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ALASKA AIR GROUP INC
Form 8-K
August 20, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

AUGUST 19, 2004
(Date of Report)

ALASKA AIR GROUP, INC.
(Exact name of registrant as specified in its charter)
Commission file number 1-8957

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)
(206) 392-5040
(Registrant's telephone number)

ITEM 9. REGULATION FD DISCLOSURE

Pursuant to 17 CFR Part 243 ("Regulation FD"), Alaska Air Group, Inc. is submitting this current report on Form 8-K to present information relating to its financial and operational outlook for 2004. This report includes information regarding forecasts of available seat miles (ASMs), cost per available seat mile (CASM) excluding fuel consumption, as well as certain actual results for revenue passenger miles (RPMs), load factor and revenue per available seat mile (RASM), for its subsidiaries Alaska Airlines, Inc. and Horizon Air. Our disclosure of operating cost per available seat mile, excluding fuel provides us the ability to measure and monitor our performance without these items. We believe that this measure is commonly used by other companies in our industry and is useful to investors. The most directly comparable GAAP measure is total operating expense per available seat mile. However, due to the large fluctuations in fuel prices, we are unable to predict total operating expense for any future period with any degree of certainty. Please see the cautionary statement under "Forward-Looking Information" at the end of this report.

In accordance with General Instruction B.2 of Form 8-K, the following information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing. This Report will not be deemed an admission as to the materiality of any information required to be disclosed solely to satisfy the requirements of Regulation FD.

References in this report on Form 8-K to "Air Group," "the Company," "we," "us," and "our" refer to Alaska Air Group, Inc. and its subsidiaries, unless otherwise specified. Alaska Airlines, Inc. and Horizon Air Industries, Inc. are referred to as "Alaska" and "Horizon," respectively, and together as our "airlines."

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THIRD QUARTER 2004

	FORECAST Q3	CHANGE YR/YR
ALASKA AIRLINES		
Capacity (ASMs in millions)	6,000	5.4%
Fuel gallons (000,000)	95.7	4.0%
Cost per ASM excluding fuel (cents)	7.5	(3.8%)

Alaska Airlines' July traffic increased 10.7% to 1.668 billion RPMs from 1.506 billion flown a year earlier. Capacity during July was 2.102 billion ASMs, 5.1% higher than the 2.000 billion in July 2003.

The passenger load factor (the percentage of available seats occupied by fare-paying passengers) for the month was 79.4%, compared to 75.3% in July 2003. The airline carried 1,652,500 passengers compared to 1,551,300 in July 2003.

For July 2004, RASM increased by 8.8% as compared to July 2003 due to increases in load factor and yield.

	FORECAST Q3	CHANGE YR/YR
HORIZON AIR		
Capacity (ASMs in millions)	820	17.0%
Fuel gallons (000,000)	13.0	(10.3%)
Cost per ASM excluding fuel	13.1	(7.7%)

Horizon Air's July traffic increased 28.3% to 213.5 million RPMs from 166.4 million flown a year earlier. Capacity for July was 284.9 million ASMs, 16.5% higher than the 244.7 million in July 2003.

The passenger load factor for the month was 75.0%, compared to 68.0% in July 2003. The airline carried 567,400 passengers compared to 483,200 in July 2003.

For the third quarter of 2004, CASM excluding fuel is expected to decrease 7.7% compared to the third quarter of 2003, reflecting changes in Horizon's flying mix from the traditional native network to a mix of native network flying and contract flying with Frontier Airlines. Under the contract flying agreement with Frontier, Horizon does not incur many of the normal costs of operations such as fuel, marketing costs and station labor and rents, resulting in 60-70% lower CASM (excluding fuel) and RASM. Horizon is currently operating nine 70-seat Bombardier CRJ-700 aircraft under the Frontier JetExpress brand, representing approximately 20% to 25% of total Horizon capacity and approximately 9% to 10% of total Horizon revenue.

