

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 10, 1997

REGISTRATION NO. 333-_____

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-8
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ALASKA AIR GROUP, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State or Other Jurisdiction of Incorporation or Organization)

91-1292054
(I.R.S. Employer Identification No.)

19300 PACIFIC HIGHWAY SOUTH
SEATTLE, WASHINGTON 98188
(Address of Principal Executive Offices, including Zip Code)

ALASKA AIR GROUP, INC.
PROFIT SHARING STOCK PURCHASE PLAN
AND
1997 NONOFFICER LONG-TERM
INCENTIVE EQUITY PLAN
(Full Title of the Plans)

KEITH LOVELESS
Associate General Counsel and Corporate Secretary
Alaska Air Group, Inc.
19300 Pacific Highway South
Seattle, Washington 98188
(206) 431-3731
(Name, Address and Telephone Number, Including Area Code, of Agent For Service)

COPY TO:
J. Sue Morgan
Perkins Coie
1201 Third Avenue, 40th Floor
Seattle, Washington 98101-3099
(206) 583-8888

CALCULATION OF REGISTRATION FEE

TITLE OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, \$1.00 par value per share(2)				
Profit Sharing Stock Purchase Plan	2,000,000(3)	\$34.3437	\$68,687,400	\$20,815
1997 Nonofficer Long-Term Incentive Plan	250,000(3)	\$34.3437	\$ 8,585,925	\$ 2,602
			(Total) \$77,273,325	(Total) \$23,417

- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended. The price per share is estimated to be \$34.3437, based on the average of the high sales price (\$34.6875) and the low sales price (\$34.00) for the Registrant's Common Stock as reported on the New York Stock Exchange on November 5, 1997.
- (2) Includes rights to purchase Series A Participating Preferred Stock associated with the Common Stock.
- (3) Includes an indeterminate number of additional shares that may be necessary to adjust the number of shares reserved for issuance pursuant to the plans as the result of any future stock dividend, stock split, spin-off, combination or exchange of shares, recapitalization, merger, consolidation, distribution to stockholders other than a normal cash dividend, or similar adjustment of the Registrant's outstanding Common Stock.

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PART II

INFORMATION REQUIRED IN REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE

The following documents are hereby incorporated by reference in this Registration Statement:

(a) The Registrant's Annual Report on Form 10-K for the year ended December 31, 1996, filed on February 15, 1997 with the Securities and Exchange Commission (the "Commission") under Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which contains certified financial statements for the most recent fiscal year for which such statements have been filed;

(b) All other reports filed by the Registrant pursuant to Section 13(a) or 15(d) of the Exchange Act since the end of the fiscal year covered by the Annual Report on Form 10-K referred to in (a) above; and

(c) The description of the Registrant's Common Stock contained in the Registrant's Registration Statement on Form 8-A filed with the Commission on September 19, 1985 (Registration No. 1-8957), under Section 12(b) of the Exchange Act, including any amendments or reports filed for the purpose of updating such description.

Any document filed by the Registrant pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date hereof and prior to the filing of a post-effective amendment that indicates that the securities offered hereby have been sold or that deregisters the securities covered hereby then remaining unsold shall also be deemed to be incorporated by reference into this Registration Statement and to be a part hereof commencing on the respective date on which such document is filed.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145(a) of the Delaware General Corporation Law (the "DGCL") provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner he or she 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 cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if

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such person acted under similar standards, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine that despite the adjudication of liability, such person is fairly and reasonably entitled to be indemnified for such expenses which the court shall deem proper.

Section 145 of the DGCL further provides that to the extent a director or officer of a Delaware corporation has been successful in the defense of any action, suit or proceeding referred to in subsections 145(a) and (b) or in the defense of any claim, issue or matter therein, such person shall be indemnified against expenses actually and reasonably incurred by such person in connection therewith; that indemnification provided for by Section 145 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; and that the corporation may purchase and maintain insurance on behalf of a director or officer of the corporation against any liability asserted against such person or incurred by him or her in any such capacity or arising out of his or her status as such whether or not the corporation would have the power to indemnify such person against such liabilities under Section 145.

