

SKYWEST INC
Form DEF 14A
April 12, 2005

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

**SCHEDULE 14A
(RULE 14a-101)**

**SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement.
- Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2)).
- Definitive Proxy Statement.
- Definitive Additional Materials.
- Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12.

SkyWest, Inc.

(Name of Registrant as Specified In Its Charter)

Not applicable

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials

- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

SKYWEST, INC

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 3, 2005

To the Shareholders of Skywest, Inc.:

The Annual Meeting of Shareholders of SkyWest, Inc. (the Company) will be held at the SkyWest Corporate Offices, 444 South River Road, St. George, Utah 84790, on Tuesday, May 3, 2005, at 11:00 a.m. (the Annual Meeting). The purpose of the Annual Meeting is to consider and vote upon the following matters, as more fully described in the accompanying Proxy Statement:

(1) The election of nine members of the Board of Directors, each to serve until the next Annual Meeting of Shareholders and until their respective successors have been duly elected and qualified.

(2) The ratification of the appointment of Ernst & Young LLP as the Company s independent public accountants for the fiscal year ending December 31, 2005.

(3) Such other matters as may properly come before the meeting.

The Board of Directors has fixed the close of business on March 31, 2005 as the record date for the determination of shareholders entitled to receive notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

BY ORDER OF THE BOARD OF DIRECTORS

Jerry C. Atkin
Chairman of the Board

DATED: April 7, 2005

IMPORTANT

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON, TO ASSURE THAT YOUR SHARES WILL BE REPRESENTED, PLEASE DATE, COMPLETE, SIGN AND MAIL THE ENCLOSED PROXY IN THE ACCOMPANYING POSTAGE PAID ENVELOPE. YOUR PROXY WILL NOT BE USED IF YOU ARE PRESENT AT THE ANNUAL MEETING AND DESIRE TO VOTE YOUR SHARES PERSONALLY.

TABLE OF CONTENTS

SOLICITATION OF PROXIES

VOTING

PROPOSAL NO. 1 -- ELECTION OF DIRECTORS

EXECUTIVE OFFICERS

EXECUTIVE COMPENSATION

REPORT OF THE AUDIT AND FINANCE COMMITTEE

REPORT OF THE COMPENSATION COMMITTEE

PERFORMANCE GRAPH

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

PROPOSAL NO. 2 -- RATIFICATION OF SELECTION OF AUDITOR

OTHER MATTERS

Table of Contents

SKYWEST, INC.
444 South River Road
St. George, Utah 84790

PROXY STATEMENT

FOR ANNUAL MEETING OF SHAREHOLDERS

May 3, 2005

SOLICITATION OF PROXIES

This Proxy Statement is being furnished to the shareholders of SkyWest, Inc., a Utah corporation (the Company), in connection with the solicitation by the Board of Directors of the Company of proxies from holders of outstanding shares of the Company's Common Stock, no par value (the Common Stock), for use at the Annual Meeting of Shareholders of the Company to be held at the SkyWest Corporate Offices, 444 South River Road, St. George, Utah 84790, on Tuesday, May 3, 2005, at 11:00 a.m., and at any adjournment or postponement of that meeting (the Annual Meeting). This Proxy Statement, the Notice of Annual Meeting of Shareholders and the accompanying form of proxy are first being mailed to shareholders of the Company on or about April 7, 2005.

The Company will bear all costs and expenses relating to the solicitation of proxies, including the costs of preparing, printing and mailing to shareholders this Proxy Statement and accompanying materials. In addition to the solicitation of proxies by use of the mails, the directors, officers and employees of the Company, without receiving additional compensation, may solicit proxies personally or by telephone or telegram. Arrangements will be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of the shares of Common Stock held by such persons, and the Company will reimburse such brokerage firms, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection therewith.

VOTING

The Board of Directors has fixed the close of business on March 31, 2005 as the record date (the Record Date) for determination of shareholders entitled to notice of and to vote at the Annual Meeting. As of the Record Date, there were issued and outstanding 58,564,742 shares of Common Stock. The holders of record of the shares of Common Stock on the Record Date entitled to be voted at the Annual Meeting are entitled to cast one vote per share on each matter submitted to a vote at the Annual Meeting.

Proxies

Shares of Common Stock that are entitled to be voted at the Annual Meeting and that are represented by properly executed proxies will be voted in accordance with the instructions indicated on those proxies. If no instructions are indicated, those shares will be voted FOR the election of each of the nine director nominees; FOR the ratification of the appointment of Ernst & Young LLP as independent public accountants for the year ending December 31, 2005; and, in the discretion of the proxy holders, as to any other matters that may properly come before the Annual Meeting. A shareholder who has executed and returned a proxy may revoke it at any time prior to its exercise at the Annual Meeting by executing and returning a proxy bearing a later date; by filing with the Secretary of the Company, at the address set forth above, a written notice of revocation bearing a later date than the proxy being revoked; or by voting the Common Stock covered thereby in person at the Annual Meeting.

Table of Contents**Vote Required**

The presence of a majority of the issued and outstanding shares of Common Stock entitled to vote, represented in person or by proxy, is required for a quorum at the Annual Meeting. Holders of shares of Common Stock are entitled to one vote at the Annual Meeting for each share of Common Stock held of record on the Record Date. In the election of directors, shareholders will not be allowed to cumulate their votes. The nine nominees receiving the highest number of votes will be elected. Accordingly, abstentions and broker non-votes will not affect the outcome of the election. Under Utah law, the proposal to ratify the appointment of Ernst & Young LLP as the independent auditors of the Company will be approved if the votes cast in favor of the proposal exceed the votes cast in opposition. As a result, abstentions and broker non-votes will not affect the outcome of the voting on the proposal. Any other matter presented for approval by the shareholders at the Annual Meeting will generally be approved if the votes cast in favor of a matter exceed the votes cast in opposition. As a result, abstentions and broker non-votes generally will not affect the outcome of any such matter.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

Directors elected at the Annual Meeting will serve until the next annual meeting of shareholders and until their successors are duly elected and qualified. Shareholders do not have cumulative voting rights in the election of directors (each shareholder is entitled to cast one vote for each share held for each director). Unless authority is withheld, it is the intention of the persons named in the enclosed form of proxy to vote **FOR** the election as directors of the persons identified below as nominees for director. Each of the nominees is currently serving as a director. If for any reason the candidacy of any one or more of the nominees is withdrawn, the proxies will be voted **FOR** such other person or persons, if any, as may be designated by the Board of Directors. The Board has no reason to believe that any nominee herein named will be unable or unwilling to serve.

