SkyWest
INCORPORATED

2019 ANNUAL REPORT

Notice of 2020 Annual Meeting and Proxy Statement

SKYWEST

INCORPORATED

SKYWEST ROUTE SYSTEM

EFFECTIVE FEBRUARY 2020

To our Shareholders,

The past several years have been transformative for SkyWest as we look to minimize risk, increase our market share within scope constraints, and solidify our leasing platform to maximize cash flow. A key component of this strategy has been a significant fleet transition as we've taken on more than 150 new E175 aircraft, completed the sale of ExpressJet Airlines and moved forward with a smaller, more efficient footprint. Our ability to execute these significant changes as we accept new aircraft and transition others is only made possible through the dedication and good work of our more than 14,000 employees.

Our customers and the industry continue to expect and demand exceptional safety, reliability and service. We believe the progress we've made at SkyWest uniquely positions us to deliver better than any other airline in our space. Our operational and cultural successes continue to drive demand for our product, and our pilot availability and fleet flexibility make us well positioned to deliver on that demand.

During 2019, we secured substantial market share wins and continued to enhance our partners' confidence in the SkyWest product. We reached new and extended agreements with our partners throughout the year, solidifying a key component of our strategy to mitigate tail risk and maintain the flexibility necessary to adapt and quickly respond to what our partners need and have come to expect from SkyWest Airlines.

We also continued monetizing our assets within our leasing operation during 2019. Demand for engines remains especially strong, and our leasing business continues to demonstrate SkyWest's creativity and ability to utilize the assets within our operational footprint profitably while maintaining a clear focus on our contract partnerships.

Much uncertainty has been introduced into the US economy in early 2020 as a result of the spread of the COVID-19 virus, and we are not immune to this. As we look ahead to the rest of 2020 and beyond, we don't know what the economic environment will look like, but we remain very focused on a few key areas that make up the foundation of our current and future success. We believe our competitive advantage is and will continue to be our ability to provide best in class operations, maintain strong liquidity, and invest for the future. We believe as we remain firm in our execution of these objectives, SkyWest will continue to deliver on its mission for employees, our customers and our investors. We want to thank our team of professionals for their good work in delivering exceptional performance and world-class service to our more than 40 million passengers last year.

Jerry C. Atkin
Chairman
SkyWest, Inc.

Russell A. "Chip" Childs
Chief Executive Officer and President
SkyWest, Inc.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 0-14719

SKYWEST, INC.

Incorporated under the Laws of Utah	**87-0292166** (IRS Employer ID No.)

444 South River Road
St. George, Utah 84790
(435) 634-3000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, No Par Value	**SKYW**	**The Nasdaq Global Select Market**

Securities Registered Pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant’s common stock held by non-affiliates (based upon the closing sale price of the registrant’s common stock on The Nasdaq Global Select Market) on June 28, 2019 was approximately $3,157,616,762.

As of February 12, 2020, there were 50,474,289 shares of the registrant’s common stock outstanding.

Documents Incorporated by Reference

Portions of the registrant’s proxy statement to be used in connection with the registrant’s 2020 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report as specified. Such proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the registrant’s fiscal year ended December 31, 2019.

SKYWEST, INC.
ANNUAL REPORT ON FORM 10-K
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PART I

Unless otherwise indicated in this Report, "SkyWest," "we," "us," "our" and similar terms refer to SkyWest, Inc., including SkyWest's wholly-owned subsidiary SkyWest Airlines, Inc. "SkyWest Airlines" refers to our wholly-owned subsidiary SkyWest Airlines, Inc., and "ExpressJet" refers to our former wholly-owned subsidiary ExpressJet Airlines, Inc.

On January 22, 2019, we completed the sale of ExpressJet. Our financial and operating results for the years ended December 31, 2017, 2018 and 2019, and our financial position as of December 31, 2018 contained in this Report, include the financial results and position of ExpressJet for those respective periods, as the sale of ExpressJet did not qualify for presentation of discontinued operations (see Note 2 in the accompanying financial statements).

Cautionary Statement Concerning Forward-Looking Statements

Certain of the statements contained in this Report should be considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as "may," "will," "expect," "intend," "anticipate," "believe," "estimate," "plan," "project," "could," "should," "hope," "likely," and "continue" and similar terms used in connection with statements regarding our outlook, anticipated operations, the revenue environment, our contractual relationships, and our anticipated financial performance. These statements include, but are not limited to, statements about our future growth and development plans, including our future financial and operating results, our plans, objectives, expectations and intentions and other statements that are not historical facts. Readers should keep in mind that all forward-looking statements are based on our existing beliefs about present and future events outside of our control and on assumptions that may prove to be incorrect. If one or more risks identified in this Report materializes, or any other underlying assumption proves incorrect, our actual results will vary, and may vary materially, from those anticipated, estimated, projected, or intended for a number of reasons, including but not limited to: the challenges of competing successfully in a highly competitive and rapidly changing industry; developments associated with fluctuations in the economy and the demand for air travel; the financial stability of Delta Air Lines, Inc. ("Delta"), United Airlines, Inc. ("United"), American Airlines, Inc. ("American") and Alaska Airlines, Inc. ("Alaska") (each, a "major airline partner") and any potential impact of their financial condition on our operations; fluctuations in flight schedules, which are determined by the major airline partners for whom SkyWest conducts flight operations; variations in market and economic conditions; significant aircraft lease and debt commitments; residual aircraft values and related impairment charges; the impact of global instability; labor relations and costs; potential fluctuations in fuel costs, and potential fuel shortages; the impact of weather-related or other natural disasters on air travel and airline costs; new aircraft deliveries; and the ability to attract and retain qualified pilots, as well as the other factors described below in Item 1A. Risk Factors.

There may be other factors that may affect matters discussed in forward-looking statements set forth in this Report, which factors may also cause actual results to differ materially from those discussed. We assume no obligation to publicly update any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting these statements other than as required by applicable law.

ITEM 1. BUSINESS

General

We offer scheduled passenger service to destinations in the United States, Canada, Mexico and the Caribbean. Substantially all of our flights are operated as Delta Connection, United Express, American Eagle or Alaska Airlines flights under code-share arrangements (commercial agreements between airlines that, among other things, allow one airline to use another airline's flight designator codes on its flights) with Delta, United, American or Alaska, respectively. As of December 31, 2019, we offered approximately 2,300 daily departures, of which approximately 960 were Delta Connection flights, 850 were United Express flights, 340 were American Eagle flights and 150 were Alaska Airlines flights. We generally provide regional flying to our major airline partners under long-term, fixed-fee, code-share agreements. Under these fixed-fee agreements, our major airline partners generally pay us fixed rates for operating the aircraft primarily based on the number of completed flights, flight time and the number of aircraft under contract. The major airline partners either directly pay for or reimburse us for specified direct operating expenses (including fuel expense). Our operations are conducted principally from airports located in Chicago (O'Hare), Denver, Houston, Los Angeles, Minneapolis, Phoenix, Salt Lake City, San Francisco and Seattle.

SkyWest has been flying since 1972. During our long operating history, we have developed an industry-leading reputation for providing quality regional airline service. As of December 31, 2019, we had 483 aircraft in scheduled service consisting of the following:

	CRJ200	CRJ700	CRJ900	E175	Total
Delta	84	13	43	59	199
United	99	19	—	65	183
American	7	62	—	—	69
Alaska	—	—	—	32	32
Aircraft in scheduled service	190	94	43	156	483
Subleased to an un-affiliated entity	4	10	5	—	19
Other*	20	22	—	—	42
Total Fleet	214	126	48	156	544

*As of December 31, 2019, these aircraft have been removed from service and are in the process of being placed under a leasing arrangement with a third party, are aircraft transitioning between code-share agreements with our major airline partners and being used as supplemental spare aircraft, or are in the process of being parted out.

As of December 31, 2019, our fleet scheduled for service consisted of aircraft manufactured by Bombardier Aerospace ("Bombardier") and Embraer S.A. ("Embraer") summarized as follows:

Manufacturer	Aircraft Type	Seat Configuration
Bombardier	CRJ900s	76
Bombardier	CRJ700s	65-70
Bombardier	CRJ200s	50
Embraer	E175s	70-76

Bombardier and Embraer are the primary manufacturers of regional jets operated in the United States and offer many of the amenities of larger commercial jet aircraft, including flight attendant service, a stand-up cabin, overhead and under seat storage, lavatories and in-flight snack and beverage service. The speed of Bombardier and Embraer regional jets is comparable to larger aircraft operated by major airlines, and they have a range of approximately 1,600 miles and 2,100 miles, respectively.

We were incorporated in Utah in 1972. Our principal executive offices are located at 444 South River Road, St. George, Utah 84790, and our primary telephone number is (435) 634-3000. We maintain an internet website at *inc.skywest.com,* which provides links to our annual, quarterly and current reports filed with the Securities and Exchange Commission ("SEC"). The information on our website does not constitute part of this Report. In addition, we provide electronic or paper copies of our SEC filings free of charge upon request.

We conduct our code-share operations with our major airline partners pursuant to the following agreements:

Major airline partner	Agreement
United	"United Express Agreements" and "United Express Prorate Agreement"
Delta	"Delta Connection Agreement" and "Delta Connection Prorate Agreement"
American	"American Agreement" and "American Prorate Agreement"
Alaska	"Alaska Agreement"

A summary of the terms for each of our code-share agreements is provided under the heading "Code-Share Agreements" below on page [6].

ExpressJet

Prior to our sale of ExpressJet in January 2019, ExpressJet provided regional jet service to airports primarily located in the Eastern and Midwestern United States, as well as Mexico, Canada and the Caribbean. ExpressJet's operations were conducted principally from airports located in Atlanta, Chicago (O'Hare), Houston, Newark and New York.

SkyWest Leasing

The SkyWest Leasing segment includes revenue attributed to our Embraer E175 dual-class regional jet aircraft ("E175") ownership cost earned under the applicable fixed-fee contracts, and the depreciation and interest expense of our E175 aircraft. The SkyWest Leasing segment's total assets and capital expenditures include the acquired E175 aircraft. The SkyWest Leasing segment additionally includes the revenue and expense from leasing aircraft and engines to third parties.

Competition and Economic Conditions

The airline industry is highly competitive. SkyWest competes principally with other regional airlines. Our operations extend throughout most major geographic markets in the United States. Our competition includes, therefore, nearly every other domestic regional airline. Our primary competitors include Air Wisconsin Airlines Corporation ("Air Wisconsin"); Endeavor Air, Inc. ("Endeavor") (owned by Delta); Envoy Air Inc. ("Envoy"), PSA Airlines, Inc. ("PSA") and Piedmont Airlines ("Piedmont") (Envoy, PSA and Piedmont are owned by American); ExpressJet (subsequent to January 2019); Horizon Air Industries, Inc. ("Horizon") (owned by Alaska Air Group, Inc.); Mesa Air Group, Inc. ("Mesa"); Republic Airways Holdings Inc. ("Republic"); and Trans States Airlines, Inc. ("Trans States"). Major airlines typically award code-share flying arrangements to regional airlines based primarily upon the following criteria: ability to fly contracted schedules, availability of labor resources, including pilots, low operating cost, financial resources, geographical infrastructure, overall customer service levels relating to on-time arrival and flight completion percentages and the overall image of the regional airline.

The principal competitive factors for regional airline code-share arrangements include labor resources, code-share agreement terms, reliable flight operations, operating cost structure, ability to finance new aircraft, certification to operate certain aircraft types and geographical infrastructure and markets and routes served.

Our operations represent the largest regional airline operations in the United States. However, regional carriers owned by major airlines may have access to greater resources than we do through their parent companies.

Generally, the airline industry is sensitive to changes in general economic conditions. Economic downturns, combined with competitive pressures, have contributed to a number of reorganizations, bankruptcies, liquidations and business combinations among major and regional carriers. The effect of economic downturns may be somewhat mitigated by our predominantly contract-based flying arrangements. If, however, any of our major airline partners experience a prolonged decline in the number of passengers or are negatively affected by low ticket prices or high fuel prices, they may seek rate reductions in future code-share agreements, or materially reduce scheduled flights in order to reduce their costs. In addition, adverse weather conditions can impact our ability to complete scheduled flights and can have a negative impact on our operations and financial condition.

Industry Overview

Majors, Low-Cost Carriers and Regional Airlines

The airline industry in the United States has traditionally been comprised of several major airlines, including Alaska, American, Delta and United. The major airlines offer scheduled flights to most major U.S. cities, numerous smaller U.S. cities, and cities throughout the world through a hub and spoke network.

Low-cost carriers, such as Southwest Airlines Co. ("Southwest") and JetBlue Airways Corporation ("JetBlue"), generally offer fewer conveniences to travelers and have lower cost structures than major airlines, which permits them to offer flights to and from many of the same markets as the major airlines, but at lower prices.

Regional airlines, including SkyWest, typically operate smaller aircraft on shorter distance routes than major and low-cost carriers. Several regional airlines, including Endeavor, Envoy, Horizon, Piedmont and PSA, are wholly-owned subsidiaries of major airlines.

Regional airlines generally do not try to establish an independent route system to compete with the major airlines. Rather, regional airlines typically enter into relationships with one or more major airlines, pursuant to which the regional airline agrees to use its smaller, lower-cost aircraft to carry passengers booked and ticketed by the major airline between a hub of the major airline and a smaller outlying city. In exchange for such services, the major airline pays the regional airline either a fixed flight fee, termed "contract" or "fixed-fee" flights, or the regional airline receives a percentage of applicable passenger ticket revenues, termed "prorate" or "revenue-sharing" flights, as described in more detail below.

Code-Share Agreements

Regional airlines generally enter into code-share agreements with major airlines, pursuant to which the regional airline is authorized to use the major airline's two-letter flight designator codes to identify the regional airline's flights and fares in the central reservation systems, to paint its aircraft with the colors and/or logos of the major airline and to market and advertise its status as a carrier for the major airline. Code-share agreements also generally obligate the major airline to provide services such as reservations, ticketing, ground support and gate access to the regional airline, and the major airline often coordinates marketing, advertising and other promotional efforts. In exchange, the regional airline provides a designated number of low-capacity (usually between 50 and 76 seats) flights between larger airports served by the major airline and surrounding cities, usually in lower-volume markets. The financial arrangements between the regional airlines and their code-share partners usually involve either fixed-fee arrangements or revenue-sharing arrangements as explained below:

- *Fixed-Fee Arrangements.* Under a fixed-fee arrangement (referred to as a "fixed-fee arrangement," "fixed-fee contract," "contract flying" or a "capacity purchase agreement"), the major airline generally pays the regional airline a fixed-fee for each departure, flight hour (measured from takeoff to landing, excluding taxi time) and block hour (measured from takeoff to landing, including taxi time) incurred, and an amount per aircraft in service each month with additional incentives based on completion of flights, on-time performance and other operating metrics. The regional airline typically acquires or finances the aircraft used under the fixed-fee arrangement, which is considered a lease of the aircraft to our major airline partner. In addition, under a fixed fee arrangement, the major airline bears the risk of fuel price fluctuations and certain other costs. Regional airlines benefit from fixed-fee arrangements because they are protected from some of the elements that cause volatility in airline financial performance, including variations in ticket prices, number of passengers and fuel prices. However, regional airlines in fixed-fee arrangements generally do not benefit from positive trends in ticket prices, ancillary revenue, such as baggage and food and beverage fees, the number of passengers enplaned or fuel prices, because the major airlines retain passenger fare volatility risk and fuel costs associated with the regional airline flight.

- *Revenue-Sharing Arrangements.* Under a revenue-sharing arrangement (referred to as a "revenue-sharing" arrangement or "prorate" arrangement), the major airline and regional airline negotiate a passenger fare proration formula for specifically identified routes, pursuant to which the regional airline receives a percentage of the ticket revenues for those passengers traveling for one portion of their trip on the regional airline and the other portion of their trip on the major airline. On the other hand, the regional airline receives all of the passenger fare when a passenger purchases a ticket on a route solely operated by the regional airline. Substantially all costs associated with the regional airline flight are borne by the regional airline. In a revenue-sharing arrangement, the regional airline may realize increased profits as ticket prices and passenger loads increase or fuel prices decrease and, correspondingly, the regional airline may realize decreased profits as ticket prices and passenger loads decrease or fuel prices increase.

We have code-share agreements with Delta, United, American and Alaska.

During the year ended December 31, 2019, approximately 82.0% of our flying agreements revenue related to fixed-fee contract flights, where Delta, United, American and Alaska controlled scheduling, ticketing, pricing and seat inventories. The remainder of our flying agreements revenue during the year ended December 31, 2019 related to prorate flights for Delta, United or American, where we controlled scheduling, pricing and seat inventories, and shared passenger fares with Delta, United or American according to prorate formulas. The routes placed under our prorate arrangements typically include flight service between one of our partners' hub cities and a city not served under our fixed-fee arrangements.

Under our fixed-fee arrangements, our major airline partners compensate us for our costs of owning or leasing the aircraft on a monthly basis. The aircraft compensation structure varies by agreement but is intended to cover either our aircraft principal and interest debt service costs, our aircraft depreciation and interest expense or our aircraft lease expense costs while the aircraft is under contract. The number of aircraft under our fixed-fee arrangements and our prorate arrangements as of December 31, 2019 is reflected in the summary below. The following summaries of our code-share agreements with our major airline partners do not purport to be complete and are qualified in their entirety by reference to the applicable agreement.

Delta Connection Agreements

Agreement	Aircraft type	Number of Aircraft	Term / Termination Dates
Delta Connection Agreement (fixed-fee arrangement)	• CRJ 200 • CRJ 700 • CRJ 900 • E175	55 13 43 59	• Individual aircraft have scheduled removal dates from 2020 to 2029 • The average remaining term of the aircraft under contract is 4.1 years
Delta Connection Prorate Agreement (revenue-sharing arrangement)	• CRJ 200	29	• Terminable with 30-day notice

United Express Agreements

Agreement	Aircraft type	Number of Aircraft	Term / Termination Dates
United Express Agreements (fixed-fee arrangement)	• CRJ 200 • CRJ 700 • E175	68 19 65	• Individual aircraft have scheduled removal dates under the agreement between 2020 and 2029 • The average remaining term of the aircraft under contract is 4.3 years
United Express Prorate Agreement (revenue-sharing arrangement)	• CRJ 200	31	• Terminable with 120-day notice

American Agreements

Agreement	Aircraft type	Number of Aircraft	Term / Termination Dates
American Agreement (fixed-fee arrangement)	• CRJ 700	62	• Individual aircraft have scheduled removal dates from 2022 to 2025 • The average remaining term of the aircraft under contract is 4.1 years
American Prorate Agreement (revenue-sharing arrangement)	• CRJ 200	7	• Terminable with 120-day notice

Alaska Capacity Purchase Agreement

Agreement	Aircraft type	Number of Aircraft	Term / Termination Dates
Alaska Agreement (fixed-fee arrangement)	• E175	32	• Individual aircraft have scheduled removal dates from 2027 to 2030 • The average remaining term of the aircraft under contract is 9.2 years

In addition to the contractual arrangements described above, SkyWest Airlines has entered into fixed-fee agreements with Delta and American to place additional E175 aircraft into service. As of December 31, 2019, SkyWest Airlines is scheduled to take delivery of six new E175 aircraft in connection with its agreement with Delta and 20 new E175 aircraft in connection with its agreement with American. The delivery dates for the new E175 aircraft are currently scheduled to take place by the end of 2021. Final delivery dates may be adjusted based on various factors. Additionally, SkyWest Airlines is scheduled to add an additional six used E175 aircraft under the Delta fixed-fee agreement during 2020.

SkyWest Airlines also has an agreement with Delta to place one CRJ900 regional jet aircraft (“CRJ900”) in 2020 under a nine-year fixed-fee agreement. We anticipate Delta will finance the aircraft.

SkyWest Airlines also has an agreement with American to place ten used CRJ700 regional aircraft (“CRJ700”) under a multi-year contract. As of December 31, 2019, SkyWest Airlines had placed two of these CRJ700 aircraft into service with American. We anticipate acquiring five CRJ700 aircraft from a third party and internally sourcing three CRJ700s through other contract expirations.

Delta Connection Agreements

We and Delta are parties to a Delta Connection Agreement (the "Delta Connection Agreement"), pursuant to which we provide contract flight services for Delta.

The Delta Connection Agreement has a latest scheduled termination date of 2029. The Delta Connection Agreement is subject to early termination in various circumstances, including:

- if we or Delta commit a material breach of the Delta Connection Agreement, subject to 30-day notice and cure rights;
- if we fail to conduct all flight operations and maintain all aircraft under the Delta Connection Agreement in compliance in all material respects with applicable government regulations;
- if we fail to satisfy certain performance and safety requirements; or
- if either party files for bankruptcy, reorganization or similar action (subject to limitations imposed by the U.S. Bankruptcy Code) or makes an assignment for the benefit of creditors.

United Express Agreements

We and United are parties to two United Express agreements: a United Express agreement to operate certain CRJ200s regional aircraft (“CRJ200”) and CRJ700s, and a United Express agreement to operate E175 aircraft (collectively, the “United Express Agreements”).

The United Express Agreements have a latest scheduled termination date in 2029. The United Express Agreements are subject to early termination in various circumstances including:

- if we or United fail to fulfill an obligation under the United Express Agreements for a period of 60 days after written notice to cure;
- if our operations fall below certain performance levels for a period of three consecutive months;
- subject to limitations imposed by the U.S. Bankruptcy Code, if either party becomes insolvent, fails to pay its debts when due, takes action leading to its cessation as a going concern, makes an assignment of substantially all of its assets, or ceases or suspends operations; or

- subject to limitations imposed by the U.S. Bankruptcy Code, if bankruptcy proceedings are commenced against either party and certain specified conditions are not satisfied.

American Agreement

We and American are parties to an agreement (the "American Agreement") for the operation of CRJ700 aircraft. The American Agreement for CRJ700 aircraft is scheduled to terminate in 2025 and is subject to early termination in various circumstances including:

- if we or American fail to fulfill any obligation under the American Agreement for a period of 30 days after written notice to cure;

- if our operations fall below certain performance levels;

- subject to limitations imposed by the U.S. Bankruptcy Code, if either party makes a general assignment for the benefit of creditors or becomes insolvent; or

- subject to limitations imposed by the U.S. Bankruptcy Code, if bankruptcy proceedings are commenced against either party and certain specified conditions are not satisfied

Alaska Agreement

We and Alaska are parties to a Capacity Purchase Agreement (the "Alaska Agreement") for the operation of E175 aircraft. The agreement has a 12-year term for each of the aircraft subject to the agreement. The Alaska Agreement is subject to early termination in various circumstances including:

- if we or Alaska fail to fulfill an obligation under the Alaska Capacity Purchase Agreement for a period of 30 days after written notice to cure;

- if our operational performance falls below certain performance levels;

- subject to limitations imposed by the U.S. Bankruptcy Code, if either party makes a general assignment for the benefit of creditors or becomes insolvent; or

- subject to limitations imposed by the U.S. Bankruptcy Code, if bankruptcy proceedings are commenced against either party and certain specified conditions are not satisfied.

Training and Aircraft Maintenance

SkyWest provides substantially all training to our crew members and maintenance personnel at our training facilities. Our employees perform routine airframe and engine maintenance along with periodic inspections of equipment at our maintenance facilities. We also use third-party vendors for certain airframe and engine maintenance work.

Fuel

Our fixed-fee agreements with Delta, United, American and Alaska require the respective major airline partner to either directly pay for or reimburse us for the fuel costs we incur under those agreements, thereby reducing our exposure to fuel price fluctuations. Under our prorate agreements with Delta, United and American, we are responsible for the costs to operate the flights, including fuel costs, and therefore we are exposed to fuel price fluctuations for flights operated under our prorate agreements. During the year ended December 31, 2019, United and Delta purchased the majority of the fuel for our aircraft flying under their respective fixed-fee agreements directly from their fuel vendors. Historically, we have not experienced problems with the availability of fuel, and believe we will be able to obtain fuel in quantities sufficient to meet our existing and anticipated future requirements at competitive prices. Standard industry fuel purchase contracts generally do not provide protection against fuel price increases, nor do they ensure availability of supply. We typically purchase fuel from third-party suppliers for our prorate agreements. A substantial increase in the price of jet fuel for flights we operate under our prorate agreements, or the lack of adequate fuel supplies in the future, could have a material adverse effect on our business, financial condition, results of operations or liquidity.

Employee Matters

Collective Bargaining

As of December 31, 2019, SkyWest and SkyWest Airlines collectively employed approximately 13,700 full-time equivalent employees, consisting of 5,239 pilots, 4,126 flight attendants, 1,435 airport operations personnel, 1,284 mechanics, 888 other maintenance personnel, 178 dispatchers and 550 operational support and administrative personnel. Approximately 88.4% of these employees were represented by a labor group. Most of these employees are represented by in-house labor associations that have entered into collective bargaining agreements regarding employee compensation and work rules. None of these employees are currently represented by an outside union. Outside union organizing efforts among our employees do occur from time to time and may continue in the future. If unionization efforts are successful, we may be subjected to increased risks of work interruption or stoppage and/or incur additional expenses associated with a change in labor representation of our employees. Neither SkyWest nor SkyWest Airlines has ever experienced a work stoppage due to a strike or other labor dispute, and we consider our relationships with our employees to be good.

Our relations with labor are governed by the Railway Labor Act (the "RLA"), the federal law governing labor relations between air carriers and their employees. Under the RLA, a collective bargaining agreement between an airline and a labor representative does not expire, but instead becomes amendable as of a stated date. If either party wishes to modify the terms of any such agreement, it must notify the other party in the manner prescribed by the RLA and/or described in the agreement. After receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the National Mediation Board to initiate a process including mediation, arbitration, and a potential "cooling off" period that must be followed before either party may engage in "self-help." "Self-help" includes, among other things, a strike by the representative or the imposition of proposed changes to the collective bargaining agreement by the airline. The U.S. Congress and the President have the authority to prevent "self-help" by enacting legislation that, among other things, imposes a settlement on the parties. SkyWest Airlines respects all employees' legal rights, including the rights to free association and collective bargaining. This includes the right to decide whether to be represented by a union. Our employees are covered by the RLA. Under the RLA, employees have the right to decide whether they wish to be represented by a union. They also have the right to reject union representation.

Government Regulation

All interstate air carriers, including SkyWest, are subject to regulation by the U.S. Department of Transportation (the "DOT"), the U.S. Federal Aviation Administration (the "FAA") and other governmental agencies. Regulations promulgated by the DOT primarily relate to economic aspects of air service. The FAA requires operating, air worthiness and other certificates; approval of personnel who may engage in flight, maintenance or operating activities; record-keeping procedures in accordance with FAA requirements; and FAA approval of flight training and retraining programs. Generally, governmental agencies enforce their regulations through, among other methods, certifications, which are necessary for the continued operations of SkyWest, and proceedings, which can result in civil or criminal penalties or revocation of operating authority. The FAA can also issue maintenance directives and other mandatory orders relating to, among other things, grounding of aircraft, inspection of aircraft, installation of new safety-related items and the mandatory removal and replacement of aircraft parts.

We believe SkyWest is in compliance in all material respects with FAA regulations and holds all operating and airworthiness certificates and licenses which are necessary to conduct our operations. We incur substantial costs in maintaining current certifications and otherwise complying with the laws, rules and regulations to which we are subject. Our flight operations, maintenance programs, recordkeeping and training programs are conducted under FAA approved procedures. All air carriers operating in the United States are required to comply with federal laws and regulations pertaining to noise abatement and engine emissions. All such air carriers are also subject to certain provisions of the Federal Communications Act of 1934, as amended, because of their extensive use of radio and other communication facilities. SkyWest is also subject to certain federal and state laws relating to protection of the environment, labor relations and equal employment opportunity. We believe SkyWest is in compliance in all material respects with these laws and regulations.

Environmental Matters

We are subject to various federal, state, local and foreign laws and regulations relating to environmental protection matters. These laws and regulations govern such matters as environmental reporting, storage and disposal of materials and chemicals and aircraft noise. We are, and expect in the future to be, involved in various environmental matters and conditions at, or related to, our properties. We are not currently subject to any environmental cleanup orders or actions imposed by regulatory authorities. We are not aware of any active material environmental investigations related to our assets or properties.

As the largest regional airline in the United States, we remain committed to lowering our environmental footprint while continuing to offer the best service to our customers and the communities we serve. Through the use of software and training, we heavily monitor and manage our fuel trends and fuel consumption which leads to better fuel conservation and reductions in emissions. When possible, we try to mitigate the use of fuel, including by taxiing with the use of a single engine, taking steps to improve the efficiency of aircraft routing and using ground power when the plane is parked at the gate. We participate with our major airline partners in recycling programs, and we have implemented recycling initiatives in our facilities to reduce the amount of paper, plastic and other recyclables going to landfills. We have worked aggressively to reduce our reliance on paper manuals and have converted, or are in the process of converting, our manuals and our maintenance logs into electronic form, further eliminating unnecessary waste while increasing efficiencies.

Safety and Security

We are committed to the safety and security of our passengers and employees. We have taken many steps, both voluntarily and as mandated by governmental authorities, to increase the safety and security of our operations. Some of the safety and security measures we have taken with our major airline partners include: aircraft security and surveillance, positive bag matching procedures, enhanced passenger and baggage screening and search procedures, and securing of cockpit doors. We are committed to complying with future safety and security requirements.

Insurance

We maintain insurance policies we believe are of types customary in the industry and in amounts we believe are adequate to protect against material loss. These policies principally provide coverage for public liability, passenger liability, baggage and cargo liability, property damage, including coverage for loss or damage to our flight equipment, and workers' compensation insurance.

Seasonality

Our results of operations for any interim period are not necessarily indicative of those for the entire year, in part because the airline industry is subject to seasonal fluctuations and changes in general economic conditions. Our operations are somewhat favorably affected by pleasure travel on our prorate routes, historically contributing to increased travel in the summer months, and are unfavorably affected by decreased business travel during the months from November through January and by inclement weather which can result in cancelled flights, principally during the winter months. Additionally, a significant portion of our fixed-fee arrangements is based on completing flights and we typically have more scheduled flights during the summer months. We generally experience a significantly higher number of weather cancellations during the winter months, which negatively impacts our revenue during such months.

ITEM 1A. RISK FACTORS

In addition to factors discussed elsewhere in this Report, the following are important risks which could adversely affect our future results. Additional risks and uncertainties not presently known to us or that we currently do not deem material may also impair our business operations. If any of the risks we describe below occur, or if any unforeseen risk develops, our operating results may suffer, our financial condition may deteriorate, the trading price of our common stock may decline and investors could lose all or part of their investment in us.

Risks Related to Our Operations

Our business model is dependent on code-share agreements with four major airline partners.

Our business model depends on major airlines electing to contract with us instead of operating their own regional jets. Some regional airlines are owned by a major airline. We have no guarantee that in the future our major airline partners will choose to enter into contracts with us instead of operating their own regional jets. Our major airline partners are not prohibited from doing so under our code-share agreements. A decision by any of our major airline partners to phase out code-share relationships and instead acquire and operate their own regional jets could have a material adverse effect on our financial results.

As of December 31, 2019, 382 out of our total 483 aircraft available for scheduled service were operating under a fixed-fee arrangement or a revenue-sharing agreement with either Delta or United. If our code-share relationship with Delta or United were terminated, we would be significantly impacted and likely would not have an immediate source of revenue or earnings to offset such loss. A termination of either of these relationships would likely have a material adverse effect on our financial condition, operating revenues and net income unless we are able to enter into satisfactory substitute arrangements for the utilization of the affected aircraft by other code-share partners, or, alternatively, obtain the airport facilities and gates and make the other arrangements necessary to fly as an independent airline. We may not be able to enter into substitute code-share arrangements, and any such arrangements we might secure may not be as favorable to us as our current agreements. Operating an airline independent from major airline partners would be a significant departure from our business plan and would likely require significant time and resources, which may not be a viable alternative.

Additionally, each of our agreements with our major airline partners is subject to certain early termination provisions. For example, Delta's termination rights include the right to terminate the agreements upon the occurrence of certain force majeure events (including certain labor-related events) that prevent us from performing for certain periods. United may terminate the United Express Agreements due to our uncured breach of certain operational or performance provisions, including measures and standards related to flight completions, baggage handling and on-time arrivals. We currently use the systems, facilities and services of Delta and United to support a significant portion of our operations, including airport and terminal facilities and operations, information technology support, ticketing and reservations, scheduling, dispatching, fuel purchasing and ground handling services. If Delta or United were to cease to maintain any of these systems, close any of these facilities or no longer provide these services to us, due to termination of one of our code-share agreements, a strike or other labor interruption by Delta or United personnel or for any other reason, we may not be able to obtain alternative systems, facilities or services on terms and conditions as favorable as those we currently receive, or at all. Since our revenues and operating profits are dependent on our level of flight operations, we could then be forced to significantly reduce our operations. Furthermore, upon certain terminations of our code-share agreements, Delta and United could require us to sell or assign to them certain airport related facilities, we use in connection with the code-share services we provide. As a result, in order to offer airline service after termination of any of our code-share agreements, we may have to replace these facilities. We may be unable to arrange such replacements on satisfactory terms, or at all.

We are reliant on two aircraft manufacturers and one engine manufacturer.

We operate aircraft manufactured by Bombardier and Embraer. The issuance of FAA or manufacturer directives restricting or prohibiting the use of any Bombardier or Embraer aircraft types we operate could negatively impact our business and financial results. We are also dependent upon General Electric as the sole manufacturer of engines used on the aircraft we operate. Our operations could be materially and adversely affected by the failure or inability of Bombardier, Embraer or General Electric to provide sufficient parts or related maintenance and support services to us on a timely manner. Additionally, timing of aircraft deliveries could be delayed beyond our control.

Our growth may be limited with our major airline partners' flight systems.

Additional growth opportunities within our major airline partners' flight systems are limited by various factors, including a limited number of regional aircraft each such major airline partner can operate in its regional network due to its own labor agreements. Except as contemplated by our existing code-share agreements, we cannot be sure that our major airline partners will contract with us to fly any additional aircraft. We may not receive additional growth opportunities, or may agree to modifications to our code-share agreements that reduce certain benefits to us in order to obtain additional aircraft, or for other reasons. Given the competitive nature of the airline industry, we believe limited growth opportunities may result in competitors accepting reduced margins and less favorable contract terms in order to secure new or additional code-share operations. Even if we are offered growth opportunities by our major airline partners, those opportunities may involve economic terms or financing commitments that are unacceptable to us. Additionally, our major airline partners may reduce the number of regional jets in their system by not renewing or extending existing flying arrangements with regional operators. Any one or more of these factors may reduce or eliminate our ability to expand our flight operations with our existing major airline partners.

Increases in labor costs, including pilot costs, maintenance costs and overhead costs may result in lower operating margins under our fixed-fee contracts.

Labor costs are a significant component of our total expenses. Currently, we believe our labor costs are competitive relative to other regional airlines. However, we cannot provide assurance that our labor costs going forward will remain competitive because of changes in supply and demand for labor in the regional industry. We compete against other airlines and businesses for labor in many highly skilled positions. If we are unable to hire, train and retain qualified employees at a reasonable cost, sustain employee engagement in our strategic vision, or if we are unsuccessful at implementing succession plans for our key staff, we may be unable to grow or sustain our business. Attrition beyond normal levels could negatively impact our operating results, increase our training and labor costs and our business prospects could be harmed.

Additionally, under our fixed-fee contracts with Delta, United, American and Alaska, a portion of our compensation is based upon pre-determined rates typically applied to production statistics (such as departures, block hours, flight hours and number of aircraft in service each month). The primary operating costs intended to be compensated by the pre-determined rates include labor costs, including crew training costs, certain aircraft maintenance expenses, and overhead costs. During the year ended December 31, 2019, approximately 90.4% of our code-share operating costs were reimbursable at pre-determined rates and 9.6% of our code-share operating costs were pass-through costs. Additionally, our aircraft maintenance costs may increase annually as our fleet ages at a higher rate than our pre-determined rates allow. Also, on an individual aircraft basis, various in-depth maintenance procedures are typically scheduled to occur at multi-year intervals, which can result in maintenance expense fluctuations year-to-year. If our operating costs for labor, aircraft maintenance and overhead costs exceed the compensation earned from our pre-determined rates under our fixed-fee arrangements, our financial position and operating results will be negatively affected.

We may experience difficulty recruiting and retaining qualified pilots and maintenance technicians.

Our operations rely on qualified personnel, including pilots and maintenance technicians. Our pilots, flight attendants and maintenance technicians may seek employment at mainline airlines, which generally offer higher salaries and more extensive benefit programs than regional airlines are financially able to offer. Should the turnover of employees, particularly pilots and maintenance technicians, sharply increase, we may not be able to hire sufficient pilots and maintenance technicians to replace those leaving. Additionally, FAA regulations regarding personnel certification and qualifications, and potential future changes in FAA regulations, could limit the number of qualified new entrants that we could hire. In the event we are unable to hire and retain qualified personnel, including pilots and mechanics, our business and financial condition could be adversely affected.

Information technology security breaches, hardware or software failures, or other information technology disruptions may negatively impact our operations or reputation.

The performance and reliability of our technology are critical to our ability to compete effectively. Any internal technological error or failure or large-scale external interruption in the technological infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our internal network. Any individual, sustained or repeated failure of technology could impact our ability to conduct our business and result in increased costs. Our technological systems and related data may be vulnerable to a variety of sources of interruption due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues.

In addition, as a part of our ordinary business operations, we collect and store sensitive data, including personal information of our passengers and employees and information of our business partners. Our information systems are subject to an increasing threat of continually evolving cybersecurity risks. Unauthorized parties may attempt to gain access to our systems or information through fraud or other means of deception. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving, and may be difficult to anticipate or to detect for long periods of time. We may not be able to prevent all data security breaches or misuse of data. The compromise of our technology systems resulting in the loss, disclosure, misappropriation of, or access to, customers', employees' or business partners' information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disruption to our operations and damage to our reputation, any or all of which could adversely affect our business and financial condition.

We may experience disruption in service with key third-party service providers.

We rely on outside vendors for a variety of services and functions critical to our business, including airframe and engine maintenance, ground handling, fueling, computer reservation system hosting, telecommunication systems and information technology infrastructure and services.

Even though we strive to formalize agreements with these vendors that define expected service levels, our use of outside vendors increases our exposure to several risks. In the event that one or more vendors goes into bankruptcy, ceases operation or fails to perform as promised, replacement services may not be readily available at competitive rates, or at all. If one of our vendors fails to perform adequately, we may experience increased costs, delays, maintenance issues, safety issues or negative public perception of our airline. Vendor bankruptcies, unionization, regulatory compliance issues or significant changes in the competitive marketplace among suppliers could adversely affect vendor services or force us to renegotiate existing agreements on less favorable terms. These events could result in disruptions in our operations or increases in our cost structure.

We have aircraft lease and debt commitments that extend beyond our existing fixed-fee contractual term on certain aircraft.

Under our fixed-fee arrangements with multiple major airline partners we have a total of 19 CRJ700s with flying contract expirations in 2020. Our underlying lease or debt financing obligations associated with each of these aircraft are scheduled to terminate in 2024 and 2025 on an aircraft-by-aircraft basis. We may not be successful in extending the flying contract term on these aircraft with our major airline partner at acceptable economic terms. In the event we are unsuccessful in extending the flying contract terms on these aircraft, we intend to pursue alternative uses for the aircraft over the remaining aircraft financing term including, but not limited to, operating the aircraft with another major carrier under a negotiated code-share agreement or subleasing the aircraft to another operator. Additionally, we may negotiate an early lease return agreement with the aircraft lessor. In the event we are unable to extend the flying contract terms for these aircraft at each respective contract's expiration, we may incur cash and non-cash early lease termination costs that would negatively impact our operations and financial condition. Additionally, in the event we are unable to extend a flying contract with an existing major airline partner, but reach an agreement to place the aircraft into service with a different major airline partner, we likely will incur inefficiencies and incremental costs, such as changing the aircraft livery, which would negatively impact our financial results.

There are long-term risks related to supply and demand of regional aircraft associated with our regional airline services strategy.

Various factors could change our major airline partners' long-term strategy in using regional aircraft to support their network objectives. Such changes could result in a reduction in the number of regional aircraft our major airline partners operate in the future. If our major airline partners' future strategies include a material reduction in regional aircraft generally or for specific aircraft types, such as 50-seat regional aircraft, the resulting decrease in demand in the aircraft we operate could have a material negative impact on our business and financial condition.

The residual value of our owned aircraft may be less than estimated in our depreciation policies.

As of December 31, 2019, we had approximately $5.4 billion of property and equipment and related assets, net of accumulated depreciation. In accounting for these long-lived assets, we make estimates about the expected useful lives of the assets, the expected residual values of certain of these assets, and the potential for impairment based on the fair value of the assets and the cash flows they generate. Factors indicating potential impairment include, but are not limited to, significant decreases in the market value of the long-lived assets, a significant change in the condition of the long-lived assets and operating cash flow losses associated with the use of the long-lived assets. In the event the estimated residual value of any of our aircraft types is determined to be lower than the residual value assumptions used in our depreciation policies, the applicable aircraft type in our fleet may be impaired and may result in a material reduction in the book value of applicable aircraft types we operate or we may need to prospectively modify our depreciation policies. An impairment on any of our aircraft types we operate or an increased level of depreciation expense resulting from a change to our depreciation policies could result in a material negative impact to our financial results.