Article VIII of the Registrant's By-Laws requires indemnification to the full extent permitted by the DGCL or other applicable law. Subject to any restrictions imposed by such law, the By-Laws provide a right to indemnification for all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by the indemnitee 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 the Registrant or, being or having been such a director, officer or an employee of the Registrant, he or she is or was serving at the request of the Registrant as a director, officer, employee or agent of another corporation or other entity.

Section 102(b)(7) of the DGCL provides that a corporation in its original certificate of incorporation or an amendment thereto validly approved by stockholders may eliminate or limit personal liability of members of its board of directors of governing body for breach of a director's fiduciary duty. However, no such provision may eliminate or limit the liability of a director for breaching his or her duty of loyalty, failing to act in good faith, engaging in intentional misconduct or knowingly violating a law, paying a dividend or approving a stock repurchase that was illegal or obtaining an improper personal benefit. A provision of this type has no effect on the availability of equitable remedies, such as injunction or rescission, for breach of fiduciary duty. Article 11 of the Registrant's Certificate of Incorporation provides for such limitation of liabilities to the full extent permitted by the DGCL.

The Registrant's officers and directors are covered by insurance (with certain exceptions and with 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.

ITEM 8. EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
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5.1	Opinion of Perkins Coie regarding legality of the Common
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23.1	Consent of Arthur Andersen LLP
23.2	Consent of Perkins Coie (included in its Opinion filed as Exhibit 5.1)
24.1	Power of Attorney (see page II-4)
99.1	Alaska Air Group, Inc. Profit Sharing Stock Purchase Plan
99.2	Alaska Air Group, Inc. 1997 Nonofficer Long-Term Incentive Equity Plan

ITEM 9. UNDERTAKINGS

A. The undersigned Registrant hereby undertakes:

(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 "Securities Act");

(b) To reflect in the prospectus any facts or events arising after the effective date of this 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 this Registration Statement; and

(c) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (1)(a) and (1)(b) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities 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 that remain unsold at the termination of the offering.

B. The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefits plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement 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.

C. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or

otherwise, the Registrant has been advised that, in the opinion of the

Commission, such indemnification is against public policy as expressed in the Securities 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 Registrant 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 Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Seattle, State of Washington, on the 6th day of November, 1997.

ALASKA AIR GROUP, INC.

By /s/ John F. Kelly

 John F. Kelly
 Chairman of the Board, Chief Executive
 Officer and President

POWER OF ATTORNEY

Each person whose signature appears below hereby authorizes John F. Kelly and Harry G. Lehr, and each of them, as attorneys-in-fact, with full power of substitution, to execute in the name and on behalf of such person, individually and in each capacity stated below, and to file, any or all amendments (including pre-effective and post-effective amendments) to this Registration Statement, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Commission or any regulatory authority.

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 the 6th day of November, 1997.

SIGNATURE	TITLE
-----	-----
/s/ John F. Kelly ----- John F. Kelly	Chairman of the Board, Chief Executive Officer and President
/s/ Harry G. Lehr ----- Harry G. Lehr	Senior Vice President/Finance (Principal Financial and Accounting Officer)
/s/ Bradley D. Tilden ----- Bradley D. Tilden	Controller

- -----	Director
Ronald F. Cosgrave	
/s/ Mary Jane Fate	
- -----	Director
Mary Jane Fate	
/s/ Bruce R. Kennedy	
- -----	Director
Bruce R. Kennedy	
/s/ R. Marc Langland	
- -----	Director
R. Marc Langland	
/s/ Byron I. Mallott	
- -----	Director
Byron I. Mallott	
/s/ Robert L. Parker, Jr.	
- -----	Director
Robert L. Parker, Jr.	
/s/ John V. Rindlaub	
- -----	Director
John V. Rindlaub	
/s/ Richard A. Wien	
- -----	Director
Richard A. Wien	

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INDEX TO EXHIBITS

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- -----	- -----
5.1	Opinion of Perkins Coie regarding legality of Common Stock being registered
23.1	Consent of Arthur Andersen LLP
23.2	Consent of Perkins Coie (included in its Opinion filed as Exhibit 5.1)
24.1	Power of Attorney (see page II-4)
99.1	Alaska Air Group, Inc. Profit Sharing Stock Purchase Plan
99.2	Alaska Air Group, Inc. 1997 Nonofficer Long-Term Incentive Equity Plan

PERKINS COIE
A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
1201 THIRD AVENUE, 40TH FLOOR, SEATTLE, WASHINGTON 98101-3099
TELEPHONE: (206) 583-8888 FACSIMILE: (206) 583-8500

November 6, 1997

Alaska Air Group, Inc.
19300 Pacific Highway South
Seattle, WA 98188

Re: Registration Statement on Form S-8 of Shares of Common Stock,
Par Value \$1.00 per Share, of Alaska Air Group, Inc.