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For July 2004, RASM decreased by 12.4% as compared to July 2003 resulting from the contract flying with Frontier.

CAPACITY ESTIMATES FOR 2004

Provided below are current capacity (ASMs in millions) estimates for the full year of 2004:

Alaska Airlines capacity	22,156	6.5%
Horizon Air capacity	3,074	19.7%

OTHER FINANCIAL INFORMATION

Cash and Short-Term Investments

Cash and short-term investments amounted to approximately \$837 million at July 31, 2004 compared to \$865 million at June 30, 2004. The decrease of \$28 million is principally due to a credit facility payment of \$40 million (which was the remaining balance) , partially offset by cash flows from operations.

Fuel Hedging

Beginning in the second quarter of 2004, we lost the ability to defer, as a component of Accumulated Other Comprehensive Income, recognition of any unrealized gain or loss on our fuel hedge contracts until the hedged fuel is consumed (also known as the ability to use "hedge accounting"). The implications of this loss going forward are as follows:

- we will have more volatile earnings as we mark our entire hedge portfolio to market each period-end and report the gain or loss in other non-operating income or expense,
- because we mark our portfolio to market each period, the impact of the fuel hedging program will not be included in our results in the same period as the related fuel is purchased and consumed.

To help investors understand our results, we will regularly provide unaudited information about fuel price movements and the impact of our hedging program on our financial results. Management believes it is useful to compare results between periods that exclude the hedging gains/losses recorded on a GAAP basis and include the cash received or due on hedge positions settled during the period (although the related impact may have been recognized for financial reporting purposes in a prior period). We refer to this as the comparison of "raw fuel cost" to "economic fuel cost", which is presented below for July 2004.

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July 2004 (unaudited) -----	Alaska Airlines (000s) -----	Alaska Airlines Cost/Gal -----	Horizon Air (000s) -----	Horizon Air Cost/Gal (ce -----
Fuel expense before hedge activities ("raw fuel") ...	\$44,143	\$1.32	\$5,978	\$1.35
Gains on settled hedges				

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included in fuel expense ..	1,167	.04	159	.04
Reported GAAP fuel expense ..	\$42,976	\$1.28	\$5,819	\$1.31
Gains on settled hedges				
included in non-operating				
income*	1,914	.05	259	.05
Economic fuel expense	\$41,062	\$1.23	\$5,560	\$1.26
	=====	=====	=====	=====
% Change from prior year	49.7%	44.7%	28.1%	47.7%
	=====	=====	=====	=====
Gains (losses) included in				
non-operating income related				
to hedges that settle in				
future periods	\$23,133	NM	\$3,156	NM
	=====		=====	

* Amounts may include mark-to-market hedging gains (losses) recognized in non-operating income (expense) in previous periods.

Excluding all gains on hedges recorded under generally accepted accounting principles and including the cash settlement received or due for hedges settled during the period, Alaska and Horizon's pre-tax income (loss) would have been lower by approximately \$23 million and \$3 million, respectively.

Alaska Air Group's future hedge positions are as follows:

	Approximate % of Expected Fuel Requirements	Approximate Price per
	-----	-----
Third Quarter 2004	40%	\$29.
Fourth Quarter 2004	50%	\$30.
First Quarter 2005	50%	\$29.
Second Quarter 2005	50%	\$28.
Third Quarter 2005	50%	\$28.
Fourth Quarter 2005	40%	\$29.
First Quarter 2006	30%	\$30.
Second Quarter 2006	20%	\$31.
Third Quarter 2006	10%	\$33.
Fourth Quarter 2006	0%	\$0.0

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OPERATING FLEET PLAN

The following table provides a fleet summary for Alaska and Horizon for actual airplanes on hand at the end of 2003 and changes in 2004 and 2005 based on our contractual obligations and expected retirement plans:

	ON HAND	CHANGE	CHANGE
SEATS	YE 2003	DURING	DURING
		2004	2005

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	-----	-----	-----	-----
ALASKA AIRLINES				
B737-200C	111	9	(2)	(1)
B737-400	138	40		
B737-700	120	22		
B737-800	160	0		2
B737-900	172	11	1	
MD-80	140	27	(1)	
		---	---	---
Total		109	(2)	1
		===	===	===
HORIZON AIR				
Q200	37	28		
Q400	70	16	2	
CRJ 700	70	18		1
		---	---	---
Total		62	2	1
		===	===	===

Alaska has no firm commitments for aircraft deliveries beyond 2005. However, we plan to acquire one B737-800 in 2005 and two B737-800s in 2006. These planned acquisitions are not included in the table above since we do not have firm orders at this time. Horizon has two CRJ 700s scheduled for delivery per year from 2006 to 2009 and none thereafter.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this Form 8-K contains forward-looking statements that relate to future events of our future financial performance and involve a number of risks and uncertainties. These forward-looking statements are intended to be subject to the safe harbor protection provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In some cases, you can identify forward-looking statements by terminology such as "forecast," "may," "will," "could," "should," "expect," "plan," "believe," "potential," "estimate" or other similar words indicating future events or contingencies. Some of the things that could cause our actual results to differ from our expectations are: the competitive environment and other trends in our industry; economic conditions; our reliance on automated systems; actual or threatened terrorist attacks, global instability and potential U.S. military involvement; our ability to meet our cost reduction goals; labor disputes; changes in our operating costs, including fuel and insurance; changes in laws and regulations; liability and other claims asserted against us; failure to expand our business; interest rates and the availability of financing; our ability to attract and retain qualified personnel; changes in our business plans; our significant indebtedness; downgrades of our credit ratings; and inflation. For a discussion of these and other risk factors, review the information under the caption "Business Risks" in Item 1 of the Company's Annual Report on Form 10-K/A for the year ended December 31, 2003. All of the forward-looking statements are qualified in their entirety by reference to the risk factors discussed therein. Our forward-looking statements are based on the information currently available to us and speak only as of the date of this report. You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our

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control. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this report to conform them to actual results. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such differences might be significant and materially adverse.

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SIGNATURE

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

ALASKA AIR GROUP, INC.

Registrant

Date: August 19, 2004

/s/ Brandon S. Pedersen

Brandon S. Pedersen
Staff Vice President/Finance and Controller

/s/ Bradley D. Tilden

Bradley D. Tilden
Executive Vice President/Finance and Chief Financial Officer

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I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) 13-4018186

APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) ☐ (b) ☒ 2 CHECK THE

ONLY 3 SEC USE
4

SOURCE OF FUNDS* AF (SEE ITEM 3) 5 CHECK BOX

IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ☐ 6 CITIZENSHIP

OR PLACE OF ORGANIZATION NEW YORK 7 SOLE

VOTING POWER NUMBER OF 1,306,684(1) shares (See Item 5) SHARES 8 SHARED VOTING POWER

