

Edgar Filing: ALTRIA GROUP, INC. - Form SC 13G/A

ALTRIA GROUP, INC.  
Form SC 13G/A  
February 13, 2013

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No. 2) \*

Altria Group, Incorporated  
(Name of Issuer)

Common Stock  
(Title of Class of Securities)

02209S103  
(CUSIP Number)

December 31, 2012  
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- ☒ Rule 13d-1(b)
- ☐ Rule 13d-1(c)
- ☐ Rule 13d-1(d)

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Edgar Filing: ALTRIA GROUP, INC. - Form SC 13G/A

CUSIP: 02209S103

Page 1 of 4

1 NAMES OF REPORTING PERSONS

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

Capital Research Global Investors \*\*

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a)

(b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

5 SOLE VOTING POWER

151,929,600

6 SHARED VOTING POWER

NUMBER OF  
SHARES  
BENEFICIAALLY  
OWNED BY

NONE

7 SOLE DISPOSITIVE POWER

EACH  
REPORTING  
PERSON  
WITH:

151,929,600

8 SHARED DISPOSITIVE POWER

NONE

9 AGGREGATE AMOUNT BENEFICIAALLY OWNED BY EACH REPORTING PERSON

151,929,600  
13d-4

Beneficial ownership disclaimed pursuant to Rule

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

7.5%

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IA

\*\* A division of Capital Research and Management Company (CRMC)

Edgar Filing: ALTRIA GROUP, INC. - Form SC 13G/A

CUSIP: 02209S103

Page 2 of 4

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

Schedule 13G  
Under the Securities Exchange Act of 1934

Amendment No. 2

Item 1(a) Name of Issuer:  
Altria Group, Incorporated

Item 1(b) Address of Issuer's Principal Executive Offices:  
6601 West Broad Street  
Richmond, VA 23230

Item 2(a) Name of Person(s) Filing:  
Capital Research Global Investors

Item 2(b) Address of Principal Business Office or, if none,  
Residence:  
333 South Hope Street  
Los Angeles, CA 90071

Item 2(c) Citizenship: N/A

Item 2(d) Title of Class of Securities:  
Common Stock

Item 2(e) CUSIP Number:  
02209S103

Item 3 If this statement is filed pursuant to sections 240.13d-1(b)  
or 240.13d-2(b) or (c), check whether the person filing is a:  
(e) ☒ An investment adviser in accordance with  
section 240.13d-1(b) (1) (ii) (E).

Item 4 Ownership

Provide the following information regarding the aggregate  
number and percentage of the class of securities of the issuer  
identified in Item 1.

- (a) Amount beneficially owned:
- (b) Percent of class:
- (c) Number of shares as to which the person has:
  - (i) Sole power to vote or to direct the vote:
  - (ii) Shared power to vote or to direct the vote:
  - (iii) Sole power to dispose or to direct the disposition of:
  - (iv) Shared power to dispose or to direct the disposition of:

See page 2

Capital Research Global Investors is deemed to be the

## Edgar Filing: ALTRIA GROUP, INC. - Form SC 13G/A

beneficial owner of 151,929,600 shares or 7.5% of the 2,025,106,086 shares believed to be outstanding as a result of CRMC acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940.

CUSIP: 02209S103

Page 3 of 4

Item 5      Ownership of Five Percent or Less of a Class. If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following: [ ]

Item 6      Ownership of More than Five Percent on Behalf of Another Person: N/A

Item 7      Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company or Control Person: N/A

Item 8      Identification and Classification of Members of the Group: N/A

Item 9      Notice of Dissolution of Group: N/A

Item 10     Certification

By signing below, I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date:              February 6, 2013

Signature:        Timothy D. Armour\*\*\*

Name/Title:      Timothy D. Armour - Senior Vice President  
Capital Research Global Investors

\*\*\*By    /s/ Herbert Y. Poon  
Herbert Y. Poon  
Attorney-in-fact

Signed pursuant to a Power of Attorney dated December 29, 2010 included as an Exhibit to Schedule 13G filed with the Securities and Exchange Commission by Capital Research Global Investors on January 10, 2011 with respect to Portfolio Recovery Associates, Inc.

CUSIP: 02209S103

Page 4 of 4

lay:inline;font-size:8pt;">(4)

\$

2,358,109

CEO & President

2015

\$

330,000

\$

—

\$

330,000

\$

330,000

\$

165,000

\$

464,277

\$

111,563

(5)

\$

1,730,840

2014

\$

287,317

\$

252,475

\$

209,128

\$

—

\$

97,481

\$

237,593

\$

104,210

(6)

\$

1,188,204

Robert J. Simmons

2016

\$

310,000

\$

—

\$

223,200

\$

223,200

\$

111,600

\$

463,027

\$

126,103

(7)

\$

1,457,130

Chief Financial Officer

2015

\$

225,000

\$

—

\$

251,014



\$

251,014

\$

125,507

\$

337,656

\$

56,308

(8)

\$

1,246,499

Wade J. Steel

2016

\$

280,000

\$

—

\$

201,600

\$

201,600

\$

100,800

\$

418,218

\$

110,424

(9)

\$

1,312,642

Chief Commercial Officer

2015

\$

240,000

\$

—

\$

172,800

\$

172,800

\$

86,400

\$

270,125

\$

85,299

(10)

\$

1,027,424

2014

\$

185,708

\$

130,240

\$

103,549

\$

—

\$

45,959

\$

146,140

\$

56,133

(11)

\$

667,729

Michael B. Thompson

2016

\$

220,000

\$

—

\$

158,400

\$

158,400

\$

79,200

\$

294,965

\$

96,159

(12)

\$

1,007,124

Chief Operating Officer

2015

\$

215,300

\$

—

\$

155,016

\$

155,016

\$

77,508

\$

235,624

\$

78,770

(13)