Interruptions or disruptions in service at one of our hub airports, due to weather, system malfunctions or for any other reason, could have a material adverse impact on our operations.

We currently operate primarily through hubs across the United States. Nearly all of our flights either originate from or fly into one of these hubs. Our revenues depend primarily on our completion of flights and secondarily on service factors such as timeliness of departure and arrival. Any interruptions or disruptions could, therefore, severely and adversely affect us. Extreme weather such as hurricanes or tornados can cause flight disruptions, and, during periods of storms or adverse weather, our flights may be canceled or significantly delayed. We operate a significant number of flights to and from airports with particular weather difficulties, including Salt Lake City, Chicago, San Francisco and Denver. A significant interruption or disruption in service at one of our hubs, due to adverse weather, system malfunctions, security closures or otherwise, could result in the cancellation or delay of a significant portion of our flights and, as a result, could have a severe adverse impact on our operations and financial performance.

Negative economic or industry conditions may result in reductions to our flight schedules, which could materially and adversely affect our operations and financial condition.

Our operations and financial condition are affected by many changing economic and other conditions beyond our control, including, among others:

- disruptions in the credit markets, which may impact availability of financing;
- actual or potential changes in international, national, regional and local economic, business and financial conditions, including recession, inflation, higher interest rates, wars, terrorist attacks or political instability;
- changes in consumer preferences, perceptions, spending patterns or demographic trends;
- changes in the competitive environment due to industry consolidation, new airlines entering the market, our major airline partners operating smaller sized aircraft that may reduce the demand for regional aircraft and other factors;
- actual or potential disruptions to U.S. air traffic control systems;

- price of jet fuel and oil;
- outbreaks of diseases that affect travel behavior, including, for example, the recent outbreak of respiratory illness caused by a novel coronavirus first identified in Wuhan, Hubei Province, China; and
- weather and natural disasters.

The effect of any, or some combination, of the foregoing economic and industry conditions on our operations or financial condition is virtually impossible to forecast; however, the occurrence of any or all of such conditions in a significant manner could materially and adversely affect our operations and financial condition and could cause our major airline partners to reduce the utilization levels of our aircraft under our code-share agreements.

The majority of our code-share agreements set forth minimum levels of flight operations which our major airline partners are required to schedule for our operations and we are required to provide. These minimum flight operating levels are intended to provide a baseline level of expected utilization of aircraft, labor, maintenance facilities and related flight operations support. Historically, our major airline partners have utilized our flight operations at levels which exceed the minimum levels set forth in our code-share agreements, however, the occurrence of any or all of the foregoing economic and industry conditions may cause our major airline partners to reduce our utilization levels. If our major airline partners schedule the utilization of our aircraft below historical levels (including taking into account the route distances and frequency of our scheduled flights), we may not be able to maintain operating efficiencies previously obtained, which would negatively impact our operating results and financial condition. Additionally, our major airline partners may change routes and frequencies of flights, which can negatively impact our operating efficiencies. Changes in schedules may increase our flight costs, which could exceed the reimbursed rates paid by our major airline partners. Continued reduced utilization levels of our aircraft or other changes to our schedules under our code-share agreements would adversely impact our financial results.

We may experience an increase in fuel prices in our prorate operations.

Dependence on foreign imports of crude oil, limited refining capacity and the possibility of changes in government policy on jet fuel production, transportation and marketing make it impossible to predict the future availability of jet fuel. If there are additional outbreaks of hostilities or other conflicts in oil-producing areas or elsewhere, or a reduction in refining capacity (due to weather events, for example), or governmental limits on the production or sale of jet fuel, there could be a reduction in the supply of jet fuel and significant increases in the cost of jet fuel. Additionally, our operations may experience disruptions from temporary fuel shortages by our fuel vendors resulting from fuel quality issues, refueling disruption, or other challenges. Major reductions in the availability of jet fuel or significant increases in its cost, or a continuation of high fuel prices for a significant period of time, would have a material adverse impact on us.

Pursuant to our fixed-fee arrangements, our major airline partners have agreed to bear the economic risk of fuel price fluctuations on our contracted flights. However, we bear the economic risk of fuel price fluctuations on our prorate operations. As of December 31, 2019, we operated 31 CRJ200s under a prorate agreement with United, 29 CRJ200s under a prorate agreement with Delta, and seven CRJ200s under a prorate agreement with American. Our operating and financial results with respect to these prorate arrangements can be negatively affected by the price of jet fuel in the event we are unable to increase our passenger fares. Additionally in the event of prolonged low fuel prices, our competitors may lower their passenger ticket prices on routes that compete with our prorate markets, which could negatively impact our passenger load factors.

Our prorate arrangements with our major airline partners are terminable upon notice of 120 days or less.

Our prorate flying agreements with our major airline partners permit the major airline partner to terminate the agreement in its discretion by giving us notice of 120 days or less. If one of our major airline partners elects to terminate a flying agreement with notice of 120 days or less, our ability to use the aircraft under an alternative agreement with similar economics may be limited, which could negatively impact our financial results. Additionally, even if we can subsequently place the aircraft into service with a different major airline partner, of which there can be no assurance, we likely would incur inefficiencies and incremental costs, such as changing the aircraft livery, during the transition period, which would negatively impact our financial results.

We have a significant amount of contractual obligations.

As of December 31, 2019, we had a total of approximately $3.0 billion in total long-term debt obligations. Substantially all of this long-term debt was incurred in connection with the acquisition of aircraft and engines. We also have significant long-term lease obligations primarily relating to our aircraft fleet. At December 31, 2019, we had 94 aircraft under lease, with remaining terms ranging up to ten years. Future minimum lease payments due under all long-term operating leases were approximately $443.7 million at December 31, 2019. At a 6.4% discount factor, which is the average rate used to approximate the implicit rates within the applicable leases, the present value of these lease obligations was equal to approximately $354.0 million at December 31, 2019. Our high level of fixed obligations could impact our ability to obtain additional financing to support additional expansion plans or divert cash flows from operations and expansion plans to service the fixed obligations.

Our anticipated fleet replacement would require a significant increase in our leverage and the related cash requirements.

We currently have 214 CRJ200s with an average life of 17.3 years. Over the next several years, we may continue to replace the CRJ200s with larger regional jets. If we continue to add new aircraft to our fleet, we anticipate using significant amounts of capital to acquire these larger regional jets.

There can be no assurance that our operations will generate sufficient cash flow or liquidity to enable us to obtain the necessary aircraft acquisition financing to replace our current fleet, or to make required debt service payments related to our existing or anticipated future obligations. Even if we meet all required debt, lease and purchase obligations, the size of these long-term obligations could negatively affect our financial condition, results of operations and the price of our common stock in many ways, including:

- increasing the cost, or limiting the availability of, additional financing for working capital, acquisitions or other purposes;
- limiting the ways in which we can use our cash flow, much of which may have to be used to satisfy debt and lease obligations; and
- adversely affecting our ability to respond to changing business or economic conditions or continue our growth strategy.

If we need additional capital and cannot obtain such capital on acceptable terms, or at all, we may be unable to realize our fleet replacement plans or take advantage of unanticipated opportunities.

Our business could be harmed if we lose the services of our key personnel.

Our business depends upon the efforts of our chief executive officer, Russell A. Childs, and our other key management and operating personnel. We may have difficulty replacing management or other key personnel who cease to be employed by us and, therefore, the loss of the services of any of these individuals could harm our business. We do not maintain key-person insurance on any of our executive officers.

We may decrease our dividends and/or reduce the amount of stock repurchases in the future.

Historically, we have paid dividends and repurchased shares of our common stock in varying amounts. The future payment and amount of cash dividends and our future repurchases of shares of common stock, if any, and the number of shares of common stock we may repurchase will depend upon our financial condition and results of operations and other factors deemed relevant by our board of directors. There can be no assurance that we will continue our practice of paying dividends on our common stock or that we will have the financial resources to pay such dividends. There also can be no assurance that we will continue our practice of repurchasing shares of common stock or that we will have the financial resources to repurchase shares of common stock in the future.

In addition, repurchases of our common stock pursuant to our share repurchase program and any future dividends could affect our stock price and increase its volatility. The existence of a share repurchase program and any future dividends could cause our stock price to be higher than it would otherwise be and could potentially reduce the market liquidity for our stock. Additionally, our share repurchase program and any future dividends may reduce our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. Further, our share repurchase program may fluctuate such that our cash flow may be insufficient to fully cover our share repurchases. Although our share repurchase program is intended to enhance long-term shareholder value, there is no assurance that it will do so because the market price of our common stock may decline below the levels at which we repurchased shares of stock and short-term stock price fluctuations could reduce the program's effectiveness.

Disagreements regarding the interpretation of our code-share agreements with our major airline partners could have an adverse effect on our operating results and financial condition.

Long-term contractual agreements, such as our code-share agreements, are subject to interpretation and disputes may arise under such agreements if the parties to an agreement apply different interpretations to that agreement. Those disputes may divert management time and resources from the core operation of the business, and may result in litigation, arbitration or other forms of dispute resolution.

In recent years we have experienced disagreements with our major airline partners regarding the interpretation of various provisions of our code-share agreements. Some of those disagreements have resulted in litigation, and we may be subject to additional disputes and litigation in the future. Those disagreements have also required a significant amount of management time, financial resources and settlement negotiations of disputed matters.

To the extent that we experience disagreements regarding the interpretation of our code-share or other agreements, we will likely expend valuable management time and financial resources in our efforts to resolve those disagreements. Those disagreements may result in litigation, arbitration, settlement negotiations or other proceedings. Furthermore, there can be no assurance that any or all of those proceedings, if commenced, would be resolved in our favor. An unfavorable result in any such proceeding could have adverse financial consequences or require us to modify our operations. Such disagreements and their consequences could have an adverse effect on our operating results and financial condition.

We lease aircraft and engines to third parties and the lessee may default under the lease terms, which could negatively affect our financial condition, cash flow and results of operations.

Lessee defaults may result in additional costs to us, including legal and other expenses necessary to repossess the aircraft or engines, particularly if the lessee is contesting the proceedings or is in bankruptcy. We could also incur substantial maintenance, refurbishment or repair costs if a defaulting lessee fails to pay such costs and where such maintenance, refurbishment or repairs are necessary to put the aircraft or engines in suitable condition for remarketing or sale. We may also incur storage costs associated with any aircraft or engine that we repossess and are unable to place immediately with another lessee. Even if we are able to immediately place a repossessed aircraft or engine into service ourselves, or place the aircraft and engines under another lessee, we may not be able to do so at a similar or favorable lease rate. A lessee default under one of our lease agreements could negatively affect our financial condition, cash flow and results of operations.

We have entered into a strategic engine leasing joint venture that operates under joint control with a third party that involves significant risk.

We have entered into a strategic engine joint venture with a third party to lease engines to other parties. This strategic venture involves significant risks, including:

- we may not realize a satisfactory return on our investment;
- the joint venture may divert management's attention from our core business;
- our joint venture partner could have investment goals that are not consistent with our investment objectives, including the timing, terms and strategies for any investments; and
- our joint venture partner might fail to fund their share of required capital contributions or fail to fulfill their other obligations.

Although we currently participate in the management of our engine joint venture, our joint venture agreement requires unanimous approval over all significant actions. In addition, if we were unable to resolve a dispute with our joint venture partner that retains material managerial veto rights, we might reach an impasse that could require us to dissolve the joint venture at a time and in a manner that could negatively affect our financial results.

We may be a party to litigation in the normal course of business or otherwise, which could affect our financial condition and results of operations.

We may become party to or otherwise involved in legal proceedings, claims and government inspections or investigations and other legal matters, arising in the ordinary course of our business or otherwise, including those related to tort, environmental, employment and commercial legal issues. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within our control. Litigation is subject to significant uncertainty and may be expensive, time-consuming, and disruptive to our operations. Although we will vigorously defend ourselves in such legal proceedings, their ultimate resolution and potential financial and other impacts on us are uncertain. If a legal proceeding is resolved against us, it could result in significant compensatory damages or injunctive relief that could materially adversely affect our financial condition, results of operations and cash flows.

Provisions of our charter documents and code-share agreements may limit the ability or desire of others to gain control of our company.

Our ability to issue shares of preferred and common stock without shareholder approval may have the effect of delaying or preventing a change in control and may adversely affect the voting and other rights of the holders of our common stock, even in circumstances where such a change in control would be viewed as desirable by most investors. The provisions of the Utah Control Shares Acquisitions Act may also discourage the acquisition of a significant interest in or control of our company. Additionally, our code-share agreements contain termination and extension trigger provisions related to change in control type transactions that may have the effect of deterring a change in control of our company.

The adoption of new tax legislation or changes to existing tax laws and regulations could adversely affect our financial condition or results of operations.

The airline industry is one of the most heavily taxed industries in the United States. We are subject to tax laws and regulations of the U.S. federal, state and local governments as well as various non-U.S. jurisdictions. Potential changes in existing tax laws, including future regulatory guidance, may impact our effective tax rate and tax payments. There can be no assurance that changes in tax laws or regulations, both within the United States and the other jurisdictions in which we operate, will not materially and adversely affect our effective tax rate, tax payments, financial condition and results of operations. Similarly, changes in tax laws and regulations that impact our major airline partners, customers or the economy generally may also impact our financial condition and results of operations.

In addition, tax laws and regulations are complex and subject to varying interpretations, and any significant failure to comply with applicable tax laws and regulations in all relevant jurisdictions could give rise to substantial penalties and liabilities. Any changes in enacted tax laws, rules or regulatory or judicial interpretations; any adverse outcome in connection with tax audits in any jurisdiction; or any change in the pronouncements relating to accounting for income taxes could materially and adversely impact our effective tax rate, tax payments, financial condition and results of operations.

Risks Related to the Airline Industry

The occurrence of an aviation accident involving our aircraft would negatively impact our operations and financial condition.

An accident or incident involving one of our aircraft could result in significant potential claims of injured passengers and others, as well as repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service. In the event of an accident, our liability insurance may not be adequate to offset our exposure to potential claims and we may be forced to bear substantial losses from the accident. Substantial claims resulting from an accident in excess of our related insurance coverage would harm our operational and financial results. Moreover, any aircraft accident or incident, even if fully insured, could cause a public perception that our operations are less safe or reliable than other airlines.

Increased labor costs, labor disputes and unionization of our workforces may adversely affect our ability to conduct our business and reduce our profitability.

Our business is labor intensive, requiring large numbers of pilots, flight attendants, mechanics and other personnel. Labor costs constitute a significant percentage of our total operating costs. For example, during the year ended December 31, 2019, our salary, wage and benefit costs constituted approximately 40.7% of our total operating costs. Increases in our labor costs could result in a material reduction in our earnings. Any new collective bargaining agreements entered into by other regional carriers with their work forces may also result in higher industry wages and increased pressure on us to increase the wages and benefits of our employees. Future agreements with represented employees may be on terms that are not as attractive as our current agreements or comparable to agreements entered into by our competitors.

SkyWest's employees are represented by in-house associations; however, organizing efforts to join national unions among those employees occur from time to time. Such efforts will likely continue in the future and may ultimately result in some or all of our employees being represented by one or more national unions. If our employees were to unionize or be deemed to be represented by one or more national unions, negotiations with these unions could divert management attention and disrupt operations, which may result in increased operating expenses and may negatively impact our financial results. Moreover, we cannot predict the outcome of any future negotiations relating to union representation or collective bargaining agreements. Agreements reached in collective bargaining may increase our operating expenses and negatively impact our financial results.

We are subject to significant governmental regulation and potential regulatory changes.

All interstate air carriers, including SkyWest, are subject to regulation by the DOT, the FAA and other governmental agencies. Regulations promulgated by the DOT primarily relate to economic aspects of air service. The FAA requires operating, air worthiness and other certificates; approval of personnel who may engage in flight, maintenance or operation activities; recordkeeping procedures in accordance with FAA requirements; and FAA approval of flight training and retraining programs. We cannot predict whether we will be able to comply with all present and future laws, rules, regulations and certification requirements or that the cost of continued compliance will not have a material adverse effect on our operations. We incur substantial costs in maintaining our current certifications and otherwise complying with the laws, rules and regulations to which we are subject. A decision by the FAA to ground, or require time-consuming inspections of or maintenance on, all or any of our aircraft for any reason may have a material adverse effect on our operations. In addition to state and federal regulation, airports and municipalities enact rules and regulations that affect our operations. From time to time, various airports throughout the country have considered limiting the use of smaller aircraft, such as our aircraft, at such airports. The imposition of any limits on the use of our aircraft at any airport at which we operate could have a material adverse effect on our operations.

We cannot predict the impact, of potential regulatory changes that may affect our business or the airline industry as whole including the potential impact of tariffs on aircraft deliveries. However, it is possible that these changes could adversely affect our business. Our business may be subject to additional costs or loss of government subsidies as a result of potential regulatory changes, which could have an adverse effect on our operations and financial results.

The airline industry is highly competitive and has undergone a period of consolidation and transition leaving fewer potential code-share partners.

The airline industry is highly competitive. We not only compete with other regional airlines, some of which are owned by or operated as code-share partners of major airlines, but we also face competition from low-cost carriers and major airlines on many of our routes. Low-cost carriers such as Southwest, Allegiant, Spirit and JetBlue among others, operate at many of our hubs, resulting in significant price competition. Additionally, a large number of other carriers operate at our hubs, creating intense competition. Certain of our competitors are larger and have significantly greater financial and other resources than we do. Moreover, federal deregulation of the industry allows competitors to rapidly enter our markets and to quickly discount and restructure fares. The airline industry is particularly susceptible to price discounting because airlines incur only nominal costs to provide service to passengers occupying otherwise unsold seats. Increased fare competition could adversely affect our operations and the price of our common stock. The airline industry has undergone substantial consolidation, including the mergers between Alaska and Virgin America Inc. in 2016, American and US Airways Group Inc. in 2013, Southwest Airlines Co. and AirTran Holdings, Inc. in 2011, United and Continental Airlines, Inc. in 2010 and Delta and Northwest Airlines, Inc. in 2008. Any additional consolidation or significant alliance activity within the airline industry could limit the number of potential partners with whom we could enter into code-share relationships and could have a material adverse effect on our relationships with our major airline partners.

Due, in part, to the dynamic nature of the airline industry, major airlines may also make other strategic changes such as changing or consolidating hub locations. If our major airline partners were to make changes such as these in their strategy and operations, our operations and financial results could be adversely impacted.

Terrorist activities or warnings have dramatically impacted the airline industry, and will likely continue to do so.

The terrorist attacks of September 11, 2001 and their aftermath have negatively impacted the airline industry in general, including our operations. The primary effects experienced by the airline industry include a substantial loss of passenger traffic and revenue. If additional terrorist attacks are launched against the airline industry, there will be lasting consequences of the attacks, which may include loss of life, property damage, increased security and insurance costs, increased concerns about future terrorist attacks, increased government regulation and airport delays due to heightened security. Additional terrorist attacks and the fear of such attacks could negatively impact the airline industry, and result in further decreased passenger traffic and yields, increased flight delays or cancellations associated with new government mandates, as well as increased security, fuel and other costs. We cannot provide any assurance that these events will not harm the airline industry generally or our operations or financial condition in particular.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Flight Equipment

As of December 31, 2019, our fleet available for scheduled service consisted of the following types of owned and leased aircraft:

Aircraft Type	Number of Owned Aircraft	Number of Leased Aircraft	Passenger Capacity	Scheduled Flight Range (miles)	Average Cruising Speed (mph)	Average Age (years)
CRJ900s	19	24	76	1,500	530	9.2
CRJ700s	67	27	65-70	1,600	530	13.6
CRJ200s	153	37	50	1,500	530	17.3
E175s	156	—	70-76	2,100	530	3.1

Several factors may impact our fleet size throughout 2020 and thereafter, including contract expirations, lease expirations, growth opportunities and opportunities to transition to an alternative major airline partner. Below is our 2020 outlook on our fleet by aircraft type. Our actual future fleet size and/or mix of aircraft types will likely vary, and may vary materially, from our current fleet size.

- CRJ900s/CRJ700s – We anticipate taking delivery of one new CRJ900 aircraft under a nine-year fixed-fee agreement with Delta during 2020. We also anticipate acquiring and placing five used CRJ700 aircraft into service with American under a multi-year contract.

- E175s – We anticipate taking delivery of 26 new E175 aircraft (20 with American and six with Delta) and six used E175 aircraft with Delta with scheduled delivery dates for the used E175 aircraft during 2020 and scheduled delivery dates for the new E175 aircraft to take place by the end of 2021.

- CRJ200s –We currently anticipate a slight reduction in the total number of CRJ200 aircraft scheduled for service during 2020.

Ground Facilities

We lease many of the buildings and associated land that we occupy. Most of these leases are with government agencies that control the use of the airport. We lease maintenance, training and office facilities in Salt Lake City, Utah, and we lease additional maintenance facilities in Boise, Idaho; Fresno, California; Tucson, Arizona; Chicago, Illinois; Detroit, Michigan; Nashville, Tennessee; South Bend, Indiana; Fort Wayne, Indiana; Minneapolis, Minnesota; and San Luis Obispo, California. We also lease ticket counters, passenger hold rooms, operating areas and other terminal space in many of the airports that we serve.

We own our corporate headquarters facilities located in St. George, Utah and a maintenance accessory shop facility in Salt Lake City, Utah. We also own maintenance facilities that we have land leases on in Milwaukee, Wisconsin; Oklahoma City, Oklahoma; Colorado Springs, Colorado; and Palm Springs, California.

ITEM 3. LEGAL PROCEEDINGS

We are subject to certain legal actions which we consider routine to our business activities. As of December 31, 2019, our management believed, after consultation with legal counsel, that the ultimate outcome of such legal matters was not likely to have a material adverse effect on our financial position, liquidity or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

The disclosure required by this item is not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on The Nasdaq Global Select Market under the symbol "SKYW." As of February 12, 2020, there were approximately 730 stockholders of record of our common stock. Securities held of record do not include shares held in securities position listings. The transfer agent for our common stock is Zions First National Bank, Salt Lake City, Utah.

Dividends

During 2019, our Board of Directors declared regular quarterly dividends of $0.12 per share. During 2018, our Board of Directors declared regular quarterly dividends of $0.10 per share. We intend to continue to pay quarterly dividends subject to liquidity, capital availability and quarterly determinations that cash dividends are in the best interests of our shareholders.

Issuer Purchases of Equity Securities

Our Board of Directors has adopted a stock repurchase program which authorizes us to repurchase shares of our common stock in the public market or in private transactions, from time to time, at prevailing prices. Our stock repurchase program currently authorizes the repurchase of up to $250.0 million of our common stock. The following table summarizes the repurchases under our stock repurchase program during the three months ended December 31, 2019:

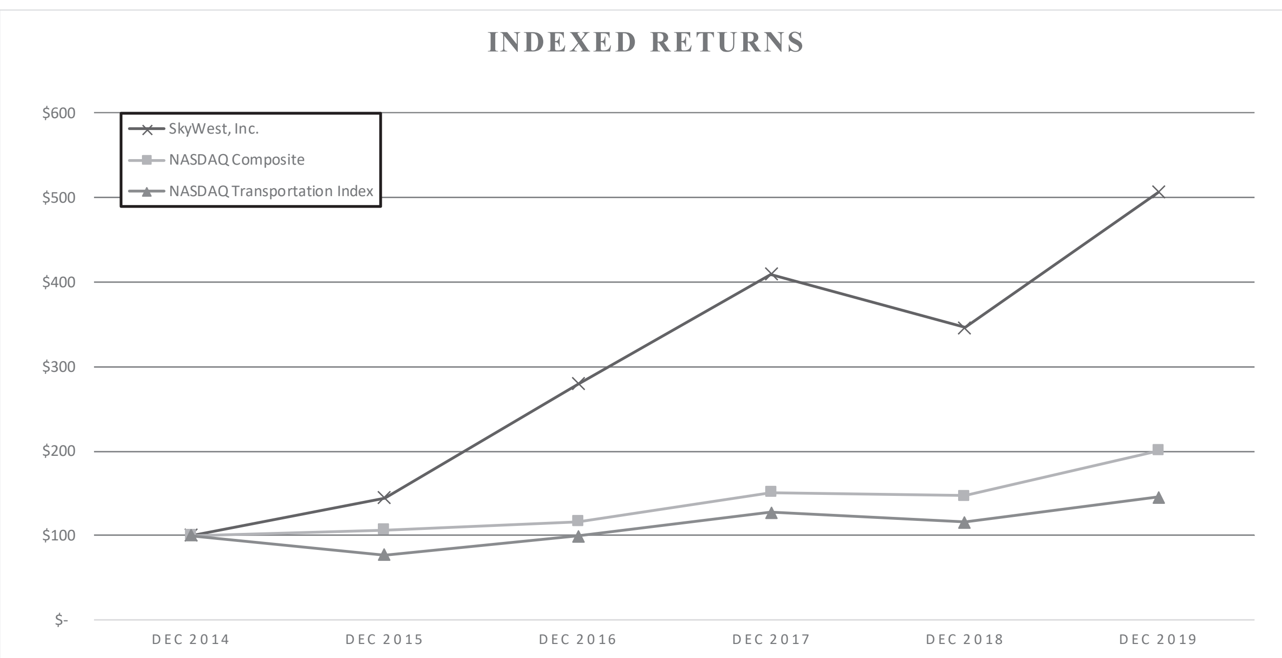
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program (1)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (in Thousands)
October 1, 2019 – October 31, 2019	87,632	$ 57.05	87,632	$ 164,590
December 1, 2019 - December 31, 2019	79,749	62.07	79,749	159,590
Total	167,381	$ 59.74	167,381	$ 159,590

(1) In February 2019, our Board of Directors authorized a new stock purchase program to repurchase up to $250.0 million of our common stock. Purchases are made at management's discretion based on market conditions and financial resources. As of December 31, 2019, we had repurchased 1,580,747 shares of our common stock for $90.4 million under this authorization.

Stock Performance Graph

The following Performance Graph and related information shall not be deemed "soliciting material" or "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent we specifically incorporate it by reference into such filing.

The following graph compares the cumulative total shareholder return on our common stock over the five-year period ended December 31, 2019, with the cumulative total return during such period of the Nasdaq Stock Market (U.S. Companies) and the Nasdaq Stock Market Transportation Index. The following graph assumes an initial investment of $100.00 with dividends reinvested. The stock performance shown on the graph below represents historical stock performance and is not necessarily indicative of future stock price performance.



Company Name / Index	Base Period 2014	2015	2016	2017	2018	2019
	INDEXED RETURNS					
		Years Ending				
SkyWest, Inc.	**100**	144.65	279.19	409.17	345.75	506.23
NASDAQ Composite	**100**	106.96	116.45	150.96	146.67	200.49
NASDAQ Transportation Index	**100**	77.05	99.57	127.01	115.52	145.48

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial and operating data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and related notes included elsewhere in this Report.

Selected Consolidated Financial Data (amounts in thousands, except per share data):

	Year ended December 31,				
	2019	2018	2017	2016	2015
Operating revenues	$ 2,971,963	$ 3,221,679	$ 3,122,592	$ 3,063,702	$ 3,095,563
Operating income (loss)(1)	512,258	474,280	388,199	(172,684)	234,515
Net income (loss)(2)	340,099	280,372	428,907	(161,586)	117,817
Net income (loss) per common share:					
Basic	$ 6.68	$ 5.40	$ 8.28	$ (3.14)	$ 2.31
Diluted	$ 6.62	$ 5.30	$ 8.08	$ (3.14)	$ 2.27
Weighted average shares:					
Basic	50,932	51,914	51,804	51,505	51,077
Diluted	51,375	52,871	53,100	51,505	51,825
Total assets(3)	$ 6,657,129	$ 6,313,212	$ 5,474,400	$ 5,007,966	$ 4,781,984
Current assets(3)	760,346	1,020,794	995,133	917,792	1,017,570
Current liabilities	924,676	924,826	820,825	747,265	748,026
Long-term debt, net of current maturities	2,628,989	2,809,768	2,377,346	2,240,051	1,659,234
Stockholders' equity	2,175,014	1,964,281	1,754,322	1,350,943	1,506,435
Return (loss) on average equity(4)	16.4 %	15.1 %	27.6 %	(12.0)%	7.8 %
Cash dividends declared per common share	$ 0.48	$ 0.40	$ 0.32	$ 0.19	$ 0.16

(1) Our 2019 operating income included a special charge of $21.9 million, primarily consisting of a non-cash write-off of aircraft manufacturer part credits that SkyWest Airlines forfeited to settle future lease return obligations. Our operating loss for 2016 included a special charge of $465.6 million related to an impairment on our 50-seat aircraft and related assets.

(2) Our net income for 2019 included a $46.5 million gain on the sale of ExpressJet. Our net income for 2017 included a $246.8 million benefit related to the revaluation of our net deferred tax liability and other tax liabilities in accordance with the Tax Cuts and Jobs Act of 2017 that was enacted into law in December 2017.

(3) Certain reclassifications were made to 2017 balances to conform to the current period presentation, which reflects the adoption of Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("Topic 606"). See Note 1 to our Consolidated Financial Statements included in Item 8 of this Report.

(4) Calculated by dividing net income (loss) by the average of beginning and ending stockholders' equity for the year.

Selected Operating Data

	Year ended December 31,				
	2019 (1)	2018	2017	2016	2015
Block hours	1,464,405	1,757,047	1,839,779	1,938,492	2,074,804
Departures	842,098	1,010,053	1,087,052	1,153,480	1,226,897
Passengers carried	43,660,766	48,350,470	51,483,552	53,539,438	56,228,593
Average passenger trip length	500	523	512	523	528
Number of operating aircraft at end of year(2)	483	596	595	652	660

(1) Excludes ExpressJet operating data since ExpressJet was sold during January 2019.

(2) Excludes aircraft leased to third parties.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis presents factors that had a material effect on our results of operations during the years ended December 31, 2019, 2018 and 2017. Also discussed is our financial position as of December 31, 2019 and 2018. You should read this discussion in conjunction with our consolidated financial statements, including the notes thereto, appearing elsewhere in this Report or incorporated herein by reference. This discussion and analysis contains forward-looking statements. Please refer to the sections of this Report entitled "Cautionary Statement Concerning Forward-Looking Statements" and "Item 1A. Risk Factors" for discussion of some of the uncertainties, risks and assumptions associated with these statements.

This section of this Annual Report on Form 10-K generally discusses 2019 and 2018 items and year-to-year comparisons between 2019 and 2018. Discussions of 2017 items and year-to-year comparisons between 2018 and 2017 that are not included in this Annual Report on Form 10-K can be found in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Overview

We have the largest regional airline operation in the United States. As of December 31, 2019, we offered scheduled passenger and air freight service with approximately 2,300 total daily departures to destinations in the United States, Canada, Mexico and the Caribbean. As of December 31, 2019, we had 483 aircraft available for scheduled service consisting of the following:

	CRJ200	CRJ700	CRJ900	E175	Total
Delta	84	13	43	59	199
United	99	19	—	65	183
American	7	62	—	—	69
Alaska	—	—	—	32	32
Aircraft in scheduled service	190	94	43	156	483
Subleased to an un-affiliated entity	4	10	5	—	19
Other*	20	22	—	—	42
Total Fleet	214	126	48	156	544

*As of December 31, 2019, these aircraft have been removed from service and are in the process of being placed under a leasing arrangement with a third party, are aircraft transitioning between code-share agreements with our major airline partners and being used as a supplemental spare aircraft, or are in the process of being parted out.

Our business model is based on providing scheduled regional airline service under code-share agreements (commercial agreements between airlines that, among other things, allow one airline to use another airline's flight designator codes on its flights) with our major airline partners. Our success is principally centered on our ability to meet the needs of our major airline partners through providing a reliable and safe operation at attractive economics. Over the last several years, our business has evolved as we have added ten new E175 aircraft and seven new CRJ900 aircraft to our fleet since December 31, 2018, and removed 100 unprofitable ERJ145 aircraft through the sale of ExpressJet in January 2019, ten CRJ200 aircraft, 15 CRJ700 aircraft and five CRJ900 aircraft.

We anticipate our fleet will continue to evolve, as we are scheduled to add 26 new E175 aircraft, six used E175 aircraft and one new CRJ900 aircraft to existing fixed-fee agreements by the end of 2021. We anticipate seven of these new aircraft will be replacing older CRJ900 and CRJ700 aircraft currently operating under fixed-fee agreements, with the remaining coming from new flying opportunities. Our primary objective in the fleet changes is to improve our profitability by adding new aircraft to fixed-fee agreements at improved economics, including the E175 aircraft, extending contract terms at improved economics, and potentially removing older, less profitable aircraft from our fleet.

On January 22, 2019, we completed the sale of ExpressJet. In conjunction with the sale of ExpressJet, we retained ownership of the 16 CRJ200 aircraft and the 10 CRJ700 aircraft operated by ExpressJet as of December 31, 2018. ExpressJet retained operation of the 100 ERJ145 aircraft that ExpressJet leased from United.

For the year ended December 31, 2019, approximately 41.2% of our aircraft in scheduled service were operated for Delta, approximately 37.9% were operated for United, approximately 14.3% were operated for American and approximately 6.6% were operated for Alaska.

Historically, multiple contractual relationships with major airlines have enabled us to reduce our reliance on any single major airline code and to enhance and stabilize operating results through a mix of fixed-fee arrangements and our prorate flying arrangements. For the year ended December 31, 2019, contract flying revenue and prorate revenue represented approximately 82.0% and 18.0%, respectively, of our total flying agreements revenue. On contract routes, the major airline partner controls scheduling, ticketing, pricing and seat inventories and we are compensated by the major airline partner at contracted rates based on completed block hours (measured from takeoff to landing, including taxi time), flight departures and other operating measures.

Our financial and operating results for the years ended December 31, 2017, 2018 and 2019, and our financial position as of December 31, 2018 contained in this Report, include the financial results and position of ExpressJet through January 22, 2019 for those respective periods.

Financial Highlights

We had total operating revenues of $3.0 billion for the year ended December 31, 2019, a 7.8% decrease compared to total operating revenues of $3.2 billion for the year ended December 31, 2018. We had a net income of $340.1 million, or $6.62 per diluted share, for the year ended December 31, 2019, compared to net income of $280.4 million, or $5.30 per diluted share, for the year ended December 31, 2018.

The significant items affecting our financial performance during the year ended December 31, 2019 are outlined below:

Revenue

The number of aircraft we have in scheduled service and the number of block hours we generate on our flights are primary drivers to our flying agreements revenue under our fixed-fee arrangements. The number of flights we operate and the corresponding number of passengers we carry are the primary drivers to our revenue under our prorate flying agreements. During the year ended December 31, 2019, we had a net decrease in the number of aircraft operating under fixed-fee agreements, primarily related to the sale of ExpressJet during January 2019. As summarized under the Fleet Activity section below, from December 31, 2018 to December 31, 2019, we removed 130 aircraft from service that were operating under less profitable flying contracts and added 17 aircraft to new fixed-fee arrangements primarily through the sale of ExpressJet. The number of aircraft available for scheduled service decreased from 596 aircraft at December 31, 2018 to 483 at December 31, 2019. Our completed block hours decreased 15.7% over the same period primarily due to the sale of ExpressJet and the corresponding decrease in block hours generated by ExpressJet.

Our total revenues decreased $249.7 million for the year ended December 31, 2019 compared to the year ended December 31, 2018, primarily due to the sale of ExpressJet and the corresponding decrease in revenue associated with ExpressJet flying contracts. ExpressJet revenue decreased from $564.2 million for the year ended December 31, 2018 to $24.1 million for the year ended December 31, 2019. Revenue from SkyWest Airlines and our leasing subsidiary SkyWest Leasing increased from $2.7 billion for the year ended December 31, 2018 to $2.9 billion for the year ended December 31, 2019. The increase in revenue excluding the impact from the sale of ExpressJet was primarily related to additional revenue generated from 10 new E175 aircraft and seven new CRJ900 aircraft added under fixed-fee contracts since December 31, 2018.

Operating Expenses

Our total operating expenses decreased $287.7 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. This decrease was primarily due to the sale of ExpressJet and the corresponding reduction in ExpressJet operating expenses, partially offset by additional operating expenses at SkyWest Airlines and SkyWest Leasing that resulted from new, additional aircraft we placed into service since December 31, 2018. ExpressJet operating expenses decreased from $577.6 million for the year ended December 31, 2018 to $28.7 million for the year ended December 31, 2019. Operating expenses from SkyWest Airlines and SkyWest Leasing increased from $2.2 billion for the year ended December 31, 2018 to $2.4 billion for the year ended December 31, 2019. Additional details regarding the increase in our operating expenses are described in the section of this Report entitled "Results of Operations."

Fleet Activity

The following table summarizes our fleet activity for 2019:

Aircraft in Service	December 31, 2018	Additions	Removals	December 31, 2019
E175s	146	10	—	156
CRJ900s	41	7	(5)	43
CRJ700s	109	—	(15)	94
CRJ200s	200	6	(16)	190
ERJ145s	100	—	(100)	—
Total	596	23	(136)	483

During 2019, we took delivery of ten new E175 aircraft and seven new CRJ900 aircraft and placed the aircraft into service under fixed-fee flying agreements. We removed five CRJ900 aircraft from service that we are leasing to a third party. We also removed 15 CRJ700 aircraft from service during 2019 that we are leasing to a third party or in the process of transitioning to another major airline partner. We removed 100 ERJ145s resulting from the sale of ExpressJet.

Critical Accounting Policies and Estimates

Our significant accounting policies are summarized in Note 1 to our Consolidated Financial Statements included in Item 8 of this Report. Critical accounting policies are those policies that are most important to the preparation of our consolidated financial statements and require management's subjective and complex judgments due to the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies relate to revenue recognition, aircraft leases, long-lived assets, self-insurance and income tax as discussed below. The application of these accounting policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results will likely differ, and could differ materially, from such estimates.

Revenue Recognition

Flying agreements and airport customer service and other revenues are recognized when service is provided. Under our fixed-fee and prorate flying agreements with our major airline partners, revenue is considered earned when each flight is completed. A portion of our compensation under our fixed-fee flying agreements is designed to reimburse us for the use of the aircraft we provide under such agreements. This compensation is deemed to be lease revenue, inasmuch as the agreements identify the "right of use" or a specific type and number of aircraft over the agreement term.

The amount of compensation deemed to be lease revenue is determined from the agreed upon rates for the use of the aircraft included in each fixed-fee agreement, which we believe approximates fair value for the aircraft leases. Under our airport customer service agreements, revenue is considered earned when each flight we provide customer service for departs. Our revenues could be impacted by a number of factors, including changes to the applicable code-share agreements, contract modifications resulting from contract renegotiations and our ability to earn incentive payments contemplated under applicable agreements. In the event contracted rates are not finalized at a quarterly or annual financial statement date, we record that period's revenues based on the lower of the prior period's approved rates or our estimate of rates that will be implemented upon completion of negotiations. Also, in the event we have a reimbursement dispute with a major airline partner at a quarterly or annual financial statement date, we evaluate the dispute under established revenue recognition criteria and, provided the revenue recognition criteria have been met, we recognize revenue for that period based on our estimate of the resolution of the dispute. Our rates were finalized under our code-share agreements as of December 31, 2019.

Aircraft Leases

As of December 31, 2019, our fleet of aircraft in scheduled service included 94 aircraft under lease. In order to determine the proper classification of our leased aircraft as either operating leases or capital leases, we must make certain estimates at the inception of the lease relating to the economic useful life and the fair value of an asset as well as select an appropriate discount rate to be used in discounting future lease payments. These estimates are utilized by management in making computations as required by existing accounting standards that determine whether the lease is classified as an operating lease or a capital lease. All of our aircraft leases have been classified as operating leases, which results in rental payments being charged to expense over the terms of the related leases. Under the majority of our operating leases, we are required to meet half-time lease return conditions with the aircraft, which presumes at least 50 percent of the eligible flight time for certain components since the last overhaul remains when the aircraft is returned to the lessor. A liability for probable lease return costs is recorded after the aircraft has completed its last maintenance cycle prior to being returned. Several factors can impact the estimated liability for lease return costs including, but not limited to, timing of scheduled maintenance events and anticipated condition of the aircraft at the end of the lease term. We believe it is unlikely that materially different estimates for lease return obligations would be made or reported based on other reasonable assumptions or conditions suggested by actual historical experience and other data available at the time estimates were made. Additionally, we adopted Financial Accounting Standards Board issued ASU 2016-02, "Leases (Topic 842)" ("Topic 842") on January 1, 2019. Under Topic 842, we were required to estimate our incremental borrowing rate to discount the lease payments based on information available at lease commencement.

