

SKYWEST INC  
Form 11-K  
June 26, 2008

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK

REPURCHASE SAVINGS AND SIMILAR PLANS

PURSUANT TO SECTION 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

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

for the year ended December 31, 2007

or

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

For the transition period from to

Commission File No. 000-14719

## ATLANTIC SOUTHEAST AIRLINES, INC. INVESTMENT SAVINGS PLAN

(Full title of the plan)

**SKYWEST, INC.**

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444 South River Road

St. George, Utah 84790

(Name of issuer of the securities held pursuant to the  
plan and the address of its principal executive office)

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**Atlantic Southeast Airlines, Inc.**

**Investment Savings Plan**

**Financial Statements and Supplemental Schedule**

*As of December 31, 2007 and 2006*

*and for the year ended December 31, 2007*

*with Report of Independent Registered Public Accounting Firm*

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Atlantic Southeast Airlines, Inc. Investment Savings Plan

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\*Other supplementary schedules required by section 2520-103.10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Security Act of 1974 have been omitted because they are not applicable.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Plan Administrator of the Atlantic Southeast Airlines, Inc. Investment Savings Plan

We have audited the accompanying statements of assets available for benefits of the Atlantic Southeast Airlines, Inc. Investment Savings Plan (the Plan ) as of December 31, 2007 and 2006, and the related statement of changes in assets available for benefits for the year ended December 31, 2007. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets available for benefits of the Plan as of December 31, 2007 and 2006, and the changes in assets available for benefits for the year ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule H, line 4i schedule of assets (held at end of year) as of December 31, 2007 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the U.S. Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Tanner LC

Salt Lake City, Utah June 23, 2008

**Atlantic Southeast Airlines, Inc. Investment Savings Plan**

**Statements of Assets Available for Benefits**

	December 31,	
	2007	2006
<b>Assets:</b>		
Investments, at fair value	\$ 129,589,886	\$ 118,409,346
Contributions receivable:		
Participant	356,632	851,923
Employer	3,713,839	4,099,022
	4,070,471	4,950,945
Assets available for benefits, at fair value	133,660,357	123,360,291
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	486,966	254,958
Assets available for benefits	\$ 134,147,323	\$ 123,615,249

*See accompanying notes to financial statements.*

## Atlantic Southeast Airlines, Inc. Investment Savings Plan

## Statement of Changes in Assets Available for Benefits

	Year ended December 31, 2007
<b>Additions:</b>	
Contributions:	
Participant	\$ 11,397,626
Employer	3,999,320
	15,396,946
Investment income:	
Interest and dividends	710,152
Net appreciation in fair value of investments	8,803,171
	9,513,323
Total additions	24,910,269
<b>Deductions:</b>	
Distributions to participants	14,356,495
Administrative expenses	21,700
Total deductions	14,378,195
Increase in assets available for benefits	10,532,074
Assets available for benefits:	
Beginning of year	123,615,249
End of year	\$ 134,147,323

*See accompanying notes to financial statements.*

**Atlantic Southeast Airlines, Inc. Investment Savings Plan**

**Notes to Financial Statements**

**1. Description of Plan**

The following description of the Atlantic Southeast Airlines, Inc. Investment Savings Plan (the Plan) provides only general information. Participants should refer to the Plan document and summary plan description for a more complete description of the Plan's provisions.

**General**

The Plan is a defined contribution plan covering all eligible employees of Atlantic Southeast Airlines, Inc. (the Company or Employer). Employees become eligible to enroll on the enrollment date following the date of completion of ninety days of continuous employment. The enrollment dates for the Plan are January 1, April 1, July 1, or October 1 of each year.

The Plan is intended to be a qualified retirement plan under the Internal Revenue Code (IRC) and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The Company previously provided Delta Air Lines, Inc. (Delta) common stock as an investment option in the Plan. However, effective September 11, 2004, the Plan Administrator eliminated this option by not allowing any new contributions in Delta common stock. Plan participants were permitted to transfer existing account balances from the Delta common stock account to any other investment in the Plan. All shares Delta common stock were eliminated from the Plan during 2007 due to Delta's bankruptcy. Atlantic Southeast Airlines, Inc. was a wholly-owned subsidiary of Delta until September 7, 2005, at which time the Company was acquired by SkyWest, Inc. Subsequent to the acquisition of the Company by SkyWest, Inc., the Plan provided SkyWest, Inc. common stock as an investment option.

**Participant Accounts**

Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contributions, the Company's matching contribution, and an allocation of investment earnings, and is charged with withdrawals and an allocation of investment losses. The allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Participant-Directed Options for Investments**



Participants direct the investment of their contributions and the Company matching contributions into various investments offered by the Plan. Investment options include mutual funds, a common/collective trust fund, and SkyWest, Inc. common stock. Participants may change their election or transfer monies between funds at any time.