\$

917,234

—SkyWest Airlines

2014

\$

176,125

\$

112,050

\$

98,347

\$

—

\$

43,585

\$

138,239

\$

53,483

(14)

\$

621,829

Terry M. Vais

2016

\$

240,000

\$

—

\$

172,800

\$

172,800

\$

86,400

\$

360,000

\$

69,841



(15)

\$

1,101,841

Chief Operating Officer

2015

\$

165,200

\$

—

\$

101,205

\$

101,205

\$

51,883

\$

163,371

\$

51,412

(16)

\$

634,276

—ExpressJet

- 
- (1) Includes discretionary annual performance bonuses approved by the Compensation Committee for 2014 of \$19,100 to Mr. Childs and \$12,345 to Mr. Steel. Such bonuses were paid during 2015, Messrs. Simmons, Thompson and Vais did not receive a discretionary annual performance bonus for 2014. No discretionary annual performance bonuses were awarded to the Named Executives in 2015 or 2016.

The amounts in this column also include the amounts, approved by the Compensation Committee, of discretionary performance unit awards issued in 2015 with respect to 2014, but payable in cash in 2017, subject to forfeiture in the event of termination of employment prior to February 18, 2017. The 2017 cash value of those discretionary performance unit awards for 2014 service were \$233,375 for Mr. Childs, \$117,895 for Mr. Steel and \$112,050 for Mr. Thompson. Messrs. Simmons and Vais did not receive discretionary performance unit awards with respect to 2014.

- (2) These columns show the grant date fair value of the options and 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. The maximum potential value of the performance share awards, assuming the highest level of performance achievement, is as follows: Mr. Childs, \$495,000 (2015), \$600,000 (2016); Mr. Simmons, \$376,521 (2015), \$334,800 (2016); Mr. Steel, \$259,200 (2015), \$302,400 (2016); Mr. Thompson, \$232,524 (2015), \$237,600 (2016); and Mr. Vais, \$151,808 (2015), \$259,200 (2016). 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, 2016 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.

Table of Contents

The threshold, target and maximum amount of each Executive's annual performance cash incentive opportunity for 2016 is reported in the "Grants of Plan Based Awards for 2016" table below.

- (4) All other compensation for Mr. Childs for 2016 consists of: \$132,490 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2016; \$5,958 in employer paid health insurance premiums; \$15,728 for a personal vehicle lease; \$5,606 for personal use of the Company's recreational equipment; and \$1,963 in discretionary matching contributions under the SkyWest 401(k) Plan.
- (5) All other compensation for Mr. Childs for 2015 consists of: \$88,793 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2015; \$5,887 in employer paid health insurance premiums; \$10,505 for a personal vehicle lease; \$5,155 for personal use of the Company's recreational equipment; and \$1,223 in discretionary matching contributions under the SkyWest 401(k) Plan.
- (6) All other compensation for Mr. Childs for 2014 consists of: \$77,440 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2014; \$5,289 in employer paid health insurance premiums; \$14,727 for a personal vehicle lease; \$5,943 for personal use of the Company's recreational equipment; and \$811 in discretionary matching contributions under the SkyWest 401(k) Plan.
- (7) All other compensation for Mr. Simmons for 2016 consists of: \$98,158 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2016; \$5,958 in employer paid health insurance premiums; \$14,418 for a personal vehicle allowance; \$5,606 for personal use of the Company's recreational equipment and \$1,963 in discretionary matching contributions under the SkyWest 401(k) Plan.
- (8) All other compensation for Mr. Simmons for 2015 consists of: \$34,452 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2015; \$5,887 in employer paid health insurance premiums; \$10,814 for a personal vehicle allowance; and \$5,155 for personal use of the Company's recreational equipment.
- (9) All other compensation for Mr. Steel for 2016 consists of: \$84,897 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2016; \$5,958 in employer paid health insurance premiums; \$12,000 for a personal vehicle lease; \$5,606 for personal use of the Company's recreational equipment; and \$1,963 in discretionary matching contributions under the SkyWest 401(k) Plan.
- (10) All other compensation for Mr. Steel for 2015 consists of: \$60,422 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2015; \$5,887 in employer paid health insurance premiums; \$12,000 for a personal vehicle lease; \$5,155 for personal use of the Company's recreational equipment; and \$1,835 in discretionary matching contributions under the SkyWest 401(k) Plan.
- (11) All other compensation for Mr. Steel for 2014 consists of: \$37,640 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2014; \$5,132 in employer paid health insurance premiums; \$6,000 for a personal vehicle lease; \$5,943 for personal use of the Company's recreational equipment; and \$1,418 in discretionary matching contributions under the SkyWest 401(k) Plan.
- (12) All other compensation for Mr. Thompson for 2016 consists of: \$70,790 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2016; \$5,800 in employer paid health insurance premiums; \$12,000 for a personal vehicle lease; \$5,606 for personal use of the Company's recreational equipment; and \$1,963 in discretionary matching contributions under the SkyWest 401(k) Plan.
- (13) All other compensation for Mr. Thompson for 2015 consists of: \$54,051 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2015; \$5,729 in employer paid health insurance premiums; \$12,000 for a personal vehicle lease; \$5,155 for personal use of the Company's recreational equipment; and \$1,835 in discretionary matching contributions under the SkyWest 401(k) Plan.

Table of Contents

- (14) All other compensation for Mr. Thompson for 2014 consists of: \$34,990 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2014; \$5,132 in employer paid health insurance premiums; \$6,000 for a personal vehicle lease; \$5,943 for personal use of the Company's recreational equipment; and \$1,418 in discretionary matching contributions under the SkyWest 401(k) Plan.
- (15) All other compensation for Mr. Vais for 2016 consists of: \$50,601 of employer credits under the ExpressJet Deferred Compensation Plan attributable to compensation earned for 2016; \$4,840 in employer paid health insurance premiums; and \$14,400 for a personal vehicle lease.
- (16) All other compensation for Mr. Vais for 2015 consists of: \$42,972 of employer credits under the ExpressJet Deferred Compensation Plan attributable to compensation earned for 2015; \$4,840 in employer paid health insurance premiums; and \$3,600 for a personal vehicle lease.