Long-Lived Assets

As of December 31, 2019, we had approximately $5.4 billion of property and equipment and related assets net of accumulated depreciation. In accounting for these long-lived, we make estimates about the expected useful lives of the assets, the expected residual values of certain of these assets, and the potential for impairment based on the fair value of the assets and the cash flows they generate. Factors indicating potential impairment include, but are not limited to, significant decreases in the market value of the long-lived assets, a significant change in the condition of the long-lived assets and operating cash flow losses associated with the use of the long-lived assets. When considering whether or not impairment of long-lived assets exists, we group similar assets together at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and compare the undiscounted cash flows for each asset group to the net carrying amount of the assets supporting the asset group. Asset groupings are done at the fleet type or contract level. In 2016, we recorded an impairment on certain of our long-lived assets, which included CRJ200 aircraft. In 2016, the market lease rate was less than the contractual lease rate on our CRJ200 leased aircraft. Prior to the adoption of Topic 842 these lease rate differences were not allowed to be recognized for impairment. With the adoption of Topic 842 we recorded an impairment of $13.1 million (net of tax) as an adjustment to our January 1, 2019 retained earnings related to the previously unrecognized impairment of these leased CRJ200s.

Self-Insurance

We use a combination of insurance and self-insurance mechanisms to provide for the potential liability of certain risks, including workers' compensation, healthcare benefits, general liability, product liability, property insurance and directors' and officers' liability insurance. Liabilities associated with risks retained by us are not discounted and are estimated by considering historical claims experience, demographics, exposure and severity factors and other actuarial assumptions.

Our workers' compensation liability includes estimated outstanding losses of unpaid claims and allocated loss adjustment expenses ("ALAE"), which includes case reserves, the development of known claims and incurred but not reported claims. ALAE are the direct expenses for settling specific claims. The amounts reflect per occurrence and annual aggregate limits maintained by us. The estimated liability analysis does not include estimating a provision for unallocated loss adjustment expenses. We believe that the liability recorded at December 31, 2019 is adequate to cover all workers' compensation claims incurred through December 31, 2019. If the actual costs of such claims and related expenses exceed the amount estimated, additional reserves may be required which could have a material negative effect on our operating results. Holding other factors constant, a 10 percent increase in our estimated workers compensation liability as of December 31, 2019, would have resulted in additional expense of approximately $2.4 million for the year ended December 31, 2019.

The liability related to our self-insured group medical insurance plans includes an estimate for claims incurred but not paid. This estimate is created using general actuarial principles and our historical claims experience. The cost of general liability, product liability and commercial auto liability is accrued based on estimates of the aggregate liability claims incurred using certain actuarial assumptions and historical claims experience.

Income Tax

Deferred income taxes are determined based on the temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Estimating our tax liabilities involves judgments related to uncertainties in the application of complex tax regulations. We make certain estimates and judgments to determine tax expense for financial statement purposes as we evaluate the effect of tax credits, tax benefits and deductions, some of which result from differences in the timing of recognition of revenue or expense for tax and financial statement purposes. Changes to these estimates may result in significant changes to our tax provision in future periods. Each fiscal quarter we re-evaluate our tax provision and reconsider our estimates and assumptions related to specific tax assets and liabilities, making adjustments as circumstances change.

Recent Accounting Pronouncements

See Note 1 to the Consolidated Financial Statements included in Item 8 of this Report for a description of recent accounting pronouncements.

Results of Operations

2019 Compared to 2018

Operational Statistics. The following table sets forth our major operational statistics and the associated percentages of change for the periods identified below. The decrease in block hours, departures and passengers carried during the year ended December 31, 2019, compared to the year ended December 31, 2018, was primarily due to the sale of ExpressJet in January 2019.

	For the year ended December 31,		
	2019	2018	% Change
SkyWest Airlines block hours	1,464,405	1,380,420	6.1 %
ExpressJet block hours	16,904	376,627	(95.5)%
Total block hours	1,481,309	1,757,047	(15.7)%
SkyWest Airlines departures	842,098	790,485	6.5 %
ExpressJet departures	9,390	219,568	(95.7)%
Total departures	851,488	1,010,053	(15.7)%
SkyWest Airlines passengers	43,660,766	40,302,301	8.3 %
ExpressJet passengers	379,252	8,048,439	(95.3)%
Total passengers	44,040,018	48,350,470	(8.9)%
Passenger load factor	82.3 %	80.5 %	1.8 pts
Average passenger trip length (miles)	500	523	(4.4)%

Operating Revenues

The following table summarizes our operating revenue for the periods indicated (dollar amounts in thousands):

	For the year ended December 31,			
	2019	2018	$ Change	% Change
Flying agreements	$ 2,889,265	$ 3,169,520	$ (280,255)	(8.8)%
Airport customer service and other	82,698	52,159	30,539	58.5 %
Total operating revenues	$ 2,971,963	$ 3,221,679	$ (249,716)	(7.8)%

Flying agreements revenue primarily consists of revenue earned on flights we operate under our capacity purchase agreements and prorate agreements with our major airline partners. Airport customer service and other revenues primarily consist of revenue earned from providing airport counter, gate and ramp services and lease revenue from leasing aircraft and spare engines to third parties separate from our capacity purchase agreements. Changes in our flying agreements revenue are summarized below (dollar amounts in thousands).

	For the year ended December 31,			
	2019	2018	$ Change	% Change
Capacity purchase agreements revenue: flight operations	$ 1,538,062	$ 1,856,253	$ (318,191)	(17.1)%
Capacity purchase agreements revenue: aircraft lease	830,247	814,518	15,729	1.9 %
Prorate agreements revenue	520,956	498,749	22,207	4.5 %
Flying agreements revenue	$ 2,889,265	$ 3,169,520	$ (280,255)	(8.8)%

The decrease in “Capacity purchase agreements revenue: flight operations” of $318.2 million, or 17.1%, was primarily due to the sale of ExpressJet and the corresponding decrease in revenue, partially offset by the incremental revenue generated from ten new E175 aircraft and seven new CRJ900 aircraft added to our fleet and economic improvements made to certain existing fixed-fee agreements since December 31, 2018. The increase in “Capacity purchase agreement revenue: aircraft lease” of $15.7 million, or 1.9%, was primarily due to the ten new E175 aircraft added subsequent to December 31, 2018. The increase in prorate agreements revenue of $22.2 million, or 4.5%, was primarily due to an increase in the number of prorate flights operated during 2019 compared to 2018.

The $30.5 million, or 58.5%, increase in airport customer service and other revenues was primarily related to an increase in revenue from leasing aircraft and spare engines to third parties.

Operating Expenses

Individual expense components attributable to our operations are set forth in the following table (dollar amounts in thousands).

	For the year ended December 31,			
	2019 Amount	2018 Amount	$ Change Amount	% Change Percent
Salaries, wages and benefits	$ 1,001,746	$ 1,201,518	$ (199,772)	(16.6)%
Aircraft maintenance, materials and repairs	514,313	556,259	(41,946)	(7.5)%
Depreciation and amortization	368,098	334,589	33,509	10.0 %
Aircraft fuel	119,115	117,657	1,458	1.2 %
Airport-related expenses	118,837	109,605	9,232	8.4 %
Aircraft rentals	71,998	154,945	(82,947)	(53.5)%
Special items	21,869	—	21,869	NM
Other operating expenses	243,729	272,826	(29,097)	(10.7)%
Total operating expenses	$ 2,459,705	$ 2,747,399	$ (287,694)	(10.5)%
Interest expense	127,755	120,409	7,346	6.1 %
Total airline expenses	$ 2,587,460	$ 2,867,808	$ (280,348)	(9.8)%

Salaries, wages and benefits. The $199.8 million, or 16.6%, decrease in salaries, wages and benefits was primarily due to a decrease in direct labor costs resulting from the sale of ExpressJet, partially offset by increased labor costs and employee benefit costs for certain work groups, including flight crews at SkyWest Airlines.

Aircraft maintenance, materials and repairs. The $41.9 million, or 7.5%, decrease in aircraft maintenance expense was primarily due to a decrease in direct maintenance costs corresponding with our sale of ExpressJet. This decrease in aircraft maintenance expense was partially offset by an increase in direct maintenance costs incurred on a portion of SkyWest Airlines' CRJ200 fleet and an increase in the percentage of our fleet that is under long-term Power-By-The-Hour engine maintenance agreements at SkyWest Airlines, including the additional ten E175 aircraft added subsequent to December 31, 2018 and increased costs to perform airframe inspections in 2019.

Depreciation and amortization. The $33.5 million, or 10.0%, increase in depreciation and amortization expense was primarily due to the purchase of ten E175 aircraft and spare engines subsequent to December 31, 2018.

Aircraft fuel. The $1.5 million, or 1.2%, increase in fuel cost was primarily due to an increase in the number of prorate flights we operated and corresponding increase in gallons of fuel we purchased, partially offset by a decrease in our average fuel cost per gallon from $2.60 for 2018 to $2.51 for 2019. We purchase and incur expense for all fuel on flights operated under our prorate agreements. All fuel costs incurred under our fixed-fee contracts are either purchased directly by our major airline partner, or if purchased by us, we record the direct reimbursement as a reduction to our fuel expense. The following table summarizes the gallons of fuel we purchased under our prorate agreements, for the periods indicated:

	For the year ended December 31,		
(in thousands)	**2019**	**2018**	**% Change**
Fuel gallons purchased	47,535	45,299	4.9 %
Fuel expense	$ 119,115	$ 117,657	1.2 %

Airport-related expenses. Airport-related expenses include airport-related customer service costs such as outsourced airport gate and ramp agent services, airport security fees, passenger interruption costs, deicing, landing fees and station rents (our employee customer service labor costs are reflected in salaries, wages and benefits). The $9.2 million, or 8.4%, increase in airport-related expenses was primarily due to an increase in airport terminal rents, subcontract airport services and deicing events related to our prorate operations during 2019.

Aircraft rentals. During 2019, we acquired 56 CRJ aircraft under an early lease buyout arrangement. The $82.9 million, or 53.5%, decrease in aircraft rentals was primarily due to the acquisition of these 56 CRJ aircraft and a reduction of leased aircraft as a result of scheduled lease expirations subsequent to December 31, 2018.

Special Items. The $21.9 million special items expense for 2019 related to a non-cash write-off of $18.5 million in aircraft manufacturer part credits that we forfeited to settle future lease return obligations with the aircraft manufacturer. The $18.5 million of expense was included in the SkyWest Airlines segment. The special items expense also included $3.4 million of expense associated with a cash payout of certain ExpressJet employees' stock equity grants as part of the sale of ExpressJet, which was reflected in the ExpressJet segment.

Other operating expenses. Other operating expenses primarily consist of property taxes, hull and liability insurance, simulator costs, crew per diem, and crew hotel costs. The $29.1 million, or 10.7%, decrease in other operating expenses was primarily related to the sale of ExpressJet and the related decrease in crew costs.

Interest Expense. The $7.3 million, or 6.1%, increase in interest expense was primarily related to the additional interest expense associated with the ten E175 aircraft added to our fleet since December 31, 2018, which were debt financed.

Total airline expenses. The $280.3 million, or 9.8%, decrease in total airline expenses was primarily related to the sale of ExpressJet and the related expenses associated with ExpressJet's prior operations, partially offset by additional operating expenses at SkyWest Airlines and SkyWest Leasing that resulted from new, additional aircraft we placed into service since December 31, 2018.

Summary of interest income, other income (expense) and provision for income taxes:

Interest income. Interest income increased $5.3 million, or 60.2%, during 2019, compared to 2018. The increase in interest income was primarily related to an increase in interest rates subsequent to December 31, 2018, and an increase in interest earned from loans to third parties executed subsequent to December 31, 2018.

Other income (expense), net. During 2019, we had other income, net of $47.7 million primarily related to the gain on sale of ExpressJet. During 2018, we had other income, net of $3.6 million primarily related to a mark-to-market gain on trading securities and excess rotable spare parts sold during 2018.

Summary of provision for income taxes:

Provision for income taxes. For the years ended December 31, 2019 and December 31, 2018, we recorded income tax provisions of 23.8% and 23.5%, respectively, which include the statutory federal income tax rate of 21% and other reconciling income tax items, including state income taxes. We recorded a $3.5 million and $4.5 million benefit from share-based compensation in 2019 and 2018, respectively, relating to ASU 2016-09 which requires excess tax benefits and deficiencies to be recognized in the income tax provision during the period stock options are vested/exercised.

Net Income. Primarily due to the factors described above, we generated net income of $340.1 million, or $6.62 per diluted share, for the year ended December 31, 2019, compared to a net income of $280.4 million, or $5.30 per diluted share, for the year ended December 31, 2018.

Our Business Segments 2019 compared to 2018:

For 2019 and 2018 prior to the sale of ExpressJet in January 2019, we had three reportable segments, which were the basis of our internal financial reporting: SkyWest Airlines, ExpressJet and SkyWest Leasing. Following the sale of ExpressJet, we have two reportable segments: SkyWest Airlines and SkyWest Leasing.

Corporate overhead expenses, primarily administrative labor costs, were allocated to the operating expenses of SkyWest Airlines, ExpressJet and SkyWest Leasing.

The segment information presented for ExpressJet for 2019 reflects ExpressJet's results prior to the sale of ExpressJet on January 22, 2019, when ExpressJet was operating as our subsidiary.

The following table sets forth our segment data for the years ended December 31, 2019 and 2018 (in thousands):

	For the year ended December 31, (dollar amounts in thousands)			
	2019 Amount	2018 Amount	$ Change Amount	% Change Percent
Operating Revenues:				
SkyWest Airlines operating revenue	$ 2,478,681	$ 2,346,251	$ 132,430	5.6 %
ExpressJet operating revenues	24,050	564,202	(540,152)	(95.7)%
SkyWest Leasing operating revenues	469,232	311,226	158,006	50.8 %
Total Operating Revenues	$ 2,971,963	$ 3,221,679	$ (249,716)	(7.8)%
Airline Expenses:				
SkyWest Airlines airline expense	$ 2,228,157	$ 2,039,581	$ 188,576	9.2 %
ExpressJet airline expense	28,690	579,948	(551,258)	(95.1)%
SkyWest Leasing segment expense	330,613	248,279	82,334	33.2 %
Total Airline Expense(1)	$ 2,587,460	$ 2,867,808	$ (280,348)	(9.8)%
Segment profit (loss):				
SkyWest Airlines segment profit	$ 250,524	$ 306,670	$ (56,146)	(18.3)%
ExpressJet segment loss	(4,640)	(15,746)	11,106	(70.5)%
SkyWest Leasing segment profit	138,619	62,947	75,672	120.2 %
Total Segment Profit (loss)	$ 384,503	$ 353,871	$ 30,632	8.7 %
Interest Income	14,131	8,823	5,308	60.2 %
Other Income, net	47,671	3,620	44,051	1,216.9 %
Consolidated Income Before Taxes	$ 446,305	$ 366,314	$ 79,991	21.8 %

(1) Total Airline Expense includes operating expense and interest expense

SkyWest Airlines Segment Profit. SkyWest Airlines segment profit decreased $56.1 million, or 18.3%, during 2019, compared to 2018.

SkyWest Airlines block hour production increased to 1,464,405, or 6.1%, for 2019 from 1,380,420 for 2018, primarily due to the additional block hour production from the new E175 and CRJ900 aircraft added subsequent to December 31, 2018. Significant items contributing to the SkyWest Airlines segment profit are set forth below.

The $132.4 million, or 5.6%, increase to SkyWest Airlines operating revenue during 2019, compared to 2018, was primarily due to ten E175 aircraft and seven CRJ900 aircraft placed into service in 2019 and additional aircraft operating under prorate agreements since 2018.

The $188.6 million, or 9.2%, increase in the SkyWest Airlines airline expense during 2019, compared to 2018, was primarily due to the following factors:

- SkyWest Airlines' salaries, wages and benefits expense increased by $113.2 million, or 13.0%, primarily due to increased labor costs and employee benefit costs for certain work groups, including flight crews and due to additional block hour production.

- SkyWest Airlines' aircraft maintenance, materials and repairs expense increased by $86.5 million, or 21.1%, primarily attributable to direct maintenance costs incurred on a portion of SkyWest Airlines' CRJ fleet including aircraft airframe inspections and an increase in the percentage of our fleet that is under long-term Power-By-The-Hour engine maintenance agreements at SkyWest Airlines, including the additional ten E175 aircraft added subsequent to December 31, 2018.

- SkyWest Airlines' aircraft rental expenses decreased $77.0 million, or 52.9%, primarily due to the acquisition of 56 CRJ aircraft under an early lease buyout arrangement during 2019 and through a reduction of our fleet size that was financed through leases as a result of scheduled lease expirations subsequent to December 31, 2018.

- SkyWest Airlines operating expenses included special items related to a non-cash write-off of $18.5 million in aircraft manufacturer part credits that we forfeited to settle future lease return obligations with the aircraft manufacturer.

- SkyWest Airlines other operating expense increased $23.8 million, or 11.0%. The increase in other operating expense was primarily due to an increase in the use of hotels for crews, property taxes on additional aircraft added subsequent to December 31, 2018 and an increase in direct operating costs associated with the increase in block hour production year-over-year.

- The remaining increase in SkyWest Airlines airline expense was primarily due to an increase in airport related costs associated with the prorate operations.

ExpressJet Segment Loss. ExpressJet's segment loss decreased $11.1 million, or 70.5%, during 2019, compared to 2018, primarily due to the sale of ExpressJet in January 2019.

SkyWest Leasing Segment Profit. SkyWest Leasing profit increased $75.7 million, or 120.2%, during 2019, compared to 2018, primarily due to ten E175 aircraft added to our fleet subsequent to December 31, 2018 and additional revenue from leasing aircraft and spare engines to third parties.

Liquidity and Capital Resources

Sources and Uses of Cash—2019 Compared to 2018

Cash Position and Liquidity. The following table provides a summary of the net cash provided by (used in) our operating, investing and financing activities for the years ended December 31, 2019 and 2018, and our total cash and marketable securities position as of December 31, 2019 and December 31, 2018 (in thousands).

	For the year ended December 31,			
	2019	2018	$ Change	% Change
Net cash provided by operating activities	$ 721,030	$ 802,534	$ (81,504)	(10.2)%
Net cash used in investing activities	(657,034)	(983,404)	326,370	(33.2)%
Net cash provided by (used in) financing activities	(305,174)	327,462	(632,636)	(193.2)%

	December 31, 2019	December 31, 2018	$ Change	% Change
Cash and cash equivalents	$ 87,206	$ 328,384	$ (241,178)	(73.4)%
Marketable securities	432,966	360,945	72,021	20.0 %
Total	$ 520,172	$ 689,329	$ (169,157)	(24.5)%

Cash Flows from Operating Activities. The $81.5 million, or 10.2%, decrease in net cash provided by operating activities was primarily due to changes in our working capital accounts during 2019 compared to 2018. This decrease in cash provided by operating activities was partially offset by an increase in income before income taxes of $80.0 million in 2019 compared to 2018.

Cash Flows from Investing Activities. The $326.4 million, or 33.2%, decrease in cash used in investing activities was primarily due to the reduction of new E175 aircraft acquired from 39 during 2018, compared to ten for 2019. This reduction was partially offset by the acquisition of 85 used CRJ aircraft during 2019 including the 56 used CRJ aircraft purchased under an early lease buyout during the first half of 2019. These changes represented a $481.1 million decrease in aircraft purchases. Additionally, during 2019, we sold ExpressJet for $79.6 million partially offset by a note receivable issued to the buyer of $26.4 million, resulting in net cash from the sale of ExpressJet of $53.2 million.

Cash Flows from Financing Activities. The $632.6 million, or 193.2%, increase in cash used in financing activities was primarily related to the decrease in proceeds from the issuance of long-term debt of $200.0 million associated with ten E175 aircraft and two previously leased aircraft acquired during 2019, compared to proceeds from the issuance of debt of $784.7 million associated with 39 E175 aircraft acquired during 2018. Additionally, during 2019, we used an additional $35.9 million to purchase treasury shares and common stock, and for income tax payments towards vested employee equity awards.

Liquidity and Capital Resources as of December 31, 2019 and 2018

We believe that in the absence of unusual circumstances, the working capital currently available to us, together with our projected cash flows from operations, will be sufficient to meet our present financial requirements, including anticipated expansion, planned capital expenditures, and scheduled lease payments and debt service obligations for at least the next 12 months.

At December 31, 2019, our total capital mix was 45.3% equity and 54.7% long-term debt, compared to 41.1% equity and 58.9% long-term debt at December 31, 2018.

At December 31, 2019, we had $8.8 million in letters of credit issued under our line of credit facility, which reduced the amount available under the facility to $66.2 million. The facility expires on September 1, 2021 and has a variable interest rate of LIBOR plus 2.5% at December 31, 2019.

As of December 31, 2019 and 2018, we had $61.7 million and $78.7 million, respectively, in letters of credit and surety bonds outstanding with various banks and surety institutions.

As of December 31, 2019 and 2018, we had no restricted cash.

Significant Commitments and Obligations

General

The following table summarizes our commitments and obligations as noted for each of the next five years and thereafter (in thousands):

	Total	2020	2021	2022	2023	2024	Thereafter
Operating lease payments for aircraft and facility obligations	$ 443,660	$ 94,806	$ 84,285	$ 73,960	$ 68,581	$ 27,282	$ 94,746
Firm aircraft and spare engine commitments	779,410	489,796	284,114	5,500	—	—	—
Interest commitments(A)	574,577	120,005	104,678	90,251	73,946	59,373	126,324
Principal maturities on long-term debt	3,017,523	367,954	352,005	365,907	374,906	327,630	1,229,121
Total commitments and obligations	$ 4,815,170	$1,072,561	$ 825,082	$ 535,618	$ 517,433	$ 414,285	$ 1,450,191

(A) At December 31, 2019, all of our total long-term debt had fixed interest rates.

Purchase Commitments and Options

As of December 31, 2019, we had a firm purchase commitment for 26 E175 aircraft from Embraer with scheduled delivery dates through 2021.

We have not historically funded a substantial portion of our aircraft acquisitions with working capital. Rather, we have generally funded our aircraft acquisitions through a combination of operating leases and long-term debt financing. At the time of each aircraft acquisition, we evaluate the financing alternatives available to us, and select one or more of these methods to fund the acquisition. At present, we intend to fund our acquisition of any additional aircraft through cash on hand and debt financing. Based on current market conditions and discussions with prospective leasing organizations and financial institutions, we currently believe that we will be able to obtain financing for our committed acquisitions, as well as additional aircraft. We intend to finance the firm purchase commitment for 26 E175 aircraft with approximately 85% debt and the remaining balance with cash.

Aircraft Lease and Facility Obligations

We also have significant long-term lease obligations, primarily relating to our aircraft fleet. At December 31, 2019, we had 94 aircraft under lease with remaining terms ranging from less than one to ten years. Future minimum lease payments due under all long-term operating leases were approximately $443.6 million at December 31, 2019. Assuming a 6.4% discount rate, which is the average incremental borrowing rate we anticipate we would have incurred on debt obtained over a similar term to acquire these assets, the present value of these lease obligations would have been equal to approximately $354.0 million at December 31, 2019.

Long-term Debt Obligations

As of December 31, 2019, we had $3.0 billion of long-term debt obligations related to the acquisition of aircraft and certain spare engines. The average effective interest rate on those long-term debt obligations was approximately 4.2% at December 31, 2019.

Under our fixed-fee arrangements, the major airline partners compensate us for our costs of owning or leasing the aircraft on a monthly basis. The aircraft compensation structure varies by agreement, but is intended to cover either our aircraft principal and interest debt service costs, our aircraft depreciation and interest expense or our aircraft lease expense costs while the aircraft is under contract.

Guarantees

We have guaranteed the obligations of SkyWest Airlines under the Delta Connection Agreement and the United Express Agreement for the E175 aircraft. In addition, we have guaranteed certain other obligations under aircraft financing and leasing agreements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Aircraft Fuel

In the past, we have not experienced difficulties with fuel availability and we currently expect to be able to obtain fuel at prevailing prices in quantities sufficient to meet our future needs. Pursuant to our contract flying arrangements, Delta, United, American and Alaska have agreed to bear the economic risk of fuel price fluctuations on our contracted flights. We bear the economic risk of fuel price fluctuations on our prorate operations. For each of the years ended December 31, 2019, 2018 and 2017, approximately 18%, 16% and 14% of our total flying agreements revenue was derived from prorate arrangements. For the years ended December 31, 2019, 2018 and 2017, the average price per gallon of aircraft fuel was $2.51, $2.60 and $2.06, respectively. For illustrative purposes only, we have estimated the impact of the market risk of fuel on our prorate operations using a hypothetical increase of 25% in the price per gallon we purchase. Based on this hypothetical assumption, we would have incurred an additional $29.8 million, $29.4 million and $21.3 million in fuel expense for the years ended December 31, 2019, 2018 and 2017, respectively.

Interest Rates

As of December 31, 2019, all of our interest rates on our long-term debt were fixed rates. We currently intend to finance the acquisition of aircraft through manufacturer financing or long-term borrowings. Changes in interest rates may impact the actual cost to us to acquire future aircraft. To the extent we place new aircraft in service under our code-share agreements with Delta, United, American, Alaska or other carriers, our code-share agreements currently provide that reimbursement rates will be adjusted to reflect the interest rates effective at the closing of the respective aircraft financing.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information set forth below should be read together with the “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” appearing elsewhere herein.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of SkyWest, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SkyWest, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and the financial statement schedule listed in the Index at Item 15(a)2 (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 18, 2020 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for leases in the year ended December 31, 2019 due to the adoption of ASU No. 2016-02, "Leases (Topic 842)."

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of workers' compensation liability

Description of the Matter	At December 31, 2019, the Company's workers' compensation liability balance totaled \$23.9 million, presented as a component of other current liabilities and other long-term liabilities on the balance sheet. The Company discusses the estimate related to the workers' compensation within Note 5, Commitments and Contingencies. Auditing the estimated ultimate losses associated with the workers' compensation liability is complex and highly judgmental due to the significant estimation required in determining the ultimate aggregate liabilities for claims incurred. In particular, the estimate was sensitive to significant assumptions such as the estimation of loss payment and loss reporting development patterns.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's workers' compensation liability process. As part of our testing, we also considered controls over management's review of the significant assumptions noted above. We also tested controls performed by management to review the historical estimates of the workers' compensation liability for accuracy. To test the estimate of the Company's workers' compensation liability, we performed audit procedures that included, among others, assessing methodologies and testing the significant assumptions used in estimating the worker's compensation liability and the underlying data used by the Company in its analysis. We utilized the assistance of our actuarial specialists in assessing the reasonableness of the methodologies used and significant assumptions applied, including the estimation of loss payment and loss reporting development patterns, as well as developing an independent projection of the Company's unpaid claims obligations. We also assessed the historical accuracy of management's estimates.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2003.

Salt Lake City, Utah
February 18, 2020

SKYWEST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

ASSETS

	December 31, 2019	December 31, 2018
CURRENT ASSETS:		
Cash and cash equivalents	$ 87,206	$ 328,384
Marketable securities	432,966	360,945
Income tax receivable	11,141	25,936
Receivables, net	82,977	64,194
Inventories, net	110,503	127,690
Prepaid aircraft rents	—	87,031
Other current assets	35,553	26,614
Total current assets	760,346	1,020,794
PROPERTY AND EQUIPMENT:		
Aircraft and rotable spares	7,078,801	6,433,916
Deposits on aircraft	48,858	42,012
Buildings and ground equipment	265,398	291,544
	7,393,057	6,767,472
Less-accumulated depreciation and amortization	(1,998,376)	(1,761,728)
Total property and equipment, net	5,394,681	5,005,744
OTHER ASSETS		
Operating lease right-of-use assets	336,009	—
Long-term prepaid assets	—	181,830
Other long-term assets	166,093	104,844
Total other assets	502,102	286,674
Total assets	$ 6,657,129	$ 6,313,212

See accompanying notes to consolidated financial statements.

SKYWEST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

(Dollars in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2019	December 31, 2018
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 364,126	$ 350,206
Accounts payable	284,473	331,982
Accrued salaries, wages and benefits	133,856	161,606
Current maturities of operating lease liabilities	94,806	
Taxes other than income taxes	15,004	16,024
Other current liabilities	32,411	65,008
Total current liabilities	924,676	924,826
LONG-TERM DEBT, net of current maturities	2,628,989	2,809,768
DEFERRED INCOME TAXES PAYABLE	623,580	518,159
DEFERRED AIRCRAFT CREDITS	—	29,308
NONCURRENT OPERATING LEASE LIABILITIES	259,237	—
OTHER LONG-TERM LIABILITIES	45,633	66,870
COMMITMENTS AND CONTINGENCIES (Note 5)		
STOCKHOLDERS' EQUITY:		
Preferred stock, 5,000,000 shares authorized; none issued	—	—
Common stock, no par value, 120,000,000 shares authorized; 81,742,937 and 81,239,289 shares issued, respectively	686,806	690,910
Retained earnings	2,079,179	1,776,585
Treasury stock, at cost, 31,420,179 and 29,850,999 shares, respectively	(590,971)	(503,182)
Accumulated other comprehensive loss	—	(32)
Total stockholders' equity	2,175,014	1,964,281
Total liabilities and stockholders' equity	$ 6,657,129	$ 6,313,212

See accompanying notes to consolidated financial statements.

SKYWEST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share amounts)

	Year Ended December 31, 2019	2018	2017 (a)
OPERATING REVENUES:			
Flying agreements	$ 2,889,265	$ 3,169,520	$ 3,078,297
Airport customer service and other	82,698	52,159	44,295
Total operating revenues	2,971,963	3,221,679	3,122,592
OPERATING EXPENSES:			
Salaries, wages and benefits	1,001,746	1,201,518	1,192,067
Aircraft maintenance, materials and repairs	514,313	556,259	579,463
Depreciation and amortization	368,098	334,589	292,768
Aircraft fuel	119,115	117,657	85,136
Airport-related expenses	118,837	109,605	118,374
Aircraft rentals	71,998	154,945	215,807
Special items	21,869	—	—
Other operating expenses	243,729	272,826	250,778
Total operating expenses	2,459,705	2,747,399	2,734,393
OPERATING INCOME	512,258	474,280	388,199
OTHER INCOME (EXPENSE):			
Interest income	14,131	8,823	4,509
Interest expense	(127,755)	(120,409)	(104,925)
Other, net	47,671	3,620	400
Total other expense, net	(65,953)	(107,966)	(100,016)
INCOME BEFORE INCOME TAXES	446,305	366,314	288,183
PROVISION (BENEFIT) FOR INCOME TAXES	106,206	85,942	(140,724)
NET INCOME	$ 340,099	$ 280,372	$ 428,907
BASIC EARNINGS PER SHARE	$ 6.68	$ 5.40	$ 8.28
DILUTED EARNINGS PER SHARE	$ 6.62	$ 5.30	$ 8.08
Weighted average common shares:			
Basic	50,932	51,914	51,804
Diluted	51,375	52,871	53,100
COMPREHENSIVE INCOME:			
Net income	$ 340,099	$ 280,372	$ 428,907
Net unrealized appreciation on marketable securities, net of taxes	32	18	21
TOTAL COMPREHENSIVE INCOME	$ 340,131	$ 280,390	$ 428,928

(a) Amounts adjusted due to the adoption of Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606) ("Topic 606")*. See Note 1 to the financial statements of this report for additional information.

See accompanying notes to consolidated financial statements.

SKYWEST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock		Retained	Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Earnings	Shares	Amount	Income (Loss)	Total
Balance at December 31, 2016	79,781	$ 657,353	$ 1,103,751	(28,015)	$ (410,090)	$ (71)	$ 1,350,943
Net income	—	—	428,907	—	—	—	428,907
Net unrealized appreciation on marketable securities, net of tax of $7	—	—	—	—	—	21	21
Exercise of common stock options and vested restricted stock units	529	1,658	—	—	—	—	1,658
Treasury shares acquired from vested employee stock awards for income tax withholdings	—	—	—	(145)	(5,080)	—	(5,080)
Sale of common stock under employee stock purchase plan	88	3,002	—	—	—	—	3,002
Stock based compensation expense related to the issuance of equity awards	—	10,580	—	—	—	—	10,580
Impact of adoption of ASU 2016-09 (See Note 1)	—	—	867	—	—	—	867
Treasury stock purchases	—	—	—	(484)	(20,008)	—	(20,008)
Cash dividends declared ($0.32 per share)	—	—	(16,568)	—	—	—	(16,568)
Balance at December 31, 2017	80,398	672,593	1,516,957	(28,644)	(435,178)	(50)	1,754,322
Net income	—	—	280,372	—	—	—	280,372
Net unrealized appreciation on marketable securities, net of tax of $6	—	—	—	—	—	18	18
Exercise of common stock options and vested restricted stock units	780	2,174	—	—	—	—	2,174
Treasury shares acquired from vested employee stock awards for income tax withholdings	—	—	—	(239)	(13,556)	—	(13,556)
Sale of common stock under employee stock purchase plan	61	3,038	—	—	—	—	3,038
Stock based compensation expense related to the issuance of equity awards	—	13,105	—	—	—	—	13,105
Treasury stock purchases	—	—	—	(968)	(54,448)	—	(54,448)
Cash dividends declared ($0.40 per share)	—	—	(20,744)	—	—	—	(20,744)
Balance at December 31, 2018	81,239	690,910	1,776,585	(29,851)	(503,182)	(32)	1,964,281
Change in accounting principle and other (see Note 6)	—	—	(13,141)	—	—	—	(13,141)
Balance at December 31, 2018, as adjusted	81,239	690,910	1,763,444	(29,851)	(503,182)	(32)	1,951,140
Net income	—	—	340,099	—	—	—	340,099
Net unrealized appreciation on marketable securities, net of tax of $10	—	—	—	—	—	32	32
Exercise of common stock options and vested restricted stock units	707	3,106	—	—	—	—	3,106
Treasury shares acquired from vested employee stock awards for income tax withholdings	—	—	—	(173)	(9,313)	—	(9,313)
Sale of common stock under employee stock purchase plan	65	3,165	—	—	—	—	3,165
Stock based compensation expense related to the issuance of equity awards, net of forfeitures	—	5,770	—	—	—	—	5,770
Common stock purchased and cancelled	(268)	(16,145)		—	—	—	(16,145)
Treasury stock purchases	—	—	—	(1,396)	(78,476)	—	(78,476)
Cash dividends declared ($0.48 per share)	—	—	(24,364)	—	—	—	(24,364)
Balance at December 31, 2019	81,743	$ 686,806	$ 2,079,179	(31,420)	$ (590,971)	$ —	$ 2,175,014

See accompanying notes to consolidated financial statements.

SKYWEST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31, 2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 340,099	$ 280,372	$ 428,907
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	368,098	334,589	292,768
Stock based compensation expense	10,274	13,105	10,580
Gain on sale of subsidiary	(46,525)	—	—
Special items	21,869	—	—
Net increase (decrease) in deferred income taxes	109,654	99,139	(145,517)
Changes in operating assets and liabilities:			
Decrease in restricted cash	—	—	8,243
Decrease (increase) in receivables	(40,700)	(21,464)	4,201
Decrease (increase) in income tax receivable	14,795	(20,620)	1,673
Increase in inventories	(4,303)	(7,935)	(1,246)
Decrease in other current assets	2,707	77,484	26,017
Increase in operating lease right-of-use asset	(895)	—	—
Decrease in deferred aircraft credits	—	(14,243)	(8,520)
Increase (decrease) in accounts payable and other current liabilities	(54,043)	62,107	67,018
NET CASH PROVIDED BY OPERATING ACTIVITIES	721,030	802,534	684,124
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of marketable securities	(1,938,750)	(2,308,768)	(1,533,867)
Sales of marketable securities	1,866,761	2,451,344	1,440,283
Net cash received from sale of subsidiary	53,200	—	—
Acquisition of property and equipment:			
Aircraft and rotable spare parts	(581,329)	(1,062,380)	(661,176)
Buildings and ground equipment	(80,586)	(34,397)	(27,467)
Proceeds from the sale of aircraft, property and equipment	26,008	—	51,994
Deposits on aircraft	(52,817)	(41,937)	(46,733)
Return of deposits applied towards acquired aircraft	46,346	49,550	36,533
Decrease (increase) in other assets	4,133	(36,816)	(10,904)
NET CASH USED IN INVESTING ACTIVITIES	(657,034)	(983,404)	(751,337)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	200,040	784,665	471,677
Principal payments on long-term debt	(382,442)	(370,775)	(330,258)
Proceeds from issuance of common stock	6,271	5,212	4,660
Purchase of treasury stock	(78,476)	(54,448)	(20,008)
Purchase of common stock	(16,145)	—	—
Employee income tax paid on vested equity awards	(9,313)	(13,556)	(5,080)
Increase in debt issuance cost	(1,642)	(3,892)	(3,737)
Payment of cash dividends	(23,467)	(19,744)	(15,015)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(305,174)	327,462	102,239
Increase (decrease) in cash and cash equivalents	(241,178)	146,592	35,026
Cash and cash equivalents at beginning of period	328,384	181,792	146,766
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 87,206	$ 328,384	$ 181,792

See accompanying notes to consolidated financial statements.

SKYWEST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In thousands)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:						
Non-cash investing activities:						
Acquisition of rotable spare parts	$	16,514	$	367	$	755
Debt assumed on aircraft acquired under operating leases	$	14,475	$	59,132	$	—
Engines contributed to joint venture	$	22,313	$	—	$	—
Non-cash assets used to acquire aircraft under operating leases	$	153,566	$	—	$	—
Lease liability arising from the recognition of right-of-use asset	$	456,472	$	—	$	—
Cash paid during the period for:						
Interest, net of capitalized amounts	$	131,733	$	118,268	$	105,639
Income taxes	$	2,490	$	2,661	$	5,010
SUPPLEMENTAL DISCLOSURE OF SALE OF SUBSIDIARY:						
Decrease in carrying amount of assets	$	(101,448)	$	—	$	—
Decrease in carrying amount of liabilities		68,341		—		—
Cash received from buyers		79,632		—		—
Gain on sale of subsidiary	$	46,525	$	—	$	—

See accompanying notes to consolidated financial statements.

(1) Nature of Operations and Summary of Significant Accounting Policies

SkyWest, Inc. (the "Company"), through its subsidiary, SkyWest Airlines, Inc. ("SkyWest Airlines") operates the largest regional airline in the United States. On January 22, 2019, the Company completed the sale of its former wholly owned subsidiary, ExpressJet Airlines, Inc. ("ExpressJet"). As of December 31, 2019, SkyWest Airlines offered scheduled passenger service under code-share agreements with Delta, United, American and Alaska with approximately 2,300 total daily departures to destinations in the United States, Canada, Mexico and the Caribbean. Additionally, the Company provides airport customer service and ground handling services for other airlines throughout its system. As of December 31, 2019, the Company had 483 aircraft in scheduled service out of a combined fleet of 544 aircraft consisting of the following:

	CRJ200	CRJ700	CRJ900	E175	Total
Delta	84	13	43	59	199
United	99	19	—	65	183
American	7	62	—	—	69
Alaska	—	—	—	32	32
Aircraft in scheduled service	190	94	43	156	483
Subleased to an un-affiliated entity	4	10	5	—	19
Other*	20	22	—	—	42
Total Fleet	214	126	48	156	544

*As of December 31, 2019, these aircraft have been removed from service and are in the process of being placed under a leasing arrangement with a third party, are aircraft transitioning between code-share agreements with the Company's major airline partners and being used as a supplemental spare aircraft, or are in the process of being parted out.

For the year ended December 31, 2019, approximately 41.2% of the Company's aircraft in scheduled service operated for Delta, approximately 37.9% was operated for United, approximately 14.3% was operated for American and approximately 6.6% was operated for Alaska.

SkyWest Airlines has been a code-share partner with Delta since 1987, United since 1997, Alaska since 2011 and American since 2012. As of December 31, 2019, SkyWest Airlines operated as a Delta Connection carrier primarily in Salt Lake City and Minneapolis, a United Express carrier primarily in Los Angeles, San Francisco, Denver, Houston, Chicago and the Pacific Northwest, an American carrier primarily in Chicago, Los Angeles and Phoenix and an Alaska carrier primarily in the Pacific Northwest.

SkyWest Airlines operates the following aircraft manufactured by Bombardier Aerospace ("Bombardier"): CRJ200s, CRJ700s and CRJ900s, and E175s manufactured by Embraer S.A. ("Embraer"). The CRJ200 is a single-class 50-seat aircraft. The CRJ700, CRJ900 and E175 aircraft have a dual-class seat configuration typically configured with 65 to 76 seats.

Basis of Presentation

The Company's consolidated financial statements include the accounts of the Company and the SkyWest Airlines, ExpressJet (for the periods owned by the Company) and SkyWest Leasing segments, with all inter-company transactions and balances having been eliminated.

In preparing the accompanying consolidated financial statements, the Company has reviewed, as determined necessary by the Company's management, events that have occurred after December 31, 2019, through the filing date of the Company's annual report with the U.S. Securities and Exchange Commission. The Company reclassified certain prior period amounts to conform to the current period presentation (see Recent Accounting Pronouncements).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company had no restricted cash as of December 31, 2019 and 2018.