Nominees for Director

The following paragraphs set forth information about each nominee for election as a director.

JERRY C. ATKIN, 56, joined the Company in July 1974 as a member of the Board of Directors and the Company's Director of Finance. In 1975, Mr. Atkin assumed the office of President and Chief Executive Officer. Mr. Atkin was elected Chairman of the Board in 1991. Prior to employment by the Company, Mr. Atkin was employed by a public accounting firm and is a certified public accountant. Mr. Atkin currently serves as a director of Zions Bancorporation, a Utah bank holding company.

J. RALPH ATKIN, 61, was a founder of the Company and served as President and Chief Executive Officer from 1972 to 1975. Mr. Atkin served as Chairman of the Board from 1972 to 1991. From 1984 to 1988, Mr. Atkin served as Senior Vice President of the Company. Mr. Atkin presently serves as the Chief Executive Officer of Ghana International Airlines, an early-stage enterprise currently exploring the funding and operation of an airline in Africa. Mr. Atkin served as Chief Executive Officer of EuroSky, a company organized to explore the feasibility of a regional airline in Austria, during 1994 and 1995. From March 1991 to January 1993, Mr. Atkin was Director of Business and Economic Development for the State of Utah. Mr. Atkin is an attorney and has served as a director of the Company since 1972.

SIDNEY J. ATKIN, 70, was elected Vice Chairman of the Board in 1988. From 1984 to 1988, Mr. Atkin served as Senior Vice President of the Company. From 1958 to 2002, Mr. Atkin was the President of Sugarloaf Corp., a Utah corporation involved in the operation of restaurants and motels. Mr. Atkin is currently retired, and has served as a director of the Company since 1973.

MERVYN K. COX, 68, is an orthodontist engaged in private practice and is also engaged in the development and management of real estate. Mr. Cox has served as a director of the Company since 1974.

IAN M. CUMMING, 64, currently serves as the Chairman of the Board and Chief Executive Officer of Leucadia National Corporation, a diversified financial services holding company principally engaged in personal and commercial lines of property and casualty insurance, banking and lending and manufacturing.

Table of Contents

Mr. Cumming is also Chairman of the Board of the Finova Group, Inc., a middle-market lender and a director of MK Resources Co., a gold mining and exploration company and HomeFed Corp., a real estate investment and development company. Mr. Cumming has served as a director of the Company since 1986.

STEVEN F. UDVAR-HAZY, 59, is currently Chairman of the Board and Chief Executive Officer of International Lease Finance Corporation, a wholly owned subsidiary of American International Group, Inc., which leases and finances commercial jet aircraft worldwide. Mr. Udvar-Hazy has been engaged in aircraft leasing and finance for more than 36 years. Mr. Udvar-Hazy has served as a director of the Company since 1986.

HYRUM W. SMITH, 61, is the co-founder and Vice Chairman of Franklin Covey Co., a publicly held learning and performance solutions company dedicated to increasing the effectiveness of individuals and organizations. Mr. Smith was the Chief Executive Officer of Franklin Covey Co. from February 1997 to March 1998, a position he also held from April 1991 to September 1996. Mr. Smith was Senior Vice President of Franklin Quest Co. from December 1984 to April 1991. Franklin Covey Co. was formerly known as Franklin Quest Co. prior to its merger with the Covey Leadership Center, Inc. in May 1997. Mr. Smith has served as a director of the Company since 1995.

ROBERT G. SARVER, 43, is the Chairman of the Board and Chief Executive Officer of Western Alliance Bancorporation, a commercial bank holding company doing business in Nevada, California and Arizona, and the managing partner of the Phoenix Suns, a professional basketball team. Mr. Sarver served as Chairman of the Board and Chief Executive Officer of California Bank and Trust from 1995 to 2001. Prior to 1995, he served as the President of National Bank of Arizona. Mr. Sarver is also an executive director of Southwest Value Partners, a real estate investment company, and is a director of Meritage Corporation, a builder of single-family homes. Mr. Sarver has served as a director of the Company since January 2000.

W. STEVE ALBRECHT, 58, is the Associate Dean and Arthur Andersen Professor of Accounting, Marriott School of Management, Brigham Young University, and has been with Brigham Young University since 1977. Mr. Albrecht is a certified public accountant (CPA), certified internal auditor (CIA), and certified fraud examiner (CFE). Mr. Albrecht previously taught at Stanford University and the University of Illinois. Mr. Albrecht has served in various leadership positions, including president of the American Accounting Association, Association of Certified Fraud Examiners and Beta Alpha Psi; as a member of COSO and the Institute of Internal Auditors Board of Regents; and currently serves on the governing council of the AICPA and on FASAC, the advisory group to the FASB. Mr. Albrecht serves on the board of directors of ICON Health & Fitness, Red Hat, Inc. and Cypress Semiconductor. Mr. Albrecht has been a director of the Company since May 2003.

The Board of Directors recommends that shareholders vote FOR each of the foregoing nominees.