Participants with common stock of SkyWest, Inc. or Delta Airlines, Inc. in their accounts may direct the sale of the stock and the investment of the resulting monies in other investments offered by the Plan.

### **Contributions**

Each year, participants are able to contribute up to 50% of pretax annual compensation, as defined by the Plan. Contributions are limited by the IRC, which established a maximum contribution of \$15,500 (\$20,500 for participants age 50 and older) for the year ended December 31, 2007. Participants may also make rollover contributions from other qualified defined benefit or defined contribution plans.

The Company may make a discretionary matching contribution of up to 8% of a participant's eligible compensation, as defined by the Plan. Allocation of this matching contribution is further subject to a factor based on years of service for participants and ranges from 20% to 75%, regardless of the date of participation.

Employer matching contributions are awarded to employees who work at least 1,000 hours each year and have at least one year of service. Once the length of service provision is met, the employee is eligible for matching contributions for the

following Plan year, which begins on January 1. Eligible employees must be employed on December 31 to receive a matching contribution for the Plan year.

### **Vesting**

All participant contributions and earnings thereon are 100% vested. Company contributions to participant accounts vest on a graded basis at 10% per year for two years of service, increasing to 20% per year thereafter until full vesting after six years of service.

### **Payment of Benefits**

Upon termination, participants, or their beneficiary, may elect lump-sum distributions or periodic distributions over either a 5 or 10-year period. The full value of benefits are payable upon normal or postponed retirement, total or permanent disability or to beneficiaries upon death of the participant.

### **Plan Termination**

Under the provisions of the Plan, the Company reserves the right to amend or terminate the Plan at any time in accordance with the provisions of ERISA, provided that amendments will not divert a vested interest or permit any part of the fund to revert to the Company or to be used for any purpose other than for the exclusive benefit of participants or their beneficiaries. If the Plan is terminated, each participant's account will become fully vested.

### **Participant Loans**

Participants may borrow a minimum of \$1,000 up to a maximum of the lesser of \$25,000 or 50% of their deferred account balances. Loan terms range from one to five years. Loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined at the time of the loan.

### **Forfeitures**

Forfeitures of terminated participants' nonvested accounts are used to reduce future matching contributions of the Company. During the year ended December 31, 2007, the forfeiture account received additional forfeitures of approximately \$350,000, earned approximately \$5,000, and utilized approximately \$249,000 to reduce Company contributions. Forfeitures of approximately \$170,000 and \$64,000 were available as of December 31, 2007 and 2006, respectively.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The Plan's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

### Investment Valuation and Income Recognition

Mutual funds and common stock are stated at fair value based on quoted market prices. Participant loans are valued at their outstanding balance, which approximates fair value.

The Plan invests in various investments. Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of assets available for benefits.

The Stable Value Fund, a common/collective trust, primarily holds investments in fully benefit-responsive insurance contracts that provide that the Plan may make withdrawals at contract value for benefit-responsive requirements. Accordingly, the Plan's investment in units of the Stable Value Fund is presented at fair value in the Statements of Assets Available for Benefits, with an adjustment to its contract value separately disclosed as provided in the Financial Accounting Standards Board Staff Position No. 94-4-1. *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain*

*Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans.* The Stable Value Fund reported fair value is determined as the sum of (a) the fair value of the investments in guaranteed insurance contracts and security-backed investment contracts that are wrapped by an insurance company, bank or other financial institution (collectively, the Investment Contracts ), as determined by that fund's trustee and (b) the fair value of that fund's investments in externally managed collective investment funds as determined by those funds' trustees. The Stable Value Fund's contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (i) amendments to the Plan documents (including complete or partial Plan termination or merger with another plan); (ii) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions; (iii) bankruptcy of the Plan sponsor or other Plan sponsor events (e.g., divestitures or spin-offs of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA). The Plan Administrator does not believe that the occurrence of any such event, which would limit the Plan's ability to transact at contract value with participants, is probable.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Investment earnings are automatically reinvested into the fund from which they were derived.

#### **Payment of Benefits**

Benefits are recorded when paid by the Plan.

#### **Administrative Expenses**

The Company pays the majority of administrative expenses of the Plan.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets available for benefits at the date of the financial statements, the changes in assets available for benefits during the reporting period, and, when applicable, the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

### **3. Investments**

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During the year ended December 31, 2007, the Plan's investments (including investments purchased, sold, as well as held during the year) appreciated (depreciated) in fair value as follows:

Delta Air Lines, Inc. common stock	\$	(391,130)
SkyWest, Inc. common stock		110,557
Mutual Funds		9,083,744
	\$	8,803,171

The carrying values of individual investments that represent 5 percent or more of the Plan's assets available for benefits are as follows:

	December 31,	
	2007	2006
Buffalo Funds Small Cap Fund	\$ 8,260,039	\$ 9,328,834
JP Morgan Stable Value Fund	13,773,854	13,822,294
American Century Investments:		
Ultra Fund	26,210,776	25,300,821
International Growth Fund	13,310,117	12,581,643
Equity Income Fund	14,341,300	15,906,540
Equity Index Fund	11,987,717	12,909,481
Value Fund	8,691,341	11,061,390

**4. Transactions with Parties-in-Interest**

On September 7, 2005, Atlantic Southeast Airlines, Inc. became a wholly-owned subsidiary of SkyWest, Inc. As a result of the acquisition, SkyWest, Inc. common stock was offered as an investment option in the Plan beginning January 1, 2006. Transactions associated with the shares of common stock of SkyWest, Inc. are considered exempt party-in-interest transactions. The Plan purchased 31,125 shares of SkyWest, Inc. common stock and sold 46,585 shares of SkyWest, Inc. common stock during the year ended December 31, 2007. The Plan held 43,749 and 59,209 shares of SkyWest, Inc. common stock with a fair value of \$1,174,661 and \$1,510,416 as of December 31, 2007 and 2006, respectively.

The Plan held 338,389 shares of Delta common stock with a fair value of \$439,906 as of December 31, 2006. The Plan held no shares of Delta common stock as of December 31, 2007. Loans to Plan participants totaling \$2,631,776 and \$2,574,389 as of December 31, 2007 and 2006, respectively, are also considered party-in-interest transactions. Certain Plan investments include mutual funds and a common collective trust fund managed by JP Morgan, who is also the Plan trustee, and therefore a party-in-interest. While transactions involving Plan assets with a party-in-interest are usually prohibited, these transactions are exempt under ERISA Section 408(b)(8).

**5. Income Tax Status**

The Plan has received a determination letter from the Internal Revenue Service dated May 16, 2003, stating that the Plan and related trust are in accordance with applicable sections of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. The Plan is required to operate in conformity with the Code to maintain its qualification. Although the Plan has been amended since receiving the determination letter, the Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt.

**6. Reconciliation of Financial Statements to Form 5500**

The following differences between the financial statements and the Form 5500 are due to the adjustment from fair value to contract value of the JP Morgan Stable Value Fund, a fully benefit-responsive investment contract.

Assets available for benefits as presented in the financial statements	\$ 134,147,323
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	(486,966)
Assets available for benefits as presented in Form 5500	\$ 133,660,357



**Supplemental Schedule**





## Atlantic Southeast Airlines, Inc. Investment Savings Plan

EIN: 58-1354495 Plan No.: 001

Form 5500, Schedule H, Part IV, Line 4i

## Schedule of Assets (Held at End of Year)

December 31, 2007

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment including maturity date, rate of interest, collateral, par, or maturity value	(e) Current Value	Number of Units
	American Century Investments	Ultra Fund	\$ 26,210,776	1,050,953
		Equity Income Fund	14,341,300	1,838,628
		Equity Index Fund	11,987,717	2,052,691
		International Growth Fund	13,310,117	962,409
		Value Fund	8,691,341	1,404,094
		Short-Term Government Fund	3,807,394	400,778
*	JP Morgan	Stable Value Fund	13,286,888	135,931
		Capital Growth Fund	399,786	8,876
		Smart Retirement Income Fund	308,907	19,651
		Smart Retirement Fund 2010	1,473,642	93,328
		Smart Retirement Fund 2015	1,575,524	98,717
		Smart Retirement Fund 2020	2,225,041	137,944
		Smart Retirement Fund 2030	3,422,759	207,944
		Smart Retirement Fund 2040	3,011,077	183,044
		Intrepid Value Fund	378,920	14,018
	Pimco	Total Retirement Fund	1,400,791	13,038
	American Funds	Growth Fund of America	1,176,965	34,863
	Columbia	Small Cap Value Fund	366,330	27,035
	LKCM	Mid Cap Value Fund	1,003,546	68,361
		Small Cap Vaule Fund	122,976	6,236
	Dodge & Cox	International Fund	2,103,067	45,719
	MSIF	Midcap Growth Fund	1,464,217	45,067
	Janus	Overseas Fund	5,454,329	101,175
	Buffalo Funds	Small Cap Fund	8,260,039	341,748
*	SkyWest, Inc.	Common Stock	1,174,661	43,749
*	Participant loans	Interest rates from 4.4% to 8.9%, maturing through 2012	2,631,776	918
			\$ 129,589,886	

\* Indicates a party-in-interest to the Plan.

Column (d) cost information is not applicable for participant directed investments.

*See accompanying report of independent registered public accounting firm.*

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 23, 2008

SKYWEST, INC. EMPLOYEES RETIREMENT PLAN

By:

SkyWest, Inc., Plan Sponsor

/s/ Bradford R. Rich

Bradford R. Rich

Executive VP and Chief Financial Officer of  
SkyWest, Inc.