

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

OR

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

For the transition period from _____ to _____

Commission file number 001-33166

ALLEGIANT TRAVEL COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

20-4745737
(I.R.S. Employer
Identification No.)

**8360 S. Durango Drive,
Las Vegas, Nevada**
(Address of Principal Executive
Offices)

89113
(Zip Code)

Registrant's telephone number, including area code: **(702) 851-7300**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$.001 par value per share	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The aggregate market value of common equity held by non-affiliates of the registrant as of June 30, 2008, was approximately \$285,000,000 computed by reference to the closing price at which the common stock was sold on the Nasdaq Global Select Market on that date. This figure has been calculated by excluding

shares owned beneficially by directors and executive officers as a group from total outstanding shares solely for the purpose of this response.

The number of shares of the registrant's Common Stock outstanding as of the close of business on February 20, 2009 was 20,238,236.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be used in connection with the solicitation of proxies to be voted at the registrant's annual meeting to be held on May 15, 2009, and to be filed with the Commission subsequent to the date hereof, are incorporated by reference into Part III of this Report on Form 10-K.

EXHIBIT INDEX IS LOCATED ON PAGE 82

ALLEGIANT TRAVEL COMPANY
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2008

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PART I

Item 1. Business

Business Overview

We are a leisure travel company focused on transporting travelers in small cities to leisure destinations such as Las Vegas, Nevada, Phoenix, Arizona, Orlando, Florida, Tampa/St. Petersburg, Florida and Ft. Lauderdale, Florida. We operate a low-cost passenger airline marketed to leisure travelers in small cities, allowing us to sell air travel both on a stand-alone basis and bundled with hotel rooms, rental cars and other travel related services. Our route network, pricing philosophy, advertising and diversified product offering built around relationships with premier leisure companies are all intended to appeal to leisure travelers and make it attractive for them to purchase air travel and related services from us.

Our business model provides for diversified revenue streams, which we believe distinguishes us from other U.S. airlines and travel companies:

- *Scheduled service revenue* consists of air fare from our limited frequency nonstop flights between our small city markets and our leisure destinations.
- *Fixed fee contract revenue* consists largely of fixed fee flying agreements with affiliates of Harrah's Entertainment Inc. that provide for a predictable revenue stream. We also provide charter service on a seasonal and ad hoc basis for other customers.
- *Ancillary revenue* is generated from the sale of hotel rooms, rental cars, advance seat assignments, checked bag charges, in-flight products and other items sold in conjunction with our scheduled air service.

Our strategy is to develop the leisure travel market in small cities by providing nonstop low fare scheduled service to leisure destinations. We currently provide service primarily to Las Vegas, Nevada, Phoenix, Arizona, Orlando, Florida, Tampa/St. Petersburg, Florida and Ft. Lauderdale, Florida. We have announced we will start service in the second quarter of 2009 to Los Angeles, California, from a dozen of our small city markets.

Our business strategy has evolved as our experienced management team has looked differently at the traditional way business has been conducted in the airline industry. We have consciously developed a different business model:

<u>Traditional Airline Approach</u>	<u>Allegiant Approach</u>
<ul style="list-style-type: none">• Focus on business traveler• Provide high frequency service• Use smaller aircraft to provide connecting service from smaller markets through hubs• Sell through various intermediaries• Offer flight connections• Use frequent flyer programs and code-share arrangements to increase passenger traffic	<ul style="list-style-type: none">• Focus on leisure traveler• Provide low frequency service from small cities• Use larger jet aircraft to provide nonstop service from small cities direct to leisure destinations• Sell only directly to travelers without participation in global distribution systems• No connecting flights offered• Do not use frequent flyer programs or code-share arrangements

Our business model has allowed us to grow rapidly and to achieve attractive rates of profitability even during periods of high fuel costs.

We have had fixed fee flying agreements with various subsidiaries of Harrah's Entertainment Inc. since 2002, which collectively accounted for 7.4% of our total revenues in 2008 and 6.5% of our total revenues in 2007.

Our Competitive Strengths

We have developed a unique business model that focuses on leisure travelers in small cities. We believe the following strengths allow us to maintain a competitive advantage in the markets we serve:

Focus on Transporting Travelers From Small Cities to Leisure Destinations. As of February 1, 2009, we provide nonstop low fare scheduled air service from 57 small cities (including seasonal service) primarily to the leisure destinations of Las Vegas, Nevada, Phoenix, Arizona, Orlando, Florida, Tampa/St. Petersburg, Florida, and Ft. Lauderdale, Florida. We have announced we will start service in the second quarter of 2009 to the leisure destination of Los Angeles, California, from a dozen of our small city markets. Generally, when we enter a new market, we introduce nonstop service to our leisure destinations which previously did not exist. We believe this nonstop service, combined with our pricing philosophy and premier leisure company relationships, makes it attractive for leisure travelers to purchase air travel and related services from us.

By focusing on underserved small cities, we believe we avoid the intense competition presently seen in high traffic domestic air corridors. In our typical small city market, travelers faced high airfares and cumbersome connections or long drives to major airports to reach our leisure destinations before we started providing service. As of February 1, 2009, we are the only carrier providing nonstop service on all but two of our 113 routes. Based on published data from the U.S. Department of Transportation ("DOT"), we believe the initiation of our service stimulates demand as there has been a substantial increase in traffic after we have begun service for new routes. We believe our market strategy has had the benefit of not appearing hostile to either legacy carriers, whose historical focus has been connecting small cities to business markets, or traditional low cost carriers or LCCs, which have tended to focus on larger markets than the small city markets we serve.

Low Operating Costs. We believe low costs are essential to competitive success in the airline industry. Our operating expense per available seat mile or "CASM" was 10.09¢ and 8.19¢ for the years ended December 31, 2008 and 2007, respectively. Excluding the cost of fuel, our CASM was 4.92¢ for 2008 and 4.25¢ for 2007.

Our low operating costs are the result of our focus on the following:

- *Cost-Driven Schedule.* We design our flight schedule to concentrate our aircraft each night in our crew bases. This concentration allows us to better utilize personnel, airport facilities, aircraft, spare parts inventories, and other assets. We can do this because we believe leisure travelers are generally less concerned about departure and arrival times than business travelers. Therefore, we are able to schedule flights at times that enable us to reduce our costs.
- *Low Aircraft Ownership Costs.* We believe we properly balance low aircraft ownership costs and low operating costs to minimize our total costs. As of February 1, 2009, our operating fleet consists of 39 MD80 series aircraft. Used MD80 series equipment is widely available today, and we believe the ownership cost of the used MD80s sought by us are substantially lower than comparably sized new Airbus A320 and Boeing 737 aircraft.
- *Highly Productive Workforce.* We believe we have one of the most productive workforces in the U.S. airline industry with approximately 35 full-time equivalent employees per operating aircraft as of February 1, 2009. We believe this compares favorably with the same ratio for other airlines based on recent publicly available industry data for other airlines. Our high level of employee productivity is created by fleet commonality, fewer unproductive labor work rules, cost-driven scheduling, and the effective use of automation and part-time employees. Additionally, our

highly integrated automation system allows us to minimize corporate overhead functions. We benefit from a motivated, enthusiastic workforce committed to high standards of friendly and reliable service. We invest a significant amount of time and resources into carefully developing our training practices and selecting individuals to join our team who share our focus on ingenuity and continuous improvement. We conduct ongoing training programs to incorporate industry best practices and encourage strong and open communication channels among all of the members of our team so we can continue to improve the quality of the services we provide.

- *Simple Product.* We believe offering a simple product is critical to achieving low operating costs. As such, we sell only nonstop flights; we do not code-share or interline with other carriers; we have a single class cabin; we do not have any frequent flyer or other loyalty programs; we do not provide any free catered items—everything on board is for sale; we do not overbook our flights; we do not provide cargo or mail services; and we do not offer other perks such as airport lounges.
- *Low Distribution Costs.* Our nontraditional distribution approach results in very low distribution costs. We do not sell our product through outside sales channels and, as such, avoid the fees charged by travel web sites (such as Expedia, Orbitz or Travelocity) and the traditional global distribution systems ("GDS") (such as Sabre or Worldspan). Our customers can only purchase travel at our airport ticket counters or, for a fee, through our telephone reservation center or website. We actively encourage sales on our website. This is the least expensive form of distribution and accounted for 86.4% of our scheduled service revenue during 2008. We believe our percentage of website sales is among the highest in the U.S. airline industry. Further, we are 100% ticketless, which saves printing, postage, and back-office processing expenses.

Growing Ancillary Revenues. We earn ancillary revenues in conjunction with the sale of scheduled air service which represent a significant, growing revenue stream. Our ancillary revenues have grown from \$31.3 million in 2006, to \$65.0 million in 2007, and \$114.6 million in 2008. On a per scheduled service passenger basis, our ancillary revenues increased from \$21.53 per scheduled service passenger in 2007 to \$29.43 in 2008.

Capacity Management. We believe our ability to quickly adjust capacity allows us to operate profitably throughout a changing environment. As a result of the dramatic fuel price increase in late 2007 and the first three quarters of 2008, we reduced capacity with the elimination of long-haul flights and made substantial frequency variations in certain markets. These adjustments enabled us to achieve profitability in each quarter of 2008 despite the large losses incurred in the industry. During the second quarter of 2009, we plan to restore some capacity from these reductions, along with further expansion of our route network. We believe we can quickly reduce the growth and adjust appropriately our capacity from this planned expansion if necessary to seek to maintain profitability in the event of further deterioration of the economic environment.

Strong Financial Position. We have a strong financial position with significant cash balances. On December 31, 2008, we had \$174.8 million of cash, cash equivalents and short-term investments. As of December 31, 2008, our total debt was \$64.7 million and our debt to total capitalization ratio was 21.7%. We also have a history of growing profitably, having generated net income in 21 of the last 24 quarters. We believe our strong financial position allows us to have greater financial flexibility to grow the business and weather sudden industry disruptions.

Proven Management Team. We have a strong management team comprised of experienced and motivated individuals. Our management team is led by Maurice J. Gallagher, Jr., who has an extensive background in the airline industry. Mr. Gallagher was the president of WestAir Holdings, Inc. and built WestAir into one of the largest regional airlines in the U.S. prior to its sale in 1992 to Mesa Air

Group. He was also one of the founders of ValuJet, Inc., which is known today as AirTran Holdings, Inc. Two of our other executive officers are former managers of ValuJet.

Our Business Strategy

To continue the growth of our business and increase our profitability, our strategy will be to continue to offer a single class of air travel service at low fares, while maintaining high quality standards, keeping our operating costs low and pursuing ways to make our operations more efficient. We intend to grow by adding flights on existing routes, entering additional small cities, connecting our existing small cities to more of our leisure destinations, expanding our relationships with premier leisure companies, and providing service to more leisure destinations.

The following are the key elements of our strategy:

Capitalize on Significant Growth Opportunities in Transporting Travelers from Small Cities to Leisure Destinations. We believe small cities represent a large untapped market, especially for leisure travel. We believe small city travelers have limited options to leisure destinations as existing carriers are generally focused on connecting the small city "spokes" to their business hubs. We aim to become the premier travel brand for leisure travelers in the small cities served by us.

Since the beginning of 2004, we have expanded our scheduled air service from six to 57 small cities as of February 1, 2009, including seasonal service. These 57 small cities have an aggregate population in excess of 50 million people within a 50-mile radius of the airports in those cities. In most of these cities, we provide service to more than one of our leisure destinations. We expect to grow our service to leisure destinations by adding frequency from some existing markets and initiating service from additional small cities. We believe our business model would be suitable for approximately 100 small cities in the U.S., Canada and Mexico.

We also believe there are several other major leisure destinations that share many of the same characteristics as Las Vegas, Phoenix, Orlando, Tampa/St. Petersburg, Ft. Lauderdale, and Los Angeles. These potential markets include several popular vacation destinations in the U.S. (including the expansion of the current limited service we offer to Palm Springs, Oakland and San Diego, California; Reno, Nevada; and Punta Gorda, Florida which starts in March 2009), Mexico and the Caribbean.

Develop New Sources of Revenue. We have identified three key areas where we have built and believe we can grow our ancillary revenues:

- *Unbundling the Traditional Airline Product.* We believe most leisure travelers are concerned primarily with purchasing air travel for the least expensive price. As such, we have created new sources of revenue by charging fees for services many U.S. airlines historically bundled in their product offering. We believe by offering a simple base product at an attractive low fare we can drive demand and generate incremental revenue as customers pay additional amounts for conveniences they value. For example, we do not offer complimentary advance seat assignments; however, any customer can purchase advance seat assignments for a small incremental cost. We also sell snacks and beverages on board the aircraft so our customers can pay for only the items they value. We aim to continue to increase ancillary revenue by unbundling our air travel product.
- *Expand and Add Partnerships with Premier Leisure Companies.* We currently work with many premier leisure companies in our leisure destinations that provide ancillary products and services we sell to our customers. For example, we have contracts with Harrah's Entertainment and MGM MIRAGE, among others, that allow us to provide hotel rooms sold in packages to our customers. During 2008, we generated revenue from the sale of more than 400,000 hotel rooms. By expanding our existing relationships and seeking additional partnerships with premier leisure

companies, we believe we can increase the number of products and services offered to our customers and generate more ancillary revenue.

- **Leverage Direct Relationships With Our Customers.** Since approximately 86% (during 2008) of our scheduled service revenue is purchased directly through our website, we are able to establish direct relationships with our customers by capturing their email addresses for our database. This information provides us multiple opportunities to market products and services, including at the time they purchase their travel, between the time they purchase and initiate their travel, and after they have completed their travel. We intend to develop sales approaches for each of these opportunities. In addition, we market products and services to our customers during the flight. We believe the breadth of options we can offer them allows us to provide a "one-stop" shopping solution.

Continue to Focus on Reducing Our Operating Costs. We intend to continue to focus on reducing costs to remain one of the lowest cost airlines in the world, which we believe is instrumental to both increasing and maintaining profitability. We expect to drive operational efficiency and reduce costs in part by growing our network. We will expand our network by increasing the frequency of our flights in existing markets, expanding the number of small cities we serve, and increasing the number of leisure destinations, all of which permits us to increase the utilization of our employees and assets, spreading our fixed costs over a larger number of departures and passengers.

Minimize Fixed Costs to Increase Strategic Flexibility. We believe our low aircraft ownership costs and the lower costs associated with our small city market strategy provide us with a lower level of fixed costs than other U.S. airlines. We believe minimizing our level of fixed costs provides us with added flexibility in scheduling our services and controlling our profitability. For example, with lower fixed costs we are better able to enter or exit markets as well as match the size and utilization of our fleet to limit unprofitable flying and maximize profitability.

Routes and Schedules

Our current scheduled air service predominantly consists of limited frequency, nonstop flights into Las Vegas, Phoenix, Orlando, Tampa/St. Petersburg and Ft. Lauderdale from small cities (including seasonal service) across the continental United States. As of February 1, 2009, our scheduled service route network is summarized below (including routes served seasonally).

Routes to Las Vegas	39
Routes to Orlando	29
Routes to Tampa/St. Petersburg	20
Routes to Phoenix	15
Routes to Ft. Lauderdale	6
Other Routes	4
Total Routes	113

As of February 1, 2009, we provide scheduled service to 61 cities (including leisure destinations) in 33 states.