Marketable Securities

The Company's investments in debt securities are classified as available-for-sale and are reported at fair market value with the net unrealized appreciation reported as a component of accumulated other comprehensive income (loss) in stockholders' equity. At the time of sale, any realized appreciation or depreciation, calculated by the specific identification method, is recognized in other income and expense. At December 31, 2019, the fair market value of the available-for-sale securities was the amortized cost. The Company's position in marketable securities as of December 31, 2019 and 2018 was as follows (in thousands):

At December 31, 2019	Amortized Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair market value
Total cash and cash equivalents	$ 87,206	$ —	$ —	$ 87,206
Marketable securities:				
Bond and bond funds	$ 267,243	$ —	$ —	$ 267,243
Commercial Paper	165,723	—	—	165,723
Total marketable securities	$ 432,966	$ —	$ —	$ 432,966
Total assets measured at fair value	$ 520,172	$ —	$ —	$ 520,172

At December 31, 2018	Amortized Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair market value
Total cash and cash equivalents	$ 328,384	$ —	$ —	$ 328,384
Marketable securities:				
Bond and bond funds	$ 229,825	$ —	$ (42)	$ 229,783
Commercial Paper	131,163	—	(1)	131,162
Total marketable securities	$ 360,988	$ —	$ (43)	$ 360,945
Total assets measured at fair value	$ 689,372	$ —	$ (43)	$ 689,329

As of December 31, 2019 and 2018, the Company had classified $433.0 million and $360.9 million of marketable securities, respectively, as short-term since it had the ability to redeem the securities within one year.

Inventories

Inventories include expendable parts, fuel and supplies and are valued at cost (FIFO basis) less an allowance for obsolescence based on historical results, excess parts and management's expectations of future operations. Expendable inventory parts are charged to expense as used. An obsolescence allowance for flight equipment expendable parts is accrued based on estimated lives of the corresponding fleet types and salvage values. The inventory allowance as of December 31, 2019 and 2018 was $15.9 million and $22.1 million, respectively.

Property and Equipment

Property and equipment are stated at cost and depreciated over their useful lives to their estimated residual values using the straight-line method as follows:

Assets	Depreciable Life	Current Residual Value
Aircraft, rotable spares, and spare engines	up to 22 years	up to 20 %
Ground equipment	up to 10 years	0 %
Office equipment	up to 7 years	0 %
Leasehold improvements	Shorter of 15 years or lease term	0 %
Buildings	20 - 39.5 years	0 %

Impairment of Long-Lived Assets

As of December 31, 2019, the Company had approximately $5.4 billion of property and equipment and related assets. In accounting for these long-lived and intangible assets, the Company makes estimates about the expected useful lives of the assets, the expected residual values of certain of these assets, and the potential for impairment based on the fair value of the assets and the cash flows they generate. Factors indicating potential impairment include, but are not limited to, significant decreases in the market value of the long-lived assets, a significant change in the condition of the long-lived assets and operating cash flow losses associated with the use of the long-lived assets. On a periodic basis, the Company evaluates whether impairment indicators are present. When considering whether or not impairment of long-lived assets exists, the Company groups similar assets together at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and compare the undiscounted cash flows for each asset group to the net carrying amount of the assets supporting the asset group. Asset groupings are done at the fleet or contract level.

The Company did not recognize any impairment charges of long-lived assets during the years ended December 31, 2019, 2018 and 2017.

Capitalized Interest

Interest is capitalized on aircraft purchase deposits as a portion of the cost of the asset and is depreciated over the estimated useful life of the asset. During the years ended December 31, 2019, 2018 and 2017, the Company capitalized interest costs of approximately $1.6 million, $1.5 million, and $1.4 million, respectively.

Maintenance

The Company operates under a U.S. Federal Aviation Administration approved continuous inspection and maintenance program. The Company uses the direct expense method of accounting for its regional jet engine overhauls wherein the expense is recorded when the overhaul event occurs. The Company has engine services agreements with third-party vendors to provide long-term engine services covering the scheduled and unscheduled repairs for most of its aircraft. Under the terms of the agreements, the Company pays a fixed dollar amount per engine hour flown on a monthly basis and the third-party vendors will assume the responsibility to repair the engines at no additional cost to the Company, subject to certain specified exclusions. Maintenance costs under these contracts are recognized when the engine hour is flown pursuant to the terms of each contract.

The costs of maintenance for airframe and avionics components, landing gear and other recurring maintenance are expensed as incurred.

Flying Agreements and Airport Customer Service and Other Revenues

The Company recognizes flying agreements revenue and airport customer service and other revenues when the service is provided under its code-share agreements. Under the Company's fixed-fee arrangements (referred to as "fixed-fee arrangements," "fixed-fee contracts" or "capacity purchase agreements") with Delta Air Lines, Inc. ("Delta"), United Airlines, Inc. ("United"), American Airlines, Inc. ("American") and Alaska Airlines, Inc. ("Alaska") (each, a "major airline partner"), the major airline partner generally pays the Company a fixed-fee for each departure, flight hour (measured from takeoff to landing, excluding taxi time) or block hour (measured from takeoff to landing, including taxi time) incurred, and an amount per aircraft in service each month with additional incentives based on flight completion and on-time performance. The major airline partner also directly pays for or reimburses the Company for certain direct expenses incurred under the fixed-fee arrangement, such as fuel, airport landing fees and airport rents. Under the fixed-fee arrangements, the Company's performance obligation is met and revenue is recognized when each flight is completed and is reflected in flying agreements revenue. The transaction price for the fixed-fee agreements is determined from the fixed-fee consideration, incentive consideration and directly reimbursed expenses earned as flights are completed over the agreement term. For the year ended December 31, 2019, fixed-fee arrangements represented approximately 82.0% of the Company's flying agreements revenue.

Under the Company's revenue-sharing arrangements (referred to as a "revenue-sharing" or "prorate" arrangement), the major airline partner and the Company negotiate a passenger fare proration formula, pursuant to which the Company receives a percentage of the ticket revenues for those passengers traveling for one portion of their trip on a Company airline and the other portion of their trip on the major airline partner. Under the Company's prorate flying agreements, the performance obligation is met and revenue is recognized when each flight is completed based upon the portion of the prorate passenger fare the Company anticipates that it will receive for each completed flight. The transaction price for the prorate agreements is determined from the proration formula derived from each passenger ticket amount on each completed flight over the agreement term. For the year ended December 31, 2019, prorate flying arrangements represented approximately 18.0% of the Company's flying agreements revenue.

Airport customer service and other revenues primarily consist of ground handling functions, such as gate and ramp agent services at applicable airports where the Company provides such services. The transaction price for airport customer service agreements is determined from an agreed-upon rate by location applied to the applicable number of flights handled by the Company over the agreement term. Additionally, airport customer service and other revenues includes revenue generated from aircraft and spare engines leased to third parties. Of the Company's \$5.4 billion of property and equipment, net as of December 31, 2019, \$97.0 million of regional jet aircraft and spare engines was leased to third parties under operating leases. The Company mitigates the residual asset risks of these assets by leasing aircraft and engine types that can be operated by the Company in the event of a default. A portion of the Company's leases to third parties contain variable payments from lessees based on departures where the Company pays for maintenance. Additionally, the operating leases typically have specified lease return condition requirements paid by the lessee to the Company and the Company typically maintains inspection rights under the leases.

The following table represents the Company's airport customer service and other revenue for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	For the year ended December 31,		
	2019	2018	2017
Airport customer service revenue	$ 45,538	$ 48,236	$ 41,002
Operating lease income relating to lease payments	27,552	3,923	3,293
Operating lease income relating to variable lease payments	9,608	—	—
Airport customer service and other	$ 82,698	$ 52,159	$ 44,295

The following table summarizes future minimum rental income under operating leases primarily related to leased aircraft that had remaining non-cancelable lease terms as of December 31, 2019 (in thousands):

2020	$ 32,724
2021	31,344
2022	24,786
2023	18,530
2024	18,222
Thereafter	54,932
	$ 180,538

Other ancillary revenues commonly associated with airlines, such as baggage fee revenue, ticket change fee revenue and the marketing component of the sale of mileage credits, are retained by the Company's major airline partners on flights that the Company operates under its code-share agreements.

The following table represents the Company's flying agreements revenue by type for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	For the year ended December 31,		
	2019	**2018**	**2017**
Capacity purchase agreements revenue: flight operations	$ 1,538,062	$ 1,856,253	$ 1,805,510
Capacity purchase agreements revenue: aircraft lease	830,247	814,518	834,366
Prorate agreements revenue	520,956	498,749	438,421
Flying agreements revenue	$ 2,889,265	$ 3,169,520	$ 3,078,297

A portion of the Company's compensation under its fixed-fee agreements is designed to reimburse the Company for certain aircraft ownership costs. The consideration for aircraft ownership costs varies by agreement but is intended to cover either the Company's aircraft principal and interest debt service costs, its aircraft depreciation and interest expense or its aircraft lease expense costs while the aircraft is under contract. The consideration received for the use of the aircraft under the Company's fixed-fee agreements is reflected as lease revenue, inasmuch as the agreements identify the "right of use" of a specific type and number of aircraft over a stated period of time. The lease revenue associated with the Company's fixed-fee agreements is accounted for as an operating lease and is reflected as flying agreements revenue on the Company's consolidated statements of comprehensive income. The Company has not separately stated aircraft rental income and aircraft rental expense in the consolidated statement of comprehensive income since the use of the aircraft is not a separate activity of the total service provided.

The Company's fixed-fee and prorate agreements include weekly provisional cash payments from the respective major airline partner based on a projected level of flying each month. The Company and each major airline partner subsequently reconcile these payments to the actual completed flight activity on a monthly or quarterly basis.

In the event a flying agreement includes a mid-term rate reset to adjust rates prospectively and the contractual rates under the Company's flying agreements have not been finalized at quarterly or annual financial statement dates, the Company applies the variable constraint guidance under Topic 606, where the Company records revenue to the extent it believes that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In several of the Company's agreements, the Company is eligible to receive incentive compensation upon the achievement of certain performance criteria. The incentives are defined in the agreements and are measured and determined on a monthly, quarterly or semi-annual basis. At the end of each period during the term of an agreement, the Company calculates the incentives achieved during that period and recognizes revenue attributable to that agreement accordingly, subject to the variable constraint guidance under Topic 606.

The following summarizes the significant provisions of each code-share agreement the Company has with each major airline partner through SkyWest Airlines:

Delta Connection Agreements

Agreement	Aircraft type	Number of Aircraft	Term / Termination Dates
Delta Connection Agreement (fixed-fee arrangement)	• CRJ 200 • CRJ 700 • CRJ 900 • E175	55 13 43 59	• Individual aircraft have scheduled removal dates from 2020 to 2029 • The average remaining term of the aircraft under contract is 4.1 years
Delta Connection Prorate Agreement (revenue-sharing arrangement)	• CRJ 200	29	• Terminable with 30-day notice

United Express Agreements

Agreement	Aircraft type	Number of Aircraft	Term / Termination Dates
United Express Agreements (fixed-fee arrangement)	• CRJ 200 • CRJ 700 • E175	68 19 65	• Individual aircraft have scheduled removal dates under the agreement between 2020 and 2029 • The average remaining term of the aircraft under contract is 4.3 years
United Express Prorate Agreement (revenue-sharing arrangement)	• CRJ 200	31	• Terminable with 120-day notice

American Agreements

Agreement	Aircraft type	Number of Aircraft	Term / Termination Dates
American Agreement (fixed-fee arrangement)	• CRJ 700	62	• Individual aircraft have scheduled removal dates from 2022 to 2025 • The average remaining term of the aircraft under contract is 4.1 years
American Prorate Agreement (revenue-sharing arrangement)	• CRJ 200	7	• Terminable with 120-day notice

Alaska Capacity Purchase Agreement

Agreement	Aircraft type	Number of Aircraft	Term / Termination Dates
Alaska Agreement (fixed-fee arrangement)	• E175	32	• Individual aircraft have scheduled removal dates from 2027 to 2030 • The average remaining term of the aircraft under contract is 9.2 years

In addition to the contractual arrangements described above, SkyWest Airlines has entered into fixed-fee agreements with Delta and American to place additional E175 aircraft into service. As of December 31, 2019, the Company was scheduled to take delivery of six new E175 aircraft in connection with its agreement with Delta and 20 new E175 aircraft in connection with its agreement with American. The delivery dates for the new E175 aircraft are currently scheduled to be completed by the end of 2021. Final delivery dates may be adjusted based on various factors. Additionally, the Company is scheduled to add an additional six used E175 aircraft under the Delta agreement during 2020.

SkyWest Airlines also entered into an agreement with Delta to place one CRJ900 aircraft under a nine-year fixed-fee agreement in 2020.

SkyWest Airlines also entered into an agreement with American to place ten used CRJ700s under a multi-year contract. As of December 31, 2019, SkyWest Airlines had placed two of these CRJ700 aircraft into service with American.

When an aircraft is scheduled to be removed from a fixed-fee arrangement, the Company may, as practical under the circumstances, negotiate an extension with the respective major airline partner, negotiate the placement of the aircraft with another major airline partner, return the aircraft to the lessor if the aircraft is leased and the lease is expiring, place owned aircraft for sale, or pursue other uses for the aircraft. Other uses for the aircraft may include placing the aircraft in a prorate arrangement, leasing the aircraft to a third party or parting out the aircraft to use the engines and parts as spare inventory or to lease the engines to a third party.

Airport customer service and other revenues primarily consist of ground handling functions, such as gate and ramp agent services at applicable airports where the Company provides such services. The transaction price for airport service agreements is determined from an agreed-upon rate by location applied to the applicable number of flights handled (measured by departures) by the Company over the agreement term.

The Company's operating revenues could be impacted by a number of factors, including changes to the Company's code-share agreements with its major airline partners, changes in flight schedules, contract modifications resulting from contract renegotiations, the Company's ability to earn incentive payments contemplated under the Company's code-share agreements and settlement of reimbursement disputes with the Company's major airline partners.

As of December 31, 2019, the Company had $83.0 million in accounts receivable of which $58.8 million related to flying agreements. As of December 31, 2018, the Company had $64.2 million in accounts receivable of which $52.7 million related to flying agreements.

Income Taxes

The Company recognizes a net liability or asset for the deferred tax consequences of all temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements that are expected to result in taxable or deductible amounts in future years when the reported amounts of the assets and liabilities are recovered or settled.

Net Income Per Common Share

Basic net income per common share ("Basic EPS") excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per common share ("Diluted EPS") reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect on net income (loss) per common share. During the year ended December 31, 2019, 150,000 performance share units (at target performance) were excluded in the computation of Diluted EPS since the Company had not achieved the minimum target thresholds as of December 31, 2019. During the year ended December 31, 2018, 207,000 performance share units (at target performance) were excluded in the computation of Diluted EPS since the Company had not achieved the minimum target thresholds as of December 31, 2018. During the year ended December 31, 2017, 284,000 performance share units (at target performance) were excluded in the computation of Diluted EPS since the Company had not achieved the minimum target thresholds as of December 31, 2017. The calculation of the weighted average number of common shares outstanding for Basic EPS and Diluted EPS are as follows for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Numerator:			
Net Income	$ 340,099	$ 280,372	$ 428,907
Denominator:			
Basic earnings per share weighted average shares	50,932	51,914	51,804
Dilution due to stock options and restricted stock units	443	957	1,296
Diluted earnings per share weighted average shares	51,375	52,871	53,100
Basic earnings per share	$ 6.68	$ 5.40	$ 8.28
Diluted earnings per share	$ 6.62	$ 5.30	$ 8.08

Comprehensive Income (Loss)

Comprehensive income (loss) includes charges and credits to stockholders' equity that are not the result of transactions with the Company's shareholders, including changes in unrealized appreciation on marketable debt securities.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for receivables and accounts payable approximate fair values because of the immediate or short-term maturity of these financial instruments. Marketable securities are reported at fair value based on market quoted prices in the consolidated balance sheets. If quoted prices in active markets are no longer available, the Company has estimated the fair values of these securities utilizing a discounted cash flow analysis. These analyses consider, among other items, the collateralization underlying the security investments, the creditworthiness of the counterparty, the timing of expected future cash flows, and the expectation of the next time the security is expected to have a successful auction. The fair value of the Company's long-term debt is estimated based on current rates offered to the Company for similar debt and was approximately $3,049.1 million as of December 31, 2019, as compared to the carrying amount of $3,017.5 million as of December 31, 2019. The Company's fair value of long-term debt as of December 31, 2018 was $3,157.3 million as compared to the carrying amount of $3,185.4 million as of December 31, 2018.

Segment Reporting

Generally accepted accounting principles require disclosures related to components of a company for which separate financial information is available to, and regularly evaluated by, the Company's chief operating decision maker when deciding how to allocate resources and in assessing performance. The Company's three operating segments (prior to the sale of ExpressJet in January 2019) consist of the operations conducted by SkyWest Airlines, ExpressJet (for the periods owned by the Company) and SkyWest Leasing. Following the sale of ExpressJet, the Company has two reportable segments: SkyWest Airlines and SkyWest Leasing. Information pertaining to the Company's reportable segments is presented in Note 2, *Segment Reporting*.

Recent Accounting Pronouncements

Standards Effective in Future Years and Not Yet Adopted

In June 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments" ("Topic 326"), which requires measurement and recognition of expected credit losses for financial assets held and requires enhanced disclosure regarding significant estimates and judgments used in estimating credit losses. Topic 326 is effective for the Company beginning January 1, 2020. The Company will adopt Topic 326, on January 1, 2020. The Company's primary financial assets as of December 31, 2019, include trade receivables from its flying agreements, notes and other receivables from third parties. The Company estimates it will record a credit loss amount between $7.0 million and $12.0 million in conjunction with the adoption. The Company anticipates that the initial credit loss recorded upon adoption of Topic 326 will be reflected as a January 1, 2020 beginning balance sheet entry to retained earnings (after income tax).

Recently Adopted Standards

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("Topic 842"). Topic 842 and subsequently issued amendments require certain leases with durations longer than 12 months to be recognized on the balance sheet. The Company adopted Topic 842 effective January 1, 2019 and elected the package of transition practical expedients for expired or existing contracts, which does not require reassessment of: (1) whether any of the Company's contracts are or contain leases, (2) lease classification and (3) initial direct costs. In July 2018, the FASB issued ASU No. 2018-11, "Targeted Improvements - Leases (Topic 842)." This update provides an optional transition method that allows entities to elect to apply the standard using the modified retrospective approach at its effective date, versus recasting the prior years presented. If this adoption method is elected, an entity would recognize a cumulative-effect adjustment to the opening balance of retained earnings in the year of adoption. The Company elected this adoption method and recognized a cumulative-effect adjustment to the opening balance of retained earnings on January 1, 2019.

Additionally, the Company's adoption of Topic 842 did not have a significant impact on the recognition, measurement or presentation of lease revenue and lease expenses within the condensed consolidated statements of operations and comprehensive income or the condensed consolidated statements of cash flows. The Company's adoption of Topic 842 did not have a material impact on the timing or amount of the Company's lease revenue as a lessor. The Company's prepaid aircraft rents, accrued aircraft rents and deferred rent credits that were separately stated in the Company's December 31, 2018 balance sheet have been classified as a component of the Company's right-of-use assets effective January 1, 2019. The consolidated financial statements for 2019 are presented under the new standard, while comparative years presented are not adjusted and continue to be reported in accordance with the Company's historical accounting policy.

See Note 6, "*Leases*" for more information.

(2) Segment Reporting

Generally accepted accounting principles require disclosures related to components of a company for which separate financial information is available to, and regularly evaluated by, the Company's chief operating decision maker when deciding how to allocate resources and in assessing performance.

Prior to the Company's sale of ExpressJet on January 22, 2019, the Company's three reporting segments consisted of the operations of SkyWest Airlines, ExpressJet and SkyWest Leasing activities. The segment information presented for ExpressJet reflects the period of time prior to the sale, when ExpressJet was operating as a subsidiary of the Company. The Company concluded that the sale of ExpressJet did not meet the criteria for a discontinued operation. Following the sale of ExpressJet, the Company has two reportable segments: SkyWest Airlines and SkyWest Leasing.

The Company's chief operating decision maker analyzes the profitability of operating new aircraft financed through the issuance of debt, including the Company's E175 fleet, separately from the profitability of the Company's capital deployed for ownership and financing of such aircraft. The SkyWest Airlines segment includes revenue earned under the applicable fixed-fee contracts attributed to operating such aircraft and the respective operating costs. The SkyWest Leasing segment includes applicable revenue earned under the applicable fixed-fee contracts attributed to the ownership of new aircraft acquired through the issuance of debt and the respective depreciation and interest expense of such aircraft. The SkyWest Leasing segment also includes the activity of leasing regional jet aircraft and spare engines to third parties. The SkyWest Leasing segment's total assets and capital expenditures include new aircraft acquired through the issuance of debt and assets leased to third parties.

The following represents the Company's segment data for the years ended December 31, 2019, 2018 and 2017 (in thousands).

	Year Ended December 31, 2019			
	SkyWest Airlines	**ExpressJet**	**SkyWest Leasing**	**Consolidated**
Operating revenues	$ 2,478,681	$ 24,050	$ 469,232	$ 2,971,963
Operating expense	2,214,632	28,690	216,383	2,459,705
Depreciation and amortization expense	168,246	971	198,881	368,098
Special items	18,508	3,361	—	21,869
Interest expense	13,525	—	114,230	127,755
Segment profit (loss) (1)	250,524	(4,640)	138,619	384,503
Total assets	2,728,964	—	3,928,165	6,657,129
Capital expenditures (including non-cash)	270,191	—	576,279	846,470

	Year Ended December 31, 2018			
	SkyWest Airlines	ExpressJet	SkyWest Leasing	Consolidated
Operating revenues	$ 2,346,251	$ 564,202	$ 311,226	$ 3,221,679
Operating expense	2,022,560	577,608	147,231	2,747,399
Depreciation and amortization expense	155,511	37,290	141,788	334,589
Interest expense	17,021	2,340	101,048	120,409
Segment profit (loss) (1)	306,670	(15,746)	62,947	353,871
Total assets	2,531,707	279,303	3,502,202	6,313,212
Capital expenditures (including non-cash)	149,731	10,137	996,408	1,156,276

	Year Ended December 31, 2017			
	SkyWest Airlines	ExpressJet	SkyWest Leasing	Consolidated
Operating revenues	$ 2,092,368	$ 790,282	$ 239,942	$ 3,122,592
Operating expense	1,807,540	818,683	108,170	2,734,393
Depreciation and amortization expense	134,563	51,982	106,223	292,768
Interest expense	21,544	4,127	79,254	104,925
Segment profit (loss) (1)	263,284	(32,528)	52,518	283,274
Identifiable intangible assets, other than goodwill	—	4,896	—	4,896
Total assets	2,245,051	599,122	2,630,227	5,474,400
Capital expenditures (including non-cash)	124,955	14,278	550,165	689,398

(1) Segment profit is operating income less interest expense

(3) Long-term Debt

Long-term debt consisted of the following as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019	December 31, 2018
Notes payable to banks, due in semi-annual installments, variable interest based on LIBOR, or with an interest rate of 4.00% through 2019, secured by aircraft	$ —	$ 6,429
Notes payable to a financing company, due in semi-annual installments, with a fixed interest rate of 3.25% through 2021, secured by aircraft	18,412	36,324
Notes payable to banks, due in semi-annual installments plus interest at 6.10% to 6.51% through 2021, secured by aircraft	22,557	41,592
Notes payable to banks, due in monthly installments, plus interest at 1.95% to 6.86% through 2029, secured by aircraft	438,878	476,369
Notes payable to banks, due in quarterly installments, plus interest at 3.39% to 5.08% through 2031, secured by aircraft	2,537,676	2,621,416
Notes payable to banks due in monthly installments, interest at 3.30% through 2019, secured by spare engines	—	3,308
Long-term debt	$ 3,017,523	$ 3,185,438
Current portion of long-term debt	(367,954)	(354,072)
Less long-term portion of unamortized debt issue cost, net	(20,580)	(21,598)
Long-term debt, net of current maturities and debt issue costs	$ 2,628,989	$ 2,809,768
Current portion of long-term debt	367,954	354,072
Less current portion of unamortized debt issue cost, net	(3,828)	(3,866)
Current portion of long-term debt, net of debt issue costs	$ 364,126	$ 350,206

During the year ended December 31, 2019, the Company took delivery of ten E175 aircraft that the Company financed through $200.0 million of long-term debt. The debt associated with the ten E175 aircraft has a 12-year term, is due in quarterly installments with fixed annual interest rates ranging from 3.4% to 4.1% and is secured by the E175 aircraft. Additionally, the Company purchased two previously leased aircraft during the first quarter of 2019, for which the Company assumed $14.5 million of long-term debt. The debt associated with the two previously leased aircraft has a term of 18 months with monthly interest only payments with a fixed annual interest rate of 2.0% and is secured by the previously leased aircraft.

As of December 31, 2019 and 2018, the Company had $3.0 billion and $3.2 billion, respectively, of long-term debt obligations primarily related to the acquisition of aircraft and certain spare engines. The average effective interest rate on the debt related to those long-term debt obligations at December 31, 2019 and 2018, was approximately 4.2%.

During the year ended December 31, 2019, the Company used $30.1 million in cash to extinguish $30.1 million in debt early. During the year ended December 31, 2018, the Company used $43.5 million in cash to extinguish $43.5 million in debt early. These payments did not result in a pre-tax gain or loss in the consolidated statements of comprehensive income.

The aggregate amounts of principal maturities of long-term debt as of December 31, 2019 were as follows (in thousands):

2020	$	367,954
2021		352,005
2022		365,907
2023		374,906
2024		327,630
Thereafter		1,229,121
	$	3,017,523

As of December 31, 2019 and 2018, SkyWest Airlines had a $75 million line of credit. The line of credit includes minimum liquidity and profitability covenants and is secured by certain assets. As of December 31, 2019, the Company was in compliance with the line of credit covenants. As of December 31, 2019 and 2018, SkyWest Airlines had no amount outstanding under the facility. However, at December 31, 2019 and 2018 the Company had $8.8 million and $9.7 million, respectively, in letters of credit issued under the facility which reduced the amount available under the facility to $66.2 million and $65.3 million, respectively. The facility expires on September 1, 2021 and has a variable interest rate of LIBOR plus 2.5% at December 31, 2019.

As of December 31, 2019 and 2018, the Company had $61.7 million and $78.7 million, respectively, in letters of credit and surety bonds outstanding with various banks and surety institutions in addition to the letters of credit outstanding under the line of credit.

(4) Income Taxes

The provision (benefit) for income taxes includes the following components (in thousands):

	Year ended December 31,		
	2019	2018	2017
Current tax provision (benefit):			
Federal	$ (4,395)	$ (21,598)	$ 5,853
State	891	1,465	180
Foreign	—	1,575	—
	(3,504)	(18,558)	6,033
Deferred tax provision (benefit):			
Federal	95,655	92,250	(166,890)
State	14,055	12,250	20,133
	109,710	104,500	(146,757)
Provision (benefit) for income taxes	$ 106,206	$ 85,942	$ (140,724)

The following is a reconciliation between a federal income tax rate of 21% in 2019 and 2018 and 35% for 2017 of income before income taxes and the effective tax rate which is derived by dividing the provision (benefit) for income taxes by the income before the provision for income taxes (in thousands):

	Year ended December 31,		
	2019	2018	2017
Computed provision for income taxes at the statutory rate	$ 93,724	$ 76,926	$ 100,864
Increase (decrease) in income taxes resulting from:			
State income tax provision, net of federal income tax benefit	15,645	12,711	7,778
Non-deductible expenses	3,934	1,956	3,230
Valuation allowance changes affecting the provision for income taxes	(517)	(1,187)	505
Foreign income taxes, net of federal & state benefit	—	1,192	—
Excess tax benefits from share-based compensation	(3,525)	(4,548)	(5,377)
Revaluation of net deferred taxes for the Tax Cuts and Jobs Act of 2017	—	—	(246,845)
Other, net	(3,055)	(1,108)	(879)
Provision (benefit) for income taxes	$ 106,206	$ 85,942	$ (140,724)

For the year ended December 31, 2019, the Company released $0.5 million of valuation allowance against certain deferred tax assets primarily associated with ExpressJet state net operating losses. For the year ended December 31, 2018, the Company released $1.2 million valuation allowance, respectively against certain deferred tax assets primarily associated with ExpressJet state net operating losses with a limited carry forward period and Company capital losses with a limited carry forward period. For the year ended December 31, 2017, the Company recorded $0.5 million of valuation allowance against certain deferred tax assets primarily associated with ExpressJet state net operating losses. The decrease in the valuation allowance for 2019 was primarily based on changes in the Company's income tax projections which reduced the amount of deferred tax assets that are anticipated to expire before the deferred tax assets may be utilized.

The Company recorded a $3.5 million, $4.5 million and $5.4 million benefit from share-based compensation in 2019, 2018 and 2017, respectively, relating to ASU 2016-09 which, requires excess tax benefits and deficiencies to be recognized in the income tax provision during the period stock options are exercised and when stock awards vest.

The significant components of the Company's net deferred tax assets and liabilities as of December 31, 2019 and 2018 are as follows (in thousands):

	As of December 31, 2019	As of December 31, 2018
Deferred tax assets:		
Accrued benefits	$ 20,848	$ 32,462
Net operating loss carryforward	358,685	344,375
AMT credit carryforward	4,397	15,744
Aircraft credits	9,114	35,924
Accrued reserves and other	17,225	18,710
Total deferred tax assets	410,269	447,215
Valuation allowance	(892)	(9,455)
Deferred tax liabilities:		
Accelerated depreciation	(1,032,957)	(955,919)
Total deferred tax liabilities	(1,032,957)	(955,919)
Net deferred tax liability	$ (623,580)	$ (518,159)

The Company's deferred tax liabilities were primarily generated through accelerated depreciation, combined with shorter depreciable tax lives, allowed under the IRS tax code for purchased aircraft and support equipment compared to the Company's depreciation policy under GAAP for such assets using the straight-line method (see note 1 Nature of Operations and Summary of Significant Accounting Policies).

The Company's valuation allowance is related to certain deferred tax assets with a limited carry forward period where the Company does not anticipate utilizing these deferred tax assets prior to the lapse of the carry forward period. The Company's AMT credit carryforward includes credits from prior acquisitions.

At December 31, 2019 and 2018, the Company had federal net operating losses of approximately $1,581.1 million and $1,504.9 million and state net operating losses of approximately $766.4 million and $562.0 million, respectively. The estimated effective tax rate applicable to the federal and state net operating losses at December 31, 2019 was 21.0% and 3.36%, respectively. The Company anticipated that the federal and state net operating losses will start to expire in 2030 and 2020, respectively. The Company has recorded a valuation allowance for state net operating losses the Company anticipates will expire before the benefit will be realized due to the limited carry forward periods. As of December 31, 2019 and 2018, the Company also had an alternative minimum tax credit of approximately $4.4 million and $8.8 million, respectively, which does not expire. Under the Tax Cuts and Jobs Act of 2017, the Company will realize the alternative minimum tax credit either by offsetting regular tax due or as a refundable credit over the next two years. The Company has no ongoing federal or state examinations. Federal tax years 2016, 2017 and 2018 are open to examination.

Under ASC Topic 740, the accounting guidance related to uncertainty in tax positions requires that the impact of a tax position be recognized in the financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. A reconciliation of the beginning and ending amount of unrecognized tax benefits for the year ended December 31, 2019 and 2018 is as follows (in thousands):

	As of December 31, 2019	As of December 31, 2018
Unrecognized tax benefits at the beginning of year	$ 14,553	$ 2,223
Gross increases - current year tax positions	—	13,899
Gross increases - prior year tax positions	67	—
Gross decreases - prior year tax positions	—	(1,569)
Unrecognized tax benefits at end of year	$ 14,620	$ 14,553
Interest and penalties in year-end balance	$ 67	$ —

For the year ending December 31, 2019, the Company has recorded $67,000 of interest expense related to uncertain tax positions not offset by the Company's tax attributes.

(5) Commitments and Contingencies

Self-Insurance

The Company self-insures a portion of its potential losses from claims related to workers' compensation, environmental issues, property damage, medical insurance for employees and general liability. Losses are accrued based on an estimate of the ultimate aggregate liability for claims incurred, using standard industry practices and the Company's actual experience. The Company uses judgment and estimates in determining the ultimate aggregate liabilities for claims incurred in its workers' compensation liability. The Company also used significant assumptions in determining the workers compensation liability such as an estimation of loss payment and loss reporting development patterns. At December 31, 2019 and 2018, the Company's accrued workers' compensation liability totaled $23.9 million and $42.0 million, respectively. Actual results could differ from these estimates.

Legal Matters

The Company is subject to certain legal actions which it considers routine to its business activities. As of December 31, 2019, management believed, after consultation with legal counsel, that the ultimate outcome of such legal matters was not likely to have a material adverse effect on the Company's financial position, liquidity or results of operations.

Concentration Risk and Significant Customers

The Company requires no collateral from its major airline partners or customers, but monitors the financial condition of its major airline partners. Under the majority of the Company's code-share agreements, the Company receives weekly payments from its major code-share partners that approximate a significant percentage of the compensation earned for such period. Additionally, the Company provides certain customer service functions at multiple airports for various airlines and the Company maintains an allowance for doubtful accounts receivable based upon expected collectability of all accounts receivable. The Company's allowance for doubtful accounts totaled $18,000 and $158,000 as of December 31, 2019 and 2018, respectively. For the years ended December 31, 2019, 2018 and 2017, the Company's contractual relationships with Delta and United combined accounted for approximately 77.6%, 81.4% and 82.9%, respectively of the Company's total revenues.

Employees Under Collective Bargaining Agreements

As of December 31, 2019, the Company had approximately 13,700 full-time equivalent employees. Although no SkyWest Airlines employees are represented by a national union, certain SkyWest Airline employees are covered under a stable and binding collective bargaining agreement that is administered by employee representatives.

(6) Leases

Effective January 1, 2019, the Company adopted Topic 842. The Company leases property and equipment under operating leases. For leases with durations longer than 12 months, the Company recorded the related operating lease right-of-use asset and operating lease liability at the present value of lease payments over the term. The Company used its incremental borrowing rate to discount the lease payments based on information available at lease commencement.

Aircraft

During the first quarter of 2019, the Company acquired 52 CRJ aircraft under an early lease buyout arrangement with the lessor for $111.7 million. During the third quarter of 2019, the Company acquired four CRJ900 aircraft under an early lease buyout arrangement with the lessor for $30.0 million. As of December 31, 2019, the Company had 94 aircraft under operating leases with remaining terms ranging from less than one year to ten years.

With the adoption of Topic 842, the Company evaluated whether leased aircraft asset groups within the Company's fleet were impaired. Under the transition guidance for Topic 842, a company is permitted to recognize a previously unrecognized impairment related to a right-of-use asset in the period prior to the adoption date of Topic 842 if the event giving rise to the impairment occurred before the adoption date. In 2016, the Company recorded an impairment on certain of its long-lived assets, which included the Company's CRJ200 aircraft. In 2016, the market lease rate was less than the contractual lease rate on the Company's CRJ200 leased aircraft. The Company recorded an impairment of $13.1 million (net of tax) as an adjustment to the Company's January 1, 2019 retained earnings related to the previously unrecognized impairment of these leased CRJ200s.

Airport facilities

The Company has operating leases for facility space including airport terminals, office space, cargo warehouses and maintenance facilities. The Company generally leases this space from government agencies that control the use of the airport. The remaining lease terms for facility space vary from one month to 37 years. The Company's operating leases with lease rates that are variable based on airport operating costs, use of the facilities or other variable factors are excluded from the Company's right-of-use assets and operating lease liabilities in accordance with accounting guidance.

Leases

As of December 31, 2019, the Company's right-of-use assets were $336.0 million, the Company's current maturities of operating lease liabilities were $94.8 million, and the Company's noncurrent lease liabilities were $259.2 million. During 2019, the Company paid $75.4 million in operating leases reflected as a reduction from operating cash flows.

The table below presents lease related terms and discount rates as of December 31, 2019.

	As of December 31, 2019
Weighted-average remaining lease term	
Operating leases	6.84 years
Weighted-average discount rate	
Operating leases	6.4%

The Company's lease costs for 2019 and 2018 included the following components (in thousands):

	For the year ended December 31,	
	2019	2018
Operating lease cost	$ 104,011	$ 185,337
Variable and short-term lease cost	5,232	5,143
Sublease income	(1,436)	—
Total lease cost	$ 107,807	$ 190,480

As of December 31, 2019, the Company leased aircraft, airport facilities, office space, and other property and equipment under non-cancelable operating leases, which are generally on a long-term, triple-net lease basis pursuant to which the Company pays taxes, maintenance, insurance and certain other operating expenses applicable to the leased property. The Company expects that, in the normal course of business, such operating leases that expire will be renewed or replaced by other leases, or the property may be purchased rather than leased. The following table summarizes future minimum rental payments primarily related to leased aircraft required under operating leases that had initial or remaining non-cancelable lease terms as of December 31, 2019 (in thousands):

2020	$ 94,806
2021	84,285
2022	73,960
2023	68,581
2024	27,282
Thereafter	94,746
	$ 443,660

The majority of the Company's leased aircraft are owned and leased through trusts whose sole purpose is to purchase, finance and lease these aircraft to the Company ("Leveraged Lease Agreements"). The Company is not a beneficiary of such trusts and the Company does not have an ownership interest in such trusts. The Company's leveraged leases do not require the Company to guarantee a portion of the residual values of the leased assets held by the trust and the Company's leveraged lease agreements do not contain a fixed purchase option or have any other terms that represent variable interests in such trusts. As a result, the Company has not consolidated any of these trusts.

Total rental expense for non-cancelable aircraft operating leases was approximately $72.0 million, $154.9 million and $215.8 million for the years ended December 31, 2019, 2018 and 2017, respectively. The minimum rental expense for airport station rents was approximately $23.1 million, $19.6 million and $30.3 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Disclosures related to periods prior to the adoption of the New Lease Standard

The following table summarizes future minimum rental payments required under operating leases that had non-cancelable lease terms in excess of one year as of December 31, 2018 (in thousands):

2019	$ 87,256
2020	101,741
2021	90,787
2022	72,593
2023	65,749
Thereafter	59,820
	$ 477,946

(7) Fair Value Measurements

The Company holds certain assets that are required to be measured at fair value in accordance with GAAP. The Company determined fair value of these assets based on the following three levels of inputs:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Some of the Company's marketable securities primarily utilize broker quotes in a non-active market for valuation of these securities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, therefore requiring an entity to develop its own assumptions.

As of December 31, 2019, the Company held certain assets that are required to be measured at fair value on a recurring basis. Assets measured at fair value on a recurring basis are summarized below (in thousands):

	Fair Value Measurements as of December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Marketable Securities				
Bonds and bond funds	$ 267,243	$ —	$ 267,243	$ —
Commercial paper	165,723	—	165,723	—
	$ 432,966	$ —	$ 432,966	$ —
Cash, Cash Equivalents and Restricted Cash	87,206	87,206	—	—
Total Assets Measured at Fair Value	$ 520,172	$ 87,206	$ 432,966	$ —

	Fair Value Measurements as of December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Marketable Securities				
Bonds and bond funds	$ 229,783	$ —	$ 229,783	$ —
Commercial paper	131,162	—	131,162	—
	$ 360,945	$ —	$ 360,945	$ —
Cash, Cash Equivalents and Restricted Cash	328,384	328,384	—	—
Total Assets Measured at Fair Value	$ 689,329	$ 328,384	$ 360,945	$ —

The Company's "Marketable Securities" classified as Level 2 primarily utilize broker quotes in a non-active market for valuation of these securities.

No significant transfers between Level 1, Level 2 and Level 3 occurred during the year ended December 31, 2019. The Company's policy regarding the recording of transfers between levels is to record any such transfers at the end of the reporting period.

(8) Special Items

The following table summarizes the components of the Company's special items, for the year ended December 31, 2019, 2018 and 2017 (in thousands):

	Year ended December 31,		
	2019	**2018**	**2017**
Special items:			
Parts credit[1]	$ 18,508	$ —	$ —
Employee severance [2]	3,361	—	—
Total special items	$ 21,869	$ —	$ —

(1) The Company terminated an agreement with an aircraft manufacturer that obligated the Company to future aircraft lease return conditions on aircraft the Company leased. In conjunction with the terminated agreement, the aircraft manufacturer released the Company from the future aircraft lease return obligations and the Company agreed to terminate aircraft part credits previously issued by the manufacturer to the Company. As a result of the terminated

agreement, the Company recorded a non-cash expense of $18.5 million (pre-tax) during 2019 to write-off the terminated aircraft part credits, which was reflected as a special items operating expense in the consolidated statement of comprehensive income. These special items are reflected in the SkyWest Airlines operating expenses under Note 2 *Segment Reporting*.

(2) During 2019, the Company incurred $3.4 million of employee severance related costs associated with the sale of ExpressJet that are also reflected in special items. These special items are reflected in the ExpressJet operating expenses under Note 2 *Segment Reporting*.