Ladies and Gentlemen:

We have acted as counsel to you in connection with the preparation of a Registration Statement on Form S-8 (the "Registration Statement") under the Securities Act of 1933, as amended ("the Act"), which you are filing with the Securities and Exchange Commission with respect to 2,250,000 shares of Common Stock, \$1.00 par value per share (the "Shares"), which may be issued pursuant to the Alaska Air Group, Inc. Profit Sharing Stock Purchase Plan and the Alaska Air Group, Inc. 1997 Nonofficer Long-Term Incentive Equity Plan (the "Plans"). We have examined the Registration Statement and such documents and records of the Company and other documents as we have deemed necessary for the purpose of this opinion. In giving this opinion, we are assuming the authenticity of all instruments presented to us as originals, the conformity with originals of all instruments presented to us as copies and the genuineness of all signatures.

Based upon and subject to the foregoing, we are of the opinion that any original issuance Shares that may be issued pursuant to the Plans have been duly authorized and that, upon the due execution by the Company and the registration by its registrar of such Shares, issuance thereof by the Company in accordance with the terms of the Plans, and the receipt of consideration therefor in accordance with the terms of the Plans, such Shares will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement. In giving such consent, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Act.

Very truly yours,

PERKINS COIE

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this registration statement on Form S-8 of our report dated January 24, 1997 included in Alaska Air Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1996, and to all references to our Firm included in this registration statement.

/s/ ARTHUR ANDERSEN LLP

Seattle, Washington
November 6, 1997

ALASKA AIR GROUP, INC.
PROFIT SHARING STOCK PURCHASE PLAN

1. PURPOSE

The purpose of the Alaska Air Group, Inc. Profit Sharing Stock Purchase Plan (the "Plan") is to:

- o provide an opportunity for employees eligible to receive cash distributions under the Profit Sharing Plans of Alaska Airlines, Inc. ("Alaska Airlines") and Horizon Air Industries, Inc. ("Horizon") to invest in the common stock (the "Common Stock") of Alaska Air Group, Inc. (the "Company") at a 15% discount; and
- o increase such employees' stock ownership and align their interests more fully with those of the stockholders.

2. TERM

The Plan became effective on January 27, 1997 and shall remain in effect until terminated by action of the Company's Board of Directors (the "Board"). After termination of the Plan, no future awards may be granted but previously granted awards shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Plan.

3. PLAN ADMINISTRATION

The Pension and Benefits Administrative Committee (the "Committee") shall be responsible for administering the Plan. The members of the Committee shall be appointed by the Board. The Committee shall have full and exclusive power to interpret the Plan and to adopt such rules, regulations and guidelines for carrying out the Plan as it may deem necessary or proper, all of which power shall be executed in the best interests of the Company and in keeping with the objectives of the Plan. This power includes but is not limited to selecting award recipients, establishing all award terms and conditions and adopting modifications, amendments and procedures, as well as rules and regulations governing awards under the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The interpretation and construction of any provision of the Plan or any right granted hereunder and all determinations by the Committee in each case shall be final, binding and conclusive with respect to all interested parties.

4. PARTICIPATION

The Plan is offered to those employees who are designated as eligible to receive cash profit sharing distributions under Alaska Airlines' and Horizon's Profit Sharing Plans ("Participants").

5. SHARES OF COMMON STOCK SUBJECT TO THE PLAN

Subject to the provisions of Section 6 of the Plan, the aggregate number of shares of Common Stock (\$1.00 par value) of the Company ("shares") which may be issued to Participants under the Plan shall be 2,000,000. The payment of cash dividends and dividend equivalents paid in cash in conjunction with outstanding SPP Restricted Stock (as that term is defined below) shall not be counted against the shares available for issuance.

Any shares issued under the Plan may consist in whole or in part of authorized and unissued shares or of treasury shares. Fractional shares may be issued under the Plan.