## Grants of Plan Based Awards For 2016

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, 2016:

Name	Grant Date	Estimated Possible Payouts Under			Estimated Possible Payouts Under			All Other Stock Awards Number of	All Other Stock Awards Number of	Ex Pri Op Av (\$)
		Non-Equity Incentive Plan Awards	Equity Incentive Plan Awards			Units			Options	
		Threshold (\$)(1)	Target (\$)(1)	Maximum (\$)(1)	Threshold (#)(2)	Target (#)(2)	Maximum (#)(2)	(#)(3)	(#)(4)	
Russell A. Childs		\$ 200,000	\$ 400,000	\$ 800,000						
	10-Feb-2016				13,532	27,064	40,596			
	10-Feb-2016							27,064		
	10-Feb-2016								41,020	\$
Robert J. Simmons		\$ 124,000	\$ 248,000	\$ 465,000						
	10-Feb-2016				7,551	15,101	22,652			
	10-Feb-2016							15,101		
	10-Feb-2016								20,889	\$
Wade J. Steel		\$ 112,000	\$ 224,000	\$ 420,000						
	10-Feb-2016				6,820	13,640	20,460			
	10-Feb-2016							13,640		
	10-Feb-2016								20,674	\$
Michael B. Thompson		\$ 88,000	\$ 176,000	\$ 330,000						
	10-Feb-2016				5,359	10,717	16,076			
	10-Feb-2016							10,717		
	10-Feb-2016								16,244	\$
Terry M. Vais		\$ 96,000	\$ 192,000	\$ 360,000						
	10-Feb-2016				5,846	11,691	17,537			
	10-Feb-2016							11,691		

10-Feb-2016

17,721 \$

- 
- (1) The amounts in these columns reflect the threshold, target and maximum amount of each Named Executive's annual cash incentive opportunity for 2016. 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 2016-2018 PSU Awards granted in 2016 which will be eligible to vest based on corporate performance during the three year performance period ending December 31, 2018. The Compensation Committee determined that the corporate objectives for purposes of such awards would be pre-tax earnings, earnings per share and 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 2016-2018 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 equally between each of the three metrics 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

# Table of Contents

performance) to 150% (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 vest on the third anniversary of the date of grant, subject to the Named Executive's continued employment through the vesting date.
- (4) Represents stock option awards that vest one third at each annual anniversary of the date of grant over a three year period.
- (5) The exercise price of the options of \$14.78 per share for the February 10, 2016 grant date is the market closing price of the Common Stock on the date of grant.
- (6) This column shows the grant date fair value of the options and 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, 2016 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 year end 2016 holdings of stock options and other stock awards (restricted stock units and performance shares) by the Named Executives.

	Option Awards			Stock Awards					
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date(1)	Share Units That Have Not Vested (#)	Equity Incentive Plan Awards:			
						Number of Market Value Shares, Units of Other Rights That Have Not Vested (#)	Unexercised Shares That Have Not Vested (#)	Other Rights That Have Not Vested (#)	
Childs	9,929		\$ 15.51	2 Feb 18					
	22,979		13.06	15 Feb 19					
	16,389		\$ 13.24	13 Feb 20					
		18,054	(2) \$ 12.10	18 Feb 21	13,896	(2)	\$ 506,509		
		4,687	(3) \$ 11.36	15 May 21	3,608	(3)	\$ 131,512		
	12,217	24,806	(4) \$ 13.51	17 Feb 22	24,426	(4)	\$ 890,328	(6)	\$
		41,020	(5) \$ 14.78	10-Feb-23	27,064	(5)	\$ 986,480	(7)	\$
Commons	7,997	16,236	(4) \$ 14.12	17 Feb 22	15,988	(4)	\$ 582,769	(6)	\$
		22,889	(5) \$ 14.78	10-Feb-23	15,101	(5)	\$ 550,431	(7)	\$
		5,429	(2) \$ 12.10	18 Feb 21	4,179	(2)	\$ 152,325		
		6,059	(3) \$ 11.36	15 May 21	4,664	(3)	\$ 170,003		
		12,989	(4) \$ 13.51	17 Feb 22	12,791	(4)	\$ 466,232	(6)	\$

Edgar Filing: ALTRIA GROUP, INC. - Form SC 13G/A

Thompson	20,674	(5)	\$ 14.78	10-Feb-23	13,640	(5)	\$ 497,187	(7)	\$
	5,051	(2)	\$ 12.10	18 Feb 21	3,888	(2)	\$ 141,718		
	5,868	(3)	\$ 11.36	15 May 21	4,516	(3)	\$ 164,608		
	11,652	(4)	\$ 13.51	17 Feb 22	11,474	(4)	\$ 418,227	(6)	\$
ais	16,244	(5)	\$ 14.78	10-Feb-23	10,717	(5)	\$ 390,637	(7)	\$
	5,515	(2)	\$ 12.10	18 Feb 21	4,245	(2)	\$ 154,730		
	4,715	(4)	\$ 13.51	17 Feb 22	4,642	(4)	\$ 169,629	(6)	\$
	1,116	(8)	\$ 17.25	9-Sep 22	2,231	(8)	\$ 81,520	(6)	\$
	17,721	(5)	\$ 14.78	10-Feb-23	11,691	(5)	\$ 426,137	(7)	\$

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

(2) Awards scheduled to vest on February 18, 2017.



Table of Contents

- (3) Awards scheduled to vest on May 15, 2017.
- (4) Restricted stock unit awards scheduled to vest on February 17, 2018. One third of the shares subject to the options vest on each anniversary of the date of grant over a three year period.
- (5) Restricted stock unit awards scheduled to vest on February 10, 2019. One third of the shares subject to the options vest on each anniversary of the date of grant over a three year period.