BENEFICIALLY -0- (See Item 5) OWNED BY EACH 9 SOLE DISPOSITIVE

POWER REPORTING 1,306,684(1) shares (See Item 5) PERSON

POWER WITH -0- (See Item 5)	10 SHARED DISPOSITIVE
	11
AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,306,684(1) shares (See Item 5)	12
CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* <input type="checkbox"/>	13 PERCENT OF
CLASS REPRESENTED BY AMOUNT IN ROW (11) 8.1% (See Item 5)	14 TYPE OF
REPORTING PERSON* OO (Limited Liability Company)	*SEE
INSTRUCTIONS BEFORE FILLING OUT! (1) Wynnefield Capital Management, LLC holds an indirect beneficial interest in these shares which are directly beneficially owned by Wynnefield Partners Small Cap Value, L.P. and Wynnefield Partners Small Cap Value, L.P. I CUSIP No.004631107 13D/A Page 8 of 14 Pages	
REPORTING PERSONS Wynnefield Capital, Inc. I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) N/A	1 NAME OF
	2 CHECK THE
APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	3 SEC USE
ONLY	4
SOURCE OF FUNDS* AF (SEE ITEM 3)	5 CHECK BOX
IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) <input type="checkbox"/>	6 CITIZENSHIP
OR PLACE OF ORGANIZATION CAYMAN ISLANDS	7 SOLE
VOTING POWER NUMBER OF 709,300(1) shares (See Item 5) SHARES	8 SHARED VOTING POWER
BENEFICIALLY -0- (See Item 5) OWNED BY	EACH 9 SOLE DISPOSITIVE
POWER REPORTING 709,300(1) shares (See Item 5) PERSON	10 SHARED DISPOSITIVE
POWER WITH -0- (See Item 5)	11
AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 709,300(1) shares (See Item 5)	12
CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* <input type="checkbox"/>	13 PERCENT OF
CLASS REPRESENTED BY AMOUNT IN ROW (11) 4.4% (See Item 5)	14 TYPE OF
REPORTING PERSON* CO	*SEE
INSTRUCTIONS BEFORE FILLING OUT! (1) Wynnefield Capital, Inc. holds an indirect beneficial interest in these shares which are directly beneficially owned by Wynnefield Small Cap Value Offshore Fund, Ltd. CUSIP No.004631107 13D/A Page 9 of 14 Pages	
REPORTING PERSONS Nelson Obus I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)	1 NAME OF
	2 CHECK THE
APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	3 SEC USE

ONLY _____ 4
SOURCE OF FUNDS* AF (SEE ITEM 3) _____
_____ 5 CHECK BOX
IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ☐ _____
_____ 6 CITIZENSHIP
OR PLACE OF ORGANIZATION UNITED STATES OF AMERICA _____
_____ 7 SOLE
VOTING POWER NUMBER OF 5,000(1) shares (See Item 5) SHARES _____
_____ 8 SHARED VOTING POWER
BENEFICIALLY -0- (See Item 5) OWNED BY _____
_____ EACH 9 SOLE DISPOSITIVE
POWER REPORTING 5,000(1) shares (See Item 5) PERSON _____
_____ 10 SHARED DISPOSITIVE
POWER WITH -0- (See Item 5) _____
_____ 11
AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 5,000(1) shares (See Item
5) _____ 12 CHECK
BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* ☐ _____
_____ 13 PERCENT OF
CLASS REPRESENTED BY AMOUNT IN ROW (11) 0.0% (See Item 5) _____
_____ 14 TYPE OF
REPORTING PERSON* IN _____