Meetings and Committees

During the year ended December 31, 2004, the Board of Directors held five meetings. All members attended at least 75% of all board meetings and applicable committee meetings held during the year.

The Board of Directors has a Compensation Committee that reviews and establishes compensation for the Company's officers, except the Chief Executive Officer, whose compensation is approved by the Board of Directors upon recommendation of the Compensation Committee. The Compensation Committee also approves the amount of contributions to the employees' retirement plan and administers the Company's stock option plans. The members of the Compensation Committee currently are J. Ralph Atkin, Chairman, Hyrum W. Smith, Steven F. Udvar-Hazy and Sidney J. Atkin. The Compensation Committee met three times during the year ended December 31, 2004.

The Board of Directors has an Audit and Finance Committee that is responsible for oversight of management's conduct of the Company's financial reporting process. The Audit and Finance Committee has responsibility for overseeing (i) the financial reports and other financial information provided by the Company to governmental or regulatory bodies, the public or other users, (ii) the Company's systems of internal accounting and financial controls, and (iii) the annual independent audit of the Company's financial

Table of Contents

statements. The Audit and Finance Committee operates under a written Audit and Finance Committee Charter adopted by the board, a copy of which was attached as Appendix A to the Company's 2004 Proxy Statement filed with the Securities and Exchange Commission (the SEC) on April 7, 2004. The members of the Audit and Finance Committee are W. Steve Albrecht, Chairman, Ian M. Cumming, Mervyn K. Cox and Robert G. Sarver. Each member of the Audit and Finance Committee is an independent director for purposes of the Marketplace Rules of the Nasdaq National Market on which the Common Stock is currently quoted. The Board of Directors has determined that W. Steve Albrecht, who serves on the Audit and Finance Committee, is an audit committee financial expert as defined by Item 401(h) of Regulation S-K under the Securities Exchange Act of 1934, as amended (the Exchange Act). The Audit and Finance Committee met seven times during the year ended December 31, 2004.

The Board of Directors has a Nominating and Governance Committee that recommends to the Board of Directors nominees for election, as well as the amount of director compensation. The Nominating and Governance Committee operates under a written Nominating and Governance Committee Charter adopted by the Board of Directors, a copy of which was attached as Appendix B to the Company's 2004 Proxy Statement filed with the SEC on April 7, 2004. The charter is not available on the Company's website. The Nominating and Governance Committee will consider recommendations for director nominees by shareholders if the names of those nominees and relevant biographical information are properly submitted in writing to the Secretary of the Company in the manner described for shareholder nominations below under the heading Proposals of Security Holders for 2006 Annual Meeting. Director nominees must have a strong professional or other background, a reputation for integrity and responsibility, and experience relevant to the Company. The nominee must be able to commit appropriate time to prepare for, attend and participate in all board and applicable committee meetings and the annual meeting of shareholders and must not have any conflicts of interest with the Company. The Nominating and Governance Committee will also require some director nominees to be independent as defined under the NASD listing standards. All nominees, whether submitted by a shareholder or the Nominating and Governance Committee, will be evaluated in the same manner. The members of the Nominating and Governance Committee are Mervyn K. Cox, Chairman, Sidney J. Atkin, Ian M. Cumming and Hyrum W. Smith. The Nominating and Governance Committee met once during the year ended December 31, 2004.

Code of Ethics

The Company has not yet adopted a code of ethics for its principal executive officer and principal financial officer. The Company is, however, in the process of developing a code of ethics and intends to adopt a code of ethics at its next board meeting.

Shareholder Communication with the Board of Directors

The Board of Directors allows shareholders to send communications to the board through its Nominating and Governance Committee. All communications, except those related to shareholder proposals that are discussed below under the heading Proposals of Security Holders for 2006 Annual Meeting, must be sent to the Chairman of the Nominating and Governance Committee at the SkyWest Corporate Offices, 444 South River Road, St. George, Utah 84790. All Board members are strongly encouraged to attend the Annual Meeting of Shareholders. All Board members were present at the 2004 Annual Meeting of Shareholders.

Family Relationships

J. Ralph Atkin and Sidney J. Atkin are brothers. Jerry C. Atkin is their nephew.

Table of Contents**EXECUTIVE OFFICERS**

In addition to Jerry C. Atkin, the President and Chief Executive Officer of the Company, certain information is furnished with respect to the following executive officers of the Company. The following officers are elected at the meeting of the Board of Directors held immediately after the Annual Meeting and hold office for one year.

RON B. REBER, 51, has served in various capacities since joining the Company in 1977. Mr. Reber is currently Executive Vice President of the Company and Chief Operating Officer of SkyWest Airlines, Inc., a wholly owned subsidiary of the Company, with general responsibility for flight operations, maintenance, customer service, market planning, marketing, revenue control and pricing.

BRADFORD R. RICH, 43, joined the Company in 1987 as Corporate Controller. Mr. Rich is a certified public accountant and was previously employed by an international public accounting firm. Mr. Rich is currently Executive Vice President, Chief Financial Officer and Treasurer of the Company, with responsibility for financial accounting, treasury, public reporting, investor relations, internal audit, risk management, contracts and information technology.

EXECUTIVE COMPENSATION**Compensation of Executive Officers**

The following table provides certain summary information for the three calendar years ending December 31, 2004 concerning the compensation paid or accrued by the Company and its subsidiaries to or on behalf of the Company's Chief Executive Officer and each of the other executive officers of the Company whose annual salary and bonus exceeded \$100,000 (collectively, the Named Executive Officers).