Table of Contents

- (6) Represents performance share awards granted in 2015 which will be eligible to vest based on corporate performance during the three year performance period ending December 31, 2017 (the “2015-2017 PSU Awards”). The Compensation Committee determined that the corporate objectives for purposes of such awards would be pre-tax earnings, earnings per share and 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 2015-2017 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 equally between each of the three metrics 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 150% (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 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. As of December 31 2016, the Company’s performance relative to the objectives was tracking at “maximum” performance levels and as such the “maximum” number of performance shares subject to these awards are reported in the table above.
- (7) Represents the 2016-2018 PSU Awards granted in 2016 which will be eligible to vest based on corporate performance during the three year performance period ending December 31, 2018 (. The Compensation Committee determined that the corporate objectives for purposes of such awards would be pre-tax earnings, earnings per share and 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 2016-2018 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 equally between each of the three metrics 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 150% (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 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 and our stock price on the applicable vesting date. The Company has reported the number and market value of the performance shares subject to the awards based on “target” performance.
- (8) Restricted stock unit awards scheduled to vest September 9, 2018. One third of the shares subject to the options vest on each anniversary of the date of grant over a three year period.
- (9) Based on market closing price per share of Common Stock of \$36.45 on December 30, 2016, the last trading day of 2016.

Table of Contents

## Option Exercises and Stock Vested

Stock options exercised and restricted stock units that vested for the Named Executives during the year ended December 31, 2016 are outlined below.

Stock options exercised and restricted stock units that vested for the Executives during the year ended December 31, 2016 are outlined below.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired On Exercise	Value Realized	Number of Shares Acquired on Vesting	Value Realized
	(#)	(\$)	(#)	(\$)
Russell A. Childs	31,029	\$ 443,609	12,391	\$ 190,326
Robert J. Simmons	—	\$ —	—	\$ —
Wade J. Steel	11,292	\$ 171,301	3,701	\$ 56,847
Michael B. Thompson	10,321	\$ 155,949	3,464	\$ 53,207
Terry M. Vais	20,648	\$ 212,550	3,731	\$ 57,308

## Non Qualified Deferred Compensation for 2016

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 2016 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 and Thompson for the year ended December 31, 2016:

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	\$ —	\$ 132,490	\$ 79,168	\$ —	\$ 1,203,837
Robert J. Simmons	\$ 2,587	\$ 98,158	\$ 13,548	\$ —	\$ 148,183
Wade J Steel	\$ —	\$ 84,897	\$ 21,326	\$ —	\$ 305,745
Michael B. Thompson	\$ —	\$ 70,790	\$ 42,071	\$ —	\$ 466,631

- (1) The amount in this column represents deferral of base salary for 2016 and annual performance cash incentives earned for the ensuing calendar year, which deferred amounts are reported in the Summary Compensation Table above.

Table of Contents

- (2) The amounts in this column reflect the amounts of employer contributions credited under the applicable deferred compensation plan for 2016 at the rate of 15% of each Executive's 2016 base salary and annual cash incentive which was paid in 2016. 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 2016 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, \$132,490 (2016), \$88,793 (2015) and \$77,440 (2014); Mr. Simmons, \$100,745 (2016) and \$34,452 (2015); Mr. Steel, \$84,897 (2016), \$60,422 (2015) and \$37,640 (2014); and Mr. Thompson, \$70,790 (2016), \$56,025 (2015) and \$35,467 (2014).

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 2016.

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)
Terry M. Vais	—	\$ 50,601	\$ 44,534	—	383,105

- (1) The amount in this column represents deferral of base salary for 2016 and annual performance cash incentives earned for the ensuing calendar year, which deferred amounts are reported in the Summary Compensation Table above.
- (2) The amount in this column reflects the employer contributions credited under the applicable deferred compensation plan for 2016 at the rate of 15% of Mr. Vais's 2016 base salary and annual cash incentive which was paid in 2016. 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.
- (3) The amounts in this column reflect the notational earnings during 2016 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.
- (4) 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: \$50,601 (2016), and \$42,972 (2015).

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.



Table of Contents

## 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, 2016, or the Company had undergone a change in control on December 31, 2016. 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 Upon Change In Control.** Under the Company's long term incentive plans, all outstanding stock options, restricted stock units, performance shares and performance units held by a Named Executive on December 31, 2016, would have become fully vested upon a "change in control" occurring on that date without regard to whether the Named Executive terminated employment in connection with or following the change in control if such awards were not assumed by the acquirer. The Company's long term incentive plans generally define a "change in control" as any of the following events: (i) the acquisition by any person of 50% or more of the Company's voting shares, (ii) replacement of a majority of the Company's directors within a two year period under certain conditions, or (iii) shareholder approval of a merger in which the Company is not the surviving entity, sale of substantially all of the Company's assets or liquidation.

The following table shows for each Named Executive the intrinsic value of his unvested stock options, unvested restricted stock units, performance shares and performance units payable in cash, as of December 31, 2016, that would have been accelerated had a change in control of the Company occurred on that date and the vesting of such awards accelerated, calculated in the case of restricted stock units, performance shares and stock options, by multiplying the number of underlying shares by the closing price of the Common Stock on December 30, 2016, the last trading day of 2016 (\$36.45 per share), and, in the case of stock options, by then subtracting the applicable option exercise price:

Name	Early Vesting of Stock Options	Early Vesting of Restricted Stock Units	Early Vesting of Performance Shares(1)	Early Vesting of Performance Units
Russell A. Childs	\$ 2,015,165	\$ 2,514,831	\$ 2,321,975	\$ 233,375
Robert J. Simmons	\$ 858,555	\$ 1,133,194	\$ 1,424,575	\$ —
Wade J. Steel	\$ 1,030,190	\$ 1,285,737	\$ 1,196,526	\$ 117,895
Michael B. Thompson	\$ 889,524	\$ 1,115,188	\$ 1,017,976	\$ 112,050
Terry M. Vais	\$ 669,954	\$ 831,388	\$ 862,953	\$ 56,600

(1) Reflects the value of the performance shares granted in 2015 at "maximum" performance levels and the value of the performance shares granted in 2016 at "target" performance levels.