We attempt to match the frequency of flights with market demand. We rarely have daily flights in our markets, nor do we generally offer multiple flights per day. In most cases, we offer several flights per week in each of our markets. We anticipate adjusting frequency over time as demand warrants and some markets are only served on a seasonal basis.

In addition, we temporarily suspend flying some Florida routes for varying periods (depending on the route) between the middle of August and the beginning of November as leisure demand to Florida

tends to be quite weak during this time. We schedule crew training, aircraft maintenance and additional charter flying to coincide with this period. In 2008, we temporarily suspended flying on a number of Phoenix routes during the summer months for similar reasons.

We generally begin our route selection process by identifying markets in which there is no nonstop service to our leisure destinations, which have a large enough population in the airport's catchment area to support at least two weekly flights, and which are typically no more than eight hours round-trip flight time from the destination. The eight hour limit permits one flight crew to perform the mission, avoiding costly crew overnight expenses and increasing crew utilization and efficiency. We then study publicly available data from the DOT showing the historical number of passengers, capacity, and average fares over time in the identified markets. We also study general demographic information about the population base for the targeted market area to assist in our determination whether we believe a service from a particular market would likely be successful.

We forecast the level of demand in a particular market that will result from the introduction of our service as well as our judgment of the likely competitive response of other airlines. We focus on markets where competitors are unlikely to initiate service and we prioritize routes that can be started at low marginal crew and ground operations costs.

Once a market is classified as attractive, we begin a rigorous analysis of the costs of providing service to that market. The major costs under consideration would be the initial and ongoing advertising costs to gain and maintain name recognition, airport charges, ground handling and fuel costs. The demand for nonstop air service in our markets often gives us leverage to attract financial support from the cities and airports we serve in the form of shared advertising costs and abatement or reduction of airport fees.

Our fixed fee flying predominately consists of flying under an agreement with Harrah's Entertainment Inc. with one aircraft based each in Tunica, Mississippi, Reno, Nevada, and Laughlin, Nevada, and an additional aircraft available for use at Laughlin, Nevada on select days of the week. We began a one-year charter program in January 2009 under an agreement with Beau Rivage Resorts, Inc., with use of one aircraft based out of Tampa/St. Petersburg. In February 2009, we were approved to become a participant in the Civil Reserve Air Fleet ("CRAF") which will allow us to bid on and be awarded peacetime airlift contracts with the military. During periods when aircraft are not utilized for scheduled service flying, we typically seek out additional charter service and ad hoc flying.

Safety and Security

We believe we provide a safe and healthy working environment for our employees. We are committed to an accident prevention program which includes the identification and correction of hazards and the training of employees in safe work practices. We strive to comply with or exceed health and safety regulation standards. In pursuing these goals, we maintain an active aviation safety program and all company personnel are expected to participate in the program and take an active role in the identification, reduction and elimination of hazards.

Our ongoing focus on safety relies on hiring good people, training them to proper standards, and providing them with the tools and equipment they require so they can perform their job functions in a safe and efficient manner. Safety in the workplace targets five areas of our operation: flight operations, maintenance, in-flight, dispatch, and station operations. We maintain a formal internal evaluation program which focuses on these operational areas. In the maintenance area, we maintain an active Continuing Analysis and Surveillance Program. All operational areas support an active event and hazard reporting program. In the flight operations department, we maintain an active Operational Performance Enhancement Committee and a Flight Standards Board comprised of management and check airmen. We plan to begin to install electronic flight bags in our aircraft fleet within the next 12 months. The station operations area conducts safety meetings and completes a safety checklist at all

locations on a monthly basis. Maintenance bases, dispatch and in-flight also perform documented periodic evaluations of various functions and documentation within their areas to ensure compliance with company policies and regulatory requirements.

The Transportation Security Administration ("TSA") is charged with aviation security for both airlines and airports. We maintain active, open lines of communication with the TSA at all of our locations to ensure proper standards for security of our personnel, customers, equipment and facilities are exercised throughout the operation.

Sales and Distribution

We sell air transportation that may be packaged, at the passenger's discretion, with other products such as hotels, rental cars, and tickets to popular tourist attractions in our leisure destinations. We have chosen to maintain full control over our inventory and only distribute our product through our website, our call center, or at our airport ticket counters. We do not presently sell through Expedia, Travelocity, Orbitz or any other internet travel agencies nor is our product displayed and sold through the global distribution systems which include Sabre, Galileo, Worldspan and Amadeus. This distribution strategy results in reduced expenses by avoiding the fees associated with the use of GDS distribution points and also permits us to develop and maintain a direct relationship with our customers. The direct relationship enables us to engage continuously in communications with our customers which we believe will result in substantial benefits over time.

We market our services through advertising and promotions in newspapers, magazines, television and radio and through targeted public relations and promotional efforts in our small city markets. We currently advertise in more than 400 print circulations. We also rely on public relations and word-of-mouth to promote our brand. We generally run special promotions in coordination with the inauguration of service into new markets. Starting approximately 60 days before the launch of a new route, we undertake a major advertising campaign in the target market and local media attention frequently focuses on the introduction of our low fares.

While many airlines have discontinued paying commissions to travel agents, we continue to pay a commission for vacation packages sold through travel agencies. Travel agencies assist with the initial marketing in new markets and help us generate brand awareness. We believe travel agencies tend to have more influence in smaller cities. Approximately 5.6% of our scheduled service bookings were booked by travel agents during both 2007 and 2008.

We have a database of more than 900,000 email addresses from past customers and visitors to our website, and use blast emails to communicate special offers to this group. The heaviest concentration of air-only sales occurs in the period 30 to 60 days before departure, and occurs 30 to 90 days before departure for air-hotel package sales. We commonly use email promotions directed toward the customers in our database as a vehicle for selling unsold seats in the period two to three weeks before departure.

All of our bookings must be made on our website, through our call center or at our airport ticket counters, even if booked through travel agents. The percentage of our scheduled service bookings on our website was 86.4% in 2008. This distribution mix creates significant cost savings for us and enables us to continue to build loyalty with our customers through increased interaction with them.

Pricing, Revenue Management and Ancillary Revenue

Our low fares are designed to stimulate demand from price-sensitive leisure travelers who might not have traveled to our leisure destinations due to the expense and inconvenience involved in traveling there. Our fare structure generally comprises six "buckets," with prices generally increasing as the number of days prior to travel decreases. Prices in the highest bucket are typically less than three times

the prices in the lowest bucket and our highest one-way fare is \$329 as of February 1, 2009. All our fares are one-way and non-refundable, although they may be changed for a \$50 charge per segment. Customers may avoid change fees by buying our travel protection product at the time of purchase.

We try to maximize the overall revenue of our flights by utilizing yield management techniques. Yield management is an integrated set of business processes that provides us with the ability to understand markets, anticipate customer behavior and respond quickly to opportunities. We use yield management in an effort to maximize passenger revenues by flight, by market and across the entire system.

The number of seats offered at each fare is established through a continual process of forecasting, optimization and competitive analysis. Generally, past booking history and seasonal trends are used to forecast anticipated demand. These historical forecasts are combined with current bookings, upcoming events, competitive pressures and other factors to establish a mix of fares designed to maximize revenue. This ability to accurately adjust prices based on fluctuating demand patterns allows us to balance loads and capture more revenue from existing capacity.

We believe effective yield management has contributed to our strong financial operating performance and is a key to our continued success.

Ancillary revenue comes from the sale of vacation packages including hotels, rental cars, show tickets, night club packages and other attractions; the sale of advance seat assignments; the sale of beverages, snacks and other products on board the aircraft; charging a fee for using our reservation center or website to purchase air travel; the collection of checked bag and overweight bag charges; charging a fee for unlimited changes to reservations; and several other revenue streams.

A significant component of our ancillary revenue is from the sale of hotel rooms packaged with air travel. As of February 1, 2009, we have agreements with 61 hotels in Las Vegas, including hotels managed by MGM MIRAGE, Harrah's Entertainment Inc., Boyd Gaming Corp., Wynn Resorts, Limited, and Las Vegas Sands Corp., 25 hotels in Orlando (plus 20 additional hotels in nearby Daytona Beach, Florida), 17 hotels in Tampa/St. Petersburg, 19 hotels in Ft. Lauderdale, 32 hotels in Phoenix, 10 hotels in Reno, Nevada and 10 hotels in Palm Springs. During 2008, we generated revenue from the sale of more than 400,000 hotel room nights. We believe the favorable breadth and terms of these contracts would be difficult for others to replicate quickly.

Competition

The airline industry is highly competitive. Airline profit levels are sensitive to changes in fuel costs, fare levels and passenger demand. Passenger demand and fare levels have historically been influenced by, among other things, the general state of the economy, international events, industry capacity and pricing actions taken by other airlines. The principal competitive factors in the airline industry are fare pricing, customer service, routes served, flight schedules, types of aircraft, safety record and reputation, code-sharing relationships and frequent flyer programs.

Our competitors and potential competitors include legacy airlines, LCCs, regional airlines and new entrant airlines. Many of these airlines are larger, have significantly greater financial resources and serve more routes than we do. In a limited number of cases, competitors have chosen to add service, reduce their fares or both, in some of our markets following our entry.

We believe a key to our initial and long-term success is that we seek to offer customers in our markets a better alternative for airline travel. We offer a simple, affordable product with excellent customer service and reliability using clean and comfortable aircraft. We sell only nonstop flights. We do not require Saturday night stays or the purchase of round-trip travel. We do not overbook our flights. We understand that our leisure customer only has a limited number of vacation days and relies on us to get them to their destination and back in a timely manner.

Our 150-seat MD80 aircraft, with an average seat pitch of 31 to 32 inches, offer a comfortable alternative to the 37 to 86 seat regional jets that secondary market travelers are accustomed to flying as part of the hub and spoke networks of the legacy carriers. Additionally, we believe the MD80's three-by-two seating configuration is well liked by the traveling public because 80% of all seats are window or aisle seats. We adhere to the successful model pioneered by Southwest by offering a single class of service; however, unlike Southwest, we offer assigned seating at the airport. We also offer advance seat assignments and priority boarding for a fee which depends on the route served and location of the seat on the aircraft.

Our small city strategy has reduced the intensity of competition we might otherwise face. We are the only scheduled carrier in five of the small city airports we serve as of February 1, 2009, the only domestic scheduled carrier operating out of the Orlando Sanford International Airport and one of three carriers serving the St. Petersburg-Clearwater International Airport. In addition, we are the only scheduled carrier operating out of Phoenix-Mesa Gateway Airport in Phoenix. While virtually all U.S. airlines serve Las Vegas, Phoenix, Orlando, Tampa/St. Petersburg and Ft. Lauderdale, only US Airways and Southwest use Las Vegas as a hub or focus city, only AirTran and JetBlue use Orlando as a hub or focus city, only US Airways and Southwest use Phoenix as a hub or focus city and only JetBlue and Spirit uses Ft. Lauderdale as a hub or focus city.

As of February 1, 2009, we do not currently compete directly with AirTran, Southwest or Spirit in any of our markets; we compete with US Airways in only two markets to Las Vegas (Fresno and Santa Barbara); however, most of the flights US Airways operates in those markets use smaller regional jet aircraft; and we compete with United Express turboprops in the Fresno to Las Vegas market. In addition, we will compete with Horizon Air turboprops on our newly-announced Los Angeles to Medford, Oregon route and we will compete with United Express turboprops and American Eagle regional jets on our newly-announced Los Angeles to Monterey, California route. Both these routes will start service in May 2009.

Indirectly, we compete with Southwest, US Airways, AirTran, Delta and other carriers that provide nonstop service to Las Vegas, Phoenix, Orlando, Tampa/St. Petersburg and Ft. Lauderdale from airports near our small city markets. We will have similar indirect competition when we start flying to Los Angeles in May 2009. For example, we fly to Bellingham, Washington, which is a two-hour drive from Seattle-Tacoma International Airport, where travelers can access nonstop service to Las Vegas on Alaska Airlines, Southwest or US Airways. We also face indirect competition from legacy carriers offering hub-and-spoke connections to our markets. For example, travelers can travel to Las Vegas from Peoria on United, American or Northwest, although all of these legacy carriers currently utilize regional aircraft to access their hubs and then mainline jets to access Las Vegas, tend to charge higher and restrictive fares, and have a much longer elapsed time of travel.

We also face indirect competition from automobile travel in our short-haul flights, primarily to our Florida leisure destinations. We believe our low cost pricing model, customer service, and the convenience of air transportation help us compete favorably against automobile travel.

In our fixed fee operations, we compete with the aircraft of other scheduled airlines as well as with independent passenger charter airlines such as Xtra and Pace. We also compete with aircraft owned or controlled by large tour companies. The basis of competition in the fixed fee market is cost, equipment capabilities, service and reputation.

People

We believe our growth potential and the achievement of our corporate goals are directly linked to our ability to attract and maintain the best professionals available in the airline business. Full-time equivalent employees at February 1, 2009 consisted of 277 pilots, 290 flight attendants, 314 airport operations personnel, 182 mechanics, 106 reservation agents, and 184 management and other

personnel. As of February 1, 2009, we employed 1,138 full-time and 429 part-time employees, which we consider to be 1,353 full-time equivalent employees.

We place great emphasis on the selection and training of enthusiastic employees with potential to add value to our business and who we believe fit in with and contribute to our business culture. The recruiting and training process begins with an evaluation and screening process, followed by multiple interviews and experience verification. We provide extensive training intended to meet all Federal Aviation Administration ("FAA") requirements for security, safety and operations for our pilots, flight attendants and customer service agents.

To help retain talented and highly motivated employees, we offer competitive compensation packages as well as affordable health and retirement savings options. We offer medical, dental and 401(k) plans to full-time employees. Other salaried benefits include paid time off, as well as supplemental life insurance and long-term disability. We do not have a defined benefit pension plan for any employees. We review our compensation packages on a regular basis in an effort to ensure that we remain competitive and are able to hire and retain the best people possible.

In addition to offering competitive compensation and benefits, we take a number of steps to make our company an attractive place to work and build a career such as maintaining various employee recognition programs and consistently communicating our vision and mission statement to our employees. We believe creating a great place for our people to work motivates them to treat our customers beyond their expectations.

We have never experienced an organized work stoppage, strike or labor dispute. We currently do not have any labor unions. We have in-house pilot and flight attendant associations with whom we have negotiated mutually satisfactory arrangements for pay increases. We meet with these associations on a regular basis to address relevant issues and matters of concern.

Aircraft and Fleet

Our fleet of 44 aircraft consists of 28 MD83, four MD87, eight MD82 aircraft, and four MD88 aircraft as of February 1, 2009, powered by Pratt & Whitney JT8D-219 and JT8D-217C engines. We generally utilize our 130-seat aircraft (MD87) for our fixed fee flying and our 150-seat aircraft (MD82/83/88) for our scheduled service. As of February 1, 2009, we own 42 of our aircraft—16 are owned free and clear, and 24 are owned subject to financing scheduled to be fully paid over the next four years. An additional two aircraft are subject to capital leases under which we expect to take ownership within the next three years. We lease the remaining two aircraft under operating leases which expire in 2012.