6. ADJUSTMENTS AND REORGANIZATIONS

In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting shares or share price, the Committee shall make a proportionate adjustment with respect to: (a) the aggregate number of shares that may be issued under the Plan and (b) each outstanding share of SPP Restricted Stock under the Plan.

7. DEFINITIONS

For purposes of the Plan, the following terms shall have the following meanings:

- o PROFIT SHARING DISTRIBUTION. The annual profit sharing distribution paid by the Company, Alaska Airlines or Horizon under Alaska Airlines' or Horizon's Profit Sharing Plans or any successor or similar plans for any fiscal year to any employee thereof, in recognition of performance of services to Alaska Airlines, Horizon or their affiliates.
- o FAIR MARKET VALUE. The closing price of a share of Common Stock as reported daily in The Wall Street Journal or similar readily available public source for the date in question. If no sales of shares were made on such date, the closing price of a share as reported for the preceding day on which a sale of shares occurred shall be used.
- o PURCHASE DATE. A date to be determined by the Committee, which date shall be no later than March 1 of the year in which any Profit Sharing Distribution is determined and which date shall be the only date on which the Participants may elect to purchase shares under the Plan with respect to such Profit Sharing Distribution.
- o SPP RESTRICTED STOCK. Common Stock purchased pursuant to the terms of the Plan, which is subject to restrictions as set forth in Section 11.

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- o STOCK PURCHASE PRICE. The price per share of Common Stock acquired pursuant to the terms of the Plan as determined by the Committee, which price shall be 85% of the Fair Market Value of a share of Common Stock based on the average closing price for December or on the Purchase Date, whichever is less.

8. RIGHT TO PURCHASE COMMON STOCK

As of the date that Profit Sharing Distributions are determined under Alaska Airlines' or Horizon's Profit Sharing Plans, each Participant will be entitled to use up to the net after-tax amount of the Participant's Profit Sharing Distribution to purchase, on the Purchase Date, shares of the Company's Common Stock.

A Participant shall be entitled to purchase shares under the Plan only on the applicable Purchase Date. A Participant may elect to use some or all of the Participant's net after-tax Profit Sharing Distribution to purchase shares under the Plan. To the extent a Participant does not purchase the maximum number of shares permitted under the Plan on the Purchase Date, the right to elect to purchase shares with the remaining Profit Sharing Distribution amount shall terminate.

9. NUMBER OF SHARES

The maximum number of shares of Common Stock that may be purchased by any Participant for any fiscal year shall equal the number of shares that can be purchased on the Purchase Date at the Stock Purchase Price with the Participant's net after-tax Profit Sharing Distribution for that fiscal year.

10. WRITTEN AGREEMENT

All rights to purchase Common Stock shall be set forth in writing and shall express an offer by the Company to sell a number of shares of Common

Stock, not to exceed the maximum number provided in the preceding paragraph, on the Purchase Date at the Stock Purchase Price.

11. RESTRICTIONS ON TRANSFER

Unless the Statement of Profit Sharing Distribution and Stock Purchase Election Form provides otherwise, shares acquired pursuant to the terms of the Plan for a Stock Purchase Price of less than 100% of the Fair Market Value of the Common Stock on the Purchase Date shall be issued as "SPP Restricted Stock" that may not be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of by the Participant for a period of one year, or such shorter period as the Board may determine in its discretion (the "Restriction Period"), and such other conditions as the Committee may provide. Notwithstanding the foregoing, the Restriction Period for any Participant shall be deemed to end and all restrictions on shares of SPP Restricted Stock shall lapse upon (i) a Participant's death or (ii) a determination by the Committee that the Participant has incurred a severe and unexpected financial hardship. Also notwithstanding the foregoing, if a Participant terminates

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employment with Alaska Airlines or Horizon for any reason other than death before the expiration of the Restriction Period, the shares of SPP Restricted Stock still subject to restriction shall not be forfeited by the Participant to the Company but shall remain subject to restriction until the end of the Restriction Period.

