



## O'MELVENY & MYERS LLP

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610 Newport Center Drive, 17th Floor  
Newport Beach, California 92660-6429

TELEPHONE (949) 760-9600  
FACSIMILE (949) 823-6994  
www.omm.com

NEW YORK  
SAN FRANCISCO  
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November 19, 2007

OUR FILE NUMBER  
011,140-014

WRITER'S DIRECT DIAL  
(949) 823-7118

Mr. Steve Nieman  
15204 NE 181st Loop  
Brush Prairie, Washington 98606

WRITER'S E-MAIL ADDRESS  
tleary@omm.com

**Re: Alaska Air Group Inc.**

Dear Mr. Nieman:

I am responding on behalf of our client, Alaska Air Group, Inc. (the "Company"), to your letter of October 26, 2007, addressed to Mr. Bill Ayer.

In regards to your demand to access certain of the Company's books and records, you state under oath that your demand "is for a lawful proper purpose under Delaware General Corporation Law Section 220." However, your general reference to "lawful proper purpose" is not sufficient to comply with the applicable requirements under Section 220. Accordingly, the Company respectfully requests that you resubmit your demand to state your specific purpose under oath, and otherwise in a proper form under Section 220 (a copy of which Section has previously been provided to you by the Company). The Company acknowledges that in your past correspondence and elsewhere in your October 26 letter, you express your desire to review the vote tabulation from the Company's 2007 Annual Meeting. On the assumption that this is your intended purpose, you may simply resubmit under oath the statements contained under the caption "Section 1" of your October 26 letter, substituting for the reference to "a lawful proper purpose under. . . Section 220" a statement to the effect that the purpose of your demand is to review the vote tabulation for the Company's 2007 Annual Meeting. Of course, if you intend a different purpose, you should instead reference that purpose in your demand.

In anticipation of receiving your revised inspection demand, I am also enclosing a customary form of confidentiality agreement. To protect the interests of the Company and its stockholders, the Company respectfully requests that that you sign and return the enclosed confidentiality agreement prior to being provided with access to any books or records of the Company that may contain confidential information. You may return a signed copy of the confidentiality agreement, together with your revised inspection demand, to Karen Gruen, Associate General Counsel and Assistant Secretary of the Company. Following Ms. Gruen's receipt of a proper demand and a signed copy of the confidentiality agreement, the Company will

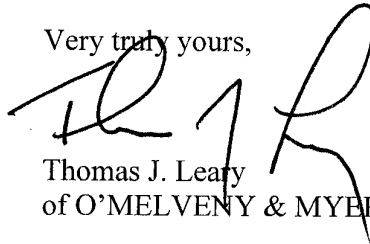
**O'MELVENY & MYERS LLP**

Mr. Steve Nieman, November 19, 2007 - Page 2

respond to your demand consistent with applicable legal requirements. We advise you, however, that the Company does not possess or control certain of the documents and records that you have requested, such as proxies and vote tabulations beyond the report of the independent election inspector that the Company previously provided to you.

Keith Loveless, the Company's Vice President Legal and Corporate Affairs, General Counsel and Corporate Secretary, is available to meet with you at the Company's offices to discuss your concerns in further detail. Please contact his assistant, Celia Watkins, at (206) 392-5043, if you are interested in scheduling a meeting with Mr. Loveless for a mutually convenient date and time.

Very truly yours,

A handwritten signature in black ink, appearing to read 'TJL', is written over the typed name and firm name.

Thomas J. Leary  
of O'MELVENY & MYERS LLP

TJL:tr  
Enclosure

cc: Mr. William S. Ayer  
Keith Loveless, Esq.  
Karen A. Gruen, Esq.

NB1:732125.1

## CONFIDENTIALITY AGREEMENT

WHEREAS, by letters dated September 23, October 26 and November \_\_\_\_, 2007, Steve Nieman (the "Stockholder") made a request (the "Request") to inspect and to copy certain books and records of Alaska Air Group, Inc. (the "Company") pursuant to Section 220 of the General Corporation Law of the State of Delaware ("Section 220"); and

WHEREAS, pursuant to the Request, the Stockholder has requested certain materials relating to the vote tabulation at the Company's 2007 Annual Meeting; and

WHEREAS, the Company has agreed to provide the Stockholder with access to certain information relating to the vote tabulation at the 2007 Annual Meeting, to the extent required under Section 220, subject to the Stockholder executing this Confidentiality Agreement and paying the reasonable cost of reproducing such materials;