As of February 1, 2009, 39 out of our fleet of 44 aircraft are in operating service. We have taken possession of two aircraft, one previously leased to a third party, and one purchased outright, which we expect to place into service before the end of first quarter of 2009. The remaining three aircraft that make up our fleet are leased to a third party. We expect to take possession of these aircraft and place them into service by the end of first quarter of 2010.

We believe conditions in the market for high quality used MD80 class aircraft are favorable for buyers and lessees. Thus, we do not believe availability of suitable aircraft will be a growth constraint. However, MD80 series aircraft and Pratt & Whitney JT8D-200 engines are no longer manufactured. This could cause a shortage of additional suitable aircraft, engines or spare parts over the long term. If the FAA adopts regulations to limit the age of aircraft in the U.S., we may need to seek replacement of some of our current aircraft fleet sooner than anticipated and to seek a newer aircraft type to replace our existing fleet and to expand our operations.

Our aircraft range from 12 to 22 years old with an average age of 19.4 years as of February 1, 2009. As of February 1, 2009, the average number of cycles on our fleet was approximately 29,700

cycles and the highest number of cycles on any of our aircraft was approximately 45,300. A cycle is defined as one take-off and landing and is a measure often used by regulators in determining the applicability of aging aircraft requirements. We historically operate approximately 1000 cycles per aircraft per year.

Maintenance

We have an FAA-approved maintenance program, which is administered by our maintenance department headquartered in Las Vegas. Consistent with our core value of safety, all mechanics and avionics specialists employed by us have appropriate training and experience and hold required licenses issued by the FAA. We provide them with comprehensive training and maintain our aircraft and associated maintenance records in accordance with FAA regulations. The maintenance performed on our aircraft can be divided into three general categories: line maintenance, heavy maintenance, and component and engine overhaul and repair. With the exception of scheduled line maintenance, which is generally performed by our personnel, we contract with outside organizations to provide heavy maintenance and component and engine overhaul and repair. We have chosen not to invest in facilities or equipment to perform our own heavy maintenance, engine overhaul or component work. Our management closely supervises all maintenance functions performed by our personnel and contractors employed by us, and by outside organizations. We closely supervise the outsourced work performed by our heavy maintenance and engine overhaul contractors.

Line maintenance consists of routine daily and weekly scheduled maintenance checks on our aircraft, including pre-flight, daily, weekly and overnight checks and any diagnostics and routine repairs. We perform this work at our maintenance bases in Las Vegas, Phoenix, Orlando, Tampa/St. Petersburg, Ft. Lauderdale, Bellingham, Tunica (Mississippi), Reno (Nevada) and Laughlin (Nevada) with the Reno, Laughlin and Tunica bases supporting our fixed fee flying services. We will perform similar functions in Los Angeles when we initiate service there in May 2009. For unscheduled requirements that arise away from our maintenance bases, we subcontract our line maintenance to outside organizations under customary industry terms.

Heavy maintenance checks consist of more complex inspections and servicing of the aircraft that cannot be accomplished during an overnight visit. These checks occur approximately every 18 months on each aircraft and can range in duration from two to six weeks, depending on the magnitude of the work prescribed in the particular check. We have contracted with American Airlines, Inc., the world's largest MD80 operator, to perform airframe heavy maintenance checks on an exclusive basis through the end of 2009. We have the option to extend the contract for an additional year. Recently, we have utilized AAR Corp., a company not affiliated with American Airlines, Inc., for induction services to ready newly acquired aircraft to enter our operating fleet.

Component and engine overhaul and repair involves sending certain parts, such as engines, landing gear and avionics, to FAA-approved maintenance repair stations for repair and overhaul. We presently utilize Pratt & Whitney controlled Christchurch Engine Centre and TIMCO Aviation Services, Inc. for overhaul and repair of our engines on a non-exclusive basis.

We also have a non-exclusive general terms agreement with Avioserv for the consignment of engine parts.

In addition to the maintenance contractors we presently utilize, we believe there are sufficient qualified alternative providers of maintenance services that we can use to satisfy our ongoing maintenance needs.

Aircraft Fuel

Fuel is our largest operating expense. The cost of fuel is volatile, as it is subject to many economic and geopolitical factors we can neither control nor predict. Significant increases in fuel costs, as we have had in the recent past and could have in the future, would materially affect our operating results and profitability. While we are not currently pursuing fuel hedging programs, in the past we have entered into forward contracts or other financial products to reduce our exposure to fuel price volatility.

In an effort to reduce our fuel costs, we have sought to become involved at an earlier stage in the fuel distribution channels. In this regard, we have formed a wholly-owned subsidiary which has entered into a limited liability company operating agreement with an affiliate of Orlando Sanford International Airport to engage in contract fueling transactions for the provision of aviation fuel to airline users at that airport. In addition, we have invested in fuel storage units and fuel transportation facilities involved in the fuel distribution process. These efforts could result in the creation of additional joint ventures to further our involvement in the fuel distribution process. By reason of these activities, we could potentially incur material liabilities, including possible environmental liabilities, to which we would not otherwise be subject.

Government Regulation

We are subject to regulation by the DOT, FAA and other governmental agencies.

DOT. The DOT primarily regulates economic issues affecting air transportation such as certification and fitness of carriers, insurance requirements, consumer protection, competitive practices and statistical reporting. The DOT also regulates requirements for accommodation of passengers with disabilities. The DOT has the authority to investigate and institute proceedings to enforce its regulations and may assess civil penalties, suspend or revoke operating authority and seek criminal sanctions. DOT also has authority to restrict or prohibit a carrier's cessation of service to a particular community if such cessation would leave the community without scheduled airline service.

We hold a DOT certificate of public convenience and necessity authorizing us to engage in: (i) scheduled air transportation of passengers, property and mail within the United States, its territories and possessions and between the United States and all countries that maintain a liberal aviation trade relationship with the United States (known as "open skies" countries), and (ii) charter air transportation of passengers, property and mail on a domestic and international basis.

FAA. The FAA primarily regulates flight operations and safety, including matters such as airworthiness and maintenance requirements for aircraft, pilot, mechanic, dispatcher and flight attendant training and certification, flight and duty time limitations and air traffic control. The FAA requires each commercial airline to obtain and hold an FAA air carrier certificate. This certificate, in combination with operations specifications issued to the airline by the FAA, authorizes the airline to operate at specific airports using aircraft approved by the FAA. We have and maintain in effect FAA certificates of airworthiness for all of our aircraft, and we hold the necessary FAA authority to fly to all of the cities we currently serve. Like all U.S. certificated carriers, we cannot provide scheduled service to new destinations without the authorization of the FAA. The FAA has the authority to investigate all matters within its purview and to modify, suspend or revoke our authority to provide air transportation, or to modify, suspend or revoke FAA licenses issued to individual personnel, for failure to comply with FAA regulations. The FAA can assess civil penalties for such failures and institute proceedings for the collection of monetary fines after notice and hearing. The FAA also has authority to seek criminal

sanctions. The FAA can suspend or revoke our authority to provide air transportation on an emergency basis, without notice and hearing, if, in the FAA's judgment, safety requires such action. A legal right to an independent, expedited review of such FAA action exists. Emergency suspensions or revocations have been upheld with few exceptions. The FAA monitors our compliance with maintenance, flight operations and safety regulations on an ongoing basis, maintains a continuous working relationship with our operations and maintenance management personnel, and performs frequent spot inspections of our aircraft, employees and records.

The FAA also has the authority to issue maintenance directives and other mandatory orders relating to, among other things, inspection, repair and modification of aircraft and engines, increased security precautions, aircraft equipment requirements, noise abatement, mandatory removal and replacement of aircraft parts and components, mandatory retirement of aircraft and operational requirements and procedures. Such directives and orders can be issued without advance notice or opportunity for comment if, in the FAA's judgment, safety requires such action.

We believe we are operating in compliance with applicable DOT and FAA regulations, interpretations and policies and we hold all necessary operating and airworthiness authorizations, certificates and licenses.

Security. Within the United States, civil aviation security functions, including review and approval of the content and implementation of air carriers' security programs, passenger and baggage screening, cargo security measures, airport security, assessment and distribution of intelligence, threat response, and security research and development are the responsibility of the TSA of the Department of Homeland Security. The TSA has enforcement powers similar to DOT's and FAA's described above. It also has the authority to issue regulations, including in cases of emergency, the authority to do so without advance notice, including issuance of a grounding order as occurred on September 11, 2001.

Environmental. We are subject to various federal, state and local laws and regulations relating to the protection of the environment and affecting matters such as aircraft engine emissions, aircraft noise emissions, and the discharge or disposal of materials and chemicals, which laws and regulations are administered by numerous state and federal agencies. These agencies have enforcement powers similar to DOT's and FAA's described above. In addition, prior to receiving authorization from the FAA to begin service at an airport we have not previously served, we may be required to conduct an environmental review of the effects projected from our addition of service at that airport.

Federal law recognizes the right of airport operators with special noise problems to implement local noise abatement procedures so long as those procedures do not interfere unreasonably with interstate and foreign commerce and the national air transportation system. These restrictions can include limiting nighttime operations, directing specific aircraft operational procedures during takeoff and initial climb, and limiting the overall number of flights at an airport. None of the airports we serve currently restricts the number of flights or hours of operation, although it is possible one or more of such airports may do so in the future with or without advance notice.

Foreign Ownership. To maintain our DOT and FAA certificates, our airline operating subsidiary and we (as the airline's holding company) must qualify continuously as a citizen of the United States within the meaning of U.S. aeronautical laws and regulations. This means we must be under the actual control of U.S. citizens and we must satisfy certain other requirements, including that our president and at least two-thirds of our board of directors and other managing officers must be U.S. citizens, and that not more than 25% of our voting stock may be owned or controlled by non-U.S. citizens. The amount of non-voting stock that may be owned or controlled by non-U.S. citizens is strictly limited as well. We believe we are in compliance with these ownership and control criteria.

Other Regulations. Air carriers are subject to certain provisions of federal laws and regulations governing communications because of their extensive use of radio and other communication facilities,

and are required to obtain an aeronautical radio license from the Federal Communications Commission ("FCC"). To the extent we are subject to FCC requirements, we will continue to comply with those requirements.

The quality of water used for drinking and hand-washing aboard aircraft is subject to regulation by the Environmental Protection Agency ("EPA"). To the extent we are subject to EPA requirements, we will continue to comply with those requirements.

We are responsible for collection and remittance of federally imposed and federally approved taxes and fees applicable to air transportation passengers. We believe we are in compliance with these requirements, and we will continue to comply with them.

Our operations may become subject to additional federal requirements in the future under certain circumstances. For example, our labor relations are covered under Title II of the Railway Labor Act of 1926, as amended, and are subject to the jurisdiction of the National Mediation Board. During a period of past fuel scarcity, air carrier access to jet fuel was subject to allocation regulations promulgated by the Department of Energy.

We are also subject to state and local laws, regulations and ordinances at locations where we operate and to the rules and regulations of various local authorities that operate airports we serve. None of the airports in the small cities in which we operate have slot control, gate availability or curfews that pose meaningful limitations on our operations. However, some small city airports have short runways that require us to operate some flights at less than full capacity.

International air transportation, whether provided on a scheduled or charter basis, is subject to the laws, rules and regulations of the foreign countries to, from and over which the international flights operate. Foreign laws, rules and regulations governing air transportation are generally similar, in principle, to the regulatory scheme of the United States as described above, although in some cases foreign requirements are comparatively less onerous and in others, more onerous. We must comply with the laws, rules and regulations of each country to, from or over which we operate. International flights are also subject to U.S. Customs and Border Protection, Immigration and Agriculture requirements and the requirements of equivalent foreign governmental agencies.

Future Regulation. Congress, the DOT, the FAA and other governmental agencies have under consideration, and in the future may consider and adopt, new laws, regulations, interpretations and policies regarding a wide variety of matters that could affect, directly or indirectly, our operations, ownership and profitability. We cannot predict what other matters might be considered in the future by the FAA, the DOT, other agencies or Congress, nor can we judge what impact, if any, the implementation of any of these proposals or changes might have on our business.

Civil Reserve Air Fleet. In February 2009 we received approval to become a participant in the Civil Reserve Air Fleet (CRAF) Program which affords the U.S. Department of Defense the right to charter our aircraft during national emergencies when the need for military airlift exceeds the capability of available military resources. During the Persian Gulf War of 1990-91 and on other occasions, CRAF carriers were required to permit the military to use their aircraft in this manner. As a result of our CRAF approval, we are eligible to bid on and be awarded peacetime airlift contracts with the military.

Insurance

We maintain insurance policies we believe are of types customary in the industry and as required by the DOT and in amounts we believe are adequate to protect us against material loss. The policies principally provide coverage for public liability, passenger liability, baggage and cargo liability, property damage, including coverages for loss or damage to our flight equipment and workers' compensation insurance. There is no assurance, however, that the amount of insurance we carry will be sufficient to protect us from material loss.

General Information

Our principal executive offices are located at 8360 South Durango Drive, Las Vegas, Nevada 89113. Our telephone number is (702) 851-7300. Our website address is <http://www.allegiantair.com>. We have not incorporated by reference into this annual report the information on our website and you should not consider it to be a part of this document. Our website address is included in this document for reference only. Our annual report, quarterly reports, current reports and amendments to those reports are made available free of charge through our website at ir.allegiantair.com, as soon as reasonably practicable after electronically filed with or furnished to the Securities and Exchange Commission ("SEC").

Business History

We were founded in 1997 and initially operated as Allegiant Air, Inc. under a different business strategy with a different management team. Prior to our bankruptcy filing in December 2000, we were owned by a single individual. Although Maurice J. Gallagher, Jr. provided some financing to us, neither he nor any other members of our current management were actively involved in our business. Prior to 2001, the focus of our business was ad hoc charters and a more traditional scheduled service product catering to the business traveler with multiple flights a day. At that time, we used DC-9 aircraft with a two-class configuration and served a small number of cities in the West.

This strategy was ultimately unsuccessful, and we filed for bankruptcy court protection in December 2000. A plan of reorganization was confirmed in June 2001. The key elements of the plan were: (i) debt held by Mr. Gallagher was restructured and Mr. Gallagher injected additional capital into our company; (ii) Mr. Gallagher became our majority owner; and (iii) a new management team was installed in June 2001. We emerged from bankruptcy in March 2002.

In May 2005, we completed a private placement under which private investors paid \$34.5 million for preferred shares of our limited liability company predecessor. Simultaneously, Mr. Gallagher, our chief executive officer, converted \$5.0 million of debt owed to him into preferred shares. Three of our current directors directly or indirectly invested in this transaction.

On December 13, 2006, we completed the initial public offering of our common stock. We issued 5,750,000 shares at \$18.00 per share resulting in net proceeds to us of approximately \$94.5 million.

In May 2007, we completed a secondary public offering under which selling stockholders sold 3,794,286 shares and we issued 748,214 shares at \$31.75 per share resulting in net proceeds to us of approximately \$22.3 million.

Item 1A. Risk Factors

An investment in our common stock involves a high degree of risk. Investors should carefully consider the risks described below before making an investment decision. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and investors may lose all or part of your investment.