Name and Position	Year	Annual Compensation		Long-Term Compensation	All Other Compensation
		Salary (\$)	Bonus (\$)	Awards Securities Underlying Options (#)	
Jerry C. Atkin Chairman, President and Chief Executive Officer	2004	334,000	313,600	104,000	77,712
	2003	334,000	222,100	104,000	66,732
	2002	315,000	236,300	104,000	66,156
Ron B. Reber Executive Vice President and Chief Operating Officer of SkyWest Airlines, Inc.	2004	216,000	202,800	50,000	50,256
	2003	216,000	144,000	50,000	43,200
	2002	203,000	152,300	50,000	42,626
Bradford R. Rich Executive Vice President, Chief Financial Officer and Treasurer	2004	205,000	192,500	50,000	47,700
	2003	205,000	136,000	50,000	40,920
	2002	187,000	140,300	50,000	39,276

(1) Represents contributions by the Company to the 2002 Deferred Compensation Plan on behalf of each of the respective Named Executive Officers.

Table of Contents**Option Grants in Last Fiscal Year**

The following table sets forth individual grants of stock options made to the Named Executive Officers during the year ended December 31, 2004.

Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise		Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
			Price (\$/Sh)	Expiration Date	5%	10%
Jerry C. Atkin	104,000	9.1%	\$ 19.18	2/4/14	\$ 1,254,469	\$ 3,179,070
Ron B. Reber	50,000	4.4	19.18	2/4/14	603,110	1,528,399
Bradford R. Rich	50,000	4.4	19.18	2/4/14	603,110	1,528,399

(1) All options were granted under the Company's Executive Stock Option Plan and become exercisable on February 3, 2007.

Aggregated Option Exercises in Last Fiscal Year and Year-End Option Values

The following table sets forth the aggregate value of unexercised options to acquire shares of Common Stock held by the Named Executive Officers on December 31, 2004. No options were exercised during the year ending December 31, 2004.

Name	Number of Securities Underlying Unexercised Options at Year-End	Value of Unexercised In-the-Money Options at Year-End(\$)(1)
		Exercisable(1)/ Unexercisable
Jerry C. Atkin	520,000/312,000	\$1,448,928/\$1,078,480
Ron B. Reber	134,000/150,000	\$0/\$518,500
Bradford R. Rich	302,000/150,000	\$1,419,684/\$518,500

(1) Calculated based on the difference between the exercise price and the price of a share of Common Stock on December 31, 2004, which was \$20.06 as reported on the Nasdaq National Market.

Director Compensation

All directors, except Jerry C. Atkin, receive a fee of \$1,400 for each board meeting attended, \$700 for each committee meeting attended and an additional \$21,000 as an annual retainer. The vice-chairman of the Board of

Directors, the chairman of the Compensation Committee and the chairman of the Nominating and Governance Committee also receive an additional \$1,400 annually, and the chairman of the Audit and Finance Committee receives an additional \$10,000 annually. Directors of the Company are also eligible to participate in the Company's Executive Stock Option Plan. During the year ended December 31, 2004, the Company granted to each non-employee director an option to purchase 8,000 shares of Common Stock at an exercise price of \$19.18 per share.

In addition to the director compensation described above, the Company has engaged Steven F. Udvar-Hazy, a director of the Company, to provide consulting services relating to commercial aviation industry conditions, trends and development. The Company pays Mr. Udvar-Hazy an annual consulting fee of \$6,000 for those services. The Company also pays the premiums attributable to the participation of J. Ralph Atkin in the Company's health insurance plan, which totaled \$8,776 during the year ended December 31, 2004.

Table of Contents

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee for the year ended December 31, 2004 were J. Ralph Atkin, who served as Chairman, Steven F. Udvar-Hazy, Hyrum W. Smith, and Sidney J. Atkin. J. Ralph Atkin was the founder of the Company and served as President and Chief Executive Officer of the Company from 1972 to 1975. From 1984 to 1988, J. Ralph Atkin also served as Senior Vice President of the Company.

Certain Relationships and Related Party Transactions

Jerry C. Atkin, the Company's President, Chief Executive Officer and Chairman of the Board, serves as a director of Zions Bancorporation. The Company maintains a line of credit and certain bank accounts with Zions First National Bank (Zions), an affiliate of Zions Bancorporation. The aggregate balance in the Company's accounts maintained with Zions as of December 31, 2004 was \$92,381,000. Zions is an equity participant in leveraged leases on two Bombardier regional jets operated by the Company, and Zions provides investment administrative services to the Company for which the Company paid approximately \$241,000 during the year ended December 31, 2004.

Hyrum W. Smith, a director of the Company, owns approximately 40% of the outstanding shares of Soltis Investment Advisors, Inc. (Soltis), a registered investment advisor. Soltis provides cash management advisory services for a portion of the Company's corporate cash programs, and also provides advisory services to the Company's 401(k) retirement plan and deferred compensation plan. Soltis does not receive any payments directly from the Company for any these services. However, in the case of the corporate cash funds, Soltis receives commissions from the investment management companies with whom the funds are invested, which commissions totaled \$196,126 during the year ended December 31, 2004. In the case of the Company's 401(k) plan, the plan participants, through deductions from their accounts, pay Soltis for advisory services. Soltis received \$195,000 during the year ended December 31, 2004 for services provided to the Company's 401(k) plan. With respect to the deferred compensation plan, Soltis provides consulting services to the third-party advisor and recordkeeper of the plan (which is not affiliated with the Company or Soltis), and received \$20,000 from the third-party advisor during the year ended December 31, 2004. The above-described payments received by Soltis represent approximately 15% of Soltis' revenues for the 2004 year.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers and directors to file initial reports of ownership and reports of changes in ownership with the SEC. Executive officers and directors are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely upon a review of the copies of those forms furnished to the Company and written representations from the Company's executive officers and directors, the Company believes that all Section 16(a) forms required to be filed by the Company's executive officers and directors during the year ended December 31, 2004 were filed timely.

Table of Contents

REPORT OF THE AUDIT AND FINANCE COMMITTEE

The following is the report of the Audit and Finance Committee with respect to the Company's consolidated financial statements for the year ended December 31, 2004.

