC.  
 STATEMENT RE COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
 (in thousands, except ratios)

	1993	1992	1991	1990	1989
	-----	-----	-----	-----	-----
Earnings:					
Income (loss) before income tax expense and accounting change . . . . .	\$ (44,539)	\$ (120,815)	\$ 16,588	\$ 24,466	\$ 67,174
Less: Capitalized interest . . .	--	(5,581)	(7,449)	(8,866)	(3,548)
Add:					
Interest on indebtedness . . . .	28,777	33,747	31,703	13,171	14,070
Amortization of debt expense . .	72	315	66	66	68
Portion of rent under long-term operating leases representative of an interest factor . . . . .	49,719	40,185	32,884	30,843	23,921
	-----	-----	-----	-----	-----
Total Earnings Available for Fixed Charges . . . . .	\$ 34,029	\$ (52,149)	\$ 73,792	\$ 59,680	\$ 101,685
	-----	-----	-----	-----	-----
Fixed Charges:					
Interest . . . . .	\$ 28,777	\$ 33,747	\$ 31,703	\$ 13,171	\$ 14,070
Amortization of debt expense . .	72	315	66	66	68
Portion of rent under long-term operating leases representative of an interest factor . . . . .	49,719	40,185	32,884	30,843	23,921
	-----	-----	-----	-----	-----
Total Fixed Charges . . . . .	\$ 78,568	\$ 74,247	\$ 64,653	\$ 44,080	\$ 38,059
	-----	-----	-----	-----	-----
Ratio of Earnings to Fixed Charges . . . . .	0.43	(0.70)	1.14	1.35	2.67
	-----	-----	-----	-----	-----
Deficiency . . . . .	\$ 44,539	\$ 126,396	--	--	--
	-----	-----	-----	-----	-----

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Registration Statement of our report dated January 25, 1994 included in Alaska Airlines, Inc.'s Form 10-K for the year ended December 31, 1993 and our report dated January 25, 1994 included in Alaska Air Group, Inc.'s Form 10-K for the year ended December 31, 1993 and to all references to our Firm included in this Registration Statement.

Seattle, Washington  
February 14, 1994

ARTHUR ANDERSEN & CO.