Risks Related to Allegiant

The economic downturn may adversely affect travel from our small city markets to our leisure destinations.

The U.S. economy has been weakened by a financial crisis, significant declines in the stock markets and increasing unemployment, which may reduce the wealth and tighten spending of consumers. It is uncertain to what extent these economic conditions may impact demand for airline travel in our small city markets or to our leisure destinations.

Increases in fuel prices or unavailability of fuel would harm our business and profitability.

Fuel costs constitute a significant portion of our total operating expenses (more than 50% during 2008). Significant increases in fuel costs have negatively affected our operating results in 2008 and future price increases could harm our financial condition and results of operations.

Aircraft fuel availability is also subject to periods of market surplus and shortage and is affected by demand for heating oil, gasoline and other petroleum products. Because of the effect of these events on the price and availability of aircraft fuel, the price and future availability of fuel cannot be predicted with any degree of certainty. A fuel supply shortage or higher fuel prices could result in curtailment of our service.

Our reputation and financial results could be harmed in the event of an accident or incident involving our aircraft or other MD80 aircraft.

An accident or incident involving one of our aircraft could involve repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service, and significant potential claims of injured passengers and others. Although we believe we currently maintain liability insurance in amounts and of the type generally consistent with industry practice, the amount of such coverage may not be adequate and we may be forced to bear substantial losses from an accident. Substantial claims resulting from an accident in excess of our related insurance coverage would harm our business and financial results. Moreover, any aircraft accident or incident, even if fully insured, could cause a public perception that we are less safe or reliable than other airlines, which would harm our business. Because we are smaller than most airlines, an accident would likely adversely affect us to a greater degree than a larger, more established airline.

Additionally, our dependence on this single type of aircraft and engine for all of our flights makes us particularly vulnerable to any problems that might be associated with, or aging aircraft requirements affecting, this aircraft type or these engines. Our business would be significantly harmed if a mechanical problem with the MD80 series aircraft or the Pratt & Whitney JT8D-200 series engine were discovered causing our aircraft to be grounded while any such problem is being corrected, assuming it could be corrected at all. The FAA could also suspend or restrict the use of our aircraft in the event of any actual or perceived mechanical problems, whether involving our aircraft or another U.S. or foreign airline's aircraft, while it conducts its own investigation. Our business would also be significantly harmed if the public avoids flying our aircraft due to an adverse perception of the MD80 series aircraft or the Pratt & Whitney JT8D-200 series engine because of safety concerns or other problems, whether real or perceived, or in the event of an accident involving an MD80 aircraft.

We rely heavily on automated systems to operate our business and any failure of these systems could harm our business.

We depend on automated systems to operate our business, including our computerized airline reservation system, our telecommunication systems, our website and other automated systems. We rely on a single vendor to support many of these systems and it would be difficult to readily replace this vendor on which we have relied since our inception. A failure of this vendor to satisfactorily service our automation needs could negatively affect our Internet sales and customer service and result in increased costs.

We issue only electronic tickets. Our website and reservation system must be able to accommodate a high volume of traffic and deliver important flight information. Substantial or repeated website, reservations system or telecommunication systems failures or a failure by our vendor could reduce the attractiveness of our services. Any disruption in these systems could result in the loss of important data, loss of revenue, increase our expenses and generally harm our business.

In the processing of our customer transactions, we receive and store a large volume of identifiable personal data. This data is increasingly subject to legislation and regulation. This government action is typically intended to protect the privacy of personal data that is collected, processed and transmitted. We could be adversely affected if legislation or regulations are expanded to require changes in our business practices in ways that negatively affect our business, financial condition and results of operations. As privacy and data protection become more sensitive issues, we may also become exposed to potential liabilities as a result of differing views on the privacy of travel data. These and other privacy developments are difficult to anticipate and could adversely affect our business, financial condition and results of operations.

Our maintenance costs will increase as our fleet ages.

Our aircraft range from 12 to 22 years old, with an average age of 19.4 years as of February 1, 2009. In general, the cost to maintain aircraft increases as they age and exceeds the cost to maintain new aircraft. FAA regulations require additional and enhanced maintenance inspections for older aircraft. These regulations include Aging Aircraft Airworthiness Directives, which typically increase as an aircraft ages and vary by aircraft or engine type depending on the unique characteristics of each aircraft and/or engine.

In addition, we may be required to comply with any future aging aircraft issues, law changes, regulations or airworthiness directives. We cannot assure you our maintenance costs will not exceed our expectations.

We believe our aircraft are and will continue to be mechanically reliable based on the percentage of scheduled flights completed. We cannot assure you our aircraft will continue to be sufficiently reliable over longer periods of time. Furthermore, given the age of our fleet, any public perception that our aircraft are less than completely reliable could have an adverse effect on our profitability.

We may be subject to unionization which could increase our labor costs.

Unlike most airlines, we have a non-union workforce. If our employees unionize, it could result in demands that may increase our operating expenses and adversely affect our profitability. Our pilots and flight attendants have formed in-house associations to negotiate matters of concern with us. Although we have negotiated mutually acceptable arrangements with our pilots and flight attendants, our costs could be adversely affected by the cumulative results of discussions with employee groups in the future.

Our business is heavily dependent on the attractiveness of our leisure destinations and a reduction in demand for air travel to these markets could harm our business.

Almost all of our scheduled flights and announced service have Las Vegas, Phoenix, Orlando, Tampa/St. Petersburg, Ft. Lauderdale or Los Angeles as either their destination or origin. Our business could be harmed by any circumstances causing a reduction in demand for air transportation to one or more of these markets, such as adverse changes in local economic conditions, negative public perception of the particular city, significant price increases, or the impact of future terrorist attacks.

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

Our business depends upon the efforts of our chief executive officer, Maurice J. Gallagher, Jr., and a small number of management and operating personnel. We do not currently have an employment agreement with or maintain key-man life insurance on Mr. Gallagher. We may have difficulty replacing management or other key personnel who leave and, therefore, the loss of the services of any of these individuals could harm our business.

If our credit card processing company were to require significant holdbacks for processing credit card transactions for the purchase of air travel and other services, our cash flow would be adversely affected.

Credit card companies sometimes require holdbacks when future air travel and other future services are purchased through credit card transactions. We rely on a single credit card processing company at this time, and our agreement is terminable on 30 days notice. As virtually all of our scheduled service and ancillary revenue is paid with credit cards and our credit card processing agreement does not require a significant holdback, our cash flow would suffer in the event the terms of our current agreement were changed or terminated. Although we believe we would be able to secure a replacement credit card processing agreement if our current agreement is terminated, the terms of any new agreement may not be as favorable to us. These cash flow issues could be exacerbated during periods of rapid growth as we would be incurring additional costs associated with our growth, but our receipt of these revenues would be delayed.

Risks Associated with the Airline and Travel Industry

The airline industry is highly competitive and future competition in our small city markets could harm our business.

The airline industry is highly competitive. The small cities we serve on a scheduled basis have traditionally attracted considerably less attention from our potential competitors than larger markets, and in most of our markets, we are the only provider of nonstop service to our leisure destinations. It is possible other airlines will begin to provide nonstop services to and from these markets or otherwise target these markets. An increase in the amount of direct or indirect competition could harm our business.

A future act of terrorism, the threat of such acts or escalation of U.S. military involvement overseas could adversely affect our industry.

Even if not directed at the airline industry, a future act of terrorism, the threat of such acts or escalation of U.S. military involvement overseas could have an adverse effect on the airline industry. In the event of a terrorist attack, the industry would likely experience significantly reduced demand for travel services. These actions, or consequences resulting from these actions, would likely harm our business and the airline and travel industry.

Changes in government regulations imposing additional requirements and restrictions on our operations could increase our operating costs and result in service delays and disruptions.

Airlines are subject to extensive regulatory and legal compliance requirements, both domestically and internationally, that involve significant costs. In the last several years, the FAA has issued a number of directives and other regulations relating to the maintenance and operation of aircraft, including rules regarding assumed average passenger weight, that have required us to make significant expenditures. FAA requirements cover, among other things, retirement of older aircraft, security measures, collision avoidance systems, airborne windshear avoidance systems, noise abatement, weight and payload limits, and increased inspection and maintenance procedures to be conducted on aging aircraft.

We incur substantial costs in maintaining our current certifications and otherwise complying with the laws, rules and regulations to which we are subject. We cannot predict whether we will be able to comply with all present and future laws, rules, regulations and certification requirements or that the cost of continued compliance will not significantly increase our costs of doing business.

The FAA has the authority to issue mandatory orders relating to, among other things, the grounding of aircraft, inspection of aircraft, installation of new safety-related items and removal and

replacement of aircraft parts that have failed or may fail in the future. A decision by the FAA to ground, or require time consuming inspections of or maintenance on, all or any of our MD80 series aircraft, for any reason, could negatively impact our results of operations. In addition to state and federal regulation, airports and municipalities enact rules and regulations that affect our operations.

Additional laws, regulations, taxes and airport rates and charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenues. For example, in 2006 the FAA adopted regulations requiring airlines to monitor their third-party vendors' compliance with drug testing standards applicable to mechanics and maintenance personnel in addition to monitoring the airline's own compliance. Similarly, as a result of the terrorist attacks in New York and Washington, D.C. in September 2001, the FAA and the TSA have imposed more stringent security procedures on airlines. We cannot predict what other new regulations may be imposed on airlines and there is no assurance these laws or regulations, or any laws or regulations enacted in the future, will not materially adversely affect our financial condition or results of operations.

Our ability to operate as an airline is dependent upon our maintaining certifications issued to us by the DOT and the FAA. Federal law requires that air carriers operating large aircraft, such as our MD80 series aircraft, be continuously "fit, willing and able" to provide the services for which they are licensed. Our "fitness" is monitored by the DOT, which considers factors such as consumer-relations practices, legal and regulatory compliance disposition, financial resources and U.S. citizenship in making its determinations. While DOT has seldom revoked a carrier's certification for lack of fitness, such an occurrence would render it impossible for us to continue operating as an airline. Similarly, in a worst-case scenario, the FAA could restrict or suspend our ability to operate as an airline, and could do so on an emergency basis with little or no advance warning in the event the FAA should consider our operations unsafe. While under such circumstances we would have a right to expedited judicial review of the legality of the FAA's actions, such a development would likely harm our business severely regardless of the outcome of such review.

In the event we elect in the future to expand our scheduled service offerings into international markets, we would be subject to increased regulation by U.S. and foreign aeronautical authorities as well as customs, immigration and other border-protection agencies. Additionally, there is no assurance we would be able to obtain the right to serve all routes we may wish to serve. These factors, alone or in combination, could materially adversely affect any international scheduled service we may choose to pursue in the future.

In April 2006, the FAA indicated it intends to issue regulations limiting the age of aircraft that may be flown in the U.S. The announcement did not indicate the maximum age that would be allowed, the effective date of the regulation or any grandfathering provisions. These regulations, if and when implemented, could have a material effect on our future operations.

Airlines are often affected by factors beyond their control, including traffic congestion at airports, weather conditions, increased security measures or the outbreak of disease, any of which could harm our operating results and financial condition.

Like other airlines, we are subject to delays caused by factors beyond our control, including air traffic congestion at airports, adverse weather conditions, increased security measures or the outbreak of disease. Delays frustrate passengers and increase costs, which in turn could affect profitability. During periods of fog, snow, rain, storms or other adverse weather conditions, flights may be cancelled or significantly delayed. Cancellations or delays due to weather conditions, traffic control problems and breaches in security could harm our operating results and financial condition. An outbreak of a disease that affects travel behavior, such as severe acute respiratory syndrome ("SARS") or avian flu, could have a material adverse impact on the airline industry. Any general reduction in airline passenger

traffic as a result of an outbreak of disease could harm our business, financial condition and results of operations.

Risks Related to Our Stock Price

The market price of our common stock may be volatile, which could cause the value of an investment in our stock to decline.

The market price of our common stock may fluctuate substantially due to a variety of factors, many of which are beyond our control, including:

- announcements concerning our competitors, the airline industry or the economy in general
- strategic actions by us or our competitors, such as acquisitions or restructurings
- media reports and publications about the safety of our aircraft or the aircraft type we operate
- new regulatory pronouncements and changes in regulatory guidelines
- announcements concerning our business strategy, such as the introduction of a new aircraft type
- general and industry-specific economic conditions
- changes in financial estimates or recommendations by securities analysts
- sales of our common stock or other actions by investors with significant shareholdings
- general market conditions.

The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of particular companies. These types of broad market fluctuations may adversely affect the trading price of our common stock.

In the past, stockholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management's attention and resources, and harm our business or results of operations.

Other companies may have difficulty acquiring us, even if doing so would benefit our stockholders, due to provisions under our corporate charter, bylaws and option plans, as well as Nevada law.

Provisions in our articles of incorporation, our bylaws, and under Nevada law could make it more difficult for other companies to acquire us, even if doing so would benefit our stockholders. Our articles of incorporation and bylaws contain the following provisions, among others, which may inhibit an acquisition of our company by a third party:

- advance notification procedures for matters to be brought before stockholder meetings
- a limitation on who may call stockholder meetings
- the ability of our board of directors to issue up to 5,000,000 shares of preferred stock without a stockholder vote.

We are also subject to provisions of Nevada law that prohibit us from engaging in any business combination with any "interested stockholder," meaning generally that a stockholder who beneficially owns more than 10% of our stock cannot acquire us for a period of time after the date this person became an interested stockholder, unless various conditions are met, such as approval of the transaction by our board of directors.

Under U.S. laws and the regulations of the DOT, U.S. citizens must effectively control us. As a result, our president and at least two-thirds of our board of directors must be U.S. citizens and not more than 25% of our voting stock may be owned by non-U.S. citizens (although subject to DOT approval, the percent of foreign economic ownership may be as high as 49%). Any of these restrictions could have the effect of delaying or preventing a change in control.

In addition, options under our Long-Term Incentive Plan may have a special acceleration feature pursuant to which those options will vest in full in the event we are acquired. The accelerated vesting of our employee stock options may prove to be a deterrent to a potential acquisition of us because the acquiring company may have to implement additional retention programs to ensure the continued service of our employees, and the additional dilution that will result from the accelerated vesting of our outstanding employee stock options will likely reduce the amount otherwise payable to our stockholders in an acquisition.

Our corporate charter and bylaws include provisions limiting voting by non-U.S. citizens.

To comply with restrictions imposed by federal law on foreign ownership of U.S. airlines, our articles of incorporation and bylaws restrict voting of shares of our capital stock by non-U.S. citizens. The restrictions imposed by federal law currently require no more than 25% of our stock be voted, directly or indirectly, by persons who are not U.S. citizens, and that our president and at least two-thirds of the members of our board of directors be U.S. citizens. Our bylaws provide no shares of our capital stock may be voted by or at the direction of non-U.S. citizens unless such shares are registered on a separate stock record, which we refer to as the foreign stock record. Our bylaws further provide no shares of our capital stock will be registered on the foreign stock record if the amount so registered would exceed the foreign ownership restrictions imposed by federal law. Registration on the foreign stock record is made in chronological order based on the date we receive a written request for registration. Non-U.S. citizens will be able to own and vote shares of our common stock only if the combined ownership by all non-U.S. citizens does not violate these requirements.