The Audit and Finance Committee assists the Board of Directors in fulfilling its oversight responsibilities by reviewing (i) the financial reports and other financial information provided by the Company to governmental or regulatory bodies, the public or other users, (ii) the Company's systems of internal accounting and financial controls and (iii) the annual independent audit of the Company's financial statements. The Audit and Finance Committee is composed of four outside directors, each of whom is an independent director for purposes of the Marketplace Rules of the Nasdaq National Market. All members of the Audit and Finance Committee are financially literate and the chairman of the Audit and Finance Committee has accounting or related financial management expertise.

The Audit and Finance Committee has reviewed and discussed the audited financial statements of the Company with management. The Audit and Finance Committee has discussed with the independent auditors the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU § 380). The Audit and Finance Committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees) and has discussed with the independent accountant the independent accountant's independence. Based on that review and those discussions, the Audit and Finance Committee has recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

AUDIT AND FINANCE COMMITTEE:

W. Steve Albrecht, Chairman
Ian M. Cumming
Mervyn K. Cox
Robert G. Sarver

Table of Contents

REPORT OF THE COMPENSATION COMMITTEE

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act that incorporate by reference, in whole or in part, subsequent filings, including, without limitation, this Proxy Statement, the following report of the Compensation Committee and the performance graph set forth on page 13 hereof shall not be deemed to be incorporated by reference into any such filings.

The rules of the SEC addressing disclosure of executive compensation in proxy statements require the Compensation Committee to include in this Proxy Statement a report from the Compensation Committee addressing, with respect to the most recently completed fiscal period, (a) the Company's policies regarding executive compensation generally, (b) the factors and criteria considered in setting the compensation of the Company's Chief Executive Officer, Jerry C. Atkin, and (c) any relationship between such compensation and the Company's performance.

The Company's executive compensation program is administered by the Compensation Committee, which is responsible for establishing the policies governing the Company's compensation program and the amount of compensation for each of the Company's executive officers. The Compensation Committee has oversight responsibility for all executive compensation and executive benefit programs of the Company.

Compensation Committee Report on Executive Compensation

The Compensation Committee regularly reviews and approves decisions with respect to compensation of the Company's officers and other employees. The Board of Directors has appointed four independent directors to serve on the Compensation Committee and empowered the Compensation Committee to

Recommend CEO compensation to the board;

Approve all other executive officer compensation;

Approve company-wide and executive officer incentive/bonus plans and profit sharing/retirement contributions;

Review Company compensation packages as a whole; and

Administer the Company's various stock-based incentive plans.

Executive Compensation Policies

The Company's executive compensation policies, as endorsed by the Compensation Committee, have been designed to provide a balanced compensation program that will assist the Company in its efforts to attract, motivate and retain talented executives who the Compensation Committee and senior management believe are important to the Company's long-term financial success. The Company seeks to accomplish this goal by providing a compensation program that, in the judgment of the Compensation Committee and senior management,

is competitive with compensation programs offered by the Company's primary competitors and by other comparable companies;

integrates certain compensation elements with the Company's financial performance by linking an incentive plan to the Company's net income as well as other corporate and operational goals; and

links certain compensation elements with an opportunity to own Common Stock so that Company executives will have a personal interest in the increase in share value and, as a result, have common interests with the Company's shareholders.

The Compensation Committee believes that each of these factors is important to the long-term financial success of the Company. In designing and implementing the individual components of the Company's executive compensation program, the Company seeks a balance among these factors that will vary depending on the level of policy-making and operational responsibility of the executive. The Compensation Committee

Table of Contents

and senior management annually review the structure of the Company's executive compensation program to ensure that these goals are being accomplished.

Executive Compensation Program

The components of the Company's current executive compensation program include salary, annual cash incentive bonus awards and long-term incentive plans in the form of stock option plans and deferred compensation plans.

Salaries and Cash Incentive Bonus Awards

The Compensation Committee establishes the salaries and bonus awards for all executive officers, except the CEO, whose salary and annual bonus award it recommends for approval by the full Board. The salary and bonus award levels are established and adjusted annually based on factors such as competitive trends, annual inflation rates, overall financial performance of the Company and individual performance of the executive officers. The base salary for the executive officers is generally fixed below industry average levels with the opportunity to receive annual bonuses that would make total compensation comparable. The Company's annual bonus awards to its executive officers, which are reflected in the Summary Compensation Table, are based on the financial performance of the Company together with subjective and objective performance criteria.

At the beginning of each fiscal year, the Compensation Committee establishes cash bonus award guidelines based on the Company's earnings. Commencing in 1999, the Company adopted an incentive plan for all officers, including executive officers, pursuant to which a bonus was paid to the Company's President, two Executive Vice Presidents, and ten Vice Presidents and other management personnel; subject, however, to the discretionary authority of the Board of Directors and the Compensation Committee to vary the amounts or percentages paid based on extraordinary performance, achievement of (or failure to achieve) objectives and other similar factors. For the year ended December 31, 2004, bonuses were paid to the Company's officers based on the incentive plan as adopted. A separate incentive bonus plan, paid quarterly, was in effect for all other employees employed at least two years.

Employee Retirement Plan 401(k)

The Company maintains the SkyWest Airlines Employee Retirement Plan (the Retirement Plan), which is a defined contribution plan, for the benefit of employees who have completed at least 90 days of service with the Company. The Retirement Plan is qualified under Sections 401(a) and (k) of the Internal Revenue Code (the Code).

The Retirement Plan provides for pre-tax participant contributions and matching contributions by the Company, subject to the requirements of Section 401(k) of the Code. The Company may also make discretionary contributions for participants without regard to participant contributions. The Company's combined contributions to the Retirement Plan were \$9,700,000 for the year ended December 31, 2004. The Company's officers are not eligible to participate in matching contributions made by the Company under the Retirement Plan.