*SEE

INSTRUCTIONS BEFORE FILLING OUT! (1) Nelson Obus, as general partner of Channel Partnership II, L.P. holds an indirect beneficial interest in these shares which are directly beneficially owned by Channel Partnership II, L.P. This Amendment No. 3 (the "Amendment") amends the Statement of Beneficial Ownership on Schedule 13D, originally filed with the Securities and Exchange Commission (the "Commission") on November 17, 2004, as amended by Amendment No. 1 ("Amendment No. 1") filed with the Commission on December 29, 2004 and Amendment No. 2 ("Amendment No. 2") filed with the Commission on May 17, 2005 (collectively, the "Schedule 13D"), by Wynnefield Partners Small Cap Value, L.P. ("Partnership"), Wynnefield Partners Small Cap Value, L.P. I ("Partnership I"), Wynnefield Small Cap Value Offshore Fund, Ltd. ("Fund"), Channel Partnership II, L.P. ("Channel"), Nelson Obus ("Mr. Obus"), Wynnefield Capital Management, LLC ("WCM"), Wynnefield Capital, Inc. Profit Sharing Plan ("Profit Sharing Plan", with respect to Amendment No. 1) and Wynnefield Capital, Inc. ("WCI" and, collectively with Partnership, Partnership I, Fund, Channel, Obus, WCM and Profit Sharing Plan, the "Wynnefield Group"), with respect to the shares of common stock, par value \$0.01 per share, of Acme Communications, Inc., a Delaware corporation with its principal executive offices located at 2101 E. Fourth Street, Suite 202A, Santa Ana, California 92705 (the "Issuer"). Unless specifically amended hereby, the disclosures set forth in the Schedule 13D shall remain unchanged. ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION. The response to Item 3 is hereby amended and supplemented by adding the following: As of the date of this Amendment, the Wynnefield Group beneficially owned in the aggregate 2,060,984 shares of Common Stock, constituting approximately 12.8% of the outstanding shares of Common Stock (the percentage of shares owned being based upon 16,046,763 shares outstanding on August 9, 2005, as set forth in the Issuer's most recent report on Form 10-Q for the quarterly period ended June 30, 2005 filed with the Commission on August 9, 2005). Each of the Wynnefield Group entities set forth below made its most recent purchase of shares of Common Stock on August 9, 2005 and August 11, 2005, separately from each other, for the consideration shown in the following table: Name Number of Shares Purchased Consideration Paid ----- Partnership* 177,800 \$662,060 Partnership-I* 265,200 \$986,790 Fund** 292,900 \$1,088,980 * WCM has an indirect beneficial ownership interest in these shares of Common Stock. ** WCI has an indirect beneficial ownership interest in these shares of Common Stock. Such shares of Common Stock were paid for from the working capital of each entity in the Wynnefield Group who directly beneficially owns Common Stock. Each entity in the Wynnefield Group maintains a separate investment fund, consisting of capital contributions from their respective partners and investors and capital

appreciation derived therefrom for the principal purpose of buying and selling securities (including financial and money market instruments) and interests in domestic and foreign securities, including, without limitation, convertible securities, stock index futures contracts, options, puts and calls on stock and warrants, except the Profit Sharing Plan, which is an employee profit sharing plan of WCI. Page 10 of 14

ITEM 4. PURPOSES OF TRANSACTION. The response to Item 4 is hereby amended and restated in its entirety as follows: The members of the Wynnefield Group acquired the shares of Common Stock reported in Item 5 below for investment purposes, with no intention of changing or influencing control of the Issuer or as a participant in any transaction having that purpose or effect. They intend to monitor the Issuer's financial condition, business, operations and prospects, the market price for the shares of Common Stock, conditions in the securities markets generally, general economic conditions, conditions affecting the Issuer's operations and evaluate the responses of its management to the needs of the holders of the Common Stock. The Wynnefield Group applauds management's recent announcement of their agreement to sell its Salt Lake City station, KUWB, for \$18.5 million and strongly urges the Company to pursue transactions to sell ACME's remaining stations as discussed in Item 2 of their most recent 10-Q. The Wynnefield Group reserves the right to change its plans and intentions at any time as it deems appropriate. In particular, the Wynnefield Group may purchase shares of Common Stock, or may sell or otherwise dispose of all or a portion of the shares of Common Stock, in public and private transactions and/or may enter into negotiated derivative transactions to hedge the market risk of some or all positions in, or to obtain greater exposure to, the shares of the Common Stock. Any such transactions may be effected at any time or from time to time, subject to any applicable limitations imposed on the sale of shares of the Common Stock by the Securities Act of 1933, as amended, the Exchange Act and applicable state securities or "blue sky" laws. Depending on factors deemed relevant by the Wynnefield Group, including but not limited to changes in the Issuer's business, governance or financial situation, the Wynnefield Group reserves the right to formulate other plans and/or make proposals, and take such actions with respect to its investment in the Issuer, including any or all of the actions set forth in this response to Item 4 and any other actions as the Wynnefield Group, or any of them, may determine. Except as set forth above, no member of the Wynnefield Group has any present plans or intentions that would result in or relate to any of the transactions described in subparagraphs (a) through (j) of Item 4 of this Amendment.