The value of our common stock may be negatively affected by additional issuances of common stock or preferred stock by us and general market factors.

Future issuances or sales of our common stock or convertible preferred stock by us will likely be dilutive to our existing common stockholders. Future issuances or sales of common or preferred stock by us, or the availability of such stock for future issue or sale, could have a negative impact on the price of our common stock prevailing from time to time. Sales of substantial amounts of our common stock in the public or private market, a perception in the market that such sales could occur, or the issuance of securities exercisable or convertible into our common stock, could also adversely affect the prevailing price of our common stock.

Substantial sales of our common stock could cause our stock price to fall.

If our existing stockholders sell a large number of shares of our common stock or the public market perceives existing stockholders might sell shares of common stock, the market price of our common stock could decline significantly. All of our outstanding shares are either freely tradable, without restriction, in the public market or eligible for sale in the public market at various times, subject, in some cases, to volume limitations under Rule 144 of the Securities Act of 1933, as amended.

We cannot predict whether future sales of our common stock or the availability of our common stock for sale will adversely affect the market price for our common stock or our ability to raise capital by offering equity securities.

Item 1B. Unresolved Staff Comments

Not Applicable.

Item 2. Properties

We lease facilities at several of the airports we serve. Our leases for our terminal passenger services facilities, which include ticket counter and gate space, and operations support areas, generally have terms of less than two years in duration and can generally be terminated with a 30 to 60 day notice. We have also entered into use agreements at each of the airports we serve that provide for non-exclusive use of runways, taxiways and other facilities. Landing fees under these agreements are based on the number of landings and weight of the aircraft.

Our principal base of operations in Las Vegas is Terminal 1 at McCarran International Airport. We share the terminal with many other carriers. We currently lease three gates and have access to additional gates in the terminal. We believe we can operate ten departures per day per gate giving us current capacity to operate up to 30 departures per day on our leased gates and additional departures per day on the gates we have access to use. As a result in the reduction of overall capacity during 2008 at McCarran, we believe the current access to gate space is sufficient to accommodate our near term requirements. We expect growth at McCarran over the long-term, with an eventual increase in airline capacity to levels beyond those prior to 2008, which may result in gate space becoming more difficult to obtain at McCarran. We also lease space at the cargo area on the field at McCarran which is used for line maintenance operations. We currently rely on the availability of overnight aircraft parking space at the Las Vegas airport. However, due to the anticipated long-term growth of McCarran, we may encounter difficulty in obtaining sufficient overnight aircraft parking space in the future. Over time, this may result in our having to overnight more of our aircraft in other cities, which may increase our costs.

Our principal base of operations in Orlando is Terminal B at Orlando Sanford International Airport. We are the only scheduled domestic carrier operating at Orlando Sanford International Airport. The terminal has 12 gates, and we currently utilize up to three gates. We believe we have sufficient gate space to accommodate several years of growth at this airport. We also lease space in a nearby cargo building that supports our line maintenance and commissary operations.

We use two gates at the St. Petersburg-Clearwater International Airport with shared access to nine additional gates. We believe we have access to sufficient gate space to accommodate several years of growth at this airport.

We are the only carrier providing scheduled service at Phoenix-Mesa Gateway Airport in Phoenix based on currently published schedules with shared access to four gates. In 2008, we lent Phoenix-Mesa Gateway Airport \$3.0 million to construct an expansion of the existing terminal. With this expansion now complete, we believe we have access to sufficient gate space to accommodate several years of growth at this airport.

We use two gates at the Bellingham International Airport with shared access to provide service to Las Vegas, Phoenix and four other leisure destinations (soon to be five, with our newly announced service to Los Angeles to start in May 2009). Bellingham International Airport is exploring the possibility of an expansion project which we believe will allow for sufficient gate space to accommodate several years of growth.

Our principal base of operations in Ft. Lauderdale is Terminal 2 at Ft. Lauderdale-Hollywood International Airport. We have non-exclusive use of one gate at this airport. While we have sufficient gate space to accommodate our near-term requirements, gate space at Ft. Lauderdale is at a premium, as is space for parking aircraft overnight and operational space in general. While we believe that we will be able to accommodate our near-term Ft. Lauderdale growth plans, the space constraints may limit our growth or operations in the future.

Our principal base of operations in Los Angeles will be Terminal 6 at Los Angeles International Airport. We will have non-exclusive use of one gate at this airport. We believe we will have access to sufficient gate space to accommodate future growth at this airport.

Our primary corporate offices are located in Las Vegas, where we lease approximately 65,000 square feet of space under a lease that expires in April 2019. The lease has two five-year renewal options, but we have the right to terminate the lease after seven years in April 2015 and the right to purchase the building from the landlord after the third year of the lease in April 2011. We are also responsible for our share of common area maintenance charges. In June 2008, we entered into a lease for approximately 10,000 square feet of office space in a building adjacent to our corporate offices to be utilized for training and other corporate purposes. In each case, the landlord is a limited liability company in which certain of our officers and directors own significant interests as non-controlling members.

We also lease additional space in Las Vegas for commissary and parts warehouse under a lease that expires in August 2009.

Item 3. Legal Proceedings

We are subject to certain legal and administrative actions we consider routine to our business activities. We believe the ultimate outcome of any pending legal or administrative matters will not have a material adverse effect on our financial position, liquidity or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Market for our common stock

Our common stock has been quoted on the Nasdaq Global Market or the Nasdaq Global Select Market since December 8, 2006. On February 27, 2009, the last sale price of our common stock was \$34.32 per share. The following table sets forth the range of high and low sale prices for our common stock for the periods indicated.

<u>Period</u>	<u>High</u>	<u>Low</u>
2008		
1st Quarter	\$32.46	\$19.97
2nd Quarter	\$28.93	\$18.52
3rd Quarter	\$35.94	\$15.89
4th Quarter	\$49.06	\$23.52
2007		
1st Quarter	\$36.51	\$25.83
2nd Quarter	\$35.65	\$27.53
3rd Quarter	\$34.00	\$27.56
4th Quarter	\$38.74	\$29.90

As of February 1, 2009, there were approximately 600 holders of record of our common stock. We believe that a substantially larger number of beneficial owners hold shares of our common stock in depository or nominee form.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information regarding options, warrants or other rights to acquire equity securities under our equity compensation plans as of December 31, 2008:

	<u>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans</u>
Equity compensation plans approved by security holders(a)	451,001	\$ 22.88	2,196,553
Equity compensation plans not approved by security holders(b)	162,500	\$ 4.40	N/A
Total	613,501	\$ 17.98	2,196,553

(a) The shares shown as being issuable under equity compensation plans approved by our security holders excludes restricted stock awards issued. In addition to the above, there are 49,261 shares of nonvested restricted stock as of December 31, 2008.

(b) The shares shown as being issuable under equity compensation plans not approved by our security holders consist of warrants granted to the placement agent in our private placement completed in May 2005.

Dividend Policy

Other than distributions paid to our owners to defray the income taxes payable by them with respect to our taxable income while we were a pass-through entity for income tax purposes, we have not declared or paid any dividends on our equity since our inception. We do not intend to pay any dividends on our common stock in the foreseeable future. We currently intend to retain our future earnings, to finance the further expansion and continued growth of our business.

Our Repurchases of Equity Securities

The following table reflects our repurchases of our common stock during the fourth quarter of 2008. All stock repurchases during this period were made from employees who received restricted stock grants. All stock repurchases were made at the election of each employee pursuant to an offer to repurchase by the Company. In each case, the shares repurchased constituted either the full amount of vested shares or the portion of vested shares necessary to satisfy withholding tax requirements.

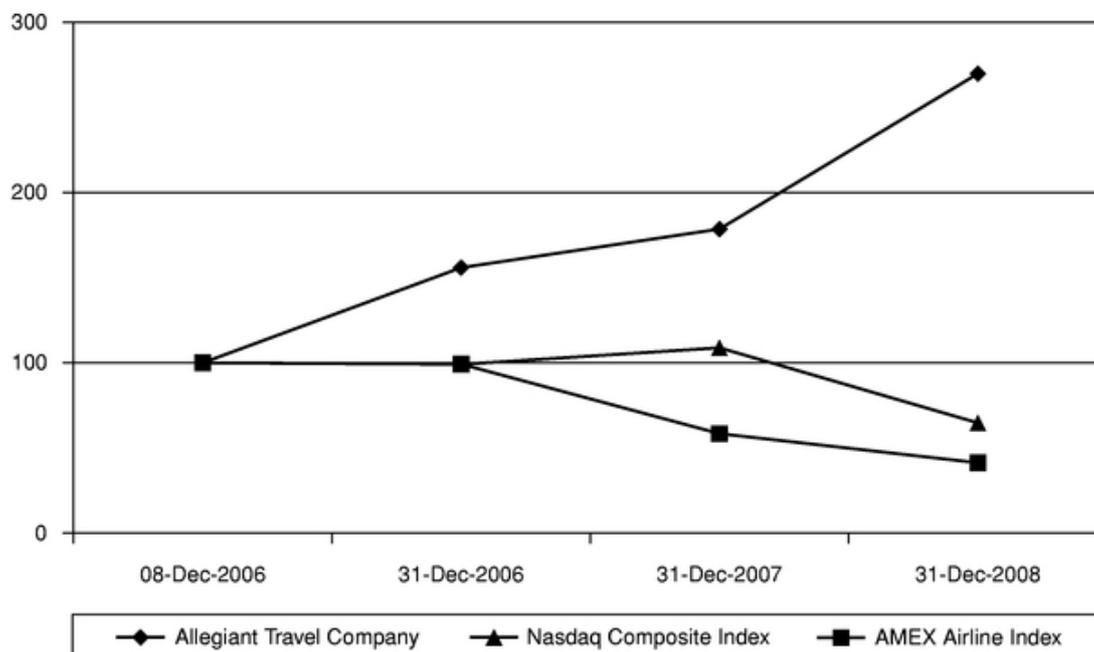
ISSUER PURCHASES OF EQUITY SECURITIES

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1)</u>
October 2008	1,774	\$ 33.22	None	\$ 9,205,384
November 2008	None	N/A	None	\$ 9,205,384
December 2008	22,357	\$ 41.36	None	\$ 9,205,384
Total	<u>24,131</u>	<u>\$ 40.76</u>	<u>None</u>	<u>\$ 9,205,384</u>

- (1) Represents the remaining dollar value of open market purchases of the Company's common stock which was authorized in January 2008 by the Board of Directors under a share repurchase program. In January 2009, the Board of Directors authorized a share repurchase program to acquire through open market purchases up to \$25.0 million in the Company's common stock. The newly authorized program replaces the previously approved program which expired in January 2009 with \$9.2 million of unused authority.

Stock Price Performance Graph

The following graph compares the cumulative total stockholder return on our common stock with the cumulative total return on the Nasdaq Composite Index and the AMEX Airline Index for the period beginning on December 8, 2006 (the date our common stock was first traded) and ending on the last day of 2008. The graph assumes an investment of \$100 in our stock and the two indices, respectively, on December 8, 2006, and further assumes the reinvestment of all dividends. The December 8, 2006 stock price used for our stock is the initial public offering price. Stock price performance, presented for the period from December 8, 2006 to December 31, 2008, is not necessarily indicative of future results.



	<u>12/08/06</u>	<u>12/31/06</u>	<u>12/31/07</u>	<u>12/31/08</u>
ALGT	\$100.00	\$155.89	\$178.56	\$269.83
Nasdaq Composite Index	\$100.00	\$ 99.09	\$108.82	\$ 64.70
AMEX Airline Index	\$100.00	\$ 99.23	\$ 58.39	\$ 41.30

The stock price performance graph shall not be deemed incorporated by reference by any general statement incorporating by reference this annual report on Form 10-K into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such Acts.

Item 6. Selected Financial Data

The following financial information for each of the five years ended December 31, 2008, has been derived from our consolidated financial statements. You should read the selected consolidated financial data set forth below along with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes.

	For the year ended December 31,				
	2008	2007	2006	2005	2004
(in thousands, except per share data)					
STATEMENT OF INCOME DATA:					
Operating revenue:					
Scheduled service revenue	\$330,969	\$258,943	\$178,349	\$ 90,664	\$46,236
Fixed fee contract revenue	52,525	35,378	33,743	30,642	40,987
Ancillary revenue	114,625	64,988	31,258	11,194	3,142
Other revenue	5,893	1,264	—	—	—
	<u>504,012</u>	<u>360,573</u>	<u>243,350</u>	<u>132,500</u>	<u>90,365</u>
Operating expenses:					
Aircraft fuel	229,640	152,149	101,561	52,568	27,914
Salary and benefits	72,007	55,593	37,453	23,090	16,201
Station operations	43,476	33,724	24,866	14,090	13,608
Maintenance and repairs	41,465	25,764	19,482	9,022	9,367
Sales and marketing	14,361	12,803	9,293	5,625	3,548
Aircraft lease rentals	2,815	3,004	5,102	4,987	3,847
Depreciation and amortization	23,489	15,992	10,584	5,088	2,183
Other	20,911	17,484	12,456	9,529	7,619
Total operating expenses	<u>448,164</u>	<u>316,513</u>	<u>220,797</u>	<u>123,999</u>	<u>84,287</u>
Operating income	<u>55,848</u>	<u>44,060</u>	<u>22,553</u>	<u>8,501</u>	<u>6,078</u>
Other (income) expense:					
Loss (gain) on fuel derivatives, net	11	(2,613)	4,193	(612)	(4,438)
Earnings from joint venture, net	(96)	(457)	—	—	—
Other expense	—	63	—	—	—
Interest income	(4,730)	(9,161)	(2,973)	(1,225)	(30)
Interest expense	5,411	5,523	5,517	3,009	1,399
Total other (income) expense	<u>596</u>	<u>(6,645)</u>	<u>6,737</u>	<u>1,172</u>	<u>(3,069)</u>
Income before income taxes	<u>55,252</u>	<u>50,705</u>	<u>15,816</u>	<u>7,329</u>	<u>9,147</u>
Provision for income taxes:					
Recognition of net deferred tax liabilities upon C-corporation conversion	—	—	6,425	—	—
Tax provision, current year	19,845	19,196	651	37	12
Net income	<u>\$ 35,407</u>	<u>\$ 31,509</u>	<u>\$ 8,740</u>	<u>\$ 7,292</u>	<u>\$ 9,135</u>
Earnings per share:					
Basic	\$ 1.75	\$ 1.56	\$ 1.23	\$ 1.11	\$ 1.36
Diluted(1)	\$ 1.73	\$ 1.53	\$ 0.52	\$ 0.56	\$ 1.36

- (1) The number of weighted average diluted shares outstanding for purposes of calculating 2005 earnings per share includes our redeemable convertible preferred shares as if converted on a one-for-one basis into common shares. The dilutive effect of common stock subject to outstanding options and warrants to purchase shares of common stock for 2005 is not material. The dilutive effect of common stock subject to unvested restricted stock for 2006 was not material.