Separate accounts are maintained for all contributions and directed by participants among 16 types of investment funds. All contributions to a participant's account under the Retirement Plan are non-forfeitable. The Retirement Plan permits certain withdrawals and loans during service. Distributions from the Retirement Plan are made upon termination either in a lump sum or in annual installments over a period of up to ten years (but in no event over a period exceeding five years following a participant's death).

Table of Contents**Deferred Compensation Plans*****2002 Deferred Compensation Plan***

Effective December 1, 2002, the Board of Directors adopted the SkyWest, Inc. 2002 Deferred Compensation Plan (the 2002 Deferred Compensation Plan). The principal purpose of the 2002 Deferred Compensation Plan is to provide deferred compensation to executive employees of the Company, including the Company's Chief Executive Officer, who are designated by the Compensation Committee. Under the 2002 Deferred Compensation Plan, each participating executive is permitted to irrevocably elect to defer the receipt of all or a portion of his or her compensation related to the applicable plan year, subject to reductions required to satisfy tax withholding requirements. In addition, the Company may make discretionary contributions to the participating executives' accounts. For the year ended December 31, 2004, the Company contributed to the 2002 Deferred Compensation Plan 12% of the compensation paid to participating executives during the year. Participants in the 2002 Deferred Compensation Plan are not eligible for matching contributions under the Retirement Plan. Accounts maintained under the 2002 Deferred Compensation Plan represent obligations of the Company to pay to each participating executive his or her applicable account balances upon the termination of his or her participation in the 2002 Deferred Compensation Plan, the termination of the 2002 Deferred Compensation Plan or the occurrence of other specified events such as the participating executive's death or a change in control of the Company.

Executive Deferred Compensation Plan

Before the adoption of the 2002 Deferred Compensation Plan, the Company maintained the Executive Deferred Compensation Plan (the Deferred Compensation Plan). Under the terms of the Deferred Compensation Plan, the Company contributed to the Deferred Compensation Plan 12% of the compensation paid to the officers of the Company during the prior calendar year. Under the Deferred Compensation Plan, the Company maintained split dollar life insurance policies on the lives of participants. The officers were the owners of the policy, and the Company was responsible for payment of premiums. The premiums were recoverable by the Company and would be paid to each participant as deferred compensation following termination of employment. The earnings under the policies and death proceeds of policies would be paid to participants or to a designated beneficiary. Participants in the Deferred Compensation Plan were not eligible for matching contributions under the Company's Retirement Plan. Effective December 1, 2002, in connection with the adoption of the 2002 Deferred Compensation Plan described above, the Company suspended further funding of the Deferred Compensation Plan. As of December 31, 2003 all participants except Bradford R. Rich have terminated participation in this plan, and the related funds have been rolled into the 2002 Deferred Compensation Plan.

Stock Option Plans

The Company's Amended and Combined Incentive and Non-statutory Stock Option Plan was adopted by the Board of Directors in April 1991 (the 1991 Plan) and approved by the shareholders of the Company in August 1991. The Plan provided for the grant of options to purchase shares of Common Stock, which were either incentive stock options (Incentive Stock Options), as that term is defined in the Code, or non-statutory stock options (Non-statutory Options).

In August 2000, the Company's shareholders approved the adoption of the SkyWest, Inc. Executive Stock Incentive Plan (the Executive Plan). The Executive Plan became effective January 1, 2001. The Executive Plan replaced the 1991 Plan; however, all outstanding options under the 1991 Plan as of January 1, 2001 remained outstanding, but no further grants have been or will be made under the 1991 Plan. The Executive Plan provides for the issuance of up to 4,000,000 shares of Common Stock to officers, directors and other management employees.

The Compensation Committee has complete authority to determine the persons to whom and the time or times at which grants of options under the Executive Plan will be made, whether those options will be Incentive Stock Options or Non-statutory Options, the exercise price, term, restrictions on exercise and transferability and vesting schedules, all of which are set forth in a Stock Option Agreement. In no event,

Table of Contents

however, may the exercise price of an Incentive Stock Option be less than the fair market value of a share of Common Stock on the date of grant or exercisable after the expiration of ten years from the date of grant, and no option may be exercisable before six months have lapsed from the date of grant (except in the case of death or disability). In considering the grant of options to executive officers, the Compensation Committee takes into consideration such factors as the projected value of the Common Stock in the future based on the Company achieving its performance goals, the executive officers' current salary and the overall performance of the Company. The Compensation Committee attempts to award options in an amount that will provide executive officers with options that will have a value in the future equal to a targeted percentage of the officers' base salaries if the Company's performance goals are met during the vesting period.

Chief Executive Officer Compensation

Using the process and criteria discussed above, effective January 1, 2004, the Compensation Committee recommended and the Board of Directors set Jerry C. Atkin's annual base salary at \$334,000 and established guidelines for the payment of an annual bonus award based on the Company's net income and also subject to achieving other non-financial objectives. After the end of the year ended December 31, 2004, the Compensation Committee awarded Mr. Atkin a \$313,600 bonus based on the Company's performance during the year. Mr. Atkin's bonus is formula-driven and based on the net income of the Company. The Compensation Committee has the discretion to adjust Mr. Atkin's formula-driven bonus up or down but did not do so for the year ended December 31, 2004. The Compensation Committee also awarded to Mr. Atkin options to purchase up to 104,000 shares of Common Stock based on the criteria described above.

COMPENSATION COMMITTEE

J. Ralph Atkin, Chairman
Steven F. Udvar-Hazy
Hyrum W. Smith
Sidney J. Atkin

Table of Contents**PERFORMANCE GRAPH**

Set forth below is a graph comparing the cumulative shareholder return on the Common Stock from December 31, 1999 through December 31, 2004 against the cumulative total return on the Composite Index for the Nasdaq Stock Market (U.S. Companies) and a peer group index composed of passenger airlines, the members of which are identified below (the Peer Group), for the same period. The graph assumes an initial investment of \$100.00 with dividends reinvested.