**Deferred Compensation.** If the employment of a Named Executive were terminated on December 31, 2016, 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 2016 year end account balances under those plans are shown in the applicable Non qualified Deferred Compensation Tables set forth above. A Named Executive's account balance would continue to be credited with notational investment earnings or losses through the date of actual distribution.





Table of Contents

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transaction with Related Party

Jerry C. Atkin, the Company's Chairman of the Board and former Chief Executive Officer, serves on the Board of Directors of Zions. The Company maintains a line of credit and certain bank and investment accounts with Zions. The Company's cash balances in the accounts held at Zions as of December 31, 2016 and 2015 were \$116.0 million and \$65.0 million, respectively. The Company's investment balance in the accounts held at Zions as of December 31, 2016 and 2015 were \$121.6 million and \$0.0 million, respectively. Zions is an equity participant in leveraged leases on three aircraft leased by the Company's subsidiaries. Zions also refinanced seven aircraft operated by the Company, becoming the debtor on these aircraft. Zions also serves as the Company's transfer agent for which the Company pays to Zions annual fees of approximately \$10,000.

During the year ended December 31, 2016, the Company purchased \$245,000 of spare aircraft parts from NORDAM, an entity affiliated with Meredith S. Madden, a director of the Company.

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.

Table of Contents

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. Directors are encouraged to own shares of Common Stock having a value equal to three times the amount of their annual cash retainer.

Cash Compensation Paid to Directors

For the year ended December 31, 2016, all directors who were not employees of the Company received an annual cash retainer of \$40,000 and attendance fees of \$2,000 for each in person Board meeting attended, \$1,800 for each in person Audit Committee meeting attended, \$1,400 for each in person Compensation Committee meeting attended, \$1,400 for each in person Nominating and Corporate Governance Committee meeting attended and \$1,400 for each in person Safety and Compliance Committee meeting attended. Non employee directors who participated in telephonic meetings of the Board or its committees were also paid \$1,000 for each telephonic Board meeting, \$1,000 for each telephonic Audit Committee meeting and \$1,000 for each telephonic Compensation Committee meeting, \$1,000 for each telephonic Nominating and Corporate Governance Committee meeting and \$1,000 for each telephonic Safety and Compliance Committee meeting. The Chairman of the Audit Committee was paid an annual fee of \$16,000, the Chairman of the Compensation Committee was paid an annual fee of \$8,000, the Chairman of Nominating and Corporate Governance Committee was paid an annual fee of \$4,000, the Chairman of the Safety and Compliance Committee was paid an annual fee of \$4,000 and the Lead Independent Director was paid an annual fee of \$18,000. The Chairman of the Board was paid an annual fee of \$280,000. 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. On February 10, 2016, each of the non-employee directors received an award of 4,736 shares of Common Stock, representing approximately \$70,000 of value based on the closing price of the Common Stock on the date of award. The Company did not grant stock options to its non-employee directors in 2016.

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 strongly encouraged 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 compensation base for each director. The director guideline ownership level is three times the annual compensation base. Any director who did not meet the guidelines at December 31, 2016 is encouraged to make progress towards the ownership guideline. The holdings of the directors are summarized in the table entitled "Security Ownership of Certain Beneficial Owners" below.

Table of Contents

## DIRECTOR SUMMARY COMPENSATION TABLE

The table below summarizes the compensation paid by the Company to its non-employee directors for the year ended December 31, 2016.

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Name(1)	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(3)	Option Awards (\$)	Change in Pension Value and Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Jerry C. Atkin (2)	\$ 277,368	\$ 69,998	—	—	—	\$ 347,366
Steven F. Udvar-Hazy	\$ 79,600	\$ 69,998	—	—	—	\$ 149,598
W. Steve Albrecht	\$ 77,600	\$ 69,998	—	—	—	\$ 147,598
Henry J. Eyring	\$ 63,400	\$ 69,998	—	—	—	\$ 133,398
James L. Welch	\$ 56,800	\$ 69,998	—	—	—	\$ 126,798
Keith E. Smith	\$ 72,700	\$ 69,998	—	—	—	\$ 142,698
Ronald J. Mittelstaedt	\$ 60,800	\$ 69,998	—	—	—	\$ 130,798
Andrew C. Roberts	\$ 66,000	\$ 69,998	—	—	—	\$ 135,998
Meredith S. Madden	\$ 64,400	\$ 69,998	—	—	—	\$ 134,398

- (1) Russell A. Childs, the Chief Executive Officer, President and a director of the Company, is not included in the foregoing table as he was an employee of the Company during 2016 and received no financial remuneration for his service as a director.
- (2) As of December 31, 2016, Jerry C. Atkin has 364,700 performance unit awards payable in cash, 190,329 stock options, 59,241 restricted stock units and 31,887 performance shares outstanding from the Company related to grants occurring prior to his retirement as a Named Executive.
- (3) Represents the closing price of a share of Common Stock awarded on the grant date of (a) February 10, 2016, of \$14.78 per share, multiplied by the 4,736 shares. These amounts are 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, 2016 which are included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. All such shares of Common Stock are fully vested.

Table of Contents

## 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 6, 2017, 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.

The following table sets forth the beneficial ownership of the Common Stock as of March [ ], 2017, for each director and nominee for director, each Executive, and by all directors (including nominees) and executive officers of the Company as a group.

