

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

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| OMB APPROVAL | |
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

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|--|--|---|
| 1. Name and Address of Reporting Person* <u>SCHNEIDER ANDREA L</u> (Last) (First) (Middle) <u>19300 INTERNATIONAL BLVD</u> (Street) <u>SEATTLE WA 98188</u> (City) (State) (Zip) | 2. Issuer Name and Ticker or Trading Symbol <u>ALASKA AIR GROUP, INC. [ALK]</u> | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <p style="text-align: center;">VP PEOPLE</p> |
| | 3. Date of Earliest Transaction (Month/Day/Year) <u>02/13/2018</u> | |
| 4. If Amendment, Date of Original Filed (Month/Day/Year) | | |

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|---------|---|--|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| COMMON STOCK | | | | | | | | 15 | I | BY SPOUSE |
| COMMON STOCK | 02/13/2018 | | A ⁽³⁾ | | 2,400 | A | \$0 | 7,803 | D | |
| COMMON STOCK | 02/13/2018 | | A ⁽⁴⁾ | | 1,060 | A | \$0 | 8,863 | D | |
| COMMON STOCK | 02/13/2018 | | F ⁽⁵⁾ | | 585 ⁽⁶⁾ | D | \$66.89 | 8,278 | D | |
| COMMON STOCK | 02/13/2018 | | F ⁽⁵⁾ | | 259 ⁽⁶⁾ | D | \$66.89 | 8,019 | D | |

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|-----|--|-----------------|---|--|--|---|--|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | | | | | |
| RESTRICTED STOCK UNITS | \$0 | 02/13/2018 | | A | | 1,130 | | 02/13/2021 ⁽¹⁾ | 02/13/2028 | COMMON STOCK | \$0 | 1,130 | D | |
| EMPLOYEE STOCK OPTION (RT TO BUY) | \$66.89 | 02/13/2018 | | A | | 4,390 | | 02/13/2019 ⁽²⁾ | 02/13/2028 | COMMON STOCK | \$0 | 4,390 | D | |

Explanation of Responses:

- RESTRICTED STOCK UNITS CLIFF VEST 3 YEARS FROM GRANT AND CONVERT INTO COMMON STOCK ON A ONE-FOR-ONE-BASIS.
- OPTIONS VEST IN 25% INCREMENTS OVER FOUR YEARS (02/13/2019, 02/13/2020, 02/13/2021 and 02/13/2022).
- COMMON SHARES ISSUED UPON ATTAINING PERFORMANCE GOALS SET FOR A THREE-YEAR PERIOD ENDING 12/31/17 IN ACCORDANCE WITH THE TERMS OF A PERFORMANCE STOCK UNIT AWARD GRANTED ON 2/10/2015 UNDER THE ISSUER'S 2008 PERFORMANCE INCENTIVE PLAN; PER APPROVAL BY THE BOARD'S COMPENSATION COMMITTEE ON 2/13/2018.
- COMMON SHARES ISSUED UPON ATTAINING PERFORMANCE GOALS SET FOR A ONE-YEAR PERIOD ENDING 12/31/17 IN ACCORDANCE WITH THE TERMS OF A PERFORMANCE STOCK UNIT AWARD GRANTED ON 3/7/2017 UNDER THE ISSUER'S 2016 PERFORMANCE INCENTIVE PLAN; PER APPROVAL BY THE BOARD'S COMPENSATION COMMITTEE ON 2/13/2018.
- SHARES FORFEITED TO COVER PAYROLL TAXES UPON VESTING OF PERFORMANCE STOCK UNITS ON 2/13/2018.
- PRICE PROVIDED IN COLUMN 4 REPRESENTS THE FMV OF ALK SHARES ON THE DATE SHARES WERE FORFEITED FOR TAXES.

/S/ JEANNE E. GAMMON,
ATTORNEY IN FACT FOR 02/14/2018
ANDREA L. SCHNEIDER
 ** Signature of Reporting Person Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.