NOW, THEREFORE, IT IS HEREBY AGREED by and between the undersigned parties, this \_\_\_\_ day of November, 2007, as follows:

1. The Company has agreed (as described above) to allow the Stockholder to inspect certain documents, hereinafter referred to as the "Produced Documents," as required pursuant to Section 220.
2. The Stockholder, in inspecting any of the vote tabulation materials that constitute Produced Documents or Information (as defined in Section 3), hereby covenants and agrees that the Produced Documents and the Information derived therefrom shall be used only by the Stockholder solely for the purpose articulated in the Request and shall not be used for any other purpose, including, without limitation, any business, commercial or personal purposes.
3. The Stockholder understands that the Produced Materials constitute what the Company asserts are confidential materials of the Company, and the Stockholder agrees that he

shall hold all Produced Documents in confidence, and will not disclose, publish, disseminate or communicate such documents or the contents thereof (the "Information") to anyone, either directly or indirectly, except as provided in this Agreement.

4. If the Stockholder is required (by interrogatory, subpoena, civil investigatory demand or any similar process relating to any legal proceeding, investigation, hearing or otherwise) to disclose in any manner any Information, the Stockholder will provide the Company with prompt notice in advance of such disclosure so that the Company may seek a protective order or other appropriate remedy and/or waive compliance with this Agreement. In the event that such protective order or other remedy is not obtained, or if the Company waives compliance with the provisions of this Agreement, the Stockholder shall furnish only such Information as he is advised is legally required and shall exercise his best efforts to obtain assurance that confidential treatment will be accorded to any Information which is compelled to be disclosed.

5. To the extent that the Stockholder wishes to commence litigation using any of the Information in a complaint or other pleading in any court, the Stockholder's counsel shall first request of such court an opportunity to file such document under seal. No document designated Confidential pursuant to this Agreement may be filed publicly, nor may any Information derived from Produced Documents designated as Confidential be used in any way in any public filing. No documents designated Confidential pursuant to this Agreement may be filed with or attached to the Complaint or to any pleading or motion filed with the Court prior to entry of an order permitting documents to be filed under seal.

6. If the Stockholder desires to disclose any Information in connection with a proxy solicitation, the Stockholder shall first provide the Company with written notice identifying the Information that the Stockholder proposes to disclose in the proxy solicitation (the "Disclosure").

Within seven business days after receipt of such notice, the Company shall advise the Stockholder in writing of whether the Company objects to the Disclosure and, if so, the reason(s) for the Company's position. If the Company does not respond to the notice within seven business days or, within such time period, advises the Stockholder that the Company does not object to the Disclosure, the Information identified in the notice may be disclosed in a proxy solicitation. If the Company objects to the Disclosure, the Stockholder may apply to the Court of Chancery for a determination of whether the Disclosure may be permitted as part of a proxy solicitation.

7. In the event that the Stockholder elects not to proceed with litigation or a proxy solicitation, the Stockholder shall return the Produced Documents and any copies thereof to the Company within thirty days after the decision not to proceed with litigation or a proxy solicitation is made. In any event, unless the Stockholder has commenced litigation with respect to the subject matter of the Request, he shall return the Produced Documents and any copies thereof to the Company on or before January 31, 2008.

8. The Stockholder agrees and consents to submit himself to the personal jurisdiction and venue in any action brought in any court, federal or state, within the State of Delaware in connection with any matter arising to enforce any provision of this Confidentiality Agreement, agrees that he will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, agrees that he will not bring any action relating to this Confidentiality Agreement in any other court than a Court located in the State of Delaware and agrees to service of process by registered mail for purposes of proceedings to enforce the Confidentiality Agreement.

9. If any action to enforce the provisions of this Confidentiality Agreement is initiated by or against the Stockholder or the Company, the successful party shall be entitled to reimbursement from the party accused of violating the terms hereof for all costs and expenses, including reasonable counsel fees incurred by it in connection therewith.

10. This Agreement may be modified or waived only by a separate writing executed by the Stockholder and the Company that expressly so modifies or waives this Agreement. No failure or delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof, and no single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise of any right, power or privilege.

11. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflict of laws principles.

\_\_\_\_\_  
Steve Nieman

Dated: \_\_\_\_\_

  
\_\_\_\_\_  
Alaska Air Group, Inc.  
By: Karen Gruen  
Associate General Counsel  
Managing Director, Corporate Affairs

Dated: 11-19-07