(9) Capital Transactions

Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock in one or more series without shareholder approval. No shares of preferred stock are presently outstanding. The Company's Board of Directors is authorized, without any further action by the shareholders of the Company, to (i) divide the preferred stock into series; (ii) designate each such series; (iii) fix and determine dividend rights; (iv) determine the price, terms and conditions on which shares of preferred stock may be redeemed; (v) determine the amount payable to holders of preferred stock in the event of voluntary or involuntary liquidation; (vi) determine any sinking fund provisions; and (vii) establish any conversion privileges.

Stock Compensation

On May 7, 2019, the Company's shareholders approved the adoption of the SkyWest, Inc. 2019 Long-Term Incentive Plan, which provides for the issuance of up to 4,500,000 shares of common stock to the Company's directors, employees, consultants and advisors (the "2019 Incentive Plan"). The 2019 Incentive Plan provides for awards in the form of options to acquire shares of common stock, stock appreciation rights, restricted stock grants, restricted stock units and performance awards. The 2019 Incentive Plan is administered by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee"). As of December 31, 2019, the 2019 Incentive Plan had 4.4 million shares remaining available for future issuance.

Stock Options

The fair value of stock options awarded under the Company's stock option plans has been estimated as of the grant date using the Black-Scholes option pricing model. The Company uses historical data to estimate option exercises and employee termination in the option pricing model. The expected term of options granted is derived from the output of the option pricing model and represents the period of time that options granted are expected to be outstanding. The expected volatilities are based on the historical volatility of the Company's traded stock and other factors. During the years ended December 31, 2019, 2018 and 2017, the Company did not grant any options to purchase shares of common stock.

Options are exercisable for a period as defined by the Compensation Committee on the date granted; however, no stock option will be exercisable before six months have elapsed from the date of grant and no stock option shall be exercisable after seven years from the date of grant. The following table summarizes the stock option activity for all of the Company's plans for the years ended December 31, 2019, 2018 and 2017.

	2019				2018		2017	
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ($000)	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	300,580	$ 13.70	3.0 years	$ 9,249.4	458,103	$ 13.73	819,981	$ 13.58
Granted	—	—			—	—	—	—
Exercised	(232,514)	13.36			(157,523)	13.80	(356,209)	13.36
Cancelled	(7,835)	15.86			—	—	(5,669)	14.33
Outstanding at end of year	60,231	14.74	3.1 years	$ 3,005.1	300,580	13.70	458,103	13.73
Exercisable at December 31, 2019	60,231	14.74	3.1 years	$ 3,005.1				
Exercisable at December 31, 2018	235,672	13.36	2.7 years	$ 7,330.7				

The total intrinsic value of options to acquire shares of the Company's common stock that were exercised during the years ended December 31, 2019, 2018 and 2017 was $10.5 million, $7.1 million and $9.94 million, respectively.

The following table summarizes the status of the Company's non-vested stock options as of December 31, 2019:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Non-vested shares at beginning of year	64,908	$ 5.32
Granted	—	—
Vested	(57,073)	5.27
Cancelled	(7,835)	5.66
Non-vested shares at end of year	—	$ —

The following table summarizes information about the Company's stock options outstanding at December 31, 2019:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$13.00 to $13.99	2,034	2.1 years	$ 13.51	2,034	$ 13.51
$14.00 to $15.00	58,197	3.1 years	14.78	58,197	14.78
$13.00 to $15.00	60,231	3.1 years	$ 14.74	60,231	$ 14.74

Restricted Stock Units ("RSUs")

During the year ended December 31, 2019, the Company granted 104,120 restricted stock units to certain of the Company's employees under the 2019 Incentive Plan. The restricted stock units granted during the year ended December 31, 2019 have a three-year cliff-vesting period, during which the recipient must remain employed with the Company or its subsidiaries. The weighted average fair value of the restricted stock units at the date of grants made during the year ended December 31, 2019 was $48.65 per share.

The following table summarizes the activity of restricted stock units granted to certain Company employees for the years ended December 31, 2019, 2018 and 2017:

	Number of RSUs	Weighted-Average Grant-Date Fair Value
Non-vested RSUs outstanding at December 31, 2016 .	926,931	$ 13.65
Granted.	160,137	35.81
Vested	(230,903)	12.01
Cancelled	(40,575)	15.78
Non-vested RSUs outstanding at December 31, 2017 .	815,590	$ 18.35
Granted.	115,044	53.40
Vested	(330,580)	13.57
Cancelled	(24,273)	27.77
Non-vested RSUs outstanding at December 31, 2018 .	575,781	$ 27.71
Granted.	104,120	48.65
Vested	(251,853)	14.79
Cancelled	(143,362)	30.85
Non-vested RSUs outstanding at December 31, 2019 .	284,686	$ 45.21

Performance Stock Units (“PSUs”)

During the year ended December 31, 2019, the Compensation Committee granted performance share units, which are performance based restricted stock units, to certain Company employees with three-year performance-based financial metrics that the Company must meet before those awards may be earned and the performance period is measured for the three years ending December 31, 2021. The Company’s compensation expense for performance share units is based upon the projected number of performance share units estimated to be awarded at the conclusion of the performance period. During 2019, the Compensation Committee awarded 67,853 additional shares of stock related to the performance share grant in 2016 based on the Company’s performance for the three years ended December 31, 2018 measured against the pre-established targets for the same period. The Compensation Committee will determine the achievement of performance results and corresponding vesting of performance shares for each year’s grant in 2017, 2018 and 2019 following the conclusion of the respective performance period. At the end of each performance period, the number of shares awarded can range from 0% to 200% of the original granted amount for performance share units granted in 2019, 2018 and 2017.

The following table summarizes the activity of performance share units granted at target as of December 31, 2019.

	Number of PSUs	Weighted-Average Grant-Date Fair Value
Non-vested PSUs outstanding at December 31, 2016	363,993	$ 14.23
Granted	119,315	35.81
Vested	—	—
Cancelled	(14,732)	15.00
Non-vested PSUs outstanding at December 31, 2017	468,576	$ 19.70
Granted	90,264	53.41
Additional PSUs awarded from the 2015 grant	92,335	13.62
Vested	(277,029)	13.62
Cancelled	(3,229)	30.09
Non-vested PSUs outstanding at December 31, 2018	370,917	$ 30.84
Granted	87,864	48.81
Additional PSUs awarded from the 2016 grant	67,853	14.80
Vested	(203,582)	14.80
Cancelled	(89,481)	34.70
Non-vested PSUs outstanding at December 31, 2019	233,571	$ 45.44

During the years ended December 31, 2019, 2018 and 2017 the Company granted fully-vested shares of common stock to the Company's directors in the amounts of 18,576, 15,165 and 22,617 shares, respectively, with a weighted average grant-date fair value of $48.45, $53.40, and $35.81 respectively.

During the year ended December 31, 2019, 2018 and 2017, the Company recorded equity-based compensation expense of $10.3 million, $13.1 million and $10.6 million, respectively. Additionally, the Company incurred $7.9 million of employee severance related costs associated with the sale of ExpressJet, partially offset by a forfeiture credit of $4.5 million, primarily resulting from stock-based compensation awards that terminated upon the sale of ExpressJet during 2019.

As of December 31, 2019, the Company had $10.0 million of total unrecognized compensation cost related to non-vested restricted stock grants and non-vested performance stock units. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures. The Company expects to recognize this cost over a weighted average period of 1.7 years.

Taxes

The Company's treatment of stock option grants of non-qualified options, restricted stock units and performance shares results in the creation of a deferred tax asset, which is a temporary difference, until the time that the option is exercised or the restrictions lapse.

(10) Retirement Plans and Employee Stock Purchase Plans

SkyWest Retirement Plan

The Company sponsors the SkyWest, Inc. Employees' Retirement Plan (the "SkyWest Plan"). Employees who have completed 90 days of service and are at least 18 years of age are eligible for participation in the SkyWest Plan. Employees may elect to make contributions to the SkyWest Plan. Generally, the Company matches 100% of such contributions up to levels ranging from 2% to 12% of compensation, based on position and years of service. Additionally, a discretionary contribution may be made by the Company. The Company's combined contributions to the SkyWest Plan were $40.7 million, $35.6 million and $26.1 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Employee Stock Purchase Plans

In May 2009, the Company's Board of Directors approved the SkyWest, Inc. 2009 Employee Stock Purchase Plan (the "2009 Stock Purchase Plan"). All employees who have completed 90 days of employment with the Company or one of its subsidiaries are eligible to participate in the 2009 Stock Purchase Plan, except employees who own five percent or more of the Company's common stock. The 2009 Stock Purchase Plan enables employees to purchase shares of the Company's common stock at a five percent discount, through payroll deductions. Employees can contribute up to 15% of their base pay, not to exceed $25,000 each calendar year, for the purchase of shares. Shares are purchased semi-annually at a five percent discount based on the end of the period price. Employees can terminate their participation in the 2009 Stock Purchase Plan at any time upon written notice.

The following table summarizes purchases made under the 2009 Employee Stock Purchase Plans during the years ended December 31, 2019, 2018 and 2017:

	Year ended December 31,		
	2019	2018	2017
Number of shares purchased	65,148	60,950	88,362
Average price of shares purchased	$ 48.58	$ 49.85	$ 33.96

The 2009 Stock Purchase Plan is a non-compensatory plan under the accounting guidance. Therefore, no compensation expense was recorded for the years ended December 31, 2019, 2018 and 2017.

(11) Stock Repurchase

The Company's Board of Directors has adopted a stock repurchase program which authorizes the Company to repurchase shares of the Company's common stock in the public market or in private transactions, from time to time, at prevailing prices. The Company's stock repurchase program authorizes the repurchase of up to $250.0 million of the Company's common stock commencing on February 5, 2019, of which $159.6 million remained available at December 31, 2019.

During the years ended December 31, 2019, 2018 and 2017, the Company repurchased 1.7 million, 1.0 million and 0.5 million shares of common stock (including shares purchased from the Company's Chairman of the Board see Note 12 *Related-Party Transactions* for more details) for approximately $94.6 million, $54.4 million and $20.0 million, respectively at a weighted average price per share of $56.86, $56.25 and $41.36, respectively. Additionally, during the year ended December 31, 2019, 2018 and 2017, the Company paid $9.3 million, $13.6 million and $5.1 million, respectively, for a net settlement of the income tax obligation on employee equity awards that vested during the applicable periods.

(12) Related-Party Transactions

On June 13, 2019, the Company repurchased 268,025 shares of its common stock from Jerry Atkin, Chairman of the Board, at a price of $60.24 per share, representing the volume-weighted average price of the Company's common stock over the five trading days immediately prior to such repurchase. The transaction was part of Mr. Atkin's personal long-term strategy for asset diversification, tax and estate planning and to fund philanthropic and charitable efforts. The transaction was approved by the Company's Audit Committee and was effected pursuant to the Company's stock repurchase plan that commenced on February 5, 2019.

During the year ended December 31, 2019, the Company purchased $93,540 of spare aircraft parts from an entity affiliated with a director of the Company.

(13) Gain on Sale of ExpressJet

On January 22, 2019, the Company completed the sale of its former wholly owned subsidiary ExpressJet. The Company recorded a gain of $46.5 million (pre-tax) from the sale of ExpressJet. The closing of the transaction was completed in two parts, through an asset sale and stock sale, as further described below.

Asset Sale

On January 11, 2019, pursuant to the terms and conditions of the Asset Purchase Agreement, dated as of December 17, 2018, by and among the Company, ExpressJet and United, United acquired certain specified assets and liabilities of ExpressJet, including, among other things, aircraft engines, auxiliary power units, rotable spare parts, ground support equipment and flight training equipment for $60.8 million in cash, subject to certain purchase price adjustments (the “Asset Sale”). Certain assets and liabilities of ExpressJet were expressly excluded from the Asset Sale.

Stock Sale

Additionally, on January 22, 2019, pursuant to the terms and conditions of the Stock Purchase Agreement, dated as of December 17, 2018, by and among the Company and ManaAir, LLC, a company in which United owns a minority interest (the “Buyer”), the Buyer acquired all of the outstanding shares of capital stock of ExpressJet from the Company for $18.8 million in cash, subject to certain purchase price adjustments (the “Stock Sale,”). To facilitate payment of the purchase price for the Stock Sale, at the closing of the Stock Sale, the Company loaned $26 million to Kair Enterprises, Inc. (the “Borrower”), the majority owner of the Buyer. Such loan accrues interest at the rate of 6.85% per annum, matures on the last business day of the last month immediately preceding the two-year anniversary of the closing of the Stock Sale and is secured by, among other things, the Borrower’s ownership interests in the Buyer. The Company also leased 16 CRJ200 aircraft to ExpressJet for a portion of the 2019 year. The lease of these 16 CRJ200 aircraft was terminated as of December 31, 2019.

(14) Investment in Other Companies

During 2019, the Company created a joint venture with Regional One, Inc. (“Regional One”) by investing $22.3 million for a 75% ownership interest in Aero Engines, LLC. (“Aero Engines”). The primary purpose of Aero Engines is to lease engines to third parties. Aero Engines requires unanimous approval from the Company and Regional One for its engine purchases, dispositions, lease agreements with third parties and all other material transactions. The Company determined Aero Engines is a variable interest entity as the Company has a 75% ownership interest in Aero Engines and all material decisions require unanimous approval from the Company and Regional One, resulting in disproportionate ownership rights relative to voting rights. As unanimous approval is required for all Aero Engines’ material activities. Aero Engines has no primary beneficiary. The Company accounts for its investment in Aero Engines under the equity method. The Company’s exposure in its investment in Aero Engines primarily consists of the Company’s portion of income or loss from Aero Engines’ engine lease agreements with third parties and the Company’s ownership percentage in Aero Engines’ engines book value. The Company purchased 14 spare engines and sold the 14 spare engines to Aero Engines at net book value during 2019. Since the initial investment, the Company has invested an additional $1.0 million into Aero Engines during 2019. Aero Engines had no debt outstanding as of December 31, 2019. As of December 31, 2019, the Company’s investment balance in Aero Engines was $23.9 million. The Company’s investment in Aero Engines has been recorded in “Other Assets” on the Company’s consolidated balance sheet. The Company’s portion of the income generated by Aero Engines for 2019 was $0.6 million.

(15) Quarterly Financial Data (Unaudited)

Unaudited summarized financial data by quarter for 2019 and 2018 is as follows (in thousands, except per share data):

	Year ended December 31, 2019				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Operating revenues	$ 723,694	$ 744,383	$ 760,295	$ 743,591	$ 2,971,963
Operating income	96,419	144,093	146,441	125,305	512,258
Net income (1)	88,181	88,052	91,339	72,527	340,099
Net income per common share:					
Basic	1.71	1.72	1.80	1.44	6.68
Diluted	1.69	1.71	1.79	1.43	6.62
Weighted average common shares:					
Basic:	51,440	51,145	50,746	50,395	50,932
Diluted:	52,098	51,477	51,129	50,796	51,375

(1) Net income for the first quarter of 2019 included a $46.5 million gain related to the sale of ExpressJet (see Note 13 *Gain on Sale of ExpressJet* for more details) and a $21.9 million special charge (see Note 8 *Special Items* for more details).

	Year ended December 31, 2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Operating revenues	$ 783,400	$ 805,515	$ 829,275	$ 803,489	$ 3,221,679
Operating income	88,175	126,678	137,925	121,502	474,280
Net income	54,362	75,859	83,046	67,105	280,372
Net income per common share:					
Basic	1.05	1.46	1.60	1.30	5.40
Diluted	1.03	1.43	1.57	1.28	5.30
Weighted average common shares:					
Basic:	51,921	52,046	52,039	51,650	51,914
Diluted:	53,033	52,913	52,981	52,556	52,871

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of our disclosure controls and procedures, which have been designed to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported accurately and within the time periods specified in the SEC rules and forms. Our management, including our Chief Executive Officer and Chief Financial Officer, concluded that, as of December 31, 2019, those controls and procedures were effective to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control

During the most recently completed fiscal quarter, we did not make any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019 using the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on that evaluation, management believes that our internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of our internal control over financial reporting as of December 31, 2019, has been audited by Ernst & Young LLP ("Ernst & Young"), the independent registered public accounting firm who also has audited our Consolidated Financial Statements included in this Report. Ernst & Young's report on our internal control over financial reporting appears on the following page.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of SkyWest, Inc.

Opinion on Internal Control over Financial Reporting

We have audited SkyWest, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, SkyWest, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of SkyWest, Inc. and subsidiaries as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a)2 and our report dated February 18, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Salt Lake City, Utah
February 18, 2020

ITEM 9B. OTHER INFORMATION

None.

PART III

Items 10, 11, 12, 13 and 14 in Part III of this Report are incorporated herein by reference to our definitive proxy statement for our 2019 Annual Meeting of Shareholders scheduled for May 5, 2020. We intend to file our definitive proxy statement with the SEC not later than 120 days after December 31, 2019, pursuant to Regulation 14A of the Exchange Act.

		Headings in Proxy Statement
ITEM 10.	**DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**	"Election of Directors," "Executive Officers," "Corporate Governance," "Meetings and Committees of the Board" and "Delinquent Section 16(a) Reports"
ITEM 11.	**EXECUTIVE COMPENSATION**	"Corporate Governance," "Meetings and Committees of the Board," "Compensation Discussion and Analysis," "Compensation Committee Report," "Executive Compensation," "Director Compensation" and "Director Summary Compensation Table"
ITEM 12.	**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**	"Security Ownership of Certain Beneficial Owners" "Securities Authorized for Issuance Under Equity Compensation Plans"
ITEM 13.	**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**	"Certain Relationships and Related Transactions"
ITEM 14.	**PRINCIPAL ACCOUNTANT FEES AND SERVICES**	"Audit and Finance Committee Disclosure" and "Fees Paid to Independent Registered Public Accounting Firm"

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents Filed:

1. Financial Statements: Reports of Independent Auditors, Consolidated Balance Sheets as of December 31, 2019 and 2018, Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2019, 2018 and 2017, Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017, Consolidated Statements of Stockholders' Equity for the years ended December 31, 2019, 2018, 2017 and 2016 and Notes to Consolidated Financial Statements.

2. Financial Statement Schedule. The following consolidated financial statement schedule of our company is included in this Item 15.

   - Schedule II—Valuation and qualifying accounts

   All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are not applicable, and therefore have been omitted.

(b) Exhibits

Number	Exhibit	Incorporated by Reference
3.1	Restated Articles of Incorporation	(1)
3.2	Amended and Restated Bylaws	(11)
4.1	Specimen of Common Stock Certificate	(2)
4.2	Description of Registered Securities	Filed herewith
10.1	Amended and Restated Delta Connection Agreement, dated as of September 8, 2005, between SkyWest Airlines, Inc. and Delta Air Lines, Inc.	(3)
10.2	United Express Agreement dated July 31, 2003, between United Air Lines, Inc., and SkyWest Airlines, Inc.	(4)
10.3	Lease Agreement dated December 1, 1989 between Salt Lake City Corporation and SkyWest Airlines, Inc.	(5)
10.4	Master Purchase Agreement dated November 7, 2000 between Bombardier, Inc. and SkyWest Airlines, Inc.	(6)
10.5	Supplement to Master Purchase Agreement dated November 7, 2000 between Bombardier, Inc. and SkyWest Airlines, Inc.	(4)
10.6	SkyWest, Inc. 2002 Deferred Compensation Plan, as amended and restated, effective January 1, 2008	(5)
10.7	First Amendment to the Amended and Restated SkyWest, Inc. 2002 Deferred Compensation Plan	(5)
10.8	SkyWest, Inc. 2009 Employee Stock Purchase Plan	(5)
10.9	SkyWest, Inc. 2010 Long-Term Incentive Plan	(6)
10.10	Form of Restricted Stock Unit Award Agreement	(16)
10.11	Form of Performance Share Award Agreement	(16)
10.12	Capacity Purchase Agreement, dated November 12, 2010, by and among ExpressJet Airlines, Inc. and Continental Airlines, Inc.	(9)
10.13	Aircraft Purchase Agreement, dated December 7, 2012, between Mitsubishi Aircraft Corporation and SkyWest, Inc.	(10)
10.14	Letter Agreement dated December 7, 2012, between Mitsubishi Aircraft Corporation and SkyWest, Inc.	(10)
10.15	Purchase Agreement COM0028-13, between Embraer S.A. and SkyWest Inc. dated February 15, 2013	(12)
10.16	Purchase Agreement COM0344-13, between Embraer S.A. and SkyWest Inc. dated June 17, 2013	(12)
10.17	Form of Indemnification Agreement by and between SkyWest, Inc. and each of Jerry C. Atkin, W. Steve Albrecht, Henry J. Eyring, Steven F. Udvar-Hazy, James L. Welch, Eric J. Woodward and Russell A. Childs, as of August 6, 2013	(12)
10.18	Form of Indemnification Agreement by and between SkyWest, Inc. and each of Ronald J. Mittelstaedt and Keith E. Smith, as of October 1, 2013	(12)
10.19	Amended and Restated Capacity Purchase Agreement, dated as of November 7, 2014, by and between ExpressJet Airlines, Inc. and United Airlines*	(13)
10.20	Indemnification Agreement by and between SkyWest, Inc. and Robert J. Simmons, as of March 16, 2015	(15)
10.21	Form of Indemnification Agreement by and between SkyWest, Inc. and each of Meredith S. Madden and Andrew C. Roberts, as of May 5, 2015	(15)
10.22	SkyWest, Inc. 2019 Long-Term Incentive Plan	(19)
10.23	Severance and Release Agreement, dated as of February 12, 2019, by and between the Registrant and Terry M. Vais	(20)
21.1	Subsidiaries of the Registrant	(11)

Number	Exhibit	Incorporated by Reference
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith
31.1	Certification of Chief Executive Officer	Filed herewith
31.2	Certification of Chief Financial Officer	Filed herewith
32.1	Certification of Chief Executive Officer	Filed herewith
32.2	Certification of Chief Financial Officer	Filed herewith
101	The following financial statements from the SkyWest Inc. Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Filed herewith

* Certain portions of this exhibit have been omitted pursuant to Rule 24b-2 and are subject to a confidential treatment request.

(1) Incorporated by reference to the exhibits to a Registration Statement on Form S -3 (File No. 333-129831) filed on November 18, 2005

(2) Incorporated by reference to a Registration Statement on Form S- 3 (File No. 333-42508) filed on July 28, 2000

(3) Incorporated by reference to Registrant's Current Report on Form 8-K filed on September 13, 2005, as amended by Amendment No. 2 on Form 8-K/A filed on February 21, 2006

(4) Incorporated by reference to exhibits to Registrant's Quarterly Report on Form 10-Q filed on November 14, 2003

(5) Incorporated by reference to the exhibits to Registrant's Quarterly Report on Form 10-Q filed for the quarter ended December 31, 1986

(6) Incorporated by reference to the exhibits to Registrant's Quarterly Report on Form 10-Q filed on February 13, 2001

(7) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 23, 2009

(8) Incorporated by reference to Appendix A to Registrant's Definitive Proxy Statement on Schedule 14A (File No. 000-14719) filed on March 12, 2010

(9) Incorporated by reference to the exhibits to Registrant's Current Report on Form 8-K filed on November 18, 2010

(10) Incorporated by reference to the exhibits to Registrant's Current Report on Form 8-K filed on December 13, 2012, as amended by Amendment No. 1 to Current Report on Form 8-K/A filed on June 25, 2013

(11) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 24, 2012

(12) Incorporated by reference to the exhibits to Registrant's Quarterly Report on Form 10-Q filed on August 7, 2013, as amended by Amendment No. 1 to Quarterly Report on Form 10-Q/A filed on November 4, 2013

(13) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 14, 2014

(14) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 18, 2015

(15) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 26, 2016

(16) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 27, 2017

(17) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 26, 2018

(18) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 21, 2019

(19) Incorporated by reference to Appendix B of the Registrant's Definitive Proxy Statement on Schedule 14A filed on March 22, 2019

(20) Incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on February 15, 2019

ITEM 16. FORM 10-K SUMMARY

None.

SKYWEST, INC. AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2019, 2018 and 2017
(Dollars in thousands)

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions	Balance at End of Year
Year ended December 31, 2019:				
Allowance for inventory obsolescence	$ 22,141	—	(6,251)	$ 15,890
Allowance for doubtful accounts receivable	158	—	(140)	18
	$ 22,299	—	(6,391)	$ 15,908
Year ended December 31, 2018:				
Allowance for inventory obsolescence	$ 17,098	5,043	—	$ 22,141
Allowance for doubtful accounts receivable	157	1	—	158
	$ 17,255	5,044	—	$ 22,299
Year ended December 31, 2017:				
Allowance for inventory obsolescence(1)	$ 40,497	—	(23,399)	$ 17,098
Allowance for doubtful accounts receivable	173	—	(16)	157
	$ 40,670	—	(23,415)	$ 17,255

(1) The deductions in 2017 related to the disposal of excess and obsolete inventory in 2017.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K for the year ended December 31, 2019, to be signed on its behalf by the undersigned, thereunto duly authorized, on February 18, 2020.

SKYWEST, INC.

By: /s/ ROBERT J. SIMMONS

Robert J. Simmons
Chief Financial Officer

ADDITIONAL SIGNATURES

Pursuant to the requirement of the Securities Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons in the capacities and on the dates indicated.

Name	Capacities	Date
/s/ JERRY C. ATKIN Jerry C. Atkin	Chairman of the Board	February 18, 2020
/s/ RUSSELL A. CHILDS Russell A. Childs	Chief Executive Officer and President (Principal Executive Officer) and Director	February 18, 2020
/s/ ROBERT J. SIMMONS Robert J. Simmons	Chief Financial Officer (Principal Financial Officer)	February 18, 2020
/s/ ERIC J. WOODWARD Eric J. Woodward	Chief Accounting Officer (Principal Accounting Officer)	February 18, 2020
/s/ STEVEN F. UDVAR-HAZY Steven F. Udvar-Hazy	Lead Director	February 18, 2020
/s/ W. STEVE ALBRECHT Steve Albrecht	Director	February 18, 2020
/s/ HENRY J. EYRING Henry J. Eyring	Director	February 18, 2020
/s/ MEREDITH S. MADDEN Meredith S. Madden	Director	February 18, 2020
/s/ RONALD J. MITTELSTAEDT Ronald J. Mittelstaedt	Director	February 18, 2020
/s/ ANDREW C. ROBERTS Andrew C. Roberts	Director	February 18, 2020
/s/ KEITH E. SMITH Keith E. Smith	Director	February 18, 2020
/s/ JAMES L. WELCH James L. Welch	Director	February 18, 2020

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SkyWest, Inc.

444 South River Road ● St. George, UT 84790

March 13, 2020

Dear Shareholder:

You are invited to attend the Annual Meeting of Shareholders of SkyWest, Inc. scheduled to be held at 10:00 a.m., Mountain Daylight Time on Tuesday, May 5, 2020, at our headquarters located at 444 South River Road, St. George, Utah 84790.

The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe the items to be considered and acted upon by shareholders.

Your vote is very important. Whether you plan to attend the Annual Meeting or not, we urge you to vote your shares as soon as possible. This will ensure representation of your shares at the Annual Meeting if you are unable to attend.

We are pleased to make these proxy materials available over the Internet, which we believe increases the efficiency and reduces the expense of our annual meeting process. As a result, we are mailing to shareholders a Notice of Internet Availability of Proxy Materials (the "*Notice*") instead of paper copies of these proxy materials and our 2019 Annual Report. The Notice contains instructions on how to access those documents over the Internet or request that a full set of printed materials be sent to you. The Notice also gives instructions on how to vote your shares.

We look forward to seeing you at the Annual Meeting.

Sincerely,

Jerry C. Atkin
Board Chair

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SkyWest, Inc.
444 South River Road ● St. George, UT 84790

NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS OF SKYWEST, INC.

Date:	Tuesday, May 5, 2020
Time:	10:00 a.m., Mountain Daylight Time (MDT)
Place:	SkyWest, Inc. Headquarters 444 South River Road St. George, Utah 84790
Purposes:	1. To elect ten directors of SkyWest, Inc. (the "*Company*"), to serve until the next Annual Meeting of the Company's shareholders and until their successors are duly elected and qualified; 2. To conduct a vote, on an advisory basis, on the compensation of the Company's named executive officers; 3. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2020; and 4. To transact such other business that may properly come before the Annual Meeting and any adjournment thereof.
Who Can Vote:	Shareholders at the close of business on March 4, 2020.
How You Can Vote:	Shareholders may vote at the Annual Meeting, or in advance over the Internet, by telephone, or by mail.

By authorization of the Board of Directors,

Jerry C. Atkin
Board Chair

March 13, 2020

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Proxy Statement for the
Annual Meeting of Shareholders of
SKYWEST, INC.

To Be Held on Tuesday, May 5, 2020

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PROXY STATEMENT
FOR THE
ANNUAL MEETING OF SHAREHOLDERS
OF

SKYWEST, INC.

TUESDAY, MAY 5, 2020

OVERVIEW

Solicitation

This Proxy Statement, the accompanying Notice of Annual Meeting, proxy card and the Annual Report to Shareholders of SkyWest, Inc. (the "*Company*" or "*SkyWest*") are being mailed on or about March 26, 2020. The Board of Directors of the Company (the "*Board*") is soliciting your proxy to vote your shares at the Annual Meeting of the Company's Shareholders to be held on May 5, 2020 (the "*Meeting*"). The Board is soliciting your proxy in an effort to give all shareholders of record the opportunity to vote on matters that will be presented at the Meeting. This Proxy Statement provides information to assist you in voting your shares.

What is a proxy?

A proxy is your legal designation of another person to vote on your behalf. You are giving the individuals appointed by the Board as proxies (Jerry C. Atkin, Russell A. Childs and Robert J. Simmons) the authority to vote your shares in the manner you indicate.

Why did I receive more than one notice?

You may receive multiple notices if you hold your shares in different ways (e.g., joint tenancy, trusts, or custodial accounts) or in multiple accounts. If your shares are held by a broker (i.e., in "street name"), you will receive your notice or other voting information from your broker. In any case, you should vote for each notice you receive.

Voting Information

Who is qualified to vote?

You are qualified to receive notice of and to vote at the Meeting if you owned shares of common stock of SkyWest (the "*Common Stock*") at the close of business on the record date of Wednesday, March 4, 2020.

How many shares of Common Stock may vote at the Meeting?

As of March 4, 2020, there were 50,257,387 shares of Common Stock outstanding and entitled to vote. Each share of Common Stock is entitled to one vote on each matter presented at the Meeting.

What is the difference between a "shareholder of record" and a "street name" holder?

If your shares are registered directly in your name with Zions First National Bank, the Company's transfer agent, you are a "shareholder of record." If your shares are held in the name of a brokerage, bank, trust or other nominee as a custodian, you are a "street name" holder.

How can I vote at the Meeting?

You may vote in person by attending the Meeting. You may also vote in advance over the Internet, or by telephone, or you may request a complete set of traditional proxy materials and vote your proxy by mail. To vote your proxy using the Internet or telephone, see the instructions on the proxy form and have the proxy form available when you access the Internet website or place your telephone call. To vote your proxy by mail, mark your vote on the enclosed proxy card, then follow the instructions on the card.

What are the Board's recommendations on how I should vote my shares?

The Board recommends that you vote your shares as follows:

Proposal 1—**FOR** the election of all ten nominees for director.

Proposal 2—**FOR** the non-binding resolution to approve the compensation of the Company's named executive officers.

Proposal 3—**FOR** the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2020.

What are my choices when voting?

Proposal 1—You may cast your vote in favor of up to ten individual director-nominees. You may vote for less than ten director-nominees if you choose. You may also abstain from voting.

Proposals 2 and 3—You may cast your vote in favor of, or against, each proposal. You may also abstain from voting.

How will my shares be voted if I do not specify how they should be voted?

If you execute the enclosed proxy card without indicating how you want your shares to be voted, the proxies appointed by the Board will vote as recommended by the Board and described previously in this section.

Similarly, shares represented by proxies that reflect a "*broker non-vote*" will be counted for purposes of determining whether a quorum exists. A broker non-vote occurs when a broker, bank or other financial institution holding shares in street name for a beneficial owner has not received instructions from the beneficial owner and does not have discretionary authority to vote the shares for a particular proposal. Under the rules of various national and regional securities exchanges, the organization that holds your shares in street name has discretionary authority to vote only on routine matters and cannot vote on non-routine matters. The only proposal at the meeting that is considered a routine matter under applicable rules is the proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2020. Therefore, unless you provide voting instructions to the broker, bank or other financial institution holding shares on your behalf, they will not have discretionary authority to vote your shares on any of the other proposals described in this proxy statement. Please vote your proxy or provide voting instructions to the broker, bank or other financial institution holding your shares so your vote on the other proposals will be counted.

What is the quorum requirement for the Annual Meeting?

Under Utah law and the Company's Bylaws, the holders of a majority of the votes entitled to be cast on the matter constitutes a quorum. Therefore, the holders of a majority of the Common Stock issued and outstanding and entitled to vote at the Meeting, present in person or represented by proxy, constitute a quorum for the transaction of business at the Meeting. If you submit a properly executed proxy via the Internet or by telephone or mail, regardless of whether you abstain from voting on one or more matters, your shares will be counted as present at the Meeting for the purpose of determining a quorum. Broker non-votes will also be counted as present for the purpose of determining the presence of a quorum at the Meeting. The inspectors of election will determine whether a quorum is present and will tabulate the votes cast at the Meeting.

What vote will be required to approve each proposal?

Proposal 1 provides that, assuming a quorum is present at the Meeting, the ten director-nominees who receive a majority of the votes cast with respect to his or her election will be elected as directors of the Company. This means that the number of shares voted "for" the election of a director must exceed the number of shares voted "against" the election of that director.

Proposals 2 and 3 will be approved if, assuming a quorum is present at the Meeting, the number of votes cast, in person or by proxy, in favor of a particular proposal exceeds the number of votes cast in opposition to the proposal. Proposal 2 is an advisory vote only, and has no binding effect on the Board or the Company.

How will withheld votes, abstentions and broker non-votes be treated?

Withheld votes, abstentions and broker non-votes will be deemed as "present" at the Meeting and will be counted for quorum purposes only. Withheld votes, abstentions and broker non-votes, if any, will not count as a vote cast as to any director-nominee's election and thus will have no effect in determining whether a director nominee has received a majority of the votes cast. For purposes of the votes on Proposals No. 2 and No. 3, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the votes on such proposals.

Can I change my vote?

You may revoke your proxy before the time of voting at the Meeting in any of the following ways:

- by mailing a revised proxy card to the Chief Financial Officer of the Company;
- by changing your vote on the Internet website;
- by using the telephone voting procedures; or
- by voting in person at the Meeting.

Who will count the votes?

Representatives from Zions First National Bank, the Company's transfer agent, or other individuals designated by the Board, will count the votes and serve as inspectors of election. The inspectors of election will be present at the Meeting.

Who will pay the cost of this proxy solicitation?

The Company will pay the costs of soliciting proxies. Upon request, the Company will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of shares of the Common Stock.

Is this Proxy Statement the only way proxies are being solicited for use at the Meeting?

Yes. The Company does not intend to employ any other methods of solicitation.

How are proxy materials being delivered?

The Company is pleased to take advantage of Securities and Exchange Commission rules that allow companies to furnish their proxy materials over the Internet. As a result, the Company is mailing to most of its shareholders a Notice of Internet Availability of Proxy Materials (the "*Notice*") instead of a paper copy of this Proxy Statement and the Company's 2019 Annual Report to Shareholders. The Notice contains instructions on how to access those documents over the Internet. The Notice also contains instructions on how to request a paper copy of the Company's proxy materials, including this Proxy Statement, the 2019 Annual Report to Shareholders and a form of proxy card or voting instruction card. All shareholders who do not receive a Notice will receive a paper copy of the proxy materials by mail. The Company believes this process will allow it to provide its shareholders with the information they need in a more efficient manner, while reducing the environmental impact and lowering the costs of printing and distributing these proxy materials.

PROPOSAL 1
ELECTION OF DIRECTORS

The Board currently consists of ten directors. All directors serve a one-year term and are subject to re-election each year. The terms of all of the Company's current directors expire at the Meeting. At the Meeting, the Company proposes to elect the ten current directors to hold office until the 2021 Annual Meeting of Shareholders and until their successors have been elected and have qualified. The ten nominees for election at the Meeting are listed below.

- Jerry C. Atkin, Chair
- W. Steve Albrecht
- Russell A. Childs
- Henry J. Eyring
- Meredith S. Madden
- Ronald J. Mittelstaedt
- Andrew C. Roberts
- Keith E. Smith
- Steven F. Udvar-Hazy
- James L. Welch

The Board Recommends That Shareholders Vote *FOR* All Ten Director Nominees.

All of the nominees are currently serving as a director of the Company and have consented to be named as a nominee. Shareholders voting in person or by proxy at the Meeting may only vote for ten nominees. If, prior to the Meeting, any of the nominees becomes unable to serve as a director, the Board may designate a substitute nominee. In that event, the persons named as proxies intend to vote for the substitute nominee designated by the Board.

The Board and the Nominating and Corporate Governance Committee believe that each of the following nominees possesses the experience and qualifications that directors of the Company should possess, as described in detail below, and that the experience and qualifications of each nominee compliments the experience and qualifications of the other nominees. The experience and qualifications of each nominee, including information regarding the specific experience, qualifications, attributes and skills that led the Board and its Nominating and Corporate Governance Committee to conclude that he or she should serve as a director of the Company at the present time, in light of the Company's business and structure, are set forth on the following pages.

Jerry C. Atkin

Age: 71 **Director Since:** 1974 **Committees:** None

Principal Occupation: Board Chair
Experience: Mr. Atkin joined the Company in July 1974 as the Company's Director of Finance. In 1975, he assumed the office of President and Chief Executive Officer ("CEO") and was elected Board Chair in 1991. Mr. Atkin served as President of the Company until 2011 and as CEO until December 31, 2015.

The Board nominated Mr. Atkin to serve as a director, in part, because of his deep knowledge and understanding of the Company, the regional airline industry as well as having served as the Company's CEO for more than 40 years. Mr. Atkin performs an extremely valuable role as the Board Chair, providing critical leadership and direction to the Board's activities and deliberations. The Board also believes his values and integrity are tremendous assets to the Company and its shareholders.

Other Directorships: Mr. Atkin currently serves as a director of Zions Bancorporation, a regional bank holding company based in Salt Lake City, Utah ("*Zions*").

W. Steve Albrecht

Age: 73 **Director Since:** 2012 (Also served as a director of the Company from 2003-2009) **Committees:** Chair of the Audit Committee; Member of the Nominating and Corporate Governance Committee; Audit Committee Financial Expert

Principal Occupation: Emeritus Professor at Brigham Young University

Experience: Mr. Albrecht, a certified public accountant, certified internal auditor, and certified fraud examiner, joined the faculty of Brigham Young University in 1977, after teaching at the University of Illinois and Stanford University. At Brigham Young University, he served as director of the School of Accountancy from 1990 to 1999, and as associate dean of the Marriott School from 1999 to 2008. He served as the President of the Japan Tokyo Mission of The Church of Jesus Christ of Latter day Saints from July 2009 to July 2012. Mr. Albrecht has also served as the President of the American Accounting Association, the Association of Certified Fraud Examiners and Beta Alpha Psi, an international honor organization for accounting, finance and information systems students. He has also served as a member of the Committee of Sponsoring Organizations of the Treadway Commission (COSO); the Financial Accounting Standards Advisory Committee, an advisory committee to the Financial Accounting Standards Board (the "FASB"); and the Financial Accounting Foundation that oversees the FASB and the Governmental Accounting Standards Board. Mr. Albrecht has consulted with many major corporations and other organizations and has been an expert witness in over 38 major financial statement fraud cases, including some of the largest cases in U.S. history.

The Board recognizes Mr. Albrecht's valuable contribution as a director of the Company from 2003 through 2009 and since his re-election in 2012, including his service as the Chair of the Audit Committee. The Board nominated Mr. Albrecht because of his exceptional academic and professional record, his achievements, awards and other forms of recognition in the accounting profession, his extensive training in accounting practices and fraud detection, and his outstanding past service on the Board.

Other Directorships: Mr. Albrecht currently serves as a director of and Board Chair for Cypress Semiconductor Corporation.

Russell A. Childs

Age: 52 **Director Since:** 2016 **Committees:** None

Principal Occupation: CEO and President of the Company and its operating subsidiary, SkyWest Airlines, Inc. ("SkyWest Airlines")

Experience: Mr. Childs was named CEO of the Company effective January 1, 2016, and has served as President of the Company since 2014. He is responsible for the holding company's operating entities and all commercial activities. He joined the Company in 2001 and became Vice President – Controller later that year. He served as the President and Chief Operating Officer of SkyWest Airlines from 2007 to 2014. Mr. Childs earned his bachelor's degree in Economics and master's degree in Accounting from Brigham Young University. Prior to joining the Company, Mr. Childs was a certified public accountant employed by a public accounting firm.

The Board nominated Mr. Childs, among other reasons, because it recognizes Mr. Childs' critical role in delivering value to all Company stakeholders, as well as noting the importance of the Company's CEO serving on the Board, as he is the one closest to the Company's day-to-day operations and is able to communicate the Board's expectations, advice and encouragement to the Company's approximately 14,000 employees.