ITEM 5. INTERESTS IN SECURITIES OF THE ISSUER. The response to Item 5 is hereby amended and restated in its entirety as follows: (a) - (c) As of August 11, 2005, the Wynnefield Group beneficially owned in the aggregate, 2,060,984 shares of Common Stock, constituting approximately 12.8% of the outstanding shares of Common Stock (the percentage of shares owned being based upon 16,046,763 shares outstanding on August 9, 2005, as set forth in the Issuer's most recent report on Form 10-Q for the quarterly period ended June 30, 2005 filed with the Commission on August 9, 2005). The following table sets forth certain information with respect to shares of Common Stock beneficially owned directly by the Wynnefield Group members listed: NAME NUMBER OF APPROXIMATE ---- SHARES PERCENTAGE OF ----- OUTSTANDING SHARES -----

Partnership *	543,484	3.4 %
Partnership-I *	763,200	4.8 %
Fund **	709,300	4.4 %
Channel***	5,000	0.0 %
Profit Sharing Plan	40,000	0.3 %

Page 11 of 14 * WCM has an indirect beneficial ownership interest in these shares of Common Stock. ** WCI has an indirect beneficial ownership interest in these shares of Common Stock. *** Mr. Obus has an indirect beneficial ownership interest in these shares of Common Stock. WCM is the sole general partner of the Partnership and Partnership-I and, accordingly, may be deemed to be the indirect beneficial owner (as that term is defined under Rule 13d-3 promulgated pursuant to the Exchange Act) of the shares of Common Stock that the Partnership and Partnership-I beneficially own. WCM, as the sole general partner of the Partnership and Partnership-I, has the sole power to direct the voting and disposition of the shares of Common Stock that the Partnership and Partnership-I beneficially own. Messrs. Obus and Landes are the co-managing members of WCM and, accordingly, each of Messrs. Obus and Landes may be deemed to be the indirect beneficial owner (as that term is defined under Rule 13d-3 promulgated pursuant to the Exchange Act) of the shares of Common Stock that WCM may be deemed to beneficially own. Each of Messrs. Obus and Landes, as a co-managing member of WCM, shares with the other the power to direct the voting and disposition of the shares of Common Stock that WCM may be deemed to beneficially own. WCI is the sole investment manager of the Fund and, accordingly, may be deemed to be the indirect beneficial owner (as that term is defined under Rule 13d-3 promulgated pursuant to the Exchange Act) of the shares of Common Stock that the Fund beneficially owns. WCI, as the sole investment manager of the Fund, has the sole power to direct the voting and disposition of the shares of Common Stock that the Fund beneficially owns. Messrs. Obus and Landes are the principal executive officers of WCI and, accordingly, each of Messrs. Obus and Landes may be deemed to be the

indirect beneficial owner (as that term is defined under Rule 13d-3 promulgated pursuant to the Exchange Act) of the shares of Common Stock that WCI may be deemed to beneficially own. Each of Messrs. Obus and Landes, as a principal executive officer of WCI, shares with the other the power to direct the voting and disposition of the shares of Common Stock that WCI may be deemed to beneficially own. The Profit Sharing Plan is an employee profit sharing plan of WCI. Mr. Obus and Mr. Landes share the power to vote and dispose of the Profit Sharing Plan's investments in securities. Mr. Obus is the general partner of Channel and, accordingly, may be deemed to be the indirect beneficial owner (as that term is defined under Rule 13d-3 promulgated pursuant to the Exchange Act) of the shares of Common Stock that Channel beneficially owns. Mr. Obus, as the general partner of Channel, has the sole power to direct the voting and disposition of the shares of Common Stock that Channel beneficially owns. Beneficial ownership of shares of Common Stock shown on the cover pages of and set forth elsewhere in this Amendment for each of the members of the Wynnefield Group assumes that they have not formed a group for purposes of Section 13(d)(3) under the Exchange Act, and Rule 13d-5(b)(1) promulgated thereunder. If the members of the Wynnefield Group were deemed to have formed a group for purposes of Section 13(d)(3) and Rule 13d-5(b)(1), the group would be deemed to own beneficially (and may be deemed to have shared voting and dispositive power over) 2,060,984 shares of Common Stock, constituting approximately 12.8% of the outstanding shares of Common Stock (the percentage of shares owned being based upon 16,046,763 shares outstanding on August 9, 2005, as set forth in the Issuer's most recent report on Form 10-Q for the quarterly period ended June 30, 2005 filed with the Commission on August 9, 2005). Page 12 of 14