INDEXED RETURNS**Years Ending**

Company Name/ Index	Base Period Dec. 1999	Dec. 2000	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004
SKYWEST INC	100	206.09	183.09	94.47	131.30	146.74
NASDAQ COMPOSITE	100	60.31	47.84	33.07	49.45	53.81
PEER GROUP	100	127.64	88.51	50.69	67.95	61.43

The Peer Group consists of regional and major passenger airlines with U.S. operations that have equity securities traded in the United States markets. The members of the Peer Group are: Airtran Holdings, Inc.; Alaska Air Group, Inc.; America West Holding Corp.; AMR Corp.; ATA Holdings Corp.; Continental Airlines, Inc.; Delta Air Lines, Inc.; ExpressJet Holdings, Inc.; FLYi, Inc.; Frontier Airlines, Inc.; Great Lakes Aviation Ltd.; Hawaiian Holdings, Inc.; JetBlue Airways Corp.; Mesa Air Group, Inc.; Midway Airlines Corp.; Midwest Air Group, Inc.; Northwest Airlines Corp.; Pinnacle Airlines Corp.; Republic Airways Holdings, Inc.; Southwest Airlines Co.; UAL Corp.; US Airways Group, Inc.; and Vanguard Airlines, Inc.

Source: Standard and Poor's Investment Service

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of February 18, 2005, information with respect to the shares of Common Stock owned beneficially by each director or nominee for director, each Named Executive Officer, all executive officers and directors as a group and each person known by the Company to be a beneficial owner of more than 5% of the outstanding shares of Common Stock. Except as otherwise indicated below, each person named has sole voting and investment power with respect to the shares indicated. Except as otherwise set forth below, the business address of the following beneficial owners and members of management is the SkyWest Corporate Office located at 444 South River Road, St. George, Utah 84790.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class(1)
Barclays Global Investors NA 45 Fremont St 17th Floor San Francisco, CA 94105	3,887,245	6.6%
Jerry C. Atkin(2)	2,405,500	4.1%
Sidney J. Atkin(3)	1,520,999	2.6%
Mervyn K. Cox(4)	417,621	*
Bradford R. Rich(5)	359,013	*
Ron B. Reber(6)	209,026	*
Ian M. Cumming(7)	66,000	*
J. Ralph Atkin(7)	50,000	*
Robert G. Sarver(8)	49,000	*
Steven Udvar-Hazy(7)	48,600	*
Hyrum W. Smith(7)	48,000	*
W. Steve Albrecht	0	*
All Executive Officers and Directors as a group (11 persons)(9)	5,173,759	8.6%

* Represents less than 1% of total outstanding shares.

(1) Based on total outstanding shares of 58,564,742 as of March 31, 2005.

(2) Includes 948,935 shares held by Mr. Atkin as trustee of a trust, 828,579 shares held by Mr. Atkin's wife as trustee of a trust, and 624,000 shares issuable upon exercise of options.

(3) Includes 1,145,500 shares held by a family limited partnership of which Mr. Atkin and his wife are the general partners, 327,361 shares held by Mr. Atkin as trustee of a trust for the benefit of his family, 138 shares held by his wife and 48,000 shares issuable upon exercise of options.

(4) Includes 199,962 shares held by Mr. Cox's wife as trustee of a trust, 19,264 shares held by Mr. Cox's children, and 32,000 shares issuable upon exercise of options.

(5) Includes 352,000 shares issuable upon exercise of options.

- (6) Includes 184,000 shares issuable upon exercise of options.
- (7) Includes 48,000 shares issuable upon exercise of options.
- (8) Includes 32,000 shares issuable upon exercise of options.
- (9) Includes 1,464,000 shares issuable upon exercise of options.

Table of Contents

PROPOSAL NO. 2 RATIFICATION OF SELECTION OF AUDITOR

The Audit and Finance Committee has selected the firm of Ernst & Young LLP (Ernst & Young), independent certified public accountants, to audit the consolidated financial statements of the Company for the fiscal year ending December 31, 2005, subject to ratification by the Company s shareholders. The Board of Directors anticipates that one or more representatives of Ernst & Young will be present at the Annual Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

The Board of Directors recommends that shareholders vote FOR ratification of the appointment of Ernst & Young as the Company s independent auditor.

Audit Fees

The aggregate fees billed by Ernst & Young for professional services rendered for the audit of the Company s consolidated financial statements for the year ended December 31, 2004 and for the review of the financial statements included in the Company s Quarterly Reports on Form 10-Q for such year were approximately \$347,000. For the year ended December 31, 2003, such fees billed by Ernst & Young were approximately \$154,000.

Audit-Related Fees

During the year ended December 31, 2004, Ernst & Young billed the Company approximately \$49,000 for audit-related fees in connection with the review and audit of the Company s 401(k) plan, as well as certain accounting consultation services. For the year ended December 31, 2003, such fees billed by Ernst & Young were approximately \$14,500.

Tax Fees

During the year ended December 31, 2004, Ernst & Young billed the Company approximately \$38,500 for professional services related to tax compliance, advice and planning. For the year ended December 31, 2003, Ernst & Young did not provide any such services.

All Other Fees

During the years ended December 31, 2003 and 2004, Ernst & Young did not provide to the Company any services other than those identified above.

All of the fees described above were approved by the Audit and Finance Committee in accordance with the procedures outlined in the following paragraph. The Audit and Finance Committee has considered whether the provision of non-audit services is compatible with maintaining the principal accountant s independence and has concluded that it is.