Other Directorships: Mr. Childs currently serves as a Chair of the Salt Lake City Branch of the Federal Reserve Bank of San Francisco and is the Chair of the NextGen Advisory Committee of the Federal Aviation Administration (FAA).

Henry J. Eyring

Age: 56 **Director Since:** 2006 (Also served as a director of the Company from 1995-2003) **Committees:** Member of the Compensation Committee; Member of the Audit Committee

Principal Occupation: President at Brigham Young University Idaho

Experience: Mr. Eyring was appointed President of Brigham Young University-Idaho in April 2017. Prior to that, he served in various positions of administration at Brigham Young University-Idaho from 2006 to April 2017, including Academic Vice President. Mr. Eyring was the Director of the Masters of Business Administration Program at Brigham Young University from 1998 to 2002. From 2002 to 2003, he was a special partner with Peterson Capital, a private equity investment firm before serving as president of the Japan Tokyo North Mission of The Church of Jesus Christ of Latter day Saints from 2003 to 2006.

The Board recognizes the strong business and strategic consulting experience Mr. Eyring contributes to the Board's direction of the Company. In addition to the recent experience summarized above, Mr. Eyring was previously engaged with the Monitor Company, an internationally recognized management consulting firm. Mr. Eyring is a sound strategic thinker who possesses the ability to apply his academic thought and studies to the practical day-to-day challenges of the Company's operations. The Board believes that his thoughtful application of business and legal principles makes him a valuable contributor to the Board.

Meredith S. Madden

Age: 46 **Director Since:** 2015 **Committees:** Member of the Compensation Committee; Member of the Safety & Compliance Committee

Principal Occupation: CEO of NORDAM Group, Inc. ("*NORDAM*").

Experience: Mrs. Madden was appointed CEO of NORDAM in 2011. Headquartered in Tulsa, Oklahoma, NORDAM is one of the world's premier family-owned aerospace providers of composites and engineered solutions. Prior to becoming the CEO, she was vice president of NORDAM's Repair Group; vice president of Global Sales and Marketing; and vice president of NORDAM International. Since joining NORDAM in 1999, Mrs. Madden has been based in Tulsa, and has spent considerable time at NORDAM's facilities in the United Kingdom and Singapore. Mrs. Madden has played a key role in transforming NORDAM into the global aerospace entity it is today.

The Board nominated Mrs. Madden, in part, because of her expertise and strategic insights related to aircraft maintenance vendor planning. Additionally, Mrs. Madden has extensive expertise working with international maintenance service providers.

Ronald J. Mittelstaedt

Age: 56 **Director Since:** 2013 **Committees:** Member of the Compensation Committee; Member of the Nominating & Corporate Governance Committee; Member of the Safety & Compliance Committee

Principal Occupation: Board Executive Chair of Waste Connections, Inc. ("Waste Connections")

Experience: Mr. Mittelstaedt has served as the Executive Chair of Waste Connections, a company he founded in 1998, since July of 2019, and he previously served as its Chair and CEO from 1997 to July of 2019. Under Mr. Mittelstaedt's leadership, Waste Connections has become the second largest company in the North American solid waste and recycling industry, employing more than 17,000 people nationwide, and is traded on the New York Stock Exchange. Mr. Mittelstaedt also established the RDM Positive Impact Foundation in 2004 to improve the lives of underprivileged and at-risk children. Prior to his career in waste management, he spent three years in the air freight industry. Mr. Mittelstaedt holds a bachelor's degree in Business Economics from the University of California – Santa Barbara.

The Board nominated Mr. Mittelstaedt, in part, because of his expertise in making large capital equipment decisions, extensive experience working with diverse employee and other groups in various geographic regions and a history of developing an organizational culture of strong work ethics. Mr. Mittelstaedt also contributes to the Board his insight as an experienced CEO of a publicly traded company, which the Board has found valuable in its deliberations.

Other Directorships: Mr. Mittelstaedt currently serves as the Board Chair for Waste Connections.

Andrew C. Roberts

Age: 59 **Director Since:** 2015 **Committees:** Chair of the Safety & Compliance Committee; Member of the Audit Committee

Principal Occupation: Chair, STS Aviation Group, LLC

Experience: Since January 2019, Mr. Roberts has served as the Chair of STS Aviation Group LLC, a diversified aviation product and services provider, and holds a board position at Continental Aerospace Technologies., a subsidiary and the principal operating entity of AVIC International Holding (HK) Ltd. (0232.HK) since November 2015, a manufacturer of propulsion units for General Aviation. Mr. Roberts also, has held a board position at Dart Aerospace since March 2019, a manufacturer of helicopter accessories and other aviation products.

Mr. Roberts was the Executive Chair of Ryan Herco Flow Solutions, a national distributor of high purity fluid conveyance and control products, from 2015 to 2018. Additionally, he served as CEO, President and Board Member at Align Aerospace, a global distributor of products to the aerospace and aviation industries, from January 2014 to September 2015; and CEO & President of Permaswage Holding SA, a designer and manufacturer of fluid fitting products, from 2009 to 2014. He has experience in the management and operation of major and regional airlines, including Northwest Airlines from 1997 to 2008, where he served in multiple executive positions. From 2000 until 2008 he served as Chair of Aeroxchange Ltd. Mr. Roberts holds a bachelor of science degree (with Honors) in Engineering from the University of Birmingham and a post graduate diploma in Engineering from Coventry University.

The Board nominated Mr. Roberts, in part, due to his extensive background in the aviation maintenance and overhaul industry, as well as his commercial airline executive leadership. Mr. Roberts' education and professional training in the fields of engineering and aerospace manufacturing have allowed him to make valuable contributions to the Board in assessing the Company's technical operations.

Keith E. Smith

Age: 59 **Director Since:** 2013 **Committees:** Chair of the Compensation Committee; Member of the Audit Committee

Principal Occupation: President and CEO of Boyd Gaming Corporation ("Boyd Gaming")

Experience: Mr. Smith is President, CEO and a director of Boyd Gaming, one of the nation's leading casino entertainment companies, with 29 operations in ten states and more than 25,000 employees. Mr. Smith is an industry veteran with more than 33 years of gaming experience. He joined Boyd Gaming in 1990 and held various executive positions before being promoted to Chief Operating Officer in 2001. In 2005, Mr. Smith was named President and elected as a director of Boyd Gaming and in 2008 he assumed the role of CEO. The common stock of Boyd Gaming is traded on the New York Stock Exchange.

Mr. Smith holds a bachelor's degree in Accounting from Arizona State University. He served as Chair of the Los Angeles Branch of the Federal Reserve Bank of San Francisco from 2012 to 2014. He served as Chair of the American Gaming Association and the Nevada Resort Association. He served as Vice Chair of the Las Vegas Convention and Visitors Authority from 2005 to 2011.

The Board recognizes Mr. Smith's diverse experience in investing in, financing, and managing capital assets and real properties in various geographic regions. Mr. Smith also has extensive experience in leading and directing a large group of diverse employees. Mr. Smith's accounting training and experience and his service as Chair of the Los Angeles Branch of the Federal Reserve Bank of San Francisco also enable him to provide valuable service as the Chair of the Compensation Committee and to the Audit Committee.

Other Directorships: Mr. Smith is a director of Boyd Gaming.

Steven F. Udvar-Hazy

Age: 74 **Director Since:** 1986 **Committees:** Lead Independent Director; Chair of the Nominating & Corporate Governance Committee; Member of the Compensation Committee

Principal Occupation: Board Executive Chair of Air Lease Corporation

Experience: Mr. Udvar-Hazy has been engaged in aircraft leasing and financing for more than 47 years and has served as the Board Executive Chair of Air Lease Corporation since July 2016, and as Chair and CEO of Air Lease Corporation from its launch in February 2010. Prior to his current engagement with Air Lease Corporation, which leases and finances commercial jet aircraft worldwide, Mr. Udvar-Hazy founded and served as the Board Chair and CEO of International Lease Finance Corporation, which leases and finances commercial jet aircraft.

Mr. Udvar-Hazy is recognized as one of the leading experts in the aviation industry, and contributes to the Board the wisdom and insight he has accumulated through a lengthy, distinguished career in aviation, aircraft leasing and finance. The Company has benefitted greatly from his position in the aviation industry, including introductions to his vast industry contacts and networking opportunities. In addition to his extensive industry experience, Mr. Udvar-Hazy is extremely knowledgeable of the Company's operations and opportunities, having served as a director of the Company for more than 35 years.

The Board believes that Mr. Udvar-Hazy's even temperament and ability to encourage discussion, together with his experience as CEO and director of other successful organizations in the airline industry, make him an effective Lead Independent Director.

Other Directorships: Mr. Udvar-Hazy is Board Executive Chair of Air Lease Corporation.

James L. Welch

Age: 65 **Director Since:** 2007 **Committees:** Member of the Audit Committee; Member of the Nominating & Corporate Governance Committee; Member of the Safety & Compliance Committee

Principal Occupation: Retired CEO of YRC Worldwide Inc. ("YRC Worldwide")

Experience: From July 2011 until his retirement in July 2018, Mr. Welch served as the CEO of YRC Worldwide, a provider of global, national and regional ground transportation services. From 2008 to July 2011, Mr. Welch served as the President and CEO of Dynamex, Inc., a provider of same-day transportation and logistics services in the United States and Canada. During 2007 and 2008, he served as Interim CEO of JHT Holdings, a holding company of multiple enterprises engaged in automotive transport and management services. From 2000 to 2007, Mr. Welch served as the President and CEO of Yellow Transportation, an international transportation services provider.

Mr. Welch has over 37 years of senior executive experience in the transportation sector, including extensive experience working with organized labor groups and labor unions. His insights have been particularly valuable to the Board as the Company has addressed labor and related issues arising in the operation of SkyWest Airlines. Mr. Welch also contributes to the Board valuable practical experience in the operation of a large enterprise, as well as the perspective of a successful entrepreneur.

Other Directorships: Mr. Welch serves as a director for Schneider, Inc.

EXECUTIVE OFFICERS

In addition to Russell A. Childs, the CEO and President of the Company, whose biographical information is set forth above, the following individuals served as executive officers of the Company or its operating subsidiaries during 2019.

Robert J. Simmons

Age: 57 **Title:** Chief Financial Officer

Mr. Simmons is the Chief Financial Officer of the Company and its operating subsidiary, SkyWest Airlines. He is responsible for the areas of finance, accounting, treasury and investor relations for the Company and its subsidiaries.

From 2009 until his appointment as SkyWest's Chief Financial Officer in March 2015, Mr. Simmons served as a Partner with Bendigo Partners, LLC. ("Bendigo Partners"), a privately held firm focused on technology-based financial services as private equity investors and operational consultants. In his role with Bendigo Partners, he was responsible for portfolio management. He previously served as Chief Financial Officer as well as Corporate Treasurer for E*TRADE Financial Corporation. He has more than 30 years of finance and treasury experience in various leadership positions at companies including Oracle, Iomega, and Bank of America.

Mr. Simmons holds a master's degree in business administration, with an emphasis in finance from the Kellogg Graduate School of Management at Northwestern University, and graduated magna cum laude with a bachelor's degree in international business from Brigham Young University.

Wade J. Steel

Age: 44 **Title:** Chief Commercial Officer

Mr. Steel is the Chief Commercial Officer of the Company and its operating subsidiary, SkyWest Airlines. He is responsible for the Company's contractual relationships with American Airlines, Inc. ("American"), Delta Air Lines, Inc. ("Delta"), United Airlines, Inc. ("United") and Alaska Airlines, Inc. ("Alaska"), development of new business opportunities with network airlines, fleet management and information technology. He also plays a vital role in the strategic planning and development opportunities of the Company.

Mr. Steel was initially employed with the Company in March 2007 as Director of Financial Planning and Analysis and was appointed to serve as Vice President – Controller for SkyWest Airlines in 2011. From May 2014 until his appointment as Chief Commercial Officer of the Company in March 2015, he served as the Executive Vice President and acting Chief Financial Officer of the Company, with responsibility for the areas of finance, treasury, investor relations and information technology for the Company and its subsidiaries. Prior to joining the Company, Mr. Steel was employed by a public accounting firm.

Mr. Steel holds bachelor's and master's degrees in accounting from Brigham Young University and is a member of the American Institute of Certified Public Accountants.

Michael B. Thompson

Age: 44 **Title:** Chief Operating Officer

Mr. Thompson is the Chief Operating Officer of SkyWest Airlines. He is responsible for oversight of all aspects of SkyWest Airlines' operations, including safety, quality, flight operations, maintenance and customer service. He also oversees SkyWest Airline's operational relationships with American, Delta, United and Alaska.

Mr. Thompson was initially employed with the Company in April 2001 as Operations Analyst and was later named Director of Market Planning. In 2007 he was named Vice President of Market Development of SkyWest Airlines, in which position he served until May 2014, when he was appointed to serve as Chief Operating Officer of SkyWest Airlines.

Mr. Thompson holds a bachelor's degree in manufacturing engineering and a master's degree in both mechanical engineering and business administration from Brigham Young University.

Eric J. Woodward

Age: 48 **Title:** Chief Accounting Officer

Mr. Woodward is the Chief Accounting Officer of the Company and its operating subsidiary, SkyWest Airlines. He is responsible for the oversight of the Company's financial accounting practices, internal controls and reporting to the Securities and Exchange Commission.

Mr. Woodward was employed in various other capacities with the Company from April 2004 until April 2007 and served as the Company's Vice President – Controller from April 2007 until May 2011, when he was appointed to serve as Chief Accounting Officer of the Company. He is a certified public accountant and was employed by a public accounting firm prior to joining the Company.

Mr. Woodward holds a bachelor's and master's degree in accounting from the University of Utah, and is a member of the American Institute of Certified Public Accountants and Utah Association of Certified Public Accountants.

CORPORATE GOVERNANCE

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines and periodically reviews and ratifies those guidelines, including most recently on February 4, 2020. The Corporate Governance Guidelines can be accessed at the Company's website, *inc.skywest.com.* The Corporate Governance Guidelines supplement the Company's Bylaws and the charters of the Board's committees. Excerpts from the principal sections of the Company's Corporate Governance Guidelines are noted below.

Director Independence

At a minimum, the Board will have a majority of directors who meet the criteria for independence as required by The Nasdaq Global Select Market.

Director Qualifications

Criteria for Membership

The Company's Nominating and Corporate Governance Committee is responsible for annually reviewing with the Board the desired skills and characteristics of directors, as well as the composition of the Board as a whole.

Terms and Limitations

All directors currently stand for election each year. The Board does not believe it should establish a limit on the number of times that a director may stand for election.

Retirement

Directors are required to submit their resignation from the Board when their term expires upon reaching the age of 75 years old. The Board will accept the resignation unless the Nominating and Corporate Governance Committee recommends otherwise. Directors generally will not be nominated for election following their 75th birthday.

Ownership of Company Stock

Directors are required to own shares of Common Stock having a value equal to at least five times the cash component of their annual base compensation.

Director Responsibilities

General Responsibilities

The basic responsibility of directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders.

Oversight of Management

The Board is responsible for encouraging the Company's management to effectively implement policies and strategies developed by the Board, and to provide dynamic leadership of the Company.

Board Meetings and Materials

Frequency of Meetings

The Board has four regularly scheduled in person meetings per year. As determined necessary by the Board and in order to address the Company's needs, special meetings of the Board, including telephonic meetings, are convened from time to time.

Meeting Responsibilities

Absent extraordinary circumstances, directors of the Company should attend all Board meetings, meetings of the committee(s) on which they serve and shareholder meetings. The Board Chair is responsible for establishing the agenda for each Board meeting. Each director is free to suggest the inclusion of items on the agenda and to raise at any Board meeting subjects that are not on the agenda for that meeting.

Executive Sessions of Independent Directors

The Company's independent directors meet in executive session regularly, generally quarterly. The independent directors may either choose one director annually to serve as the Lead Independent Director and to preside at all executive sessions or establish a procedure by which a Lead Independent Director will be selected. The independent directors of the Company have chosen Mr. Udvar-Hazy to serve as the Lead Independent Director.

Director Compensation

The form and amount of director compensation is determined by the Board based on general principles established on the Nominating and Corporate Governance Committee's recommendation. These principles are in accordance with the policies and principles set forth in the Nominating and Corporate Governance Committee's charter and are intended to be consistent with rules established by The Nasdaq Global Select Market, including those relating to director independence and to compensation of Audit Committee members.

CEO Evaluation and Management Succession

The Nominating and Corporate Governance Committee conducts an annual review to assess the performance of the Company's CEO. The Nominating and Corporate Governance Committee communicates the results of its review to the other directors in a meeting that is not attended by the CEO. The directors of the Company, excluding the CEO, review the Nominating and Corporate Governance Committee's report to assess the CEO's leadership in the long and short-term, as well as the Company's long-term succession plans.

Annual Evaluations

The Board conducts an annual evaluation to determine if the Board and its committees are functioning effectively. The Nominating and Corporate Governance Committee solicits comments from all of the Company's directors and reports annually to the Board with an assessment of the Board's performance. Each of the Board's standing committees conducts an annual evaluation to assess the performance of the applicable committee.

Review and Access to Guidelines

The Nominating and Corporate Governance Committee reviews the Company's Corporate Governance Guidelines at least annually, then, as it deems appropriate, recommends amendments to the Board.

Board Leadership Structure and Director Independence

Although the Board does not have a formal policy as to whether the roles of Board Chair and CEO should be combined or separated, from 1991 until January 2016, Jerry C. Atkin served as both Board Chair and CEO of the Company. In January 2016, the Board appointed Russell A. Childs to serve as the CEO of the Company, which resulted in the separation of the roles of Board Chair and CEO. Currently, Mr. Atkin serves as Board Chair and Mr. Childs serves as the CEO. The Board believes that such separation allows Mr. Childs to focus his time and energy on managing the Company's business on a day-to-day basis, while also leveraging Mr. Atkin's background with the Company, perspective and vast experience in the aviation industry as he devotes his time and attention to matters of Board oversight. Accordingly, the Board has determined that the Company's Board leadership structure is the most appropriate at this time, given the specific characteristics and circumstances of the Company, and the unique skills and experience of each of Mr. Atkin and Mr. Childs.

The Company is committed to independent Board oversight. Pursuant to the Company's Corporate Governance Guidelines, all of the Company's directors (other than Messrs. Atkin and Childs) meet the standards of independence applicable to the Company, and the Board has designated Steven F. Udvar-Hazy as Lead Independent Director. As Lead Independent Director, Mr. Udvar-Hazy is empowered to prepare agendas for and conduct meetings of the non-management directors, communicate with the Board Chair, disseminate information to the Board, and raise issues with management on behalf of the independent directors when appropriate. The Board's independent oversight function is enhanced by the fact that the Audit, Compensation, Nominating and Corporate Governance and Safety and Compliance Committees are comprised entirely of independent directors.

The Board believes no single leadership model is right for all companies at all times. The Board recognizes that, depending on the circumstances, other leadership models may be appropriate. The independent directors and the Nominating and Corporate Governance Committee regularly review the Company's leadership structure and, depending on the Company's needs and the available resources, the Board may modify the Company's existing leadership structure.

Communications with the Board

Shareholders and other interested parties may communicate with one or more directors or the non-management directors as a group in writing by regular mail. The following address may be used by those who wish to send such communications by regular mail:

Board of Directors or Name of Individual Director(s)
c/o Chief Financial Officer
SkyWest, Inc.
444 South River Road
St. George, UT 84790

Code of Ethics

The Company has adopted a Code of Ethics for Directors and Senior Executive Officers (the *"Code of Ethics*"), which is available on the Company's website, *inc.skywest.com*. The Code of Ethics includes the following principles related to the Company's directors and executive officers:

- Act ethically with honesty and integrity;

- Promote full, fair, accurate, timely and understandable disclosure in reports and documents filed with the Securities and Exchange Commission and other public communications;

- Comply in all material respects with laws, rules and regulations of governments and their agencies;

- Comply in all material respects with the listing standards of the stock exchange where the shares of Common Stock are traded;

- Respect the confidentiality of information acquired in the course of performing work for the Company, except when authorized or otherwise legally obligated to disclose the information;

- Do not use confidential information of the Company for personal advantage or for the benefit of acquaintances, friends or relatives; and

- In order to avoid the appearance that any Company employee is trading on inside information, not engage in speculative trading such as short sales or trade in puts, calls, or other options on the Company's or its affiliates' stock, and not purchase or use, directly or indirectly, financial instruments that are designed to hedge or offset any decrease in the market value of the Company's securities.

A copy of the Code of Ethics is posted to the Company's website at *inc.skywest.com*. Copies of the Code of Ethics will be provided to any shareholder upon written request to Robert J. Simmons, Chief Financial Officer of the Company, 444 South River Road, St. George, Utah 84790, Telephone: (435) 634-3200. The Company will promptly disclose any waivers of, or amendments to, certain provisions of the Code of Ethics on its website.

Corporate Sustainability

We understand the importance of ensuring the satisfaction and security of our customers, employees, investors and other stakeholders through an unwavering commitment to corporate integrity, no matter the environment. We also believe good governance is a source of competitive advantage. Our Board of Directors, which is responsible for the control and direction of the Company and governed by a Code of Ethics, represents and is accountable to our shareholders. Our corporate governance policies are designed both for compliance and to drive effective use of the collective skills and experience of our directors, officers and employees for ethical, responsible, and superior performance. In addition to our overall dedication to ethical and accountable business practices, our corporate sustainability efforts include the areas of environmental and social sustainability. We take social and environmental responsibility and sustainability seriously.

Environmental Sustainability

As the largest regional airline in the United States, we remain committed to lowering our environmental footprint while continuing to offer the best service to our customers and the communities we serve. Through the use of software and training, we heavily monitor and manage our fuel trends and fuel consumption which leads to better fuel conservation and reductions in emissions. When possible, we try to mitigate the use of fuel, including by taxiing with the use of a single engine, taking steps to improve the efficiency of aircraft routing and using ground power when the plane is parked at the gate. We participate with our major airline partners in recycling programs, and we have implemented recycling initiatives in our facilities to reduce the amount of paper, plastic and other recyclables going to landfills. We have worked aggressively to reduce our reliance on paper manuals and have converted, or are in the process of converting, our manuals and our maintenance logs into electronic form, further eliminating unnecessary waste while increasing efficiencies.

Social Sustainability

We are a dedicated people-first organization, providing various avenues to enhance the quality of life for our customers, employees and communities. We know that if we take good care of our employees, they will take good care of our customers, which will result in value returned to our shareholders. We maintain an employee scholarship program, which awards annual scholarships to employees and their family members to help them in their pursuits of higher education. We are committed to creating a diverse and inclusive workforce, empowering professional growth and development and investing in our employees' health, emotional and financial wellness. Additionally, we are dedicated to protecting our customers by providing employee training programs focused on, among other topics, safety, fuel conservation, diversity, and procedures for identifying and reporting human trafficking. We continue to seek to increase diversity in the workplace, including by participating in and sponsoring several recruitment and industry events. During 2019, such events included those organized by such organizations as Women in Aviation, Girls in Aviation, National Gay Pilots Association, Organization of Black Aerospace Professionals, Military Organizations, among others.

Policies Against Hedging and Pledging of Company Stock

Pursuant to the Company's Code of Ethics, in order to avoid the appearance that any Company employee is trading on inside information, Company officers and directors are prohibited from engaging in speculative trading such as short sales or trading in puts, calls, or other options on our stock or the stock of our affiliates, and are likewise prohibited from purchasing or using, directly or indirectly, financial instruments that are designed to hedge or offset any decrease in the market value of our securities.

In addition, the Company's insider trading policy expressly prohibits all directors, officers and employees from purchasing or using, directly or indirectly, financial instruments that are designed to hedge or offset any decrease in the market value of the Company's securities. Pledging the Company's securities as collateral to secure loans is also prohibited.

Risk Oversight

The Board and its committees are involved in overseeing risk associated with the Company and its operations. The Board and the Audit Committee monitor the Company's credit risk, liquidity risk, regulatory risk, operational risk and enterprise risk by regular reviews with management and internal and external auditors and other advisors. In its periodic meetings with the internal auditors and the Company's independent accountants, the Audit Committee discusses the scope and plan for the internal audit and includes management in its review of accounting and financial controls, assessment of business risks, legal and ethical compliance programs and related-party transactions. The Board and the Nominating and Corporate Governance Committee monitor the Company's governance and succession risk by regular review with management and outside advisors. The Board and the Compensation Committee monitor CEO succession and the Company's compensation policies and related risks by regular reviews with management and the Compensation Committee's outside advisors. The Board and the Safety and Compliance Committee monitor management's administration of airline flight operations safety and compliance with safety regulations.

Whistleblower Hotline

The Company has established a whistleblower hotline that enables employees, customers, suppliers and shareholders of the Company and its subsidiaries, as well as other interested parties, to submit confidential and anonymous reports of suspected or actual violations of the Code of Ethics.

MEETINGS AND COMMITTEES OF THE BOARD

The Board

Each director is expected to devote sufficient time, energy and attention to ensure diligent performance of his or her duties and to attend all Board, committee and shareholders' meetings. The Board met four times during 2019. All directors attended at least 75% of the aggregate number of meetings of the Board and of the committees on which he or she served during the year ended December 31, 2019, as well as the Company's Annual Meeting of Shareholders held on May 7, 2019.

Committees of the Board

The Board has four standing committees to facilitate and assist the Board in the execution of its responsibilities: (1) Audit, (2) Compensation, (3) Nominating and Corporate Governance and (4) Safety and Compliance. The Board may, from time to time, establish or maintain additional committees as the Board deems necessary or appropriate. All the standing committees are comprised solely of non-employee, independent directors under the rules of the Securities and Exchange Commission and The Nasdaq Global Select Market listing standards. Each committee acts under a written charter setting forth its responsibilities and duties. Charters for each committee are available on the Company's website, *inc.skywest.com*, and are also available in print, free of charge, upon request. Requests for a printed copy of any committee charter should be submitted to Eric J. Woodward, Chief Accounting Officer of the Company, at 444 South River Road, St. George, Utah 84790.

The table below shows current membership for each of the standing Board committees:

Audit	Compensation	Nominating & Corporate Governance	Safety and Compliance
W. Steve Albrecht*	Keith E. Smith*	Steven F. Udvar-Hazy*	Andrew C. Roberts*
Henry J. Eyring	Henry J. Eyring	W. Steve Albrecht	Meredith S. Madden
Andrew C. Roberts	Meredith S. Madden	Ronald J. Mittelstaedt	Ronald J. Mittelstaedt
Keith E. Smith	Ronald J. Mittelstaedt	James L. Welch	James L. Welch
James L. Welch	Steven F. Udvar-Hazy		

* Committee Chair

Audit Committee

The Audit Committee has five members and met eight times during the year ended December 31, 2019. The Board has determined that Mr. W. Steve Albrecht, Chair of the Audit Committee, is an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended (the "*Exchange Act*").

The Audit Committee's responsibilities, which are discussed in further detail in its charter, include the responsibility to:

- Establish and implement policies and procedures for review and approval of the appointment, compensation and termination of the independent registered public accounting firm;
- Review and discuss with management and the independent registered public accounting firm the audited financial statements of the Company and the Company's financial disclosure practices;
- Pre-approve all audit and permissible non-audit fees;
- Provide oversight of the Company's internal auditors;
- Hold meetings and executive sessions periodically with the Company's independent registered public accounting firm, the Company's internal auditors and management to review and monitor the adequacy and effectiveness of the Company's financial reporting, internal controls and risk assessment and compliance with Company policies;
- Review the Company's consolidated financial statements and related disclosures;
- Review with management and the Company's independent registered public accounting firm and approve disclosure controls and procedures and accounting principles and practices; and
- Perform other functions or duties deemed appropriate by the Board.

Additional information regarding the Audit Committee's processes and procedures is addressed below under the heading "Report of the Audit Committee."

Compensation Committee

The Compensation Committee has five members and met three times during the year ended December 31, 2019. The Compensation Committee's responsibilities, which are discussed in detail in its charter, include the responsibility to:

- In consultation with the Company's senior management, establish the Company's general compensation philosophy and oversee the development and implementation of the Company's compensation programs;
- Recommend to the Board the base salary, incentive compensation and any other compensation for the Company's CEO and review and approve the CEO's recommendations for the compensation of all other officers of the Company;
- Administer the Company's incentive and stock-based compensation plans, and discharge the duties imposed on the Compensation Committee by the terms of those plans;

- Review and approve any severance or termination payments proposed to be made to any current or former officer of the Company;

- Prepare and issue the report of the Compensation Committee required by the rules of the Securities and Exchange Commission; and

- Perform other functions or duties deemed appropriate by the Board.

Additional information regarding the Compensation Committee's processes and procedures for consideration of executive compensation are addressed below under the Heading "Compensation Discussion and Analysis." The report of the Compensation Committee is set forth on page 35 of this Proxy Statement.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee has four members and met twice during the year ended December 31, 2019. The Nominating and Corporate Governance Committee's responsibilities, which are discussed in detail in its charter, include the responsibility to:

- Develop qualifications and criteria for selecting and evaluating directors and nominees;

- Consider and propose director nominees;

- Make recommendations to the Board regarding Board compensation;

- Make recommendations to the Board regarding Board committee memberships;

- Develop and recommend to the Board corporate governance guidelines;

- Facilitate an annual assessment of the performance of the Board and each of its standing committees;

- Consider the independence of each director and nominee for director; and

- Perform other functions or duties deemed appropriate by the Board.

Safety and Compliance Committee

The Safety and Compliance Committee has four members and met once during the year ended December 31, 2019. The responsibilities of the Safety and Compliance Committee, which are discussed in detail in its charter, include the responsibility to:

- Review and make recommendations to the Board addressing airline flight operations, safety and compliance with safety regulations;

- Periodically review with the Company's management, and such advisors as the Safety and Compliance Committee deems appropriate, aspects of flight operations, safety and compliance with safety regulations; and

- Monitor and provide input with respect to management's efforts to create and maintain a safety culture within the Company's operations.

Nomination Process

The policy of the Nominating and Corporate Governance Committee is to consider properly submitted shareholder recommendations for candidates to serve as directors of the Company. In evaluating those recommendations, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria described below. Any shareholder wishing to recommend a candidate for consideration by the Nominating and Corporate Governance Committee should submit a recommendation in writing indicating the candidate's qualifications and other relevant biographical information and provide confirmation of the candidate's consent to serve as a director. This information should be addressed to Jerry C. Atkin, Board Chair of the Company, 444 South River Road, St. George, Utah 84790.

As contemplated by the Company's Corporate Governance Guidelines, the Nominating and Corporate Governance Committee reviews the appropriate skills and characteristics required of directors in the context of the current composition of the Board at least annually. There is currently no set of specific minimum qualifications that must be met by a nominee recommended by the Nominating and Corporate Governance Committee, as different factors may assume greater or lesser significance at particular times and the needs of the Board may vary in light of its composition and the Nominating and Corporate Governance Committee's perceptions about future issues and needs. Among the factors the Nominating and Corporate Governance Committee considers, which are outlined in the Corporate Governance Guidelines, are independence, diversity, age, skills, integrity and moral responsibility, policy-making experience, ability to work constructively with the Company's management and directors, capacity to evaluate strategy and reach sound conclusions, availability of time and awareness of the social, political and economic environment.

In addition, board diversity is considered broadly, not merely with regard to race, gender, or national origin, but also with regard to general background, geographical location, and other factors. The Board believes that ethnic, gender and cultural diversity among its members provides value and is important. In considering a potential new candidate, the Board considers whether the candidate would increase the Board's ethnic, gender or cultural diversity. The consideration of diversity permeates all discussions of the Nominating and Corporate Governance Committee. Additionally on an annual basis, as part of the Board's self-evaluation process, the Board assesses whether the mix and diversity of board members is appropriate.

The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating director nominees. The Nominating and Corporate Governance Committee assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating and Corporate Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through various means, including current directors, professional search firms, shareholder recommendations or other referrals. Candidates are evaluated at meetings of the Nominating and Corporate Governance Committee, and may be considered at any point during the year. All director-nominee recommendations which are properly submitted to the Nominating and Corporate Governance Committee are aggregated and considered by the Nominating and Corporate Governance Committee at a meeting prior to the issuance of the proxy statement for the next annual meeting of shareholders. Any materials provided by a shareholder in connection with the recommendation of a director candidate are forwarded to the Nominating and Corporate Governance Committee, which considers the recommended candidate in light of the director qualifications discussed above. The Nominating and Corporate Governance Committee also reviews materials provided by professional search firms, if applicable, or other parties in connection with a candidate who is not proposed by a shareholder. In evaluating such recommendations, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board. The Nominating and Corporate Governance Committee has, on occasion, engaged professional search firms to assist in identifying qualified candidates for Board service. When such firms have been engaged, the Nominating and Corporate Governance Committee has utilized their services principally for the purpose of identifying and screening potential candidates and conducting background research; however, the members of the Nominating and Corporate Governance Committee, as well as other directors of the Company, have conducted interviews with prospective candidates and have performed other functions in completing the nomination process.

Compensation Committee Interlocks and Insider Participation

Keith E. Smith, Henry J. Eyring, Meredith S. Madden, Ronald J. Mittelstaedt and Steven F. Udvar-Hazy served as members of the Compensation Committee during the year ended December 31, 2019. None of the individuals who served on the Compensation Committee during the year ended December 31, 2019 was an officer or employee of the Company in 2019 or any time prior thereto. None of the members of the Compensation Committee during the year ended December 31, 2019 had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K promulgated under the Exchange Act. None of the executive officers of the Company served as a member of the Compensation Committee or of any similar committee of any other company whose executive officer(s) served as a director of the Company.

COMPENSATION DISCUSSION AND ANALYSIS

The following compensation discussion and analysis provides information regarding the Company’s executive compensation objectives, principles, practices and decisions as they relate to the following named executive officers of the Company (the “*Named Executives*”) for 2019:

- Russell A. Childs, CEO and President of the Company and its operating subsidiary, SkyWest Airlines (the "*Chief Executive*");
- Robert J. Simmons, Chief Financial Officer of the Company and its operating subsidiary, SkyWest Airlines;
- Wade J. Steel, Chief Commercial Officer of the Company and its operating subsidiary, SkyWest Airlines;
- Michael B. Thompson, Chief Operating Officer of SkyWest Airlines;
- Eric J. Woodward, Chief Accounting Officer of the Company and its operating subsidiary, SkyWest Airlines; and
- Terry M. Vais, former Chief Operating Officer of ExpressJet Airlines, Inc. (“*ExpressJet*”)

Mr. Vais separated from the Company on February 12, 2019. Mr. Vais was not granted any equity grants or cash incentives for his 2019 services. As a result, he is only included in the compensation discussion and analysis sections below to the extent applicable.

This compensation discussion and analysis provides narrative perspective to the tables and disclosure in the tables following this section.

Compensation Objectives and Principles

The overall objective of the Company’s executive compensation programs is to create long-term value for the Company’s shareholders by attracting and retaining talented executives that effectively manage the Company in a manner that is consistent with the long-term interest of shareholders.

Accordingly, the executive compensation program incorporates the following principles:

- The overall compensation package should encourage long-term focus and shareholder value creation;
- A significant amount of total compensation should be incentive based, and should correlate rewards with the Company’s financial performance, as well as the achievement of operational objectives;
- Compensation should be competitive with other airlines in order to attract and retain talented executives;
- Compensation should be based upon individual responsibility, leadership ability and experience; and
- Compensation should not encourage the taking of undue risk that could cause material harm to the Company.

All of the Named Executives' total annual target compensation for 2019 was set below the median for total annual target compensation in our peer group, as further described below.

Current Year Accomplishments

SkyWest made great strides operationally and structurally in 2019, positioning itself for changes in the industry and future profitability by adding new aircraft with improved economics under Mr. Childs' leadership.

The Company's income before income taxes under generally accepted accounting principles in the United States ("GAAP") improved to $446 million in 2019, from $366 million in 2018. GAAP operating income improved to $512 million in 2019, from $474 million in 2018. These improvements reflected above-median performance against our compensation peer group. The improvements in 2019 were driven, in part, by the following accomplishments:

- The continued improvement in aircraft fleet mix can be summarized as follows:
  - Took delivery of ten new Embraer dual-class regional jet ("*E175*") aircraft and seven new CRJ900 aircraft under flying contracts that we believe will improve our profitability; and
  - Sold ExpressJet in January 2019, which removed 100 ERJ145 aircraft from service.
- The Company secured a multi-year flying contract extension on 38 CRJ700 aircraft with American.
- The Company secured a flying agreement with Delta for six used E175 aircraft that were operated a regional airline transitioning out of Delta Connection.
- The Company secured an agreement to lease 29 CRJ700 aircraft to a third-party for a ten-year term.
- The Company purchased 56 CRJ aircraft through early lease buyouts reducing the aircraft ownership cost and eliminating lease return cost obligations; and
- The Company's net income was $340 million, or $6.62 per diluted share for the 2019 year, compared to net income of $280 million, or $5.30 per diluted share for the 2018 year. The Company's adjusted net income for the 2019 year was $321 million, or $6.25 per diluted share, excluding the gain on the sale of ExpressJet and other special items recorded in 2019 (see Appendix A to the Proxy Statement for a reconciliation of Non-GAAP financial measures).

These accomplishments not only improved the Company's performance in 2019, but the Board believes the fleet and contract improvements position the Company well for the future.

Role of the Compensation Committee. The Compensation Committee has responsibility for establishing and monitoring the executive compensation programs and for making decisions regarding executive compensation. The Chief Executive regularly attends the Compensation Committee meetings, and the Compensation Committee also meets regularly in executive sessions. The Chief Executive is not present for deliberations by the Compensation Committee regarding his compensation. The Compensation Committee recommends the Chief Executive's compensation to the Board, which then reviews and approves the Committee's recommendation, unless the Committee is required to approve such compensation under applicable law. The Compensation Committee also considers the recommendations of the Chief Executive with respect to compensation of the other Named Executives, and after reviewing such recommendations, determines their compensation. The Compensation Committee also monitors, administers and approves awards under the various incentive compensation plans for all levels within the Company, including awards under the Company's annual cash incentive plan and 2019 Long-Term Incentive Plan (the "*2019 Plan*"). As permitted by the 2019 Plan, the Compensation Committee has delegated its authority to the Chief Executive to approve interim awards under the 2019 Plan to non-executives on a limited basis between meetings of the Compensation Committee.

Role of Consultants. During 2018 and 2019, the Company and the Compensation Committee received advice from Frederic W. Cook & Co., Inc. ("*F.W. Cook*") with respect to executive compensation practices within the airline and related transportation and logistics industries using data from the peer group listed below. The Company and the Compensation Committee retained F.W. Cook to advise on the amounts and forms of compensation awarded to Named Executives in 2018 and 2019. After conducting an evaluation using the factors established by the Securities and Exchange Commission and The Nasdaq Global Select Market, the Compensation Committee determined that F.W. Cook is independent and that there is no conflict of interest resulting from the engagement of F.W. Cook during 2019. The Compensation Committee has sole authority to hire and fire external compensation consultants.

Industry Compensation Data. The Compensation Committee evaluates data regarding the executive compensation programs of other air carriers, as well as other transportation and logistics companies, in order to determine the competitiveness of the Company's executive compensation programs. The Compensation Committee performed such a review in November 2018 and again in November 2019, which included a review of the executive compensation levels and practices at peer companies where SkyWest approximates the median in enterprise value and market capitalization. The peer companies used in the November 2018 review for purposes of setting 2019 executive compensation were: Air Canada Inc., Alaska Air Group, Inc., Allegiant Travel Company, Atlas Air Worldwide Holdings, Inc., Genesee & Wyoming Inc., Hawaiian Holdings, Inc., Hub Group, Inc., J.B. Hunt Transport Services, Inc., JetBlue Airways Corporation, Kansas City Southern, Old Dominion Freight Line, Inc., Spirit Airlines, Inc., Werner Enterprises, Inc., WestJet Airlines Ltd., XPO Logistics, Inc. and YRC Worldwide Inc. The peer group was modified in November 2019 to remove XPO Logistics, Inc. because it was too large based on the metrics for selection, and it was replaced with Mesa Air Group, Inc., which the Compensation Committee determined was a relevant contract air carrier.

The Compensation Committee had the 2018 peer group data available when 2019 Named Executive compensation decisions were made at the start of the year and it had the 2019 compensation peer group data available when it approved cash incentive payouts for 2019.

Compensation Determination. The Compensation Committee relies on its judgment in making compensation decisions in addition to reviewing relevant information and results. When setting total compensation for each of the Named Executives, the Compensation Committee reviews tally sheets which show the Named Executive's current compensation, including base pay, annual cash incentive objectives, long-term, equity-based compensation objectives, and deferred compensation retirement funding. The executive compensation procedures and the Compensation Committee assessment process take into account these tally sheets as well as the industry compensation data described above, company performance, the results of the most recent say-on-pay vote, performance expected in the current and upcoming years, and such other factors as the Compensation Committee determines are appropriate. The Compensation Committee has the sole discretion to award compensation and make adjustments to awards based on its review of relevant information and other unusual or non-recurring items.