Name	Common Stock	Options Exercisable	Total	Beneficial Ownership(1)	
Russell A. Childs	42,326	105,322	147,648	(2)	
Robert J. Simmons	2,000	23,547	25,547	(2)	
Wade J. Steel	6,094	18,648	24,742	(2)	
Michael B. Thompson	19,116	—	19,116	(2)	
Terry M. Vais	8,201	14,800	23,001	(2)	
Eric J. Woodward	11,771	—	11,771	(2)	
W. Steve Albrecht	36,974	—	36,974	(2)	
Jerry C. Atkin	1,191,340	173,896	1,365,236	2.6	%
Henry J. Eyring	37,862	—	37,862	(2)	
Meredith S. Madden	10,180	—	10,180	(2)	
Ronald J. Mittelstaedt	17,631	—	17,631	(2)	
Andrew C. Roberts	10,180	—	10,180	(2)	
Keith E. Smith	27,631	—	27,631	(2)	
Steven F. Udvar-Hazy	47,032	—	47,032	(2)	
James L. Welch	37,415	—	37,415	(2)	
All officers and directors as a group (15 persons)	1,505,753	336,213	1,841,966	3.5	%

(1) Based on 51,818,431 shares outstanding as of March 6, 2017.

(2) Less than one percent of the total shares outstanding as of March 6, 2017.

Table of Contents

## Security Ownership of Other Beneficial Owners

As of March 6, 2017, 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.

Name	Amount of Beneficial Ownership Common Stock		Percent of Class	
	Shares			
Black Rock, Inc. 55 East 52nd Street New York, NY 10055	5,798,696(1)	11.19	%	
The Vanguard Group, Inc. 100 Vanguard Blvd Malvern, PA 19355	5,589,998(2)	10.79	%	
Dimensional Fund Advisors LP 6300 Bee Cave Road Austin, TX 78746	4,366,613(3)	8.43	%	
AllianceBernstein L.P. 1345 Avenue of the Americas New York, NY 10105	2,884,922(4)	5.57	%	

---

(1) Based on a Schedule 13G/A filed on January 17, 2017 by BlackRock, Inc., which stated therein that it has sole voting power over 5,705,776 shares and sole dispositive power over 5,798,696 shares.

(2) Based on a Schedule 13G/A filed on February 13, 2017 by The Vanguard Group, Inc., which stated therein that it has sole voting power over 58,361 shares, shared voting power over 700 shares, sole dispositive power over 5,531,565 shares and shared dispositive power over 58,433 shares.

(3) Based on a Schedule 13G/A filed by Dimensional Fund Advisors LP on February 9, 2017, which stated therein that it has sole voting power over 4,203,945 shares and sole dispositive power over 4,366,613 shares.

(4) Based on a Schedule 13G filed by AllianceBernstein L.P. on February 10, 2017, which stated therein that it has sole voting power over 2,469,359 shares and sole dispositive power over 2,884,922 shares.

Table of Contents

Securities Authorized for Issuance Under Equity Compensation Plans

The following table contains information regarding the Company's equity compensation plans as of December 31, 2016.

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)	819,981	\$ 13.58	4,192,385

(1) Consists of the Company's SkyWest Inc. Long Term Incentive Plan, and its Employee Stock Purchase Plan.

Table of Contents

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 2017 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2016 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 24 of this Proxy Statement and the executive compensation tables beginning on page 38 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, 2016 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.

Table of Contents

PROPOSAL 3

ADVISORY VOTE ON THE FREQUENCY OF

FUTURE VOTES ON NAMED EXECUTIVE COMPENSATION

Background

Section 14A also provides that the Company's shareholders must be given the opportunity to vote on an advisory (non-binding) basis for their preference as to how frequently the Company should consider future Say-on-Pay proposals at its annual meetings of shareholders (referred to as a "Say-on-Frequency" vote). This Proposal 3 gives the Company's shareholders the opportunity to indicate whether they would prefer that the Company's shareholders address future Say-on-Pay proposals once every one, two, or three years. Shareholders also may, if they wish, abstain from casting a vote on this proposal.

The Board values dialogue with its shareholders on executive compensation and other important corporate governance matters. The Board believes that addressing a Say-on-Pay proposal in the Company's annual meeting once a year will achieve an appropriate balance between fostering such dialogue and affording sufficient time to evaluate the merits of the Company's overall compensation philosophy, policies and practices in the context of the Company's long-term business results for the corresponding period and any changes made in response to the outcome of a prior Say-on-Pay proposal. The Company's compensation programs are straightforward, weighted toward performance, and do not tend to materially change from year to year.

Similar to the Say-on-Pay proposal, this vote is only advisory in nature and will not bind the Company or the Board to adopt any particular frequency. However, the Board values the opinion of the Company's shareholders and will consider the outcome of the vote when determining how frequently to address future Say-on-Pay proposals. Regardless of the outcome of this Say-on-Frequency vote, the Board may decide that it is in the best interests of the Company's shareholders and the Company to include a Say-on-Pay proposal in the Company's proxy statement more or less frequently than the frequency receiving the most votes cast by the Company's shareholders in this vote.

Voting

The proxy card allows you to vote for one of four choices: holding the advisory vote on executive compensation every one, two or three years, or abstaining from voting. Therefore, shareholders will not be voting to approve or disapprove the recommendation of the Board, but will instead be casting their vote for the voting frequency they prefer.

The Board Recommends that Shareholders Vote for the Option of ONCE EVERY YEAR as the Frequency of Holding Future Advisory Votes on Named Executive Compensation.





Table of Contents

PROPOSAL 4

RATIFICATION OF APPOINTMENT OF

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2017. The Company is seeking shareholder ratification of such action.

It is expected that representatives of Ernst & Young LLP will attend the Meeting and be available to make a statement or 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, 2017.

Table of Contents

AUDIT COMMITTEE DISCLOSURE

Who served on the Audit Committee?