12. NOTICE OF ELECTION

A Participant shall elect to purchase shares under the Plan by providing written notice to the Company on or before a date to be specified by the Committee on a form provided by the Company for such purpose. Notice to the Company of the election to purchase shares shall be irrevocable and shall specify whether (a) all of the Participant's Profit Sharing Distribution shall be used to purchase Common Stock; (b) all of the Participant's Profit Sharing Distribution shall be paid in cash; or (c) how much of the Participant's Profit Sharing Distribution shall be paid in cash before shares are purchased with the remaining amount. The Company shall treat such notice by a Participant as a binding commitment to allow the Company to withhold such Stock Purchase Price (including any applicable withholdings) from the Participant's Profit Sharing Distribution.

13. BROKERAGE ACCOUNT

The Company will open and maintain an individual securities account with a brokerage firm for each Participant when the Participant makes his or her first purchase, and will issue the Common Stock to be held in such account, using the funds allocated from the Participant's Profit Sharing Distribution. A Participant may not transfer such Common Stock out of the account until the Restriction Period has terminated, except as provided in Section 11. Each Participant will receive periodic statements from the brokerage firm on such account. The Company will pay all fees associated with the Participants' stock purchases under the Plan. Each Participant will be responsible for paying any commissions and costs associated with any future sales of the Common Stock in such account.

14. TERMINATION OF EMPLOYMENT

A Participant shall be ineligible to elect to purchase shares under the Plan unless the Participant is an employee of Alaska Airlines or Horizon on the applicable Purchase Date; provided, that the legal representative of a Participant who has received a Profit Sharing Distribution but who dies after the end of the fiscal year for which the Profit Sharing Distribution was granted but before the Purchase Date, shall be entitled to elect to purchase shares under the Plan in respect of such Profit Sharing Distribution on the Purchase Date.

15. ACCELERATION AND SETTLEMENT OF AWARDS

The Committee shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation or change in control in the Company, as defined by the Committee, to provide for the termination of the Restriction Period for any SPP Restricted Stock upon or immediately before

such event is effective. However, the granting of awards under the Plan shall in no way affect the right of the Company to adjust, reclassify, reorganize,

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or otherwise change its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any portion of its businesses or assets.

16. PLAN AMENDMENT

The Plan may be amended only by the Board as it deems necessary or appropriate to better achieve the purposes of the Plan.

17. TAX WITHHOLDING

The Company shall have the right to deduct from any Profit Sharing Distribution subject to the terms of this Plan, a sufficient amount to cover withholding of any federal, state or local taxes required by law, or to take such other action as may be necessary to satisfy any such withholding obligations. The Company shall also have the right to withhold any such taxes due on the difference between the Stock Purchase Price and the market value of the Common Stock on the Purchase Date.

18. OTHER BENEFIT AND COMPENSATION PROGRAMS

Unless otherwise specifically determined by the Committee and not inconsistent with the terms of any benefit plan, severance program or severance pay law, settlements of awards received by Participants under the Plan shall not be deemed a part of a Participant's regular, recurring compensation for purposes of calculating payments or benefits from any Company benefit plan, severance program or severance pay law. Further, the Company may adopt other compensation programs, plans or arrangements as it deems appropriate or necessary.

20. REGULATORY APPROVALS

The implementation of the Plan and the issuance of shares upon the election to purchase shares pursuant to the Plan shall be subject to the Company's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan or the shares issued pursuant to it.

21. FUTURE RIGHTS

No person shall have any claim or rights to be entitled to purchase shares under the Plan, and no Participant shall have any rights under the Plan to be retained in the employ of Alaska Airlines, Horizon, the Company or any of the Company's affiliates.

22. SUCCESSORS AND ASSIGNS

The Plan shall be binding on all successors and assigns of a Participant including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

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ALASKA AIR GROUP, INC.
1997 NONOFFICER LONG-TERM INCENTIVE EQUITY PLAN

1. PURPOSE

The purpose of the Alaska Air Group, Inc. 1997 Nonofficer Long-Term Incentive Equity Plan (the "Plan") is to promote the long-term profitability of Alaska Air Group, Inc. (the "Company") and to enhance value for its stockholders by offering incentives and rewards to selected employees of the Company, to retain their services and to encourage them to acquire and maintain stock ownership in the Company.

2. TERM

The Plan shall become effective upon its approval by the Company's Board of Directors (the "Board") and shall terminate at the close of business on the fifth anniversary of such approval date unless terminated earlier by the Board. After termination of the Plan, no future awards may be granted but previously granted awards shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Plan.