The Company does not target specific pay levels and uses the peer company market data for context. The Company's directors rely upon their judgment in making compensation decisions, after reviewing the factors described above. Competitive compensation paid by other companies is one of the many factors that the Company considers in assessing the reasonableness of compensation and the Company does not attempt to maintain a certain target percentile within a peer group. Nevertheless, the Committee set target total direct compensation below the median of similar positions in the peer group.

The Company strives to achieve an appropriate mix between long-term equity incentive awards and cash payments in order to meet its objectives. The Company's mix of compensation elements is designed to reward recent results, align compensation with shareholder interests and fairly compensate executives through a combination of cash and equity incentive awards.

Compensation Committee Consideration of Shareholder Advisory Vote. At the Company's Annual Meeting of Shareholders held in May 2019, the Company submitted the compensation of its named executive officers to the Company's shareholders in a non-binding vote. The Company's executive compensation program received the support of more than 97% of votes cast. The Compensation Committee considered the results of the 2019 vote and views the outcome as evidence of positive shareholder support of its executive compensation decisions and policies.

The Compensation Committee continued to refine the Company's executive compensation program for 2019 in an effort to better align the compensation packages of the Named Executives with the executive compensation programs of other regional carriers and major airlines. The Compensation Committee will continue to review the peer group data and future shareholder voting results, including the voting results with respect to "Proposal 2—Advisory Vote on Named Executive Compensation" described in this Proxy Statement, and determine whether to make any changes to the Company's executive compensation program in light of such data and voting results.

Elements of Compensation

The Company's executive compensation objectives and principles are implemented through the use of the following principal elements of compensation, each discussed more fully below:

- Salary
- Annual Cash Incentive
- Long-Term Incentive Awards
- Retirement and Other Benefits

The compensation components for each Named Executive for 2019 are more fully described in the following paragraphs.

Salary. Salary is provided with the objective of paying for the underlying role and responsibility associated with the Named Executive's position, which the Compensation Committee believes allows the Company to attract and retain qualified executives. The Named Executives' salaries are set at levels that the Compensation Committee believes are generally competitive with the compensation paid to officers in similar positions at other airlines. Salary adjustments are considered annually and influenced by growth of the Company's operations, individual performance, changes in responsibility, changes in cost of living, and other factors. Mr. Childs was provided a $40,000 increase to his base salary for 2019 over his 2018 base salary. Mr. Simmons was provided a $10,000 increase to his base salary for 2019 over his respective 2018 base salary. Mr. Steel was provided a $20,000 increase to his base salary for 2019 over his respective 2018 base salary. Mr. Thompson was provided a $5,000 increase to his base salary for 2019 over his respective 2018 base salary. Mr. Woodward was provided a $6,000 increase to his base salary for 2019 over his respective 2018 base salary. The salaries of the Named Executives are set forth in the Summary Compensation Table immediately following this section. The salaries of all Named Executives in 2019 were below the median salary level of similar positions in our peer group.

Annual Cash Incentive. In an effort to encourage achievement of the Company's objectives, an annual performance-based cash incentive plan is maintained for the Named Executives. The combination of salary and annual cash incentives is intended to result in a cash compensation package for each Named Executive that, when performance objectives are met, falls within competitive market standards as determined by the Compensation Committee based on its review of the peer group company data, as well as its understanding of other regional and major air carrier executive compensation programs. The review of market data in November 2019 showed that the 2019 total cash opportunity of the Named Executives, consisting of salary plus target cash incentive, and was below the median for all Named Executives when compared to the peer group competitive market data.

The purpose of the annual cash incentive program is to reward the Named Executives with an annual cash incentive in an amount that correlates (i) in part, to one or more financial objectives achieved for the year; and (ii) in part, to the achievement of one or more specific operational objectives during the year. The 2019 annual target incentive opportunity was 110% of salary for Mr. Childs, 80% of salary for Messrs. Simmons, Steel and Thompson and 60% of salary for Mr. Woodward, and their potential annual incentive was allocated by the Compensation Committee for the Named Executives between the applicable financial and operational objectives. The differing percentages for the Named Executives are due to differing entity level responsibilities.

2019 Corporate Performance Objectives. For 2019 annual incentive determination purposes, the Compensation Committee determined that pre-tax earnings would be the financial objective and that controllable completion and controllable on time departures would be the operational objectives. These are viewed as value drivers for shareholders that are also in the control of the executive team through their financial and operating decisions and leadership. In the case of Messrs. Childs, Simmons, Steel and Woodward, the applicable pre-tax earnings objective and controllable completion objective were based on the pre-tax earnings and controllable completion of the entire Company. This is because they are corporate level executives with Company-wide responsibility and accountability. Mr. Thompson's pre-tax earnings objective, controllable completion objective and controllable on time departure objective were set solely based on the SkyWest Airlines operating segment, since this is his area of responsibility and accountability.

- *2019 Financial Objective.* In setting the 2019 pre-tax earnings objective, the Compensation Committee considered both the planned 2019 budget, as well as the level of pre-tax earnings that would reflect strong performance and generate shareholder value. The pre-tax earnings objective was set to encourage continued focus on profitability and to facilitate the exchange of best practices between the Company's operating subsidiaries. The earnings goal was set above the median of trailing four quarter peer group earnings available at the time.

- *2019 Operational Objective.* A portion of the Named Executives' annual cash incentives is based on achievement of operating objectives established at the start of the year. The Compensation Committee believes the use of operating objectives allows for consideration of operating execution and achievements that may not be reflected by corporate financial performance. For 2019, the Compensation Committee determined that the operational objectives would be tied to both controllable completion and controllable on time departures. Controllable completion is the percentage of completed scheduled flights over which SkyWest Airlines had control, excluding cancelled flights due to uncontrollable factors such as weather. Controllable on time departures is the percentage of flights departing the gate at or before scheduled departure time over which SkyWest Airlines had control, excluding delayed flights due to uncontrollable factors such as weather.

The Compensation Committee established threshold, target and maximum objectives for each of the financial and operational objectives. At threshold performance achievement, the Named Executives were able to earn 50% of their target annual incentive, while the maximum performance allowed by the Named Executives to earn 200% of their target annual incentive.

At year-end, the Compensation Committee reviewed the actual pre-tax earnings and operating performance for the year and determined the extent to which the applicable objectives were met. The actual amount of the cash incentive payment for each Named Executive is determined by the Compensation Committee based on the Company's and/or SkyWest Airlines' achievement of the foregoing objectives and the actual cash incentives paid for 2019 were based on the pre-established 2019 cash incentive formula, without application of discretion.

The table below includes the "threshold," "target" and "maximum" objectives assigned by the Compensation Committee for the corporate performance measures for 2019 and the 2019 performance relative to those objectives for the Named Executives (dollars in millions).

	2019 Annual Cash Incentive Objectives				Interpolated		Weighted
	Threshold	Target	Maximum	Achieved	Payout	Weight	Payout
SkyWest, Inc.							
Pre-tax Earnings ($ millions)	$ 362	$ 402	$ 442	$ 405.6	109.0%	70.0 %	76.3%
Operating Objective - Controllable completion	99.6 %	99.8 %	99.9 %	99.87%	170.0%	20.0 %	34.0%
Operating Objective – Controllable departures	75.0 %	80.0 %	85.0 %	79.85%	97.0%	10.0 %	9.7%
Total Annual Cash Incentive Results (% of Target)							120.0%
SkyWest Airlines							
Pre-tax Earnings ($ millions)	$ 270	$ 300	$ 330	$ 271.0	51.8%	70.0 %	36.3%
Operating Objective - Controllable completion	99.6 %	99.8 %	99.9 %	99.87%	170.0%	20.0 %	34.0%
Operating Objective - Controllable departures	75.0 %	80.0 %	85.0 %	79.85%	97.0%	10.0 %	9.7%
Total Annual Cash Incentive Results (% of Target)							80.0%

The Company's achieved pre-tax earnings of $405.6 million for purposes of the 2019 annual incentive plan payouts included certain adjustments to GAAP pre-tax earnings, including items relating to the sale of ExpressJet, write-off of aircraft manufacturer parts credit, and other income items not included in the target setting process. The Compensation Committee believes these adjustments to GAAP pre-tax earnings lead to continued focus on long-term profitability and incentivize Named Executives to make beneficial long-term business decisions and will enhance the Company's long-term financial performance and ability to respond to its major airline partners' future needs.

If the Company's pre-tax earnings or operating objective achieved results were between two achievement levels, "threshold," "target" and "maximum", the earned achievement was determined by linear interpolation between the applicable achievement levels.

The corresponding annual cash incentive payments earned for each Named Executive based on performance during the year ended December 31, 2019, are set forth below.

	Target Annual Cash Incentive (% of Salary)	Target Annual Cash Incentive ($)	Total Annual Cash Incentive Results (% of Target)	Total Annual Cash Incentive Results ($)
Russell A. Childs	110.0 %	$ 550,000	120.0 %	$ 660,000
Robert J. Simmons	80.0 %	$ 276,000	120.0 %	$ 331,200
Wade J. Steel	80.0 %	$ 268,000	120.0 %	$ 321,600
Michael B. Thompson	80.0 %	$ 200,000	80.0 %	$ 160,000
Eric J. Woodward	60.0 %	$ 126,600	120.0 %	$ 151,920

Amount of 2019 Performance-Based Annual Cash Incentive. The total annual performance-based cash incentive amounts earned by the Named Executives for 2019 are included in the amounts shown in the Summary Compensation Table below under the caption heading "Non-Equity Incentive Plan Compensation."

Long-Term Incentive Awards. The Company grants discretionary long-term incentive awards, in the form of restricted stock units and performance shares to the Named Executives annually.

Long-term incentive awards are made to encourage the Named Executives to continue their engagement with the Company throughout the vesting periods of the awards and to align management and shareholder interests. In making awards to the Named Executives, the grant size and the appropriate mix of equity-based awards are considered. The Compensation Committee generally grants long-term incentive awards at its first meeting of each year. Long-term incentive awards generally vest only if the Named Executive remains employed by the Company for three years from the date of grant. The three-year cliff-vesting schedule for time-based restricted stock unit awards is to assist with retaining Named Executives and to encourage the Named Executives to focus on the Company's long-term performance. Equity incentive awards granted during 2019, accelerate vesting under certain circumstances, as described in the section Potential Payments upon Termination or Change in Control.

Amount and allocation of grant—For 2019, the total annual targeted long-term incentive grant value was $2,200,000 for Mr. Childs, $775,000 for Mr. Simmons, $775,000 for Mr. Steel, $650,000 for Mr. Thompson and $248,000 for Mr. Woodward. The Compensation Committee established these annual targeted amounts to provide a competitive target total compensation when combined with the salary and target bonus that was above the 25th percentile but below the median. The equity award is to ensure that a material portion of each Named Executive's compensation was based on continuing long-term service and correlated to the creation of shareholder value. Each Named Executive's 2019 long-term incentive award was allocated among the two types of long-term incentive awards as follows: restricted stock units and performance shares. The target value of 2019 equity compensation was generally below the median of the 2019 peer data reviewed by the Compensation Committee for all Named Executive Officer positions.

Restricted stock unit and performance share grants in 2019 were made pursuant to the Company's 2010 Plan, as shown in greater detail below and in the table labeled "Grants of Plan Based Awards."

The following table summarizes the number and nature of long-term incentive awards granted to the Named Executives by the Company in 2019.

	Time Vesting Awards	Performance Vesting Awards
	Number of Restricted Stock Units	"Target" Performance Shares (1)
Russell A. Childs	18,163	27,245
Robert J. Simmons	6,398	9,598
Wade J. Steel	6,398	9,598
Michael B. Thompson	5,366	8,050
Eric J. Woodward	2,047	3,071

(1) Number of performance shares if 100% of target is achieved, although the threshold earnout is 50% of target and the maximum earnout is 200% of target.

Restricted Stock Units—The Company granted restricted stock units to the Named Executives in 2019 under the 2010 Long-Term Incentive Plan (the "*2010 Plan*"). Restricted stock units comprised 40% of each Named Executive's 2019 long-term incentive compensation. The restricted stock units awarded to a Named Executive entitle the Named Executive to receive a designated number of shares of Common Stock upon completion of a three-year vesting period, measured from the date of grant. Until the vesting date, the shares underlying the restricted stock units are not issued and outstanding. Accordingly, the Named Executive is not entitled to vote or receive dividends on the shares underlying his restricted stock units unless and until those restricted stock units vest. The purpose of the restricted stock unit component is to support continued employment through volatile economic and stock market conditions, to manage dilution overhang, and to align officers' interests with maintaining shareholder value already created as well as future value creation. The Compensation Committee believes this approach mitigates the incentive for Named Executives to take unnecessary risks and helps retain the Named Executives' expertise through continued employment.

Performance Shares.

2019-2021 Performance Share Awards. The remaining component of each Named Executive's 2019 annual long-term incentive compensation was performance shares payable in Common Stock under the 2010 Plan. Performance share value comprised 60% of each Named Executive's 2019 long-term incentive compensation (target performance share value is stock price at grant multiplied by the shares earned if the objectives are achieved). The purpose of the performance share awards is to reward achievement of the three-year financial plan, which the Company believes will also support shareholder value achievement. Under each Named Executive's performance shares award, a number of performance shares will vest upon completion of a three-year performance period from the date of the grant (subject to the Named Executive's continued employment through the last day of the performance period), based on the achievement of certain corporate performance objectives.

For purposes of the performance share awards granted in 2019, which will be eligible to vest based on corporate performance during the three-year performance period ending December 31, 2021 (the "*2019-2021 PSU Awards*"), the Compensation Committee set three-year performance share objectives, based on cumulative three-year adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") per share, three-year average return on capital objectives and three-year average controllable completion. Under each Named Executive's performance share award, the performance shares are eligible to vest (and be settled in shares of Common Stock) upon completion of the three-year performance period (subject to the Named Executive's continued employment through the last day of the performance period), based on the level of EBITDA per share, adjusted return on invested capital and controllable completion actually attained in aggregate over the 2019 to 2021 calendar years. Until the vesting date, the shares underlying the performance shares are not issued and outstanding. Accordingly, the Named Executive is not entitled to vote or receive dividends on the shares underlying his performance shares unless and until those performance shares vest. For purposes of the 2019-2021 PSU Awards, return on invested capital for any calendar year is defined as the Company's adjusted operating income for such year divided by the Company's average invested capital for such calendar year.

The Compensation Committee's philosophy for setting performance share targets is to set target awards that reflect the three-year budget (the budget expectation is for a growth rate that is above the median), and maximum targets that will be difficult for the Named Executives to achieve on a consistent basis. For the 2019-2021 PSU Awards, the Compensation Committee established threshold, target and maximum performance levels for each of the three corporate performance objectives, with the actual number of performance shares that will vest to be adjusted in proportion to the extent to which the combined actual results varied from the target levels of performance. The performance shares are allocated 40% to the cumulative three-year EBITDA per share objective, 40% to the three-year average return on invested capital objective and 20% to the three-year average controllable completion in determining the actual awarded performance shares payable in Common Stock. Specifically, a number of performance shares attributable to each objective according to the weightings assigned by the Compensation Committee will be earned ranging from 50% (for threshold performance) to 100% (for target performance) to 200% (for maximum performance), with performance in between such levels determined by linear interpolation. If performance is below the threshold level for one or more of the objectives, no performance shares will be earned with respect to such objective(s).

The corporate objectives for the 2019-2021 PSU Awards for each Named Executive were based on the Company-wide performance, with no individual component or subsidiary-level objectives, in order to encourage teamwork and a collective focus on the creation of long-term value for the Company's shareholders. In determining the degree to which the corporate objectives have been attained, the Company's performance will be adjusted for unusual or non-recurring items.

Actual results for 2019-2021 PSU Awards are measured over the three-year performance period. Therefore, the degree to which performance shares granted in 2019 ultimately earned will not be determined until the conclusion of the 2021 calendar year.

2017-2019 Performance Shares.

For purposes of the performance share awards granted in 2017, which were eligible to vest based on corporate performance during the three-year performance period ending December 31, 2019 (the "*2017-2019 PSU Awards*"), the Compensation Committee set three-year performance share objectives, based on cumulative three-year adjusted pre-tax earnings and three-year average return on capital objectives. Under each Named Executive's performance share award, the performance shares are eligible to vest (and be settled in shares of Common Stock) upon completion of a three-year performance period (subject to the Named Executive's continued employment through the last day of the performance period), based on the level of adjusted pre-tax earnings and adjusted return on invested capital actually attained in aggregate over the 2017 to 2019 calendar years.

For the 2017-2019 PSU Awards, the Compensation Committee established threshold, target and maximum performance levels for each of the two corporate performance objectives, with the actual number of performance shares that will vest to be adjusted in proportion to the extent to which the combined actual results varied from the target levels of performance. The performance shares are allocated 60% to the cumulative three-year adjusted pre-tax earnings objective and 40% to the three-year average return on invested capital objective in determining the actual awarded performance shares payable in Common Stock. Specifically, a number of performance shares attributable to each objective according to the weightings assigned by the Compensation Committee were earned ranging from 50% (for threshold performance) to 100% (for target performance) to 200% (for maximum performance), with performance in between such levels determined by linear interpolation. If performance is below the threshold level for one or more of the objectives, no performance shares were earned with respect to such objective(s).

In February 2020, the Compensation Committee determined the Company's achievement relative to the objectives previously established for the 2017-2019 PSU Awards as follows (see Appendix A to this proxy statement on page 58 for a reconciliation of certain 2019, 2018 and 2017 non-GAAP financial measures used to calculate the achievement levels described below for the most directly comparable financial measures prepared in accordance with GAAP):

	Threshold	Target	Maximum	Achieved Performance
Adjusted Pre-tax Income ($ millions) (1)	$ 804	$ 892	$ 981	$ 1,076
Average Return on Invested Capital (2)	13.2 %	13.7 %	14.1 %	15.1 %

(1) Adjusted pre-tax income for the three-year period ending December 31, 2019 was adjusted in 2019 for special items primarily associated with the sale of ExpressJet and the write-off of non-cash aircraft manufacturer part credits to settle future aircraft lease return obligations.

(2) Represents the average return on invested capital for 2017, 2018 and 2019 using adjusted net income in 2019 for special items related to the sale of ExpressJet and the write-off of aircraft manufacturer part credits and for the Tax Cuts and Jobs Act benefit in 2017. For purposes of the 2017-2019 PSU Awards, return on invested capital for any calendar year was defined as the Company's adjusted operating income for such year divided by the Company's average invested capital for such calendar year.

As a result of the foregoing, in February 2020, the Named Executives vested in the maximum number of performance shares relative to the 2017-2019 PSU Awards, which was 200% of their target awards: Mr. Childs, 43,564 shares; Mr. Simmons, 21,782 shares; Mr. Steel, 20,106 shares; Mr. Thompson, 15,080 shares; and Mr. Woodward, 7,708 shares.

Long-Term Incentive Awards for 2020. The Compensation Committee did not make any significant changes for the 2020 long-term incentive awards from that of the 2019 long-term incentive awards.

No Employment and Severance Agreements

The Named Executives do not have employment, severance or change-in-control agreements, although the vesting of long-term equity incentive awards may accelerate under certain circumstances, as described below under "Elements of Compensation – Long-Term Incentive Awards." The Named Executives serve at the will of the Board, which enables the Board to terminate the employment of any Named Executive with discretion as to the terms of any severance. This is consistent with the Company's performance-based employment and compensation philosophy.

Acceleration of Long-Term Incentive Awards. With respect to long-term incentive awards granted to the Named Executives commencing in 2017, such awards will vest on an accelerated basis under certain circumstances.

Specifically, restricted stock unit awards granted to the Named Executives will vest on an accelerated basis (i) in the event of the Named Executive's involuntary termination without cause or resignation for good reason, or (ii) in the event of the Named Executive's death.

Performance share awards granted to the Named Executives will vest on an accelerated basis (i) in the event of the Named Executive's death prior to a change in control, as to the "target" number of performance shares subject to the award on the date of death and as to any incremental performance shares above "target" based on the Company's actual performance relative to the corporate performance objectives under such award at the end of the three-year performance period (or, if earlier, a change in control of the Company), (ii) in the event of the Named Executive's death following a change in control, any "vesting eligible shares" (as described below) will vest upon the date of death, (iii) in the event of the Named Executive's involuntary termination without cause or resignation for good reason, in each case prior to a change in control, the Named Executive will remain eligible to vest in such number of performance shares as ultimately vest based on the Company's actual performance relative to the corporate performance objectives under such award at the end of the three-year performance period (or, if earlier, a change in control of the Company), which vesting will be prorated for the portion of the performance period that has elapsed prior to the date of termination, or (iv) in the event of the Named Executive's involuntary termination without cause or resignation for good reason, in each case following a change in control, any vesting eligible shares will vest upon the date of such termination. For purposes of the performance shares, in the event of a change in control of the Company, the performance shares will be converted into a number of "vesting eligible shares" that will vest at the end of the three-year performance period based on the greater of (i) the "target" number of performance shares subject to the award, or (ii) the number of performance shares that would vest if performance had been measured against the corporate performance objectives as of the date of the change in control.

Retirement and Other Benefits.

The Company and SkyWest Airlines sponsor a 401(k) retirement plan for their eligible employees, including the Named Executives other than Mr. Vais. Prior to the sale of ExpressJet, ExpressJet also maintained a substantially equivalent 401(k) plan for its eligible employees, including Mr. Vais. Both plans are broad based, tax-qualified retirement plans under which eligible employees, including the Named Executives, may make annual pre-tax salary reduction contributions subject to the various limits imposed under the Internal Revenue Code of 1986, as amended (the "*Code*"). The sponsoring employers make matching contributions under the plans on behalf of eligible participants; however, the right of Named Executives and other officers to such matching contributions is limited. The Compensation

Committee believes that maintaining the 401(k) retirement plans and providing a means to save for retirement is an essential part of a competitive compensation package necessary to attract and retain talented executives.

The Company also maintains the SkyWest, Inc. 2002 Deferred Compensation Plan, a non-qualified deferred compensation plan for the benefit of officers and other highly compensated employees. All of the Named Executives other than Mr. Vais participate in the SkyWest, Inc. 2002 Deferred Compensation Plan. Prior to the sale of ExpressJet, ExpressJet also maintained a separate but similar non-qualified deferred compensation plan, the ExpressJet Executive Deferred Compensation Plan, for its highly compensated management employees, including Mr. Vais. Under both such deferred compensation plans (the "*Deferred Compensation Plans*"), the employer credits each Named Executive's account with a discretionary employer contribution equal to 15% of salary and annual cash incentive. These amounts are included in the Summary Compensation Table under the column "All Other Compensation". Additional information on the Deferred Compensation Plans is found in the section "Non-Qualified Deferred Compensation for 2018" below. The purpose of the Deferred Compensation Plans is to attract and retain executive talent by assisting with building retirement assets over the course of their career with the Company.

The SkyWest Inc. 2002 Deferred Compensation Plan (but not the ExpressJet Executive Deferred Compensation Plan) also permits eligible executives, including the Named Executives, to elect in advance of each calendar year to defer up to 100% of their cash salary and annual cash incentive compensation for the year. Only Mr. Simmons elected to defer any portion of his salary or annual cash incentive for 2019.

The Company and its subsidiaries do not maintain any defined benefit pension plans for the Named Executives.

Other Benefits.

In addition to the benefits described above, the Company provides certain other benefits to the Named Executives that the Compensation Committee believes are generally consistent with the benefits provided to senior executives of other airlines. The Compensation Committee believes that those benefits, which are detailed in the footnotes to the Summary Compensation Table applicable to the heading "All Other Compensation" below, are reasonable, competitive and consistent with overall executive compensation objectives. Those benefits consist primarily of employer-paid premiums on health, dental and eye insurance, a personal automobile allowance, and use of Company owned recreational equipment.

The Company and its subsidiaries also maintain a non-discriminatory, broad based program under which all full-time employees and their dependents, including the Named Executives and their dependents, may fly without charge on a space available basis on regularly scheduled flights of aircraft operated by the Company's operating airline subsidiaries.

The Company has not agreed to provide its Named Executives with any gross-up or reimbursement for taxes.

Share Ownership Guidelines

The Company maintains ownership guidelines for the Named Executives to encourage the alignment of their interests with the long-term interests of the Company's shareholders. Each Named Executive is required to maintain a minimum ownership interest in the Company. The guideline ownership level is a number of shares of Common Stock having a value equal to a multiple of the annual base salary for each Named Executive. The Chief Executive's guideline ownership level is five times salary while the remaining Named Executives' guideline ownership level is three times salary.

The guidelines also include an expectation that the Named Executives will hold 50% of their net after-tax profit shares after vesting or option exercise if the applicable guideline ownership level has not yet been met. The Named

Executives are limited in their ability to sell shares under long-term incentive awards until their applicable guideline ownership level is reached. Each Named Executive met the ownership guidelines at December 31, 2019. The holdings of the Named Executives are summarized in the table entitled "Security Ownership of Certain Beneficial Owners" below.

Policies Against Hedging and Pledging of Company Stock

Pursuant to the Company's Code of Ethics, in order to avoid the appearance that any Company employee is trading on inside information, Company officers and directors are prohibited from engaging in speculative trading such as short sales or trading in puts, calls, or other options on our stock or the stock of our affiliates, and are likewise prohibited from purchasing or using, directly or indirectly, financial instruments that are designed to hedge or offset any decrease in the market value of our securities.

In addition, the Company's insider trading policy expressly prohibits all directors, officers and employees from purchasing or using, directly or indirectly, financial instruments that are designed to hedge or offset any decrease in the market value of the Company's securities. Pledging the Company's securities as collateral to secure loans is also prohibited.

Deductibility of Executive Compensation

Section 162(m) of the Code imposes a $1 million annual limit on the amount that a publicly traded company may deduct for compensation paid to the company's principal executive officer during a tax year or to any of the company's three other most highly compensated executive officers who are still employed at the end of the tax year (other than the Company's principal financial officer). Prior to 2018, the limit did not apply to compensation that met the requirements of Section 162(m) of the Code for "qualified performance-based compensation" (i.e., compensation paid only if the executive meets pre-established, objective goals based upon performance criteria approved by the Company's shareholders). The Tax Cuts and Jobs Act of 2017 eliminated the "qualified performance-based compensation" exception to Section 162(m) of the Code and expanded the limitation on deductibility to generally include all named executive officers. The Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Code, and has reserved, and continues to reserve, the right to approve compensation that may not be deductible under Code Section 162(m) in order to ensure competitive levels of total compensation for the Company's executive officers.

Effect of Compensation on Risk

The Compensation Committee believes the Company's compensation policies and practices are designed to create appropriate and meaningful incentives for the Company's employees without encouraging excessive or inappropriate risk taking. Among other factors, the Compensation Committee considered the following:

- The Company's compensation policies and practices are designed to include a significant level of long-term compensation, which discourages short-term risk taking;

- The base salaries and target cash incentive opportunities the Company provides to its employees are generally consistent with salaries paid for comparable positions in the Company's industry, and provide the Company's employees with steady income while reducing the incentive for employees to take risks in pursuit of short-term benefits;

- The Company's cash incentive and performance equity incentive compensation is capped at levels established by the Compensation Committee, consistent with peer data, and at which the Compensation Committee believes reduces the incentive for excessive risk-taking;

- The Company has established internal controls and adopted codes of ethics and business conduct, which are designed to reinforce the balanced compensation objectives established by the Compensation Committee; and

- The Company has adopted equity ownership guidelines for its executive officers, which the Compensation Committee believes discourages excessive risk-taking.

- There is a policy against hedging stock and against pledging stock or using it as collateral.

Based on the review outlined above, the Company has concluded that the risks arising from its compensation policies and practices for its employees are not reasonably likely to have a material adverse effect on the Company.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed the foregoing compensation discussion and analysis and discussed with the Company's management the information set forth herein. Based on such review and discussions with management, the Compensation Committee recommended to the Board that the foregoing compensation discussion and analysis be included in this proxy statement.

The Compensation Committee

Keith E. Smith, Chair
Henry J. Eyring
Meredith S. Madden
Ronald J. Mittelstaedt
Steven F. Udvar-Hazy

The information contained in this Compensation Committee Report shall not be deemed to be "soliciting material," to be "filed" with the Securities and Exchange Commission or be subject to Regulation 14A or Regulation 14C or to the liabilities of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing of SkyWest, Inc., except to the extent that SkyWest, Inc. specifically incorporates it by reference into a document filed under the Securities Act of 1933 or the Exchange Act.

EXECUTIVE COMPENSATION

Summary Compensation Table

The table below summarizes the total compensation paid to or earned by each of the Named Executives for the years indicated.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards: Restricted Stock Units ($)(2)	Stock Awards: Performance Shares ($)(2)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)	Total ($)
Russell A. Childs	2019	$500,000	$ —	$ 880,000	$ 1,320,000	$ —	$ 660,000	$ 251,011 (4)	$ 3,611,011
CEO & President	2018	$460,000	$ —	$ 680,000	$ 1,020,000	$ —	$ 940,728	$ 243,052	$ 3,343,780
	2017	$420,000	$ —	$ 520,000	$ 780,000	$ —	$ 924,000	$ 213,395	$ 2,857,395
Robert J. Simmons	2019	$345,000	$ —	$ 310,000	$ 465,000	$ —	$ 331,200	$ 158,784 (5)	$ 1,609,984
Chief Financial Officer	2018	$335,000	$ —	$ 290,000	$ 435,000	$ —	$ 498,251	$ 160,115	$ 1,718,366
	2017	$325,000	$ —	$ 260,000	$ 390,000	$ —	$ 520,000	$ 147,148	$ 1,642,148
Wade J. Steel	2019	$335,000	$ —	$ 310,000	$ 465,000	$ —	$ 321,600	$ 151,108 (6)	$ 1,582,708
Chief Commercial Officer	2018	$315,000	$ —	$ 270,000	$ 405,000	$ —	$ 468,505	$ 151,679	$ 1,610,184
	2017	$300,000	$ —	$ 240,000	$ 360,000	$ —	$ 480,000	$ 134,287	$ 1,514,287
Michael B. Thompson	2019	$250,000	$ —	$ 260,000	$ 390,000	$ —	$ 160,000	$ 127,229 (7)	$ 1,187,229
Chief Operating Officer	2018	$245,000	$ —	$ 240,000	$ 360,000	$ —	$ 368,480	$ 125,274	$ 1,338,754
—SkyWest Airlines	2017	$235,000	$ —	$ 180,000	$ 270,000	$ —	$ 376,000	$ 106,010	$ 1,167,010
Terry M. Vais	2019	$ 30,237	$ —	$ —	$ —	$ —	$ —	$ 1,050,728 (8)	$ 1,080,965
Former, Chief Operating	2018	$265,000	$ —	$ 232,000	$ 348,000	$ —	$ 287,260	$ 90,519	$ 1,222,779
Officer —ExpressJet	2017	$250,000	$ —	$ 180,000	$ 270,000	$ —	$ 200,000	$ 110,436	$ 1,010,436
Eric J. Woodward	2019	$211,000	$ —	$ 99,200	$ 148,800	$ —	$ 151,920	$ 84,317 (9)	$ 695,237
Chief Accounting Officer									

(1) No discretionary annual performance bonuses were awarded to the Named Executives in 2017, 2018 or 2019.

(2) These columns show the grant date fair value of stock awards granted during the applicable fiscal year as computed under ASC Topic 718 (excluding estimates for forfeitures in case of awards with service-based vesting). With respect to the performance share awards, the grant date fair value is reported based on the probable outcome of the performance conditions as of the grant date. The maximum potential value of the 2019 performance share awards, assuming the highest level of performance achievement, is as follows: Mr. Childs, $1,560,000 (2017), $2,040,000 (2018), $2,640,000 (2019); Mr. Simmons, $780,000 (2017), $870,000 (2018), $930,000 (2019); Mr. Steel, $720,000 (2017), $810,000 (2018), $930,000 (2019); Mr. Thompson, $540,000 (2017), $720,000 (2018), $780,000 (2019); Mr. Vais, $540,000 (2017); and Mr. Woodward $297,600 (2019). These amounts do not reflect the extent to which the Named Executive realized or will realize an actual financial benefit from the awards. Assumptions and methodologies used in the calculation of these amounts are included in footnotes to the Company's audited financial statements for the year ended December 31, 2019, which are included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

(3) The amounts in this column reflect the annual performance cash incentive amounts earned in the year indicated based on performance in that year and paid in the subsequent year. As described in the section entitled "Compensation Discussion and Analysis" above, annual performance cash incentives payable to the Named Executives are calculated based upon the financial and operational performance of the Company or its subsidiaries. The threshold, target and maximum amount of each Executive's annual performance cash incentive opportunity for 2019 is reported in the "Grants of Plan-Based Awards for 2019" table below.

(4) All other compensation for Mr. Childs for 2019 included $218,047 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2019. The remaining other compensation relates to

employer-paid health insurance premiums, a personal vehicle lease, personal use of the Company's recreational equipment, and discretionary matching contributions under the SkyWest 401(k) Plan.

(5) All other compensation for Mr. Simmons for 2019 included $127,107 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2019. The remaining other compensation relates to employer-paid health insurance premiums, a personal vehicle lease, personal use of the Company's recreational equipment, and discretionary matching contributions under the SkyWest 401(k) Plan.

(6) All other compensation for Mr. Steel for 2019 included $122,455 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2019. The remaining other compensation relates to employer-paid health insurance premiums, a personal vehicle lease, personal use of the Company's recreational equipment, and discretionary matching contributions under the SkyWest 401(k) Plan.

(7) All other compensation for Mr. Thompson for 2019 included $95,575 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2019. The remaining other compensation relates to employer-paid health insurance premiums, a personal vehicle lease, personal use of the Company's recreational equipment, and discretionary matching contributions under the SkyWest 401(k) Plan.

(8) All other compensation for Mr. Vais includes $1.0 million in severance paid to Mr. Vais during 2019 in connection with his separation from the Company pursuant to his severance and release agreement, as further described below, $4,751 in employer credits under the ExpressJet Deferred Compensation Plan attributable to compensation earned for 2019 and $20,384 relating to the payout of accrued vacation time. The remaining other compensation relates to employer-paid health insurance premiums and a personal vehicle lease prior to his separation from the Company.

(9) All other compensation for Mr. Woodward for 2019 included $67,664 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2019. The remaining other compensation relates to employer-paid health insurance premiums, personal use of the Company's recreational equipment, and discretionary matching contributions under the SkyWest 401(k) Plan.

Grants of Plan-Based Awards For 2019

The following table provides information about non-equity based and equity-based plan awards granted to the Named Executives for the year ended December 31, 2019:

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards			All Other Stock Awards Number of Units	All Other Stock Awards Number of Options	Exercise Price of Option Awards	Grant Date Fair Value of Stock and Option
Name	Grant Date	Threshold ($)(1)	Target ($)(1)	Maximum ($)(1)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/Share)	Awards($)(4)
Russell A. Childs		$ 275,000	$ 550,000	$ 1,100,000							$ 550,000
	5-Feb-2019(2)				13,623	27,245	54,490				$ 1,320,000
	5-Feb-2019(3)							18,163			$ 880,000
Robert J. Simmons		$ 138,000	$ 276,000	$ 552,000							$ 276,000
	5-Feb-2019(2)				4,799	9,598	19,196				$ 465,000
	5-Feb-2019(3)							6,398			$ 310,000
Wade J. Steel		$ 134,000	$ 268,000	$ 536,000							$ 268,000
	5-Feb-2019(2)				4,799	9,598	19,196				$ 465,000
	5-Feb-2019(3)							6,398			$ 310,000
Michael B. Thompson		$ 100,000	$ 200,000	$ 400,000							$ 200,000
	5-Feb-2019(2)				4,025	8,050	16,100				$ 390,000
	5-Feb-2019(3)							5,366			$ 260,000
Eric J. Woodward		$ 63,300	$ 126,600	$ 253,200							$ 126,600
	5-Feb-2019(2)				1,536	3,071	6,142				$ 148,800
	5-Feb-2019(3)							2,047			$ 99,200

(1) The amounts in these columns reflect the threshold, target and maximum amount of each Named Executive's annual cash incentive opportunity for 2019. As described in the section entitled "Compensation Discussion and Analysis"

above, annual cash incentives payable to the Named Executives are calculated based upon the financial and operational performance of the Company or its subsidiaries.

(2) Represents the 2019-2021 PSU Awards granted in 2019 which will be eligible to vest based on corporate performance during the three-year performance period ending December 31, 2021. The Compensation Committee determined that the corporate objectives for purposes of such awards would be EBITDA per share, return on invested capital and controllable completion actually attained over the three-year performance period. Until the vesting date, the shares underlying the performance shares are not issued and outstanding. Accordingly, the Named Executive is not entitled to vote or receive dividends on the shares underlying his performance shares unless and until those performance shares vest. For the 2019-2021 PSU Awards, the Compensation Committee established threshold, target and maximum performance levels for each of the three corporate performance objectives, with the actual number of performance shares that will vest to be adjusted in proportion to the extent to which the combined actual results varied from the target levels of performance. The performance shares are allocated 40% to the cumulative three-year EBITDA per share, 40% to the three-year adjusted average return on invested capital and 20% the three-year average controllable completion in determining the actual awarded performance shares payable in our common stock. Specifically, a number of performance shares attributable to each objective according to the weightings assigned by the Compensation Committee will be earned ranging from 50% (for threshold performance) to 100% (for target performance) to 200% (for maximum performance), with performance in between such levels determined by linear interpolation. If performance is below the threshold level for one or more of the objectives, no performance shares will be earned with respect to such objective(s).

(3) Represents restricted stock unit awards that entitle the Named Executive to receive a designated number of shares of our common stock upon completion of a three-year vesting period, measured from the date of grant, the restricted stock units will be eligible to vest on the third anniversary of the grant date, subject to the Named Executive's continued employment through such date.

(4) This column shows the grant date fair value of the stock awards granted as computed under ASC Topic 718 (excluding estimates for forfeitures in case of awards with service-based vesting). With respect to the performance share awards, the grant date fair value is reported based on the probable outcome of the performance conditions as of the grant date. These amounts do not reflect the extent to which the Named Executive realized or will realize an actual financial benefit from the awards. Assumptions and methodologies used in the calculation of these amounts are included in footnotes to the Company's audited financial statements for the year ended December 31, 2019 which are included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Outstanding Equity Awards at Year-End

The following table provides information on the holdings of stock options and other stock awards (restricted stock units and performance shares) by the Named Executives as of December 31, 2019.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date(1)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested(8)($)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Shares, Units or Other Rights That Have Not Vested(8)($)
Russell A. Childs. . .	41,020		$ 14.78	10-Feb-23				
					14,521 (2)	$ 938,492		
					43,564 (3)	$ 2,815,542		
					12,734 (4)	$ 822,998	19,101 (5)	$ 1,234,498
					18,163 (6)	$ 1,173,875	27,245 (7)	$ 1,760,844
Robert J. Simmons. .	7,783		$ 14.78	10-Feb-23				
					7,261 (2)	$ 469,278		
					21,782 (3)	$ 1,407,770		
					5,431 (4)	$ 351,006	8,146 (5)	$ 526,476
					6,398 (6)	$ 413,503	9,598 (7)	$ 620,319
Wade J. Steel					6,702 (2)	$ 433,150		
					20,106 (3)	$ 1,299,450		
					5,056 (4)	$ 326,769	7,584 (5)	$ 490,154
					6,398 (6)	$ 413,503	9,598 (7)	$ 620,319
Michael B. Thompson.								
					5,027 (2)	$ 324,895		
					15,080 (3)	$ 974,620		
					4,494 (4)	$ 290,447	6,742 (5)	$ 435,735
					5,366 (6)	$ 346,805	8,050 (7)	$ 520,272
Eric J. Woodward . .	2,968		$ 14.78	10-Feb-23				
					2,569 (2)	$ 166,034		
					7,708 (3)	$ 498,168		
					1,813 (4)	$ 117,174	2,719 (5)	$ 175,729
					2,047 (6)	$ 132,298	3,071 (7)	$ 198,479

(1) All stock option awards have a term of seven years from the date of grant.

(2) Restricted stock unit awards that entitle the Named Executive to receive a designated number of shares of Common Stock on February 9, 2020, subject to the achievement of a threshold performance objective included in such restricted stock unit awards for Section 162(m) purposes. The threshold performance objective for purposes of the 2017 restricted stock units was the Company's achievement of pre-tax earnings of at least $54.9 million during 2017, 2018 or 2019. If the threshold goal was not achieved, none of the restricted stock units would have been eligible to vest. In February 2018, the Compensation Committee determined that the Company's 2017 pre-tax earnings of $288 million satisfied the threshold goal for purposes of the 2017 restricted stock unit awards, and such awards will be eligible to vest based on the third anniversary of the grant date.