	For the year ended December 31,				
	2008	2007	2006	2005	2004
(dollars in thousands)					
OTHER FINANCIAL DATA:					
Operating income	\$ 55,848	\$ 44,060	\$22,553	\$ 8,501	\$ 6,078
Operating margin %	11.1%	12.2%	9.3%	6.4%	6.7%
Net cash provided by (used in):					
Operating activities	\$ 71,632	\$ 73,947	\$34,746	\$ 44,027	\$10,484
Investing activities	(100,505)	(68,927)	(1,607)	(47,706)	(9,675)
Financing activities	(18,243)	8,976	75,875	23,369	480

	As of December 31,				
	2008	2007	2006	2005	2004
(in thousands)					
BALANCE SHEET DATA:					
Cash, cash equivalents and short-term investments	\$174,788	\$171,379	\$136,081	\$ 53,325	\$ 1,569
Total assets	423,976	405,425	305,726	170,083	65,474
Long-term debt (including capital leases)	64,725	72,146	72,765	59,747	31,992
Redeemable convertible preferred shares	—	—	—	39,540	—
Stockholders' equity	233,921	210,331	153,471	14,607	9,493

Operating statistics (unaudited):	For the year ended December 31,				
	2008	2007	2006	2005	2004
Total system statistics:					
Passengers	4,298,748	3,264,506	2,179,367	1,199,547	840,939
Revenue passenger miles (RPMs) (thousands)	3,863,497	3,140,927	2,251,341	1,295,633	914,897
Available seat miles (ASMs) (thousands)	4,442,463	3,865,337	2,871,071	1,674,376	1,218,560
Load factor	87.0%	81.3%	78.4%	77.4%	75.1%
Operating revenue per ASM (RASM) (cents)	11.35	9.33	8.48	7.91	7.42
Operating expense per ASM (CASM) (cents)	10.09	8.19	7.69	7.41	6.92
Fuel expense per ASM (cents)	5.17	3.94	3.54	3.14	2.29
Operating CASM, excluding fuel (cents)	4.92	4.25	4.15	4.27	4.63
Operating expense per passenger	\$ 104.25	\$ 96.96	\$ 101.31	\$ 103.37	\$ 100.23
Fuel expense per passenger	\$ 53.42	\$ 46.61	\$ 46.60	\$ 43.82	\$ 33.19
Operating expense per passenger, excluding fuel	\$ 50.83	\$ 50.35	\$ 54.71	\$ 59.55	\$ 67.04
Departures	35,839	28,788	20,074	11,646	8,369
Block hours	81,390	68,488	50,584	29,472	20,784
Average stage length (miles)	836	906	966	977	948
Average number of operating aircraft during period	36.4	27.8	20.8	13.3	8.0
Total aircraft in service end of period	38	32	24	17	9
Average departures per aircraft per day	2.69	2.83	2.64	2.39	2.86
Full-time equivalent employees at period end	1,348	1,180	846	596	391
Fuel gallons consumed (thousands)	76,972	66,035	47,984	28,172	19,789
Average fuel cost per gallon	\$ 2.98	\$ 2.30	\$ 2.12	\$ 1.87	\$ 1.41
Scheduled service statistics:					
Passengers	3,894,968	3,017,843	1,940,456	969,393	535,602
Revenue passenger miles (RPMs) (thousands)	3,495,956	2,844,358	1,996,559	1,029,625	517,301
Available seat miles (ASMs) (thousands)	3,886,696	3,423,783	2,474,285	1,294,064	694,949
Load factor	89.9%	83.1%	80.7%	79.6%	74.4%
Departures	29,548	25,088	16,634	8,388	4,803
Average passengers per departure	132	120	117	116	112
Block hours	70,239	60,607	43,391	22,465	11,827
Yield (cents)	9.47	9.10	8.93	8.81	8.94
Scheduled service revenue per ASM (cents)	8.51	7.56	7.21	7.01	6.65
Ancillary revenue per ASM (cents)	2.95	1.90	1.26	0.87	0.45
Total revenue per ASM (cents)	11.46	9.46	8.47	7.87	7.11
Average fare—scheduled service	\$ 84.97	\$ 85.80	\$ 91.91	\$ 93.53	\$ 86.33
Average fare—ancillary	\$ 29.43	\$ 21.53	\$ 16.11	\$ 11.55	\$ 5.87
Average fare—total	\$ 114.40	\$ 107.33	\$ 108.02	\$ 105.07	\$ 92.19
Average stage length (miles)	882	923	1,006	1,045	913
Percent of sales through website during period	86.4%	86.6%	85.9%	81.0%	68.4%

The following terms used in this section and elsewhere in this annual report have the meanings indicated below:

"*Available seat miles*" or "*ASMs*" represents the number of seats available for passengers multiplied by the number of miles the seats are flown.

"*Average fuel cost per gallon*" represents total aircraft fuel expense divided by the total number of fuel gallons consumed.

"*Average stage length*" represents the average number of miles flown per flight.

"*Load factor*" represents the percentage of aircraft seating capacity that is actually utilized (revenue passenger miles divided by available seat miles).

"*Operating expense per ASM*" or "*CASM*" represents operating expenses divided by available seat miles.

"*Operating CASM, excluding fuel*" represents operating expenses, less aircraft fuel, divided by available seat miles. Although Operating CASM, excluding fuel is not a calculation based on generally accepted accounting principles and should not be considered as an alternative to Operating Expenses as an indicator of our financial performance, this statistic provides management and investors the ability to measure and monitor our cost performance absent fuel price volatility. Both the cost and availability of fuel are subject to many economic and political factors and therefore are beyond our control.

"*Operating revenue per ASM*" or "*RASM*" represents operating revenue divided by available seat miles.

"*Revenue passengers*" represents the total number of passengers flown on all flight segments.

"*Revenue passenger miles*" or "*RPMs*" represents the number of miles flown by revenue passengers.

"*Yield*" represents scheduled service revenue divided by scheduled service revenue passenger miles.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis presents factors that had a material effect on our results of operations during the years ended December 31, 2008, 2007 and 2006. Also discussed is our financial position as of December 31, 2008 and 2007. You should read this discussion in conjunction with our consolidated financial statements, including the notes thereto, appearing elsewhere in this annual report. This discussion and analysis contains forward-looking statements. Please refer to the section entitled "Special Note About Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements.

Overview

Who We Are. We are a leisure travel company. The focus of our business is a low-cost passenger airline marketed to leisure travelers in small cities. Our business model emphasizes low operating costs, diversified revenue sources, and the transport of passengers from small cities to leisure destinations. Our route network, pricing philosophy, product offering and advertising are all intended to appeal to leisure travelers and make it attractive for them to purchase air travel and related services from us.

We provide service primarily to Las Vegas (Nevada), Phoenix (Arizona), Orlando (Florida), Tampa/St. Petersburg (Florida) and Ft. Lauderdale (Florida), five of the most popular leisure destinations in the United States. We have announced we will start service in the second quarter of 2009 to our sixth leisure destination, Los Angeles, California.

Our Fleet. The following table sets forth the number and type of aircraft in service and operated by us at the dates indicated:

	December 31, 2008			December 31, 2007			December 31, 2006		
	Own(a) (b)	Lease	Total	Own(a)	Lease	Total	Own(a)	Lease	Total
MD82/83/88s	32	2	34	24	4	28	22	0	22
MD87s	4	0	4	4	0	4	0	2	2
Total	36	2	38	28	4	32	22	2	24

(a) Aircraft owned includes aircraft subject to capital leases as follows: December 31, 2008—2; December 31, 2007—7; December 31, 2006—5.

(b) Does not include five owned MD-80 aircraft. Of these five aircraft, we have taken possession of two aircraft previously leased to a third party which we expect to place into service before the end of the first quarter of 2009. Three aircraft remain leased to a third party.

Our Markets. Our scheduled service consists of limited frequency nonstop flights into leisure destinations from small cities. As of December 31, 2008, we offered scheduled service from 57 small cities primarily into Las Vegas, Phoenix, Orlando, Tampa/St. Petersburg, and Ft. Lauderdale, including seasonal service, and additional service to other leisure destinations from Bellingham (Washington). The following shows the number of destinations and small cities served as of the dates indicated:

	As of December 31,		
	2008	2007	2006
Major leisure destinations	5	5	3
Other leisure destinations	4	2	—
Small cities	57	51	47
Total cities served	66	58	50

Our Fiscal Year. We operate on a calendar year ending on the last day in December. For convenience, we refer to the fiscal years ended December 31, 2008, December 31, 2007 and December 31, 2006 as 2008, 2007 and 2006, respectively.

Our Operating Revenue

Our operating revenue comprises both air travel on a stand-alone basis and bundled with hotels, rental cars and other travel-related services. We believe our diversified revenue streams distinguish us from other U.S. airlines and other travel companies.

- *Scheduled service revenue.* Scheduled service revenue consists of air fare for nonstop flights between our small cities and leisure destinations.
- *Fixed fee contract revenue.* Our fixed fee contract revenue consists largely of fixed flying agreements with affiliates of Harrah's Entertainment Inc. that provide for a predictable revenue stream. We also provide charter service on a seasonal and ad hoc basis to several customers.
- *Ancillary revenue.* Our ancillary revenue is generated from the sale of hotel rooms, rental cars, advance seat assignments, checked bag charges, in-flight products and other items sold in conjunction with our scheduled air service. We recognize our ancillary revenues net of amounts paid to wholesale providers, travel agent commissions and credit card processing fees.
- *Other revenue.* Other revenue is generated from aircraft and flight equipment leased to third parties.

Seasonality. Our business is seasonal in nature with traffic demand historically being weaker in the third quarter and stronger in the first quarter. Our operating revenue is largely driven by perceived product value, advertising and promotional activities and can be adversely impacted during periods with reduced leisure travel spending, such as the back-to-school season.

Our Operating Expenses

A brief description of the items included in our operating expense line items follows. Our cost structure is highly variable as we consider our fixed costs to have represented only 4.60¢ of our operating expense per available seat mile ("CASM") in 2008, or 45.6% of our 2008 operating expenses.

Aircraft fuel expense. Aircraft fuel expense includes the cost of aircraft fuel, fuel taxes, into plane fees and airport fuel flowage, storage or through-put fees. Under certain fixed fee flying agreements, we have been reimbursed by our customers if fuel exceeds a pre-determined cost per gallon, and these reimbursements are netted against fuel expense. As of January 2009, we are under a new fixed fee flying agreement with Harrah's which provides reimbursement for the entire amount of incurred fuel costs. As a result, the amount of revenue to be recognized under this agreement and our fuel expense will be reduced as the amount to be paid by Harrah's for fuel cost will be netted against our fuel expense rather than constituting a part of the revenue we would have otherwise recognized under the fixed fee contract.

Salary and benefits expense. Salary and benefits expense includes wages, salaries, and employee bonuses, sales commissions for in-flight personnel, as well as expenses associated with employee benefit plans and employer payroll taxes.

Station operations expense. Station operations expense includes the fees charged by airports for the use or lease of airport facilities and fees charged by third party vendors for ground handling services and commissary expenses.

Maintenance and repairs expense. Maintenance and repairs expense includes all parts, materials and spares required to maintain our aircraft. Also included are fees for repairs performed by third party vendors.

Sales and marketing expense. Sales and marketing expense includes all advertising, promotional expenses, travel agent commissions, and credit card discount fees associated with the sale of scheduled service.

Aircraft lease rentals expense. Aircraft lease rentals expense consists of the cost of leasing aircraft under operating leases with third parties. Also included are maintenance reserves when not considered part of maintenance and repair expense as discussed under "Critical Accounting Policies and Estimates" below.

Depreciation and amortization expense. Depreciation and amortization expense includes the depreciation of all fixed assets, including aircraft that we own, and amortization of aircraft that we operate under capital leases.

Other expense. Other expense includes the cost of passenger liability insurance, aircraft hull insurance, and all other insurance policies except for employee welfare insurance. Additionally, this expense includes travel and training expenses for crews and ground personnel, facility lease expenses, professional fees, personal property taxes and all other administrative and operational overhead expenses not included in other line items above.

Trends and Uncertainties Affecting Our Business

We believe our financial success is driven by variable factors that affect airlines and their markets, and by trends affecting the travel industry. The following discussion describes certain key factors we believe may affect our future performance.

Economic Conditions

The U.S. economy, impacted by the ongoing credit crisis, continues to suffer from extreme negative conditions. These conditions have created a challenging environment for the airline industry. An uncertainty exists for airline travel demand given tightening of consumer spending. In the near term, the recent reduction in fuel prices is expected to more than offset the impact of a lower average air fare and uncertain airline travel demand in this current economic environment.

Capacity Management

In response to rising fuel prices in 2008, we focused on appropriate capacity reductions to ensure continued profitability. Our route adjustments reflected long-haul route eliminations and frequency reductions, along with new short-haul routes that together drove lower average stage length for the period. Another focus was to increase passenger loads, which was reflected in greater than 90% load factors during most months in 2008. Together, these measures resulted in significantly lower fuel consumption per passenger, while higher passenger loads helped drive larger ancillary revenues. Despite the state of the economy, we believe there is sufficient demand to allow us to restore some capacity from these reductions made in 2008, and to further expand our route network including initiation in second quarter 2009 of scheduled service to our sixth major leisure destination, Los Angeles.

Demographics and Consumer Behavior

The airline industry is influenced by lifestyle and demographic trends, and the performance of the broader U.S. economy. We believe the current demographic and lifestyle trends are positive drivers of

the leisure travel industry. The aging of the baby boomers as they enter their peak earning years with more disposable income has had a positive impact on growing consumer demand for leisure travel generally. We believe the small cities we serve have not been impacted from the current negative conditions in the economy as much as many of the major cities in the country. In addition, we believe we have a diversified consumer base in our leisure destinations in Florida and Phoenix where we are generating increased travel originating from our leisure destinations.

Aircraft Fuel

The airline industry is heavily dependent on the use of jet fuel and fuel costs represent a significant portion of the total operating expenses for airlines. Recently, fuel prices have been subject to extreme price fluctuations. In the third quarter of 2008, our average cost per gallon was \$3.44 compared to \$2.07 for the fourth quarter of 2008. Fuel availability is also subject to periods of market surplus and shortage and is affected by demand for heating oil, gasoline and other petroleum products. The cost and future availability of fuel cannot be predicted with any degree of certainty and further fuel cost volatility could significantly affect our future results of operations.

Labor

The airline industry is heavily unionized and the wages and benefits of unionized airline industry employees are determined by collective bargaining agreements. Conflicts between unionized airlines and their unions can lead to work slowdowns or stoppages. We currently have a non-unionized work force and are not subject to collective bargaining agreements at the present time. Our pilots and flight attendants have formed in-house associations to negotiate matters of concern with us. Further attempts are possible to unionize our flight attendants as the waiting period required by the National Mediation Board (NMB) has elapsed since the prior rejection of union representation in December 2006. If our employees were to unionize in the future and we were unable to reach agreement on the terms of their collective bargaining agreement, or we were to experience wide-spread employee dissatisfaction, we could be subject to work slowdowns or stoppages. In addition, we may be subject to disruption by organized labor groups protesting our non-union status. Any of these events could have an adverse effect on our future results.

Competition

The airline industry is highly competitive. Passenger demand and fare levels have historically been influenced by, among other things, industry capacity and pricing actions taken by other airlines. The principal competitive factors in the airline industry are fare pricing, customer service, routes served, flight schedules, types of aircraft, safety record and reputation, code-sharing relationships, and frequent flyer programs.

