

SKYWEST INC  
Form 11-K  
June 29, 2010  
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# 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

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

for the year ended December 31, 2009

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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Commission File No. 000-14719

**ATLANTIC SOUTHEAST AIRLINES, INC. INVESTMENT SAVINGS PLAN**

(Full title of the plan)

**SKYWEST, INC.**

**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

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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, 2009 and 2008, and the related statement of changes in assets available for benefits for the year ended December 31, 2009. 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 Atlantic Southeast Airlines, Inc. Investment Savings Plan as of December 31, 2009 and 2008, and the changes in assets available for benefits for the year ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

Our audits of the financial statements were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2009 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 and 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 29, 2010



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Atlantic Southeast Airlines, Inc. Investment Savings Plan

Statements of Assets Available for Benefits

	2009	December 31,	2008
<b>Assets</b>			
Investments, at fair value	\$ 133,952,683		\$ 100,212,567
Contributions receivable:			
Participant	350,396		
Employer	258,259		138,839
	608,655		138,839
Assets available for benefits, at fair value	134,561,338		100,351,406
Adjustment from fair value to contract value for fully benefit-responsive investment contract	585,434		1,589,224
Assets available for benefits	\$ 135,146,772		\$ 101,940,630

*See accompanying notes to financial statements.*

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Atlantic Southeast Airlines, Inc. Investment Savings Plan

Statement of Changes in Assets Available for Benefits

Year Ended December 31, 2009

Additions	
Contributions:	
Participant	\$ 11,815,084
Employer	4,791,858
Total Contributions	16,606,942
Net investment income:	
Interest and dividends	2,236,275
Net appreciation in fair value of investments	22,383,287
Total net investment income	24,619,562
Deductions:	
Distributions to participants	7,992,129
Administrative expenses	28,233
Total deductions	8,020,362
Net increase in assets available for benefits	33,206,142
Assets available for benefits:	
Beginning of year	101,940,630
End of year	\$ 135,146,772

*See accompanying notes to financial statements.*

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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 , Plan Sponsor or the 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 ).

**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 and expenses. 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. in their accounts may direct the sale of the stock and the investment of the resulting monies into 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 \$16,500 (\$22,000 for participants age 50 and older) for the year ended December 31, 2009. 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.

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**Contributions cont.**

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.

**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 beneficiaries, 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, 2009, the forfeiture account received additional forfeitures of approximately \$43,000 earned approximately \$5,000, and utilized no forfeitures to reduce Company contributions. Forfeitures of approximately \$290,000 and \$242,000 were available as of December 31, 2009 and 2008, 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.

### **Risks and Uncertainties**

The Plan provides for investments in securities that are exposed to various risks, such as interest rate, currency exchange rate, credit and overall market fluctuation. Due to the level of risk associated with

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**Risks and Uncertainties cont.**

certain investment securities, it is reasonably possible that changes in the values of investment securities 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.

**Investment Contract**

Fully benefit-responsive investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of assets available for benefits of a defined contributions plan attributable to fully benefit-responsive investments contracts, because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan.

The Plan invests in investment contracts through a collective trust in the Stable Value Fund operated and maintained by JPMorgan Chase Bank, N.A. The statements of assets available for benefits presents the fair value of the investments in the common/collective trust as well as the adjustment to the investment in the common/collective trust from fair value to contract value relating to the investment contracts. The statement of changes in assets available for benefits is prepared on a contract value basis.

**Valuation of Investments and Income Recognition**

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.

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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.

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**Payment of Benefits**

Benefits are recorded when paid by the Plan.

**Administrative Expenses**

The Plan pays substantially all administrative expenses of the Plan, other than legal and accounting fees, which are paid by the Plan Sponsor.

**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.

**Subsequent Events**

The Plan has evaluated subsequent events through the date the financial statements are issued.

**Accounting Pronouncements**

In September 2009, the Financial Accounting Standards Board (FASB) released Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820)-Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)*. The objective of the update is to require additional disclosures about certain assets that use net asset value to measure the fair value of the asset. This update is effective for annual periods ending after December 15, 2009. As a result, the Plan Sponsor has adopted the provisions of the update and has provided the applicable disclosures in Note 4 to the accompanying financial statements.