(3) Represents the 2017-2019 PSU Awards granted in 2017 which were eligible to vest based on corporate performance during the three-year performance period ending December 31, 2019. The Compensation Committee determined that the corporate objectives for purposes of such awards would be adjusted pre-tax earnings and average return on invested capital actually attained over the three-year performance period. Until the vesting date, the shares underlying the performance shares are not issued and outstanding. Accordingly, the Named Executive is not entitled to vote or receive dividends on the shares underlying his performance shares unless and until those performance shares vest. For the 2017-2019 PSU Awards, the Compensation Committee established threshold, target and maximum performance levels for each of the two corporate performance objectives, with the actual number of performance shares that will vest to be adjusted in proportion to the extent to which the combined actual results varied from the target levels of performance. The performance shares are allocated 60% to the cumulative three-year

adjusted pre-tax earnings objectives and 40% to the three-year average return on invested capital objectives in determining the actual awarded performance shares payable in Common Stock. Specifically, a number of performance shares attributable to each objective according to the weightings assigned by the Compensation Committee were eligible to be earned ranging from 50% (for threshold performance) to 100% (for target performance) to 200% (for maximum performance), with performance in between such levels determined by linear interpolation. If performance was below the threshold level for one or more of the objectives, no performance shares would have been earned with respect to such objective(s). The actual number of shares of Common Stock issued to our Named Executives following the conclusion of a performance period is based on our performance relative to the corporate performance objectives for that performance period. The Company has reported the number and market value of the performance shares subject to the awards based on “maximum” performance. In February 2020, the Compensation Committee determined that the Company had satisfied the maximum performance level for these awards, and such awards vested at the maximum levels on February 9, 2020. In addition, these awards are reported in the "Number of Shares or Units of Stock" column because, as of December 31, 2019, the applicable performance objectives had been met and the vesting of the awards was subject only to the Compensation Committee’s certification of such results.

(4) Restricted stock unit awards scheduled to vest on February 7, 2021.

(5) Represents the 2018-2020 PSU Awards granted in 2018 which will be eligible to vest based on corporate performance during the three-year performance period ending December 31, 2020. The Compensation Committee determined that the corporate objectives for purposes of such awards would be adjusted pre-tax earnings and average return on invested capital actually attained over the three-year performance period. Until the vesting date, the shares underlying the performance shares are not issued and outstanding. Accordingly, the Named Executive is not entitled to vote or receive dividends on the shares underlying his performance shares unless and until those performance shares vest. For the 2018-2020 PSU Awards, the Compensation Committee established threshold, target and maximum performance levels for each of the two corporate performance objectives, with the actual number of performance shares that will vest to be adjusted in proportion to the extent to which the combined actual results varied from the target levels of performance. The performance shares are allocated 60% to the cumulative three-year adjusted pre-tax earnings objectives and 40% to the three-year average return on invested capital objectives in determining the actual awarded performance shares payable in our common stock. Specifically, a number of performance shares attributable to each objective according to the weightings assigned by the Compensation Committee will be earned ranging from 50% (for threshold performance) to 100% (for target performance) to 200% (for maximum performance), with performance in between such levels determined by linear interpolation. If performance is below the threshold level for one or more of the objectives, no performance shares will be earned with respect to such objective(s). The actual number of shares of our common stock issued to our Named Executives following the conclusion of a performance period will be based on our performance relative to the corporate performance objectives for that performance period. The Company has reported the number and market value of the performance shares subject to the awards based on “target” performance.

(6) Restricted stock unit awards scheduled to vest on February 5, 2022.

(7) Represents the 2019-2021 PSU Awards granted in 2019 which will be eligible to vest based on corporate performance during the three-year performance period ending December 31, 2021. The Compensation Committee determined that the corporate objectives for purposes of such awards would be EBITDA per share, return on invested capital and controllable completion actually attained over the three-year performance period. Until the vesting date, the shares underlying the performance shares are not issued and outstanding. Accordingly, the Named Executive is not entitled to vote or receive dividends on the shares underlying his performance shares unless and until those performance shares vest. For the 2019-2021 PSU Awards, the Compensation Committee established threshold, target and maximum performance levels for each of the two corporate performance objectives, with the actual number of performance shares that will vest to be adjusted in proportion to the extent to which the combined actual results varied from the target levels of performance. The performance shares are allocated 40% to the

cumulative three-year EBITDA per share, 40% to the three-year adjusted average return on invested capital and 20% the three-year average controllable completion in determining the actual awarded performance shares payable in our common stock. Specifically, a number of performance shares attributable to each objective according to the weightings assigned by the Compensation Committee will be earned ranging from 50% (for threshold performance) to 100% (for target performance) to 200% (for maximum performance), with performance in between such levels determined by linear interpolation. If performance is below the threshold level for one or more of the objectives, no performance shares will be earned with respect to such objective(s). The Company has reported the number and market value of the performance shares subject to the awards based on "target" performance.

(8) Based on market closing price per share of our common stock of $64.63 on December 31, 2019, the last trading day of 2019.

Option Exercises and Stock Vested

Stock options exercised, restricted stock units and performance shares that vested for the Named Executives during the year ended December 31, 2019 are outlined below.

	Option Awards		Stock Awards(1)	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Russell A. Childs	37,023	$ 1,747,220	67,660	$ 3,638,755
Robert J. Simmons	—	$ —	37,753	$ 2,030,329
Wade J. Steel	7,030	$ 318,025	34,100	$ 1,833,898
Michael B. Thompson	5,523	$ 250,789	26,793	$ 1,440,901
Terry M. Vais	7,175	$ 270,082	29,228	$ 1,571,855
Eric J. Woodward	—	$ —	14,398	$ 774,298

(1) Includes both restricted stock units and performance shares that vested during the year ended December 31, 2019.

Non-Qualified Deferred Compensation for 2019

Pursuant to the SkyWest Deferred Compensation Plan and the ExpressJet Deferred Compensation Plan, covered Named Executives may elect prior to the beginning of each calendar year to defer the receipt of base salary and annual performance cash incentives earned for the ensuing calendar year. Amounts deferred are credited to an unfunded liability account maintained by the Company on behalf of the applicable Named Executive, which account is deemed invested in and earns a rate of return based upon certain notational, self-directed investment options offered under the applicable plan.

Each Named Executive's account under the SkyWest Deferred Compensation Plan and ExpressJet Deferred Compensation Plan, as applicable, is also credited with a discretionary employer contribution monthly, whether or not the Named Executive contributes. For 2019 that discretionary employer contribution was 15% of the Named Executive's salary and annual cash incentive. Participant account balances under the SkyWest and ExpressJet Deferred Compensation Plans are fully vested and will be paid by the Company to each Named Executive upon retirement or separation from employment, or on other specified dates, in a lump sum form or in installments according to a schedule elected in advance by the Named Executive.

The following table provides information regarding the SkyWest Deferred Compensation Plan for Messrs. Childs, Simmons, Steel, Thompson and Woodward for the year ended December 31, 2019:

Name	Executive Contributions in Last Year ($)(1)	Registrant Contributions in Last Year ($)(2)	Aggregate Earnings in Last Year ($)(3)	Aggregate Withdrawals/ Distributions in Last Year ($)	Aggregate Balance at Last Year End ($)(4)
Russell A. Childs	$ —	$ 218,047	$ 287,513	$ —	$2,174,744
Robert J. Simmons	$ 24,929	$ 127,107	$ 117,588	$ —	$ 701,370
Wade J. Steel	$ —	$ 122,455	$ 163,177	$ —	$ 820,340
Michael B. Thompson	$ —	$ 95,575	$ 158,202	$ —	$ 939,851
Eric J. Woodward	$ —	$ 67,664	$ 155,774	$ —	$ 844,070

(1) The amount in this column represents deferral of base salary for 2019 and annual performance cash incentives earned for the ensuing calendar year, which deferred amounts are reported in the Summary Compensation Table above.

(2) The amounts in this column reflect the amounts of employer contributions credited under the applicable deferred compensation plan for 2019 at the rate of 15% of each Executive's 2019 base salary and annual cash incentive which was paid in 2019. The amounts reported in this column are also included in the amounts reported in the "Other Compensation" column of the Summary Compensation Table appearing above.

(3) The amounts in this column reflect the notational earnings during 2019 credited to each Executive's account under the SkyWest Deferred Compensation Plan. These amounts are not reported in the Summary Compensation Table because they are based on market rates determined by reference to mutual funds that are available to participants in the SkyWest 401(k) Plan or otherwise broadly available.

(4) All Named Executive and Company contributions in prior years to the SkyWest Deferred Compensation Plan have been reported in the Summary Compensation Tables in the company's previously filed proxy statements, to the extent that an executive was a named executive officer in that fiscal year. These amounts are as follows: Mr. Childs, $218,047 (2019), $211,109 (2018) and $183,402 (2017); Mr. Simmons, $152,036 (2019), $146,521 (2018) and $142,346 (2017); Mr. Steel, $122,455 (2019), $122,190 (2018) and $110,411 (2017); Mr. Thompson, $95,575 (2019), $95,785 (2018), and $82,134 (2017); and Mr. Woodward, $67,664 (2019).

At the election of the executive, deferred amounts are invested in a selection of third party investment funds and each executive receives the rates of return under those funds on such deferred amounts.

The following table provides information regarding the ExpressJet Deferred Compensation Plan for Mr. Vais for 2019. During 2019, Mr. Vais separated from the Company and received the compensation related to his Deferred Compensation account which was valued at $733,463 at the time the balance was distributed to Mr. Vais in accordance with the ExpressJet Deferred Compensation Plan.

Name	Executive Contributions in Last Year ($)	Registrant Contributions in Last Year ($)(1)	Aggregate Earnings in Last Year ($)(2)	Aggregate Withdrawals/ Distributions in Last Year ($)(3)	Aggregate Balance at Last Year End ($)
Terry M. Vais	—	$ 4,751	$ 137,120	$ (733,463)	$ —

(1) The amount in this column reflects the employer contributions credited under the applicable deferred compensation plan for 2019 at the rate of 15% of Mr. Vais's 2019 base salary. The amount reported in this column is also included in the amount reported in the "Other Compensation" column of the Summary Compensation Table appearing above.

(2) The amounts in this column reflect the notational earnings during 2019 credited to Mr. Vais's account under the ExpressJet Deferred Compensation Plan. This amount is not reported in the Summary Compensation Table because it is based on market rates determined by reference to mutual funds that are available to participants in the ExpressJet 401(k) Plan or, in certain cases, otherwise broadly available.

(3) All Named Executive and Company contributions in prior years to the ExpressJet Deferred Compensation Plan have been reported in the Summary Compensation Tables in the company's previously filed proxy statements, to the extent that Mr. Vais was a named executive officer in that fiscal year. These amounts are as follows: $4,751 (2019), $70,581 (2018) and $92,248 (2017).

At the election of the executive, deferred amounts are invested in a selection of third party investment funds and each executive receives the rates of return under those funds on such deferred amounts.

Potential Payments upon Termination or Change in Control

The information below describes and quantifies certain payments or benefits that would be payable under the existing plans and programs of the Company and its subsidiaries if a Named Executive's employment had terminated on December 31, 2019, or the Company had undergone a change in control on December 31, 2019. These benefits are in addition to benefits generally available to all salaried employees of the Company in connection with a termination of employment, such as distributions from the 401(k) plan and accrued vacation pay. Except as noted below, the Named Executives do not have any other severance benefits, severance agreements or change-in-control agreements.

Accelerated Vesting of Long-Term Incentive Awards.

With respect to long-term incentive awards granted to the Named Executives, such awards will vest on an accelerated basis under certain circumstances, but there is no single trigger accelerated vesting of such awards upon a change in control. Specifically, restricted stock unit awards granted to the Named Executives will vest on an accelerated basis (i) in the event of the Named Executive's involuntary termination without cause or resignation for good reason, or (ii) in the event of the Named Executive's death. Performance share awards granted to the Named Executives will vest on an accelerated basis (i) in the event of the Named Executive's death prior to a change in control, as to the "target" number of performance shares subject to the award on the date of death and as to any incremental performance shares above "target" based on the Company's actual performance relative to the corporate performance objectives under such award at the end of the three-year performance period (or, if earlier, a change in control of the Company), (ii) in the event of the Named Executive's death following a change in control, any "vesting eligible shares" (as described below) will vest upon the date of death, (iii) in the event of the Named Executive's involuntary termination without cause or resignation for good reason, in each case prior to a change in control, the Named Executive will remain eligible to vest in such number of performance shares as ultimately vest based on the Company's actual performance relative to the corporate performance objectives under such award at the end of the three-year performance period (or, if earlier, a change in control of the Company), which vesting will be prorated for the portion of the performance period that has elapsed prior to the date of termination, or (iv) in the event of the Named Executive's involuntary termination without cause or resignation for good reason, in each case following a change in control, any vesting eligible shares will vest upon the date of such termination. For purposes of the performance shares, in the event of a change in control of the Company, the performance shares will be converted into a number of "vesting eligible shares" that will vest at the end of the three-year performance period based on the greater of (i) the "target" number of performance shares subject to the award, or (ii) the number of performance shares that would vest if performance had been measured against the corporate performance objectives as of the date of the change in control.

The following table shows for each Named Executive the intrinsic value of his unvested restricted stock units and performance shares, as of December 31, 2019, the vesting or settlement of which would have been accelerated had a change in control of the Company occurred on that date and/or a termination under one of the circumstances identified below had occurred on that date, calculated in the case of restricted stock units and performance shares, by multiplying the number of underlying shares by the closing price of the Common Stock on December 31, 2019, the last trading day of 2019 ($64.63 per share). Mr. Vais is not included in the table, as his employment terminated in February 2019, but his actual separation arrangements are discussed below.

Name	Change in Control	Involuntary Termination Following a Change in Control or Death	Involuntary Termination Prior to a Change in Control
Russell A. Childs			
RSU Acceleration	$ —	$ 2,935,365	$ 2,935,365
PSU Acceleration (1)	$ 2,815,542	$ 5,810,884	$ 4,225,489
Robert J. Simmons			
RSU Acceleration	$ —	$ 1,233,787	$ 1,233,787
PSU Acceleration (1)	$ 1,407,770	$ 2,554,565	$ 1,965,527
Wade J. Steel			
RSU Acceleration	$ —	$ 1,173,422	$ 1,173,422
PSU Acceleration (1)	$ 1,299,450	$ 2,409,923	$ 1,832,992
Michael B. Thompson			
RSU Acceleration	$ —	$ 962,147	$ 962,147
PSU Acceleration (1)	$ 974,620	$ 1,903,627	$ 1,438,534
Eric J. Woodward			
RSU Acceleration	$ —	$ 415,506	$ 415,506
PSU Acceleration (1)	$ 498,168	$ 872,376	$ 681,480

1) Reflects the value of the performance shares granted in 2018 and 2019 at "target" performance levels. The value under the "Change in Control" column includes only the 2017 performance shares, which are reflected at "maximum" performance levels based on the performance relative to the performance objectives for the performance period that ended on December 31, 2019 under such awards, since, as of December 31, 2019, the applicable performance objectives had been met and the vesting of the awards was subject only to the Compensation Committee's certification of such results (but the settlement of such awards would have been accelerated to the date of the change in control occurring on December 31, 2019). While these 2017 performance shares were no longer subject to performance or service conditions at December 31, 2019, they are included in this table as the settlement of such performance shares would have accelerated (as compared to the regular settlement date in February 2020 upon Compensation Committee certification of final performance results) upon the occurrence of a change in control. The value of the 2017 performance shares are reflected in the other two columns, but no acceleration of the settlement of such awards would occur under a termination under those circumstances (and such awards would vest in February 2020 upon Compensation Committee certification of final performance results), other than in the case of death, in which case the "target" awards would have been subject to immediate settlement.

Deferred Compensation. If the employment of a Named Executive were terminated on December 31, 2019, the Named Executive would have become entitled to receive the balance in his account under the applicable deferred compensation plan. Distribution would be made in the form of a lump sum or in installments, and in accordance with the distributions schedule elected by the Named Executive under the applicable plan. The 2019 year-end account balances under those plans are shown in the applicable Non-Qualified Deferred Compensation Tables included herein. A Named Executive's account balance would continue to be credited with notational investment earnings or losses through the date of actual distribution.

Separation Arrangements with Mr. Vais. In connection with the completion of the sale of ExpressJet, as of January 22, 2019, Terry M. Vais ceased serving as the Chief Operating Officer of ExpressJet and transitioned into a non-executive operations role with us. Effective February 12, 2019, Mr. Vais separated from the Company. In connection with his separation from the Company, Mr. Vais is eligible to receive the following benefits pursuant to a severance and release agreement with us, in exchange for his execution of a general release of claims and his compliance with certain restrictive covenants for a period of three years following his separation from the Company, including a noncompetition covenant: (1) $2.4 million, payable in equal installments over a 24 month period following his date of separation from the Company, consisting of two years' base salary and cash payout of his 2017 and 2018 restricted stock units and performance shares; and (2) paid health insurance coverage for 24 months or until his subsequent approved re-employment.

Pay Ratio Disclosure

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information regarding the relationship of the annual total compensation of our employees and the annual total compensation of Russell A. Childs, the Chief Executive. The pay ratio included in this information is a reasonable estimate calculated in a manner that is intended to be consistent with Item 402(u) of Regulation S-K.

For 2019, our last completed fiscal year:

- the median of the annual total compensation of all employees of the Company (other than the CEO) was $39,000; and

- the annual total compensation of the CEO, as reported in the Summary Compensation Table included elsewhere in this Proxy Statement, was $3,611,011.

Based on this information, for 2019, the ratio of the median of the total compensation of all employees of the Company to the annual total compensation of Mr. Childs, the CEO, was 1 to 93.

Determining the Median Employee. Due to the disposition of ExpressJet during 2019, pursuant to SEC rules, the Company identified a new median employee for 2019. The Company determined that, as of December 31, 2019, the employee population consisted of approximately 14,600 individuals. The employee workforce consists of full and part time employees. For purposes of measuring the compensation of the employees, the Company selected total annual cash compensation for 2019 as the most appropriate measure of compensation, which was consistently applied to all the employees included in the calculation. With respect to the total annual compensation of the "median employee," the Company identified and calculated the elements of such employee's compensation for 2019 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in the annual total compensation reflected above.

DIRECTOR COMPENSATION

The Company uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve as directors. In setting director compensation, the Company considers the significant amount of time that directors expend in fulfilling their duties to the Company, as well as the skill level required by the Company of its directors.

Cash Compensation Paid to Directors

For the year ended December 31, 2019, all directors who were not employees of the Company received an annual cash retainer of $100,000. The Chair of the Audit Committee was paid an annual fee of $20,000, the Chair of the Compensation Committee was paid an annual fee of $15,000, the Chair of Nominating and Corporate Governance Committee was paid an annual fee of $10,000, the Chair of the Safety and Compliance Committee was paid an annual fee of $10,000 and the Lead Independent Director was paid an annual fee of $20,000. The members of the Audit Committee were paid an annual fee of $4,000. The Board Chair was paid an annual fee of $200,000. Russell A. Childs, who is a director and an employee of the Company, received no compensation for his service on the Board.

Stock Awards

Each non-employee director receives a stock award annually, the value of which is determined annually by the Board. On February 5, 2019, each of the non-employee directors received an award of 2,064 vested shares of Common Stock, representing approximately $100,000 of value based on the trailing 20-day average stock price as of the date of award. The Company did not grant stock options to its non-employee directors in 2019.

Share Ownership Guidelines

The Company maintains ownership guidelines for the directors to encourage the alignment of their interests with the long-term interests of the Company’s shareholders. Each director is required to maintain a minimum ownership interest in the Company. The guideline ownership level is a number of shares of Common Stock having a value equal to at least five times the cash component of the annual base compensation for each director. Each director met the ownership guidelines at December 31, 2019. The holdings of the directors are summarized in the table entitled “Security Ownership of Certain Beneficial Owners” below.

Policies Against Hedging and Pledging of Company Stock

Pursuant to the Company's Code of Ethics, in order to avoid the appearance that any Company employee is trading on inside information, Company officers and directors are prohibited from engaging in speculative trading such as short sales or trading in puts, calls, or other options on our stock or the stock of our affiliates, and are likewise prohibited from purchasing or using, directly or indirectly, financial instruments that are designed to hedge or offset any decrease in the market value of our securities.

In addition, the Company's insider trading policy expressly prohibits all directors, officers and employees from purchasing or using, directly or indirectly, financial instruments that are designed to hedge or offset any decrease in the market value of the Company’s securities. Pledging the Company’s securities as collateral to secure loans is also prohibited.

DIRECTOR COMPENSATION TABLE

The table below summarizes the compensation paid by the Company to its non-employee directors for the year ended December 31, 2019.

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Name(1)	Fees Earned or Paid in Cash ($)	Stock Awards ($)(2)	Option Awards ($)	Change in Pension Value and Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Jerry C. Atkin	$ 300,000	$ 100,000	—	—	—	$ 400,000
Steven F. Udvar-Hazy	$ 130,000	$ 100,000	—	—	—	$ 230,000
W. Steve Albrecht	$ 120,000	$ 100,000	—	—	—	$ 220,000
Henry J. Eyring	$ 104,000	$ 100,000	—	—	—	$ 204,000
Meredith S. Madden	$ 100,000	$ 100,000	—	—	—	$ 200,000
Ronald J. Mittelstaedt	$ 100,000	$ 100,000	—	—	—	$ 200,000
Andrew C. Roberts	$ 114,000	$ 100,000	—	—	—	$ 214,000
Keith E. Smith	$ 119,000	$ 100,000	—	—	—	$ 219,000
James L. Welch	$ 104,000	$ 100,000	—	—	—	$ 204,000

(1) Russell A. Childs, the CEO, President and a director of the Company, is not included in the foregoing table as he was an employee of the Company during 2019 and received no financial remuneration for his service as a director.

(2) Represents the aggregate grant date fair market values of awards as computed under ASC Topic 718. Assumptions and methodologies used in the calculation of these amounts are included in footnotes to the Company's audited financial statements for the year ended December 31, 2019, which are included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. All such shares of our common stock are fully vested and none of our non-employee directors holds, or as of December 31, 2019 held any unvested shares or other equity awards.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transaction with Related Party

During the year ended December 31, 2019, the Company purchased $93,540 of spare aircraft parts from NORDAM, an entity affiliated with Meredith S. Madden, a director of the Company.

On June 13, 2019, the Company repurchased 268,025 shares of its common stock from Jerry Atkin, Board Chair, at a price of $60.24 per share, representing the volume-weighted average price of the Company's common stock over the five trading days immediately prior to such repurchase. The transaction was part of Mr. Atkin's personal long-term strategy for asset diversification, tax and estate planning and to fund philanthropic and charitable efforts. The transaction was approved by the Company's Audit Committee and was effected pursuant to the Company's previously announced stock repurchase plan.

Review and Approval of Transactions with Related Parties

The Company believes that transactions between the Company and its directors and executive officers, or between the Company and persons related to directors and executive officers of the Company, present a heightened risk of creating or appearing to create a conflict of interest. Accordingly, the Company has adopted a policy regarding related-party transactions that has been approved by the Board and incorporated into the Charter of the Audit Committee. The policy provides that the Audit Committee will review all transactions between the Company and related persons (as defined in Item 404 of Regulation S-K promulgated by the Securities and Exchange Commission) for potential conflicts of interest. Under the Company's policy, all transactions between the Company and related persons are required to be submitted to the Audit Committee for approval prior to the Company's entry or participation in such transactions.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Security Ownership of Directors and Executive Officers

The following table sets forth the beneficial ownership of the Common Stock as of March 4, 2020, for each director and nominee for director, each Named Executive, and by all directors (including nominees) and executive officers of the Company as a group.

Name	Common Stock	Options Exercisable (1)	Total	Beneficial Ownership(2)
Russell A. Childs	137,237	41,020	178,257	(3)
Robert J. Simmons	39,105	7,783	46,888	(3)
Wade J. Steel	34,270	—	34,270	(3)
Michael B. Thompson	26,045	—	26,045	(3)
Terry M. Vais.	19,870	—	19,870	(3)
Eric J. Woodward	24,949	2,968	27,917	(3)
W. Steve Albrecht	40,188	—	40,188	(3)
Jerry C. Atkin	767,805	—	767,805	1.5%
Henry J. Eyring	41,738	—	41,738	(3)
Meredith S. Madden	15,556	—	15,556	(3)
Ronald J. Mittelstaedt	23,007	—	23,007	(3)
Andrew C. Roberts	15,556	—	15,556	(3)
Keith E. Smith	23,007	—	23,007	(3)
Steven F. Udvar-Hazy	52,408	—	52,408	(3)
James L. Welch	42,791	—	42,791	(3)
All officers and directors as a group (15 persons)	1,303,532	51,771	1,355,303	2.7%

(1) Represents shares that the beneficial owner has the right to acquire within 60 days of March 4, 2020 pursuant to the exercise of such stock options.

(2) Based on 50,257,387 shares outstanding as of March 4, 2020.

(3) Less than one percent of the total shares outstanding as of March 4, 2020.

Security Ownership of Other Beneficial Owners

As of March 4, 2020, the Company's records and other information available from outside sources indicated that the following shareholders were beneficial owners of more than five percent of the outstanding shares of Common Stock. The information following is as reported in filings with the Securities and Exchange Commission. The Company is not aware of any other beneficial owner of more than five percent of the Common Stock.

	Amount of Beneficial Ownership Common Stock	
Name	Shares	Percent of Class
Black Rock, Inc. 55 East 52nd Street New York, NY 10055	7,669,333 (1)	15.26%
The Vanguard Group, Inc. 100 Vanguard Blvd Malvern, PA 19355	5,780,885 (2)	11.50%
Dimensional Fund Advisors LP 6300 Bee Cave Road Austin, TX 78746	4,272,488 (3)	8.50%

(1) Based on a Schedule 13G/A filed on February 4, 2020 by BlackRock, Inc., which stated therein that it has sole voting power over 7,571,678 shares and sole dispositive power over 7,669,333 shares.

(2) Based on a Schedule 13G/A filed on February 12, 2020 by The Vanguard Group, Inc., which stated therein that it has sole voting power over 42,744 shares, shared voting power over 1,100 shares, sole dispositive power over 5,738,494 shares and shared dispositive power over 42,391 shares.

(3) Based on a Schedule 13G/A filed by Dimensional Fund Advisors LP on February 12, 2020, which stated therein that it has sole voting power over 4,199,328 shares and sole dispositive power over 4,272,488 shares.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table contains information regarding the Company's equity compensation plans as of December 31, 2019.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders(1)	60,231	$ 14.74	5,040,266 (2)

(1) Consists of the Company's SkyWest Inc. Long Term Incentive Plan and the Employee Stock Purchase Plan.

(2) Includes 640,640 shares remaining available for future issuance under the Employee Stock Purchase Plan, of which 24,334 were eligible to be purchased during the purchase period in effect on December 31, 2019.

PROPOSAL 2
ADVISORY VOTE ON NAMED EXECUTIVE COMPENSATION

Background

Section 14A of the Exchange Act, which was enacted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, requires that the Company provide its shareholders with the opportunity to vote on an advisory (non-binding) resolution to approve the compensation of the Named Executives (referred to as a "Say-on-Pay" proposal) as disclosed in this Proxy Statement.

Accordingly, the following resolution will be submitted to the Company's shareholders for approval at the Meeting:

"RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the Named Executives, as disclosed in the Company's Proxy Statement for the 2020 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2019 Executive Compensation table and the other related tables and disclosure."

As described in detail under the heading "Compensation Discussion and Analysis," the Board believes the Company's compensation of the Named Executives achieves the primary goals of (i) attracting and retaining experienced, well-qualified executives capable of implementing the Company's strategic and operational objectives, (ii) aligning management compensation with the creation of shareholder value on an annual and long-term basis, and (iii) linking a substantial portion of the Named Executives' compensation with long-term Company performance and the achievement of pre-determined goals, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking. The Board encourages you to review in detail the Compensation Discussion and Analysis beginning on page 22 of this Proxy Statement and the executive compensation tables beginning on page 36 of this Proxy Statement. In light of the information set forth in such sections of this Proxy Statement, the Board believes the compensation of the Named Executives for the fiscal year ended December 31, 2019 was fair and reasonable and that the Company's compensation programs and practices are in the best interests of the Company and its shareholders.

The vote on this Say-on-Pay resolution is not intended to address any specific element of compensation; rather, the vote relates to all aspects of the compensation of the Named Executives, as described in this Proxy Statement. While this vote is only advisory in nature, which means that the vote is not binding on the Company, the Board and the Compensation Committee (which is composed solely of independent directors), value the opinion of the Company's shareholders and will consider the outcome of the vote when addressing future compensation arrangements.

Voting

Approval of the resolution above (on a non-binding, advisory basis) requires that the number of votes cast at the Meeting, in person or by proxy, in favor of the resolution exceeds the number of votes cast in opposition to the resolution.

The Board and the Compensation Committee Recommend that Shareholders Vote *FOR* Approval of the Compensation of the Named Executives, as disclosed in this Proxy Statement.

PROPOSAL 3
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Following an evaluation by the Audit Committee and by the Company's management of the performance of Ernst & Young LLP during the prior fiscal year, the Audit Committee has recommended and approved the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm to examine the consolidated financial statements of the Company for the year ending December 31, 2020. The Company is seeking shareholder ratification of such action.

It is expected that representatives of Ernst & Young LLP will attend the Meeting, will have an opportunity to make a statement if they desire and will be available to respond to appropriate questions.

The Board and the Audit Committee Recommend that Shareholders Vote *FOR* the Ratification of Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for the year ending December 31, 2020.

FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following table represents aggregate fees billed to us for services related to the years ended December 31, 2019 and 2018, by Ernst & Young LLP ("*EY*"):

	Year Ended December 31,	
	2019	**2018**
Audit Fees (1)	$ 1,049,500	$ 1,371,000
Audit-Related Fees	—	—
Tax Fees (2)	—	36,000
All Other Fees	—	—
Total	$ 1,049,500	$ 1,407,000

(1) Audit Fees consist of fees and related expenses for the annual audit of the Company's financial statements, including the integrated audit of internal control over financial reporting and the quarterly reviews of the Company's financial statements included in its Quarterly Reports on Form 10-Q.
(2) Tax Fees consist of fees and related expenses for research compiled relating to the Tax Cuts and Jobs Act.

The Audit Committee has concluded that EY's delivery of non-audit services is compatible with EY's independence.

Pre-Approval Policies and Procedures

The Audit Committee charter provides that the Audit Committee shall pre-approve all external audit services, internal control-related services and permissible non-audit services (including the fees and terms thereof), subject to certain specified exceptions. The Audit Committee has also adopted a policy regarding the retention of the independent registered public accounting firm that requires pre-approval of all of its services by the Audit Committee or the Chair of the Audit Committee. When services are pre-approved by the Chair of the Audit Committee, notice of such approval is given to the other members of the Audit Committee and presented to the full Audit Committee for ratification at its next scheduled meeting. The Audit Committee considers whether the provision of each non-audit service is compatible with maintaining the independence of the auditors. All of the services listed above were pre-approved by the Audit Committee in accordance with this policy.

REPORT OF THE AUDIT COMMITTEE

Management of the Company has primary responsibility for the Company's financial statements and internal control over the Company's financial reporting. EY, the Company's independent registered public accounting firm, has responsibility for the integrated audit of the Company's financial statements and internal control over financial reporting. It is the responsibility of the Audit Committee to oversee financial and control matters, among other responsibilities fulfilled by the Audit Committee under its charter. The Audit Committee meets regularly with representatives of EY and Protiviti, Inc. ("*Protiviti*"), the Company's principal internal auditor, without the presence of management, to ensure candid and constructive discussions about the Company's compliance with accounting standards and best practices among public companies comparable in size and scope to the Company.

At its meetings during the year ended December 31, 2019, the Audit Committee reviewed and discussed the following topics, among other matters: financial performance; financial reporting practices; quarterly and annual reports, including Management's Discussion and Analysis of Financial Condition and Results of Operations; cybersecurity matters and risks and information technology controls; enterprise risk management and risk assessment; legal and regulatory issues; accounting and financial management issues; critical accounting policies and critical audit matters; accounting standards; airline industry matters; and a summary of calls received on the Company's anonymous whistleblower hotline. The Audit Committee held separate executive sessions regularly with representatives of EY, Protiviti and the Company's legal counsel, during which the following topics, among other matters, were discussed: financial management, accounting, internal controls, finance and accounting staffing, legal matters and compliance issues. The Audit Committee also regularly reviewed with its outside advisors material developments in the law and accounting literature that could be pertinent to the Company's financial reporting practices.

In addition, the Audit Committee reviewed management's report on internal control over financial reporting, required under Section 404 of the Sarbanes Oxley Act of 2002 and related rules. As part of this review, the Audit Committee reviewed the bases for management's conclusions in that report, and also reviewed the report of the independent registered public accounting firm on internal control over financial reporting. Throughout the year ended December 31, 2019, the Audit Committee reviewed management's plan for documenting and testing controls, the results of their documentation and testing, any deficiencies discovered and the resulting remediation of any such deficiencies.

In connection with the financial statements for the year ended December 31, 2019, the Audit Committee has:

(1) reviewed and discussed the audited financial statements with management;

(2) discussed with EY, the Company's independent registered public accounting firm, the matters required to be discussed by applicable standards of the Public Company Accounting Oversight Board ("*PCAOB*") and the Securities and Exchange Commission; and

(3) received the written disclosures and letter from EY regarding the auditors' independence required by applicable requirements of the PCAOB regarding EY's communications with the Audit Committee concerning independence, and has discussed with EY its independence.

Based upon these reviews and discussions, the Audit Committee recommended to the Board at the February 4, 2020 meeting of the Board that the Company's audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission. The Board approved this inclusion.

The Audit Committee

W. Steve Albrecht, Chair
Henry J. Eyring
Andrew C. Roberts
Keith E. Smith
James L. Welch

The information contained in this Audit Committee Report shall not be deemed to be "soliciting material," to be "filed" with the Securities and Exchange Commission or be subject to Regulation 14A or Regulation 14C or to the liabilities of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing of SkyWest, Inc., except to the extent that SkyWest, Inc. specifically incorporates it by reference into a document filed under the Securities Act of 1933 or the Exchange Act.

DELINQUENT SECTION 16(a) REPORTS

The Company’s executive officers, directors and 10% shareholders are required under Section 16 of the Exchange Act to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Copies of these reports must also be furnished to the Company.

Based solely on a review of copies of reports furnished to the Company, or written representations that no reports were required, the Company believes that during 2019 its executive officers, directors and 10% holders complied with all filing requirements of Section 16 of the Exchange Act, except that one Form 4 was filed late for Mr. Atkin with respect to a single transaction.

SHAREHOLDER PROPOSALS FOR THE 2021 ANNUAL MEETING OF SHAREHOLDERS

If any shareholder intends to present a proposal to be considered for inclusion in the Company’s proxy materials in connection with the Company’s 2021 Annual Meeting of Shareholders, the proposal must be in proper form (per Securities and Exchange Commission Regulation 14A, Rule 14a-8—Shareholder Proposals) and received by the Chief Financial Officer of the Company on or before November 13, 2020. Shareholder proposals to be presented at the 2021 Annual Meeting of Shareholders which are not to be included in the Company’s proxy materials must be received by the Company no earlier than February 4, 2021, and no later than February 24, 2021, in accordance with the procedures set forth in the Company’s Bylaws.

DELIVERY OF DOCUMENTS TO SHAREHOLDERS SHARING AN ADDRESS

In instances in which multiple holders of the Common Stock share a common address and are the beneficial owners, but not the record holders, of those shares of Common Stock, the holders' banks, brokers or other nominees may only deliver one copy of this Proxy Statement and the Company's 2019 Annual Report to Shareholders, unless the applicable bank, broker or nominee has received contrary instructions from one or more of the shareholders. The Company will deliver promptly, upon written request, a separate copy of this Proxy Statement and the Company's 2019 Annual Report to Shareholders to any shareholder at a shared address to which a single copy of the documents was delivered. A shareholder who wishes to receive a separate copy of this Proxy Statement and the Company's 2019 Annual Report to Shareholders should submit a request in writing to Robert J. Simmons, Chief Financial Officer of the Company, 444 South River Road, St. George, Utah 84790, Telephone: (435) 634-3200. Beneficial owners sharing an address who are receiving multiple copies of proxy materials and annual reports and who wish to receive a single copy of such materials in the future will need to contact their broker, bank or other nominee to request that only a single copy of each document be mailed to all shareholders at the shared address in the future.

OTHER BUSINESS

The Company's management does not know of any other matter to be presented for action at the Meeting. However, if any other matters should be properly presented at the Meeting, it is the intention of the persons named in the accompanying proxy to vote said proxy in accordance with their best judgment.

Robert J. Simmons

Chief Financial Officer

St. George, Utah

March 13, 2020

APPENDIX A
TO
PROXY STATEMENT

Reconciliation of non-GAAP financial measures

The non-GAAP information presented in this proxy statement should not be considered in isolation or as a substitute for any measure derived in accordance with GAAP. The non-GAAP information may also be inconsistent with the manner in which similar measures are derived or used by other companies. Management uses such non-GAAP information for financial and operational decision-making purposes and as a means to evaluate period-over-period comparisons and in forecasting the Company's business going forward. Management believes that the presentation of such non-GAAP information, when considered in conjunction with the most directly comparable GAAP information, provides additional useful comparative information for investors in their assessment of the underlying performance of the Company's business without regard to these items.

Reconciliation to Adjusted Net Income and Diluted Earnings per Share (unaudited)

(Dollars in thousands, except per diluted share)

	For the year ended December 31, 2019			
	Pre-tax income	**Income tax benefit (expense)**	**Net income**	**Net income per Diluted Share**
GAAP income	$ 446,305	$ (106,206)	$ 340,099	$ 6.62
2019 adjustments (1)	(24,656)	5,646	(19,010)	
Adjusted income	$ 421,649	$ (100,560)	$ 321,089	$ 6.25

	For the year ended December 31, 2017			
	Pre-tax income	**Income tax benefit (expense)**	**Net income**	**Net income per Diluted Share**
GAAP income	$ 288,183	$ 140,724	$ 428,907	$ 8.08
2017 adjustments (2)	-	(246,845)	(246,845)	
Adjusted income	$ 288,183	$ (106,121)	$ 182,062	$ 3.43

These adjustments allow investors to better understand and analyze our recurring core performance in the periods presented.

(1) Excludes the gain on the sale of ExpressJet of $46.5 million (pre-tax); also excludes special item operating expenses of $21.9 million (pre-tax), primarily consisting of a non-cash write-off of aircraft manufacturer part credits that SkyWest forfeited to settle future lease return obligations. These adjustments were recorded in the first quarter of 2019.

(2) Adjusts for tax benefit resulting from the Tax Cuts and Jobs Act enacted during the fourth quarter of 2017 that resulted in a revaluation of SkyWest's deferred tax assets and liabilities.

The Company had no non-GAAP reconciliation items relating to 2018.

OFFICERS AND DIRECTORS
SKYWEST, INC. and SUBSIDIARY

SKYWEST, INC.

Russell A. Childs
Chief Executive Officer & President
Member of the Board since 2016

Robert J. Simmons
Chief Financial Officer

Wade J. Steel
Chief Commercial Officer

Eric J. Woodward
Chief Accounting Officer

Justin L. Esplin
Vice President, Information Technology

SKYWEST AIRLINES, INC.

Michael B. Thompson
Chief Operating Officer

Bradley W. Blake
Vice President, Operation Control Center

Bill C. Dykes
Vice President, Maintenance

Tracy T. Gallo
Vice President, Flight Operations

Lori A. Hunt
Vice President, People

Sonya P. Wolford
Vice President, InFlight Services

Greg Wooley
Vice President, Airport Operations

BOARD OF DIRECTORS

Jerry C. Atkin
Chairman of the Board
Elected Chairman 1991
Member of the Board since 1974

Steven F. Udvar-Hazy
Executive Chairman, Air Lease Corporation
Board Lead Director
Chairman, Nominating & Corporate Governance Committee
Member, Compensation Committee
Member of the Board since 1986

W. Steve Albrecht
Emeritus Professor, Brigham Young University
Chairman, Audit Committee
Member, Nominating & Corporate Governance Committee
Member of the Board since 2012 (also served from 2003-2009)

Henry J. Eyring
President, Brigham Young University Idaho
Member, Audit Committee
Member, Compensation Committee
Member of the Board since 2006 (also served from 1995-2003)

Meredith S. Madden
Chief Executive Officer, NORDAM
Member, Compensation Committee
Member, Safety & Compliance Committee
Member of the Board since 2015

Ronald J. Mittelstaedt
Executive Chairman, Waste Connections, Inc.
Member, Compensation Committee
Member, Nominating & Corporate Governance
Member, Safety & Compliance Committee
Member of the Board since 2013

Andrew C. Roberts
Chairman, STS Aviation Group, LLC
Chairman, Safety & Compliance Committee
Member, Audit Committee
Member of the Board since 2015

Keith E. Smith
President & Chief Executive Officer, Boyd Gaming Corporation
Chairman, Compensation Committee
Member, Audit Committee
Member of the Board since 2013

James L. Welch
Retired, Chief Executive Officer, YRC Worldwide, Inc.
Member, Audit Committee
Member, Nominating & Corporate Governance Committee
Member, Safety & Compliance Committee
Member of the Board since 2007

CORPORATE INFORMATION

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Salt Lake City, Utah 84101

Registrar and Transfer Agent
Zions First National Bank
Stock Transfer Department
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