3. PLAN ADMINISTRATION

The Compensation Committee (the "Committee") of the Board shall be responsible for administering the Plan. The members of the Committee shall be appointed by the Board and shall consist of two or more members of the Board. The Committee shall have full and exclusive power to interpret the Plan and to adopt such rules, regulations and guidelines for carrying out the Plan as it may deem necessary or proper, all of which power shall be executed in the best interests of the Company and in keeping with the objectives of the Plan. This power includes but is not limited to selecting award recipients, establishing all award terms and conditions and adopting modifications, amendments and procedures, as well as rules and regulations governing awards under the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The interpretation and construction of any provision of the Plan or any option or right granted hereunder and all determinations by the Committee in each case shall be final, binding and conclusive with respect to all interested parties.

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4. ELIGIBILITY

Any employee of the Company who, at the time the award is granted, is not a director or officer of the Company subject to Section 16 of the Securities Exchange Act of 1934, as amended, shall be eligible to receive awards under the Plan. "Employee" shall also include any former employee of the Company eligible to receive an assumed or replacement award as contemplated in Sections 5 and 8, and "Company" includes any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant equity interest, as determined by the Committee.

5. SHARES OF COMMON STOCK SUBJECT TO THE PLAN

Subject to the provisions of Section 6 of the Plan, the aggregate number of shares of Common Stock (\$1.00 par value) of the Company ("shares") which may be transferred to participants under the Plan shall be 250,000.

Shares subject to awards under the Plan which expire, terminate or are canceled prior to exercise or, in the case of awards granted under Section 8(c), do not vest shall thereafter be available for the granting of other awards. Shares otherwise issuable pursuant to an award which have been exchanged by a participant as full or partial payment to the Company in connection with any award under the Plan also shall thereafter be available for the granting of

other awards. In instances where an SAR or other award is settled in cash, the shares covered by such award shall remain available for the granting of other awards. Likewise, the payment of cash dividends and dividend equivalents paid in cash in conjunction with outstanding awards shall not be counted against the shares available for issuance.

Any shares issued under the Plan may consist in whole or in part of authorized and unissued shares or of treasury shares, and no fractional shares shall be issued under the Plan. Cash may be paid in lieu of any fractional shares in settlements of awards under the Plan.

6. ADJUSTMENTS AND REORGANIZATIONS

In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting shares or share price, the Committee shall make a proportionate adjustment with respect to: (a) the aggregate number of shares that may be issued under the Plan; (b) each outstanding award made under the Plan; and (c) the exercise price per share for any outstanding stock options, SARs or similar awards under the Plan.

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7. FAIR MARKET VALUE

Fair Market Value for all purposes under the Plan shall mean the closing price of a share of Common Stock as reported daily in The Wall Street Journal or similar readily available public source for the date in question. If no sales of shares were made on such date, the closing price of a share as reported for the preceding day on which a sale of shares occurred shall be used.

8. AWARDS

The Committee shall determine the type or types of award(s) to be made to each participant. Awards may be granted singly, in combination or in tandem. Awards also may be made in combination or in tandem with, in replacement of, as alternative to, or as the payment form for grants or rights under any other compensation plan or individual contract or agreement of the Company including those of any acquired entity. The types of awards that may be granted under the Plan are:

(a) Stock Options - This is a grant of a right to purchase a specified number of shares during a specified period as determined by the Committee. The purchase price per share for each stock option shall be determined by the Committee. The exercise price for a stock option shall be paid in full by the optionee at the time of the exercise in cash or such other method permitted by the Committee, including (i) tendering (either actually or by attestation) shares, (ii) authorizing a third party to sell the shares (or a sufficient portion thereof) acquired upon exercise of a stock option and assigning the delivery to the Company of a sufficient amount of the sale proceeds to pay for all the shares acquired through such exercise, or (iii) any combination of the above.

(b) SARs - This is a right to receive a payment, in cash and/or shares, equal to the excess of the Fair Market Value of a specified number of shares on the date the SAR is exercised over the Fair Market Value on the date the SAR was granted (except that if an SAR is granted retroactively in tandem with or in substitution for a stock option, the designated Fair Market Value shall be no lower than the exercise price per share for such tandem or replaced stock option).