In January 2010, the FASB released Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures*. This update provides for improved and additional disclosures regarding Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosure*. The update is effective for interim periods and annual reporting periods beginning after December 15, 2009 except for disclosures about purchases, sales, issuances and settlements in the roll forward activity for Level 3 fair value measurements which is effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Plan's Sponsor plans to adopt the provisions of

this update on December 15, 2010.

### 3. Investments

During the year ended December 31, 2009, the Plan's investments (including investments purchased, sold, as well as held during the year) appreciated (depreciated) in fair value as follows:

SkyWest, Inc. common stock	\$	33,200
Mutual Funds		22,350,087
	\$	22,383,287

Table of Contents**Investments cont.**

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,	
	2009	2008
Buffalo Funds Small Cap Fund	\$ 9,469,185	\$ 5,876,881
JP Morgan Stable Value Fund	16,558,431	16,265,946
Janus Overseas Fund	7,051,686	*
American Century Investments:		
Ultra Fund	20,966,082	15,193,184
International Growth Fund	8,873,923	6,694,200
Equity Income Fund	12,307,269	10,912,489
Equity Index Fund	10,192,886	7,759,370
Value Fund	7,619,829	6,235,290
Short-Term Government Fund	*	5,871,051

\* Amount was not greater than 5% of the Plan's assets for the respective year.

**4. Fair Value Measurements**

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs when measuring fair value. The standard describes three levels of inputs:

Level 1 - Valuation is based upon quoted prices in active markets for identical securities.

Level 2 - Valuation is based upon other significant observable inputs that reflect the assumptions market participants would use in pricing the asset developed on market data obtained from sources independent of the Plan.

Level 3 - Valuation is based upon unobservable inputs that reflect the Plan's own assumptions about the assumptions that market participants would use in pricing the asset developed, based on the best information available.

The Plan's valuation methodology used to measure the fair value of mutual funds and the SkyWest, Inc. common stock is based on quoted market prices, such as quoted net asset values published by the fund as supported in an active market, exchange-traded instruments and listed



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equities. The valuation technique used to measure fair value of participant loans was derived using a discounted cash flow model with inputs derived from unobservable market data. The participant loans are included at their carrying values, in the statements of assets available for benefits, which approximated their fair values at December 31, 2009 and 2008. The Plan Sponsor has determined that its investment in the JP Morgan Stable Value Fund ( The Fund ) is subject to the additional disclosure requirements under FASB Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820)-Investments in Certain Entities That Calculate Net Asset Value Per Share*. The investment strategy of The Fund is to provide safety of principal with consistency of returns with minimal volatility. They do this by investing in investment contracts and security backed contracts while employing broad diversification among contract issuers and underlying securities. Fair market value for The Fund is deemed to be the net asset value. The Plan Sponsor is able to redeem the investment in The Fund by

Table of Contents**Fair Value Measurements cont.**

providing a 12 month notice. Although the notice requires 12 months, JP Morgan Chase Bank, N.A. has indicated it has the ability to redeem the investment sooner. There are no other significant restrictions on the ability to redeem the investment. The Plan Sponsor currently has no plans to sell or redeem its investment in The Fund.

As of December 31, 2009 and 2008, the Plan 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):

<b>Fair Value Measurements as of December 31, 2009</b>				
(in 000 s)				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Mutual Funds	\$ 112,894	\$ 112,894		
Common Stock	1,531	1,531		
Common/Collective Trust	16,558		16,558	
Participant Loans	2,970			2,970
<b>Total</b>	<b>\$ 133,953</b>	<b>\$ 114,425</b>	<b>\$ 16,558</b>	<b>\$ 2,970</b>

<b>Fair Value Measurements as of December 31, 2008</b>				
(in 000 s)				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Mutual Funds	\$ 79,875	\$ 79,875		
Common Stock	1,533	1,533		
Common/Collective Trust	16,266		16,266	
Participant Loans	2,539			2,539
<b>Total</b>	<b>\$ 100,213</b>	<b>\$ 81,408</b>	<b>\$ 16,266</b>	<b>\$ 2,539</b>

The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2009.