Pre-Approval Policies and Procedures

The Audit and Finance Committee pre-approves a schedule of audit and non-audit services expected to be performed by Ernst & Young in a given fiscal year. In addition, the Audit and Finance Committee delegates authority to its Chairman to pre-approve additional audit and non-audit services by Ernst & Young (other than services that have been generally pre-approved by the Audit and Finance Committee) in the aggregate amounting to less than five percent of the amount of the pre-approved audit fees for the applicable year. The Chairman must report any such pre-approval decisions to the Audit and Finance Committee at its next scheduled meeting. During the year ended December 31, 2004, audit-related services representing approximately \$19,500, or approximately 49% of the aggregate amount of the Audit-Related Fees identified above, were pre-approved by the Chairman of the Audit and Finance Committee and subsequently reported to the Audit and Finance Committee in accordance with the procedures set forth above.

Table of Contents

Change of Auditor

On March 31, 2003, the Company dismissed its former independent auditors, KPMG LLP (KPMG), and, effective April 7, 2003, selected Ernst & Young to be its new independent auditors. The Company's actions were approved by the Audit and Finance Committee.

KPMG was appointed as the Company's independent auditors on June 24, 2002. In connection with KPMG's review of the Company's consolidated financial statements as of and for the three and nine-month periods ended September 30, 2002, KPMG identified certain adjustments to the Company's accounting for CRJ200 engine overhaul costs and related agreements. Skywest and KPMG initially disagreed as to the amount of the adjustments to be recorded in prior fiscal periods. Following discussions between the Company and KPMG, which discussions involved the Board of Directors and the Audit and Finance Committee, those disagreements were ultimately resolved through a re-audit and restatement of the Company's consolidated financial statements as of and for the year ended December 31, 2001 and KPMG's issuance of their report with respect thereto. Additionally, the Company restated its consolidated financial statements as of and for the interim periods ended March 31 and June 30, 2002. There has been no subsequent disagreement between the Company and KPMG on any matter of accounting principles or practices, financial statement disclosure, auditing scope or procedure, which disagreement, if not resolved to KPMG's satisfaction, would have caused KPMG to make reference to the subject matter of such disagreement in connection with its reports. The Company has authorized KPMG to respond fully to any inquiries of any successor accountant concerning the subject matter of such disagreements. There have occurred no reportable events as defined in Item 304(a)(1)(V) of Regulation S-K promulgated by the SEC.

The audit reports of KPMG on the Company's consolidated financial statements for the fiscal years ended December 31, 2002 and 2001 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles, except as follows:

KPMG's report on the Company's consolidated financial statements as of and for the year ended December 31, 2001 contained a separate paragraph stating that the Company has restated the consolidated balance sheet as of December 31, 2001, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows and financial statement schedule for the year then ended, which consolidated financial statements and financial statement schedule were previously audited by other independent auditors who have ceased operations.

KPMG's report on the Company's consolidated financial statements as of and for the year ended December 31, 2002 contained a separate paragraph stating that the Company changed its method of accounting for CRJ engine overhaul costs from the accrual method to the direct expense method in 2002.

During the two fiscal years ended December 31, 2002 and 2001, and the subsequent interim period through April 7, 2003, the Company did not consult with Ernst & Young regarding any of the matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

The Company provided a copy of the foregoing disclosures to KPMG in connection with the Company's filing of a Current Report on Form 8-K, dated April 7, 2003 (as amended on April 9, 2003). A copy of KPMG's letter (as required by Item 304(a)(3) of Regulation S-K) was filed as Exhibit 16.1 to such Current Report.

Table of Contents

OTHER MATTERS

Other Business

The Board of Directors does not know of any matter to be presented at the Annual Meeting that is not listed in the Notice of Annual Meeting and discussed above. If other matters should come before the Annual Meeting, however, the proxyholders will vote in accordance with their best judgment.

Proposals of Security Holders for 2006 Annual Meeting

Shareholders desiring to submit proposals for the Proxy Statement for the 2006 Annual Meeting will be required to submit them to the Company in writing on or before December 31, 2005. Any shareholder proposal must also be proper in form and substance, as determined in accordance with the Exchange Act and the rules and regulations promulgated thereunder. Proposals should be addressed to Corporate Secretary, SkyWest, Inc., 444 South River Road, St. George, Utah 84790.

Other Security Holder Proposals for Presentation at the 2006 Annual Meeting

For any proposal that is not submitted for inclusion in the 2006 Proxy Statement but is instead sought to be presented directly at the 2006 Annual Meeting, SEC rules permit management to vote proxies in its discretion if the Company (1) receives notice of the proposal before the close of business on February 21, 2006, and advises shareholders in the 2006 Proxy Statement about the nature of the matter and how management intends to vote on such matter; or (2) does not receive notice of the proposal prior to the close of business on February 21, 2006. Notices of intention to present proposals at the 2006 Annual Meeting should be addressed to Corporate Secretary, SkyWest, Inc., 444 South River Road, St. George, Utah 84790.

Additional Information

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 will be furnished without charge upon receipt of a written request. The exhibits to that report will also be provided upon request and payment of copying charges. Requests should be directed to Corporate Secretary, SkyWest, Inc., 444 South River Road, St. George, Utah 84790.

Delivery of Documents to Security Holders Sharing an Address

The Company delivers one proxy statement to each address where multiple holders of its Common Stock reside, unless it has received instructions from a shareholder to the contrary. The Company will promptly deliver another proxy statement to any holder of its Common Stock living at a shared address where it has delivered only one proxy statement. Stockholders wishing to receive another copy of the proxy statement may call Eric Christensen at (435) 634-3000, or may deliver such request in writing to Corporate Secretary, SkyWest, Inc., 444 South River Road, St. George, Utah 84790.

Edgar Filing: SKYWEST INC - Form DEF 14A

(Please sign above exactly as the shares are issued. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.)