(c) Stock Awards - This is an award made or denominated in shares or units equivalent in value to shares. All or part of any stock award may be subject to conditions and restrictions established by the Committee which may be based on continuous service with the Company or the achievement of performance goals related to profits, profit growth, profit-related return ratios, cash flow or shareholder returns, where such goals may be stated in absolute terms or relative to comparison companies.

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9. DIVIDENDS AND DIVIDEND EQUIVALENTS

The Committee may provide that any awards under the Plan earn dividends or dividend equivalents. Such dividends or dividend equivalents may be paid currently or may be credited to a participant's account. Any crediting of dividends or dividend equivalents may be subject to such restrictions and conditions as the Committee may establish, including reinvestment in additional shares or share equivalents.

10. DEFERRALS AND SETTLEMENTS

Payment of awards may be in the form of cash, stock, other awards or combinations thereof as the Committee shall determine, and with such restrictions as it may impose. The Committee also may require or permit participants to elect to defer the issuance of shares or the settlement of awards in cash under such rules and procedures as it may establish under the Plan. It also may provide that deferred settlements include the payment or crediting of interest on the deferral amounts, or the payment or crediting of dividend equivalents where the deferral amounts are denominated in shares.

11. TRANSFERABILITY AND EXERCISABILITY

Awards granted under the Plan shall not be transferable or assignable other than by will or the laws of descent and distribution, except to the extent permitted by the Committee, in its sole discretion.. However, any award so transferred shall continue to be subject to all the terms and conditions contained in the instrument evidencing such award.

12. AWARD AGREEMENTS

Awards under the Plan shall be evidenced by agreements as approved by the Committee that set forth the terms, conditions and limitations for each award which may include the term of an award, the provisions applicable in the event the participant's employment terminates, and the Committee's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind any award.

13. ACCELERATION AND SETTLEMENT OF AWARDS

The Committee shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation or change in control in the Company, as defined by the Committee, to provide for the acceleration of vesting and for settlement, including cash payment, of an award granted under the Plan upon or immediately before such event is effective. However, the granting of awards under

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the Plan shall in no way affect the right of the Company to adjust, reclassify, reorganize, or otherwise change its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any portion of its businesses or assets.

14. PLAN AMENDMENT

The Plan may be amended only by the Board as it deems necessary or appropriate to better achieve the purposes of the Plan.

15. TAX WITHHOLDING

The Company shall have the right to deduct from any settlement of an award made under the Plan, including the delivery or vesting of shares, a sufficient amount to cover withholding of any federal, state or local taxes required by law, or to take such other action as may be necessary to satisfy any such withholding obligations. The Committee may, in its discretion and subject to such rules as it may adopt, permit participants to use shares to satisfy required tax withholding, and such shares shall be valued at the Fair Market Value as of the settlement date of the applicable award.

16. OTHER BENEFIT AND COMPENSATION PROGRAMS

Unless otherwise specifically determined by the Committee and not inconsistent with the terms of any benefit plan, severance program or severance pay law, settlements of awards received by participants under the Plan shall not be deemed a part of a participant's regular, recurring compensation for purposes of calculating payments or benefits from any Company benefit plan, severance program or severance pay law. Further, the Company may adopt other compensation programs, plans or arrangements as it deems appropriate or necessary.

17. UNFUNDED PLAN

Unless otherwise determined by the Board, the Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company and any participant or other person. To the extent any person holds any rights by virtue of an award granted under the Plan, such rights (unless otherwise determined by the Committee) shall be no greater than the rights of an unsecured general creditor of the Company.

18. USE OF PROCEEDS

The cash proceeds received by the Company from the issuance of shares pursuant to awards under the Plan shall constitute general funds of the Company.

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19. REGULATORY APPROVALS

The implementation of the Plan, the granting of any award under the Plan, and the issuance of shares upon the exercise or settlement of any award shall be subject to the Company's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the awards granted under it or the shares issued pursuant to it.

20. FUTURE RIGHTS

No person shall have any claim or rights to be granted an award under the Plan, and no participant shall have any rights under the Plan to be retained in the employ of the Company.

21. SUCCESSORS AND ASSIGNS

The Plan shall be binding on all successors and assigns of a participant including, without limitation, the estate of such participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the participant's creditors.

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