The members of the Audit Committee as of December 31, 2016, were W. Steve Albrecht (Chairman), Henry J. Eyring, Andrew C. Roberts, Keith E. Smith and James Welch. Each member of the Audit Committee has been determined by the Board to be independent under the rules of the Securities and Exchange Commission and The Nasdaq Global Select Market. The Board has determined that W. Steve Albrecht, who served on the Audit Committee during the year ended December 31, 2016, is an “audit committee financial expert” as defined in Item 407(d) (5)(ii) of Regulation S-K promulgated under the Exchange Act.

What document governs the activities of the Audit Committee?

The Audit Committee acts under a written charter, which sets forth its responsibilities and duties, as well as requirements for the Audit Committee’s composition and meetings. The Audit Committee charter is available on the Company’s website at [inc.skywest.com](http://inc.skywest.com), and is also available in print, free of charge, upon request. Requests for a printed copy of the Audit Committee charter should be submitted to Eric J. Woodward, Chief Accounting Officer of the Company, at 444 South River Road, St. George, Utah 84790.

How does the Audit Committee conduct its meetings?

During the year ended December 31, 2016, the Audit Committee met with the senior members of the Company’s financial management team at each of its regularly scheduled quarterly meetings. The Audit Committee also met with representatives of Ernst & Young LLP (“EY”), the Company’s independent registered public accounting firm, at each of its in-person meetings and met with representatives of Protiviti, Inc. (“Protiviti”), the Company’s principal internal auditor, at several of its meetings. Agendas for the Audit Committee’s meetings are established by the Chairman of the Audit Committee, after consultation with the Company’s Chief Financial Officer and Chief Accounting Officer. At those meetings, the Audit Committee reviewed and discussed the Company’s financial performance, financial reporting practices, various financial and regulatory issues, accounting and financial management issues, developments in the accounting profession, as well as the Company’s industry, risk management and a summary of calls received on the Company’s anonymous reporting line. The Audit Committee also had separate, executive sessions regularly with representatives of EY, the Company’s Chief Financial Officer, Protiviti and the Company’s legal counsel, at which meetings candid discussions of financial management, accounting, internal controls and legal and compliance issues took place. Additionally, the Chairman of the Audit Committee had separate discussions regularly with the Chief Financial Officer and representatives of EY, Protiviti and the Company’s legal counsel.

Does the Audit Committee review the periodic reports and other public financial disclosures of the Company?

The Audit Committee reviews each of the Company’s quarterly and annual reports, including Management’s Discussion and Analysis of Financial Condition and Results of Operations. As part of its review, the Audit Committee discusses the reports with the Company’s management and independent registered public accounting firm and considers the audit and review reports prepared by the independent registered public accounting firm about the Company’s quarterly and annual reports, as well as related matters such as the quality (and not just the acceptability) of the Company’s accounting practices, alternative methods of accounting under GAAP and the preferences of the independent registered public accounting firm in this regard, the Company’s critical accounting policies and the clarity and completeness of the Company’s financial and other disclosures.

Did the Audit Committee play any role in connection with the Company’s report on internal controls?

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

## Table of Contents

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, 2016, 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.

What is the role of the Audit Committee in connection with the financial statements and controls of the Company?

Management of the Company has primary responsibility for the Company's financial statements and internal control over the Company's financial reporting. 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, 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. The Audit Committee also regularly reviews with its outside advisors material developments in the law and accounting literature that may be pertinent to the Company's accounting financial reporting practices.

Does the Audit Committee have any policy making responsibility?

From time to time, the Audit Committee establishes certain policies as required by the rules of the Securities and Exchange Commission and the listing standards of The Nasdaq Global Select Market. For example, the Audit Committee has established a policy for the receipt and retention (including on an anonymous basis) of complaints about financial and control matters. The Audit Committee also has implemented a policy that addresses when the Company may recruit personnel who formerly were employed by the Company's independent registered public accounting firm. In other cases, the Audit Committee is responsible for overseeing the efficacy of management policies, including compliance with the Company's Code of Ethics and the availability of perquisites.

What matters have members of the Audit Committee discussed with the independent registered public accounting firm?

In its meetings with representatives of EY, the Audit Committee asked EY to address and discuss their responses to several questions that they believed were particularly relevant to its oversight. These questions included:

- Are there any significant judgments made by management in preparing the financial statements that would have been made differently had EY prepared and been responsible for the financial statements?
- Based on EY's experience, and their knowledge of the Company, do the Company's financial statements fairly present to investors, with clarity and completeness, the Company's financial position and performance for the reporting period in accordance with GAAP and Securities and Exchange Commission disclosure requirements?
- Based on EY's experience, and their knowledge of the Company, has the Company implemented internal controls and internal audit procedures that are appropriate for the Company?
- During the course of the applicable year, has EY received any communication or discovered any information indicating any improprieties with respect to the Company's accounting and reporting procedures or reports?

## Table of Contents

The Audit Committee has also discussed with EY that they are retained by the Audit Committee and that they must raise any concerns about the Company's financial reporting and procedures directly with the Audit Committee. Based on these discussions and its discussions with management, the Audit Committee believes it has a basis for its oversight judgments and for recommending that the Company's audited financial statements be included in the Company's Annual Report on Form 10 K for the year ended December 31, 2016.

What has the Audit Committee done with regard to the Company's audited financial statements for the year ended December 31, 2016?

The Audit Committee has:

- Reviewed and discussed the Company's audited financial statements with the Company's management; and
- Discussed with EY the matters required to be discussed by applicable standards of the Public Company Accounting Oversight Board ("PCAOB").

Has the Audit Committee considered the independence of the Company's independent registered public accounting firm?

The Audit Committee has received from EY the written disclosures regarding EY's independence required by PCAOB Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, and has discussed with EY their independence. The Audit Committee has concluded that EY is independent from the Company and its management.