RESULTS OF OPERATIONS

The table below presents our operating expenses as a percentage of operating revenue for the last three fiscal years.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenue	100.0%	100.0%	100.0%
Operating expenses:			
Aircraft fuel	45.6	42.2	41.7
Salary and benefits	14.3	15.4	15.4
Station operations	8.6	9.4	10.3
Maintenance and repairs	8.2	7.1	8.0
Sales and marketing	2.8	3.6	3.8
Aircraft lease rentals	0.6	0.8	2.1
Depreciation and amortization	4.7	4.4	4.3
Other	4.1	4.9	5.1
Total operating expenses	<u>88.9%</u>	<u>87.8%</u>	<u>90.7%</u>

2008 Compared to 2007

We recorded total operating revenue of \$504.0 million, income from operations of \$55.8 million and net income of \$35.4 million for 2008. By comparison, in 2007, we recorded total operating revenue of \$360.6 million, income from operations of \$44.1 million and net income of \$31.5 million.

Operating Revenue

Our operating revenue increased 39.8% to \$504.0 million in 2008 from \$360.6 million in 2007 due to increases in scheduled service, fixed fee contract, ancillary and other revenue. The 39.8% increase in operating revenue outpaced a 31.7% increase in total system passengers, indicating our success in increasing revenue per passenger from 2007 to 2008. The increase in system passengers was in turn driven by a 24.5% increase in system departures and an increase in system load factor from 81.3% to 87.0%.

System available seat miles ("ASMs") increased by a more modest 14.9% as the increase in departures was offset by a 7.8% decline in average stage length. System operating revenue per ASM ("RASM") increased by 21.7%, as we successfully grew revenue, particularly ancillary revenue, faster than capacity in 2008.

Scheduled service revenue. Scheduled service revenue increased 27.8% to \$331.0 million in 2008 from \$258.9 million in 2007 driven by a 29.1% increase in the number of scheduled service passengers carried and a 1.0% reduction in scheduled service air fare per passenger. Scheduled service air fare per passenger declined only 1.0% despite a 4.3% reduction in scheduled average stage length from 2007 to 2008. Scheduled service passenger growth was driven by a 17.8% increase in scheduled service departures and a 6.8 percentage point increase in scheduled service load factor to 89.9%. Departure growth in 2008 was driven in part by the full-year effect of our newly established major leisure destinations of Phoenix and Ft. Lauderdale in late 2007, as well as service increases in our other bases.

Fixed fee contract revenue. Fixed fee contract revenue increased 48.5% to \$52.5 million in 2008 up from \$35.4 million in 2007. The substantial increase in fixed fee contract revenue was primarily due to additional flying under a contract with a third Harrah's Entertainment, Inc. subsidiary that started in January 2008 and under a contract with MLT Vacations which began in May 2008 and ended in October 2008, neither of which were in place in the prior year. These new contracts more than offset the loss of revenue from our contract with Apple Vacations West which ended in April 2007.

Ancillary revenue. Ancillary revenue increased 76.4% to \$114.6 million in 2008 up from \$65.0 million in 2007, driven by a 29.1% increase in scheduled service passengers and a 36.7% increase in ancillary revenue per scheduled passenger from \$21.53 to \$29.43. The increase in ancillary revenue per scheduled passenger was due to the sale of several new products and higher prices charged for certain existing products. For instance, the adoption of checked baggage fees by almost all of the larger airlines in the United States facilitated the increase in our baggage fees to comparable levels.

Other revenue. We generated other revenue of \$5.9 million during 2008 as a result of the purchase of six MD-80 aircraft and three engines on lease to another airline early in the year. Two of these aircraft were returned to us under the terms of the lease in the fourth quarter of 2008 and one of these was placed in service by the end of the year. We expect to receive the remaining aircraft and engines under the terms of the lease during 2009. We generated other revenue of \$1.3 million in 2007 due to the purchase of eight engines on lease to another airline. We received these engines in the fourth quarter of 2007 under the terms of the lease. While we do not regularly seek to lease aircraft or engines to third parties, the economics of acquiring these particular aircraft and engines close to the end of their existing leases to third parties were attractive.

Operating Expenses

Our operating expenses increased by 41.6% to \$448.2 million in 2008 compared to \$316.5 million in 2007. We primarily evaluate our expense management by comparing our costs per passenger across different periods which enable us to assess trends in each expense category. The following table presents Operating expense per passenger for the indicated periods ("per-passenger costs"). The table also presents Operating expense per passenger, excluding fuel, which represents operating expenses, less aircraft fuel expense, divided by the number of passengers carried. This statistic provides management and investors the ability to measure and monitor our cost performance absent fuel price volatility. Both the cost and availability of fuel are subject to many economic and political factors beyond our control.

	Year ended December 31,		Percentage Change
	2008	2007	
Aircraft fuel	\$ 53.43	\$46.61	14.6%
Salaries and benefits	16.75	17.03	(1.6)
Station operations	10.11	10.33	(2.1)
Maintenance and repairs	9.65	7.89	22.3
Sales and marketing	3.34	3.92	(14.8)
Aircraft lease rentals	0.65	0.92	(29.3)
Depreciation and amortization	5.46	4.90	11.4
Other	4.86	5.36	(9.3)
Operating expense per passenger	\$104.25	\$96.96	7.5%
Operating expense per passenger, excluding fuel	\$ 50.82	\$50.35	1.0%

Our per-passenger costs increased at a substantially slower pace than our overall expenses due to a 31.7% increase in the number of system passengers carried in 2008 as compared with 2007, significantly above the increase in system departures of 24.5%.

The following table presents unit costs, defined as Operating expense per ASM ("CASM"), for the indicated periods. The table also presents Operating CASM, excluding fuel, which represents operating expenses, less aircraft fuel expense, divided by available seat miles. As on a per passenger basis, excluding fuel on an ASM basis provides management and investors the ability to measure and monitor our cost performance absent fuel price volatility.

We do not believe CASM is the most appropriate measure by which to evaluate our cost management due to the evolving nature of our route network, our aggressive approach to managing capacity (i.e., ASMs) on a seasonal basis, and the low utilization of our fleet which results in many of our expenses being more fixed as opposed to varying significantly with our ASM production. We provide this table as a convenience because we recognize that CASM is widely used to compare costs in the airline industry.

	Year Ended December 31,		Percentage Change
	2008	2007	
Aircraft fuel	5.17¢	3.94¢	31.2%
Salary and benefits	1.62	1.44	12.5
Station operations	0.98	0.87	12.6
Maintenance and repairs	0.93	0.67	38.8
Sales and marketing	0.32	0.33	(3.0)
Aircraft lease rentals	0.06	0.08	(25.0)
Depreciation and amortization	0.53	0.41	29.3
Other	0.48	0.45	6.6
Operating expense per ASM (CASM)	10.09¢	8.19¢	23.2%
CASM, excluding fuel	4.92¢	4.25¢	15.8%

Aircraft fuel expense. Aircraft fuel expense increased 50.9% to \$229.6 million in 2008, up from \$152.1 million in 2007, driven by a substantial increase in the average cost per gallon to \$2.98 during 2008 from \$2.30 in 2007, coupled with a 16.6% increase in gallons consumed to 77.0 million from 66.0 million. The increase in gallons consumed was in-line with the increase in system departures of 24.5% and the reduction in average stage length of 7.8% for the year. We took significant steps to conserve fuel during 2008, including taxi-ing with one engine and ensuring flights were flown at more fuel efficient speeds.

Salary and benefits expense. Salary and benefits expense increased 29.5% to \$72.0 million in 2008 up from \$55.6 million in 2007, driven by a 14.2% increase in full-time equivalent employees to support a 30.9% increase in our average fleet from 27.8 during 2007 to 36.4 aircraft during 2008. We employed approximately 1,348 full-time equivalent employees at December 31, 2008, compared to 1,180 full-time equivalent employees at December 31, 2007. In addition, our monthly average salary and benefit expense per full-time equivalent increased to \$4,206 during 2008 compared to \$3,827 during 2007.

Station operations expense. Station operations expense increased 28.9% to \$43.5 million in 2008 compared to \$33.7 million in 2007 driven by increased system departures of 24.5%. Station operations expense per departure increased only 3.6% in 2008 compared to 2007 despite much fuller aircraft, as reflected in a 5.7 percentage point increase in system load factor from 81.7% in 2007 to 87.0% in 2008. The modest increase in station operations expense per departure occurred despite a significant increase in the proportion of fixed-fee flying for 2008, which generally has a higher station operations expense per departure. During 2008, 16.0% of total system departures were fixed fee flying, compared to 11.4% during 2007.

Maintenance and repairs expense. Maintenance and repairs expense increased 60.9% to \$41.5 million in 2008 compared to \$25.8 million in 2007. The percentage increase in expense greatly exceeded the 30.9% increase in the average number of aircraft in our fleet from 27.8 in 2007 to 36.4 in 2008. Among the main reasons for significantly increased maintenance costs were an increase in repair costs of rotatable parts, increased engine maintenance events, and an increase in scheduled heavy maintenance checks from 18 in 2007 to 21 in 2008. The timing and type of maintenance events may cause our maintenance and repairs expense to vary significantly from period to period and this

occurred from 2007 to 2008, as each maintenance event that happened to be required during 2008 was more costly, on average, than those of 2007.

Sales and marketing expense. Sales and marketing expense increased 12.2% to \$14.4 million in 2008 compared to \$12.8 million in 2007, driven primarily by an increase in credit card discount fees associated with the 37.5% increase in scheduled service and ancillary revenue.

Aircraft lease rentals expense. Aircraft lease rentals expense decreased slightly to \$2.8 million in 2008 from \$3.0 million in 2007. The average number of aircraft under operating leases during 2008 was comparable to the average for 2007. In July 2008, we purchased for cash two MD-80 aircraft that had been operated under operating leases which reduced the total number of aircraft under operating leases to two as of December 31, 2008.

Depreciation and amortization expense. Depreciation and amortization expense was \$23.5 million in 2008 compared to \$16.0 million in 2007, an increase of 46.9%, in-line with the increase in the number of aircraft owned and subject to capital leases which increased from 28 at December 31, 2007 to 41 at December 31, 2008. The number of aircraft at December 31, 2008 included aircraft on lease to a third party at the time of acquisition.

Other expense. Other expense increased by 19.6% to \$20.9 million in 2008 compared to \$17.5 million in 2007 due mainly to increased aviation insurance (as our fleet increased in size), higher loss from engine dispositions, and increased rent associated with our new Company headquarters building.

Other (Income) Expense

Other (income) expense changed from a net other income of \$6.6 million in 2007 to a net other expense of \$0.6 million in 2008. This change is primarily attributable to two factors: (1) a gain on fuel derivatives of \$2.6 million in 2007 compared to a minimal loss on our few remaining fuel derivatives in 2008 and (2) a reduction in interest income earned on cash balances from \$9.2 million in 2007 to \$4.7 million as a result of lower prevailing interest rates.

Income Tax Expense

While we expect our tax rate to be fairly consistent in the near term, it will tend to vary depending on recurring items such as the amount of income we earn in each state and the state tax rate applicable to such income. Discrete items particular to a given year may also affect our tax rates. Our effective income tax rate was 35.9% for 2008 compared to 37.9% in 2007. The lower effective tax rate for 2008 was largely attributable to the year-over-year geographic mix of our flying and the impact this had on the state income tax portion of the tax provision.

2007 Compared to 2006

We recorded total operating revenue of \$360.6 million, income from operations of \$44.1 million and net income of \$31.5 million for 2007. By comparison, in 2006, we recorded total operating revenue of \$243.4 million, income from operations of \$22.6 million and net income of \$8.7 million.

As of December 31, 2007, we had a fleet of 35 aircraft with 32 in service compared with a fleet of 26 aircraft with 24 in service as of December 31, 2006. The growth of our fleet enabled a 34.6% increase in ASMs for 2007 compared to 2006 as departures increased by 43.4% and average stage length decreased by 6.2%.

Scheduled service ASMs in 2007 represented 88.6% of total ASMs compared to 86.2% in 2006 as scheduled service ASMs increased by 38.4% while fixed fee contract flying ASMs increased by 11.3%.

Operating Revenue

Our operating revenue increased 48.2%, or \$117.2 million, to \$360.6 million in 2007 from \$243.4 million in 2006. This was driven by a 39.5% increase in total system RPMs and a 10.0% increase in RASM.

Scheduled service revenue. Scheduled service revenue increased 45.2%, or \$80.6 million, to \$258.9 million in 2007 from \$178.3 million in 2006 due to a 42.5% increase in scheduled service RPMs. Yield increased 1.9% year-over-year in 2007 due to a 8.3% shorter scheduled stage length offset by the dilutive effect of introductory pricing on 12 new routes to Las Vegas, eight new routes to Orlando and four new routes to Tampa/St. Petersburg that started during 2007. Introductory pricing for routes to our two new leisure destinations of Phoenix and Ft. Lauderdale in the fourth quarter 2007 also impacted yield in 2007. The decrease in average stage length coupled with an increase in load factor of 2.4 percentage points resulted in a 4.9% increase in scheduled service RASM from 7.21¢ to 7.56¢.

Fixed fee contract revenue. Fixed fee contract revenue increased 4.8%, or \$1.7 million, to \$35.4 million in 2007 up from \$33.7 million in 2006. Fixed fee revenues increased principally because of increased flying for Harrah's Entertainment Inc. during 2007.

Ancillary revenue. Ancillary revenue increased 107.9% to \$65.0 million in 2007 up from \$31.3 million in 2006. The increase in ancillary revenue was due to a 55.5% increase in scheduled service passengers and a 33.6% increase in ancillary revenue per passenger from \$16.11 to \$21.53 due primarily to the introduction of several new products.

Other revenue. Lease revenue was generated during 2007 of \$1.3 million related to the purchase of eight engines while on lease to another airline. The engines were returned to us in October 2007 with no subsequent lease revenue recognized.

Operating Expenses

Our operating expenses increased by 43.4%, or \$95.7 million, to \$316.5 million in 2007 compared to \$220.8 million in 2006.

The following table presents Operating expense per passenger for the indicated periods.

	Year ended		Percentage Change
	December 31, 2007	2006	
Aircraft fuel	\$ 46.61	\$ 46.60	0.0%
Salaries and benefits	17.03	17.19	(0.9)
Station operations	10.33	11.41	(9.5)
Maintenance and repairs	7.89	8.94	(22.3)
Sales and marketing	3.92	4.26	(11.7)
Aircraft lease rentals	0.92	2.34	(60.1)
Depreciation and amortization	4.90	4.86	0.8
Other	5.36	5.72	(6.3)
Operating expense per passenger	\$ 96.96	\$ 101.31	(4.3)%
Operating expense per passenger, excluding fuel	\$ 50.35	\$ 54.71	(8.0)%

In general, our operating expenses are significantly affected by changes in our capacity, as measured by ASMs. The following table presents our unit costs, defined as CASM, for the indicated periods. In addition, the table presents CASM, excluding fuel, which represents operating expenses, less aircraft fuel, divided by available seat miles. This statistic provides management and investors the ability

to measure and monitor our cost performance absent fuel price volatility. Both the cost and availability of fuel are subject to many economic and political factors which are beyond our control.