The filing of this Amendment and the inclusion of information herein with respect to Messrs. Obus and Landes, shall not be considered an admission that any of such persons, for the purpose of Section 13(d) of the Exchange Act, are the beneficial owners of any shares in which such persons do not have a pecuniary interest. To the best knowledge of the Wynnefield Group, except as described herein, none of the Wynnefield Group, any person in control (ultimately or otherwise) of the Wynnefield Group, any general partner, executive officer or director thereof, as applicable, beneficially owns any shares of Common Stock, and except as set forth in the table below, there have been no transactions in shares of Common Stock effected during the past 60 days by the Wynnefield Group, any person in control of the Wynnefield Group (ultimately or otherwise), or any general partner, executive officer or director thereof, as applicable; provided, however, certain investment banking affiliates of the Wynnefield Group may beneficially own shares of Common Stock, including shares that may be held in discretionary or advisory accounts with the Wynnefield Group; and the Wynnefield Group, directly or in connection with such discretionary or advisory accounts, may acquire, hold, vote or dispose of Common Stock, including transactions that may have occurred in the past 60 days. The Wynnefield Group has made purchases of shares of Common Stock during the past 60 days as follows:

Name	Date	Number of Shares	Price Per Share
Partnership	August 9, 2005	8,400	\$4.20
Partnership	August 11, 2005	169,400	\$3.70
Partnership - I	August 9, 2005	11,100	\$4.20
Partnership - I	August 11, 2005	254,100	\$3.70
Fund	August 9, 2005	10,500	\$4.20
Fund	August 11, 2005	282,400	\$3.70

(d) No person, other than each of the members of the Wynnefield Group referred to as the direct beneficial owner of the shares of Common Stock set forth in this response to Item 5, has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such shares of Common Stock. (e) Not applicable. Page 13 of 14

SIGNATURE After reasonable inquiry and to the best of their knowledge and belief, the undersigned certify that the information set forth in this Amendment is true, complete and correct. Dated: August 19, 2005 WYNNEFIELD PARTNERS SMALL CAP VALUE, L.P. By: Wynnefield Capital Management, LLC, General Partner By: /s/ Nelson Obus ----- Nelson Obus, Co-Managing Member WYNNEFIELD PARTNERS SMALL CAP VALUE, L.P. I By: Wynnefield Capital Management, LLC, General Partner By: /s/ Nelson Obus ----- Nelson Obus, Co-Managing Member WYNNEFIELD SMALL CAP VALUE OFFSHORE FUND, LTD. By: Wynnefield Capital, Inc. By: /s/ Nelson Obus ----- Nelson Obus, President WYNNEFIELD CAPITAL MANAGEMENT, LLC By: /s/ Nelson Obus ----- Nelson Obus, Co-Managing Member WYNNEFIELD CAPITAL, INC. By: /s/ Nelson Obus ----- Nelson Obus, President WYNNEFIELD CAPITAL, INC. PROFIT SHARING PLAN By: /s/ Nelson Obus ----- Nelson Obus, Authorized Signatory CHANNEL PARTNERSHIP II, L.P. By: /s/ Nelson Obus ----- Nelson Obus, General Partner /s/ Nelson Obus ----- Nelson Obus, Individually Page 14 of 14