Has the Audit Committee made a recommendation regarding the audited financial statements for the year ended December 31, 2016?

Based upon its review and the discussions with management and the Company's independent registered public accounting firm, the Audit Committee recommended to the Board that the audited consolidated financial statements for the Company be included in the Company's Annual Report on Form 10 K for the year ended December 31, 2016.

Does the Audit Committee provide a periodic report of its activities to the Board?

The Audit Committee provides reports of its activities at each regularly scheduled Board meeting.

Has the Audit Committee reviewed the fees paid to the Company's independent registered public accounting firm during the year ended December 31, 2016?

The Audit Committee has reviewed and discussed the fees paid to EY during the year ended December 31, 2016, 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, which are set forth below under "Fees Paid to Independent Registered Public Accounting Firm." The Audit Committee has concluded that EY's delivery of non-audit services is compatible with EY's independence.

What is the Company's policy regarding the retention of the Company's independent registered public accounting firm?

The Audit Committee has adopted a policy regarding the retention of the independent registered public accounting firm that requires pre-approval of all services by the Audit Committee or the Chairman of the Audit Committee. When services are pre-approved by the Chairman 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 at its next scheduled meeting.



Table of Contents

FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Fees

During the years ended December 31, 2016 and 2015, the Company paid EY fees in the aggregate amount of \$1,397,000 and \$1,265,000, respectively, 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.

Audit Related Fees, Tax Fees and All Other Fees

The Company did not pay EY for audit-related fees, tax fees and all other fees during the years ended December 31, 2016 and 2015.

59

---



Table of Contents

REPORT OF THE AUDIT COMMITTEE

In connection with the financial statements for the year ended December 31, 2016, 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 Accounting Oversight Board; and
- (3) received the written disclosures and letter from EY regarding the auditors' independence required by PCAOB Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, and has discussed with the independent auditors the independent auditor's independence.

Based upon these reviews and discussions, the Audit Committee recommended to the Board at the February 8, 2017 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, 2016, 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.

Table of Contents

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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 2016 its executive officers, directors and 10% holders complied with all filing requirements of Section 16 of the Exchange Act.

SHAREHOLDER PROPOSALS FOR THE 2018 ANNUAL MEETING OF SHAREHOLDERS

If any shareholder intends to present a proposal to be considered for inclusion in the Company's proxy material in connection with the Company's 2018 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 22, 2017. Shareholder proposals to be presented at the 2018 Annual Meeting of Shareholders which are not to be included in the Company's proxy materials must be received by the Company no earlier February 8, 2018, and no later than February 28, 2018, in accordance with the procedures set forth in the Company's Bylaws.

Table of Contents

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 2016 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 2016 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 2016 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 22, 2017

Table of Contents

VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)

SKYWEST, INC. Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ATTN:  
ROBERT J.  
SIMMONS

444 SOUTH RIVER ROAD ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: PORTION  
FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

For	Against	For All	To withhold authority to
All		Except	vote for any individual
			nominee(s), mark "For All
			Except" and write the
			number(s) of the

nominee(s) on the line  
below.

The Board of  
Directors  
recommends you  
vote FOR the  
following:

Election of  
Directors

Nominees

Jerry C. Atkin	02 W.Steve Albrecht	03 Russell
A. Childs	04 Henry J. Eyring	05 Meredith S.
<del>M</del> adden		
Ronald J. Mittelstaedt	07 Andrew C. Roberts	08 Keith E.
<del>S</del> mith	09 Steven F. Udvar - Hazy	10 James L. Welch

The Board of Directors recommends you  
vote FOR proposals 2.

For	Against	Abstain
-----	---------	---------

To consider and vote upon, on an  
advisory basis, the compensation of the  
Company's named executive officers.

The Board of Directors recommends you  
vote ONE-YEAR on proposal 3.

One-Year	Two-Year	Three Year	Abstain
----------	----------	------------	---------

3 To consider and vote upon, on an  
advisory basis, the frequency of holding  
future advisory votes

on the compensation of the Company's  
named executive officers.

The Board of Directors recommends you  
vote FOR proposal 4.

For	Against	Abstain
-----	---------	---------

4 To ratify the appointment of Ernst &  
Young LLP as the Company's independent  
registered public

Accounting firm.

NOTE: Such other business as may  
properly come before the meeting or any  
adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney,  
executor, administrator, or other fiduciary, please give full title as such. Joint  
owners should each sign personally. All holders must sign. If a corporation or  
partnership, please sign in full corporate or partnership name by authorized officer.

Signature  
[PLEASE  
SIGN  
WITHIN  
BOX]      Date  
00276660\_1  
R1.0.1.25

Signature (Joint  
Owners)      Date

---

Table of Contents

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Annual Report, Notice & Proxy Statement are available at [www.proxyvote.com](http://www.proxyvote.com)

PROXY

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF SKYWEST, INC.

The undersigned hereby appoint(s) Jerry C. Atkin, Russell A. Childs and Robert J. Simmons and each of them, with the power to act without the other and with power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote, as provided on the other side, all the shares of SkyWest, Inc. common stock which the undersigned is entitled to vote and, in their discretion, to vote upon such other business as may properly come before the Annual Meeting of Shareholders to be held at 11:00 a.m., MDT on May 9, 2017 at the SkyWest headquarters located at 444 South River Road, St. George, Utah, and any adjournment thereof, with all powers which the undersigned would possess if present at the Meeting.

THIS PROXY CARD, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED. IF NO DIRECTION IS MADE BUT THE CARD IS SIGNED, THIS PROXY CARD WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES UNDER PROPOSAL 1, FOR PROPOSAL 2, ONE-YEAR FOR PROPOSAL 3, AND FOR PROPOSAL 4, AND IN THE DISCRETION OF THE PROXIES WITH RESPECT TO SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING.

Continued and to be signed on reverse side

0000276660\_2 R1.0.1.25

---