<b>Level 3 Assets</b>	
<b>Year ended December 31, 2009</b>	
<b>Participant Loans</b>	
Balances, beginning of year	\$ 2,539
Issuances, payments, net	431
<b>Balance, end of year</b>	<b>\$ 2,970</b>

**5. 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



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

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 60,686 shares of SkyWest, Inc. common stock and sold 52,626 shares of SkyWest, Inc. common stock during the year ended December 31, 2009. The Plan held 90,490 and 82,430 shares of SkyWest, Inc. common stock with a fair value of \$1,531,095 and \$1,533,190 as of December 31, 2009 and 2008, respectively.

Plan investments include mutual funds and a common/collective trust fund managed by JP Morgan Chase Bank, N.A., 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).

Loans to participants totaling \$2,969,519 and \$2,539,336 as of December 31, 2009 and 2008, respectively, are also considered party-in-interest transactions.

**6. 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 designed 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.

**7. Plan Amendment**

During 2008, the Plan was amended to change the definition of Compensation and 415 Compensation to comply with recent changes to the Internal Revenue Code Section 415 and to amend certain rollover provision for non-spousal beneficiaries. Beginning January 1, 2009, the Plan was also amended to allow for more frequent changes in participant deferral elections. During 2009, the Plan was amended to allow participants to elect to make salary deferral contributions in the form of Roth Elective deferrals.

**8. 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.

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Assets available for benefits as presented in the financial statements	\$	135,146,772
Adjustment from contract value to fair value for fully benefit-responsive investment contract		(585,434)
Assets available for benefits as presented in Form 5500	\$	134,561,338

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

Net increase in assets available for benefits as presented in the financial statements	\$	33,206,142
Net adjustment from contract value to fair value for fully benefit-responsive investment contract		1,003,790
Net increase in assets available for benefits as presented in Form 5500	\$	34,209,932

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## 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, 2009

(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	\$ 20,966,082	1,076,941
		Equity Income Fund	12,307,269	1,876,108
		Equity Index Fund	10,192,886	2,300,877
		International Growth Fund	8,873,923	901,017
		Value Fund	7,619,829	1,479,579
		Short-Term Government Fund	5,103,155	526,841
*	JP Morgan	Stable Value Fund	16,558,431	159,374
		Mid Cap Growth	1,098,063	59,938
		Smart Retirement Income Fund	400,296	22,779
		Smart Retirement Fund 2010	989,531	71,189
		Smart Retirement Fund 2015	1,798,986	131,890
		Smart Retirement Fund 2020	2,714,499	201,522
		Smart Retirement Fund 2030	4,022,283	305,877
		Smart Retirement Fund 2040	4,899,525	375,731
		Intrepid Value Fund	668,694	32,731
	PIMCO	Total Retirement Fund	5,462,631	505,929
	American Funds	Growth Fund of America	2,193,257	80,902
	Columbia	Small Cap Value Fund	501,382	45,622
		Mid Cap Value Fund	1,270,475	114,663
	LKCM	Small Cap Value Fund	208,642	13,180
	Dodge & Cox	International Fund	3,102,165	97,399
	MSIF	Midcap Growth Fund	1,979,194	72,360
	Janus	Overseas Fund	7,051,686	165,922
	Buffalo Funds	Small Cap Fund	9,469,185	422,373
*	SkyWest, Inc.	Common Stock	1,531,095	90,490
*	Participant loans	Interest rates from 4.4% to 7.46%, maturing through 2015	2,969,519	761
			\$ 133,952,683	

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\* 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.*



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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 their behalf by the undersigned hereunto duly authorized.

Date: June 29 , 2010

ATLANTIC SOUTHEAST AIRLINES, INC. INVESTMENT SAVINGS PLAN

By: SkyWest, Inc., Plan Sponsor

/s/ Bradford R. Rich  
Bradford R. Rich  
Executive VP and Chief Financial Officer  
of SkyWest, Inc.

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**Exhibit Index**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
23.1	Consent of Independent Registered Public Accounting Firm