	Year Ended		Percentage Change
	2007	2006	
Aircraft fuel	3.94¢	3.54¢	11.3%
Salary and benefits	1.44	1.30	10.8
Station operations	0.87	0.87	—
Maintenance and repairs	0.67	0.68	(1.5)
Sales and marketing	0.33	0.32	3.1
Aircraft lease rentals	0.08	0.18	(55.6)
Depreciation and amortization	0.41	0.37	10.8
Other	0.45	0.43	4.7
Operating expense per ASM (CASM)	8.19¢	7.69¢	6.5%
CASM, excluding fuel	4.25¢	4.15¢	2.4%

Aircraft fuel expense. Aircraft fuel expense increased 49.8%, or \$50.6 million, to \$152.1 million in 2007 up from \$101.6 million in 2006. This change was due to a 37.6% increase in gallons consumed due primarily to a 34.6% increase in ASMs and an 8.5% increase in the average cost per gallon to \$2.30 per gallon during 2007 compared to \$2.12 per gallon in 2006.

Salary and benefits expense. Salary and benefits expense increased 48.4% to \$55.6 million in 2007 up from \$37.4 million in 2006. This increase is largely attributable to a 39.5% increase in full-time equivalent employees to support our growth. We employed approximately 1,180 full-time equivalent employees as of December 31, 2007, compared to 846 full-time equivalent employees as of December 31, 2006.

Station operations expense. Station operations expense increased 35.6% to \$33.7 million in 2007 compared to \$24.9 million in 2006. On a CASM basis, station operations has remained flat since the expense increase during 2007 was in line with our ASM growth.

Maintenance and repairs expense. Maintenance and repairs expense increased by 32.3% to \$25.8 million in 2007, up from \$19.5 million in 2006. The increase in maintenance and repairs expense is largely attributed to the cost from 18 heavy maintenance checks performed during 2007 compared to 14 performed in 2006, along with increase in routine line maintenance from the growth of our fleet. Maintenance and repairs CASM declined 1.5% as certain maintenance expenses were spread over a larger base of ASMs.

Sales and marketing expense. Sales and marketing expense increased 37.8%, or \$3.5 million, to \$12.8 million in 2007 compared to \$9.3 million in 2006. The increase is a result of the advertising and credit card discount fees associated with the 45.2% increase in scheduled service revenue.

Aircraft lease rentals expense. Aircraft lease rentals expense decreased by 41.1% to \$3.0 million in 2007 from \$5.1 million in 2006. On a CASM basis, aircraft lease rentals expense decreased 55.6% to 0.08¢ in 2007 down from 0.18¢ in 2006 due to an increase in the percentage of owned versus leased aircraft.

Depreciation and amortization expense. Depreciation and amortization expense was \$16.0 million in 2007 compared to \$10.6 million in 2006. The increase of 51.1% was primarily attributable to the number of in-service aircraft owned or subject to capital leases which increased from 22 as of December 31, 2006 to 28 as of December 31, 2007, as well as the purchase of rotatable parts to support the operating fleet.

Other expense. Other expense increased by 40.4% to \$17.5 million in 2007 compared to \$12.5 million in 2006 due mainly to increased aviation insurance, facilities and training expenses associated with our growth, along with additional administrative requirements resulting from being a public company.

Other (Income) Expense

Other (income) expense changed from a net other expense amount of \$6.7 million in 2006 to a net other income amount of \$6.6 million in 2007. This change is primarily attributable to two factors: (1) a loss on fuel derivatives of \$4.2 million in 2006 compared to a gain on fuel derivatives of \$2.6 million in 2007 and (2) an increase in interest income from \$3.0 million in 2006 to \$9.2 million in 2007 as a result of increased cash balances. We recognized a \$1.6 million loss in 2006 on the mark-to-market adjustment for our open fuel derivative contracts and we recognized \$2.6 million in net losses for contracts settled in 2006. By contrast, we recognized a \$1.7 million gain in 2007 on the mark-to-market adjustment for our open derivative contracts and we recognized \$0.9 million in net gains for contracts settled in 2007.

Income Tax Expense

Income tax expense for 2007 was \$19.2 million as our effective income tax rate for the period was 37.9%. Prior to our reorganization into a corporation at the time of our initial public offering on December 13, 2006, we did not pay corporate federal income tax at the entity level and therefore, we did not incur any federal income tax prior to the initial public offering date. The income tax expense for 2006 was impacted by a \$6.4 million charge to recognize deferred tax liabilities due to the tax reorganization carried out in connection with our initial public offering.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of funds are cash provided by operations and cash provided by financing activities. Our primary uses of cash are for working capital and capital expenditures. Historically, we have been able to fund our short-term needs for capital from cash generated from operations. Our long-term needs for capital are generally for the purchase of additional aircraft. To the extent financing is not available on acceptable terms, we would apply our cash assets to the purchase of aircraft. If we do not have sufficient cash assets available for this purpose at that time, then we would consider leasing aircraft or deferring their acquisition.

Current Liquidity

Our total cash, including cash and cash equivalents, restricted cash and short-term investments totaled \$190.8 million, \$186.8 million and \$144.7 million at December 31, 2008, 2007 and 2006, respectively. Restricted cash represents credit card deposits, escrowed funds under our fixed fee flying contracts, and cash collateral against letters of credit required by hotel partners for guaranteed room availability, airports and certain other parties. Short-term investments represent marketable securities which are available for sale. During 2008 and 2007, our restricted cash balances increased by \$0.6 million and \$4.2 million, respectively, as a result of an increase in the number of letters of credit and increases in the amount of a number of existing letters of credit issued to our hotel vendors and some airports.

Under our fixed fee flying contracts, we require our customers to prepay for flights to be provided by us. The prepayments are escrowed until the flight is completed. Prepayments are recorded as restricted cash and a corresponding amount is recorded as air traffic liability.

Sources and Uses of Cash

Operating activities. During 2008, our operating activities provided \$71.6 million of cash compared to \$73.9 million during 2007. The cash flows provided by operations during 2008 were primarily the result of net income plus non-cash depreciation and amortization. We produced a slightly higher amount of cash from operating activities during 2007 as a result of a large increase in passenger bookings for future travel compared to our air traffic liability balance as of the end of the previous year. Passenger bookings for future travel as of December 31, 2008 decreased due to a tighter future booking curve and general economic conditions.

Investing activities. Cash used for investing activities in 2008 was \$100.5 million compared to \$68.9 million in 2007. During 2008, our primary use of cash was for the purchase of property and equipment of \$54.1 million and \$50.0 million for the purchase of available for sale securities, net of maturities. The purchase of property and equipment during 2008 included 15 MD-80 aircraft, two of which were previously under operating leases, five of which were previously under capital leases, six aircraft purchased free and clear, and two other aircraft purchased with partial financing. During 2007, we used cash of \$42.1 million for the purchase of property and equipment and \$21.3 million for the purchase of available for sale securities, net of maturities. The property and equipment purchases in 2007 included an equipment package made up of eight engines and one airframe, and six MD-80 aircraft. Two of the aircraft were previously under operating leases, two aircraft were purchased free and clear, and two other aircraft were purchased with partial financing.

Financing activities. During 2008 we used \$18.2 million of cash in financing activities compared to \$9.0 million provided by financing activities for the same period of 2007. During 2008, we used \$16.7 million to repurchase common stock and \$29.8 million to retire capital lease obligations for five aircraft and make other debt repayments. These uses of cash were partially offset by \$25.6 million obtained from the financing of ten aircraft. During 2007, the \$22.3 million in proceeds from a public stock offering more than offset debt and capital lease financing payments made during that year.

Debt

Of the 41 aircraft we own as of December 31, 2008, we had secured debt financing on 24 aircraft, capital lease financing on two aircraft, with the remaining 15 aircraft owned free and clear. During 2008, we received proceeds of \$25.6 million through the issuance of notes payable on ten aircraft, of which eight were previously owned and debt-free. We also purchased two aircraft through the issuance of notes payable for \$7.2 million during 2008. The 24 aircraft we have financed with notes as of December 31, 2008 have an aggregate initial borrowed amount of \$59.3 million and which are scheduled to mature between 2009 and 2012. The equipment notes bear interest at fixed rates between 6.0% and 8.5% with principal and interest payable monthly. Each note is secured by a first mortgage on the aircraft to which it relates.

Commitments and Contractual Obligations

The following table discloses aggregate information about our contractual cash obligations as of December 31, 2008 and the periods in which payments are due (in thousands):

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3 to 5 years</u>	<u>More than 5 years</u>
Long-term debt obligations(1)	\$66,980	\$27,006	\$38,330	\$ 1,644	\$ —
Capital lease obligations	5,920	2,220	3,700	—	—
Operating lease obligations(2)	26,165	3,833	7,256	4,785	10,291
Total future payments on contractual obligations	<u>\$99,065</u>	<u>\$33,059</u>	<u>\$49,286</u>	<u>\$ 6,429</u>	<u>\$ 10,291</u>

(1) Long-term debt obligations include scheduled interest payments.

(2) Operating lease obligations include aircraft operating leases and leases of office space and airport station property.

OFF-BALANCE SHEET ARRANGEMENTS

We have obligations for aircraft that are classified as operating leases and therefore are not reflected on our balance sheet. As of December 31, 2008, two of the aircraft in our fleet were subject to operating leases. The operating lease terms for these aircraft will expire in 2012. We have the option to purchase these aircraft in the fourth quarter of 2010.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our financial statements. Note 2 to our Consolidated Financial Statements provides a detailed discussion of our significant accounting policies.

Critical accounting policies are defined as those policies that reflect significant judgments about matters that are inherently uncertain. These estimates and judgments affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our financial statements. Our actual results may differ from these estimates under different assumptions or conditions. We believe our critical accounting policies are limited to those described below.

Revenue Recognition. Scheduled service revenues consist of passenger revenue which is recognized when the travel-related service or transportation is provided or when the itinerary expires unused. Nonrefundable scheduled travel itineraries expire on the date of the intended flight, unless the date is extended by notification from the customer in advance. Itineraries sold, but not yet used, as well as unexpired credits, are included in air traffic liability.

Fixed fee contract revenues result from charter service provided under long-term agreements and on a seasonal and ad hoc basis. Fixed fee contract revenues are recognized when the transportation is provided. Under certain of our fixed fee contracts, if fuel exceeded a predetermined cost per gallon, reimbursements are received from the customer and netted against fuel expense. As of January 2009, we are under a new fixed fee flying agreement with Harrah's, our largest fixed fee customer, which provides reimbursement for the entire amount of incurred fuel costs. As a result, the amount of revenue to be recognized under this agreement and our fuel expense will be reduced as the amount to

be paid by Harrah's for fuel cost will be netted against our fuel expense rather than constituting a part of the revenue we would have otherwise recognized under the fixed fee contract.

Ancillary revenues are generated from the sale of hotel rooms and rental cars, advance seat assignments, checked bag charges, in-flight products and other items. Revenues from the sale of hotel rooms and rental cars are recognized at the time the room is occupied or the rental car is utilized. The amount of revenues attributed to each element of a bundled sale involving hotel rooms and rental cars in addition to airfare is determined in accordance with Emerging Issues Task Force ("EITF") No. 00-21: *Revenue Arrangements with Multiple Deliverables*. The sale of hotel rooms, rental cars and certain other ancillary products are recorded net of amounts paid to wholesale providers, travel agent commissions and credit card processing fees and are reported in accordance with EITF No. 99-19: *Reporting Revenue Gross As A Principal Versus Net As An Agent*. Revenues from change fees imposed on passengers for making changes to nonrefundable itineraries are recognized as they occur. Revenues from our travel protection product for unlimited changes to nonrefundable itineraries are recognized at the time of purchase.

Other revenue is generated from leased out aircraft and flight equipment. Lease revenue is recognized on a straight-line basis over the lease term.

Accounting for Long-Lived Assets. When appropriate, we evaluate our long-lived assets in accordance with Statement of Financial Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. We record impairment losses on long-lived assets used in operations when events or circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the net book value of those assets. In making these determinations, we utilize certain assumptions, including, but not limited to: (i) estimated fair market value of the assets; and (ii) estimated future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service the asset will be used in our operations, and estimated salvage values.

Aircraft maintenance and repair costs. Maintenance and repair costs for flight equipment are accounted for using the direct expense method. Under this method, maintenance and repair costs for owned and leased aircraft, including major overhaul maintenance costs, are charged to operating expenses as incurred. Maintenance deposits paid to aircraft lessors in advance of the performance of major maintenance activities are recorded as prepaid maintenance deposits, and then recognized as maintenance expense when the underlying maintenance is performed. These deposits are calculated based on a performance measure, such as flight hours or cycles, and are available for reimbursement to us upon the completion of the maintenance of the leased aircraft. If there are sufficient funds on deposit to reimburse us for the invoices initially paid by us for these maintenance events, they are reimbursed to us. If at any point we determine it is not probable we will recover amounts retained by the lessor through future maintenance events, such amounts are expensed.

The maintenance deposits paid under our lease agreements do not transfer either the obligation to maintain the aircraft or the cost risk associated with the maintenance activities to the aircraft lessor. In addition, we maintain the right to select any third-party maintenance provider. Therefore, we record these amounts as deposits on our balance sheet and then recognize maintenance expense when the underlying maintenance is performed, in accordance with our maintenance accounting policy. Maintenance deposits totaled \$1.1 million and \$6.4 million as of December 31, 2008 and December 31, 2007, respectively. Any amounts that are not probable of being used to fund future maintenance expense would be recognized as additional aircraft lease rentals.

In determining whether it is probable that maintenance deposits will be used to fund the cost of maintenance events, we conduct the following analysis:

- 1) At the time of delivery of each aircraft under lease, we evaluate the aircraft's condition, including the airframe, the engines, the auxiliary power unit and the landing gear.
- 2) Future usage of the aircraft is projected during the term of the lease based on our business and fleet plan.
- 3) We estimate the cost of performing all required maintenance during the lease term. These estimates are based on the extensive experience of our management and industry available data, including historical fleet operating statistic reports published by the engine manufacturer, Pratt & Whitney.

We review this asset (the maintenance deposits) for potential impairment in the preparation of our financial statements. Because there have been no material changes to the estimated cost of expected maintenance events during the remaining term of the leases, no impairment charge was recognized for the years ended December 31, 2008, 2007 or 2006.

Fuel Derivatives. We account for fuel derivatives pursuant to the provisions of SFAS No. 133, *Accounting For Derivative Instruments and Hedging Activities*. Since we have not historically qualified for hedge accounting, unrealized changes in the fair value of these derivative contracts at each period end are required to be included in "Other (income) expense."

Short-term Investments. We maintain a liquid portfolio of investments that are available for current operations and to satisfy on-going obligations. We have classified our short-term investments as "available for sale" and accordingly, unrealized gains or losses are reported as a component of comprehensive income in stockholders' equity.

Share-based compensation. We have issued common stock, restricted stock and stock options to executives and employees pursuant to our long-term incentive plan and warrants to the placement agent involved in our May 2005 issuance of redeemable convertible preferred shares.

We adopted SFAS No. 123(R), *Share Based Payment* as of January 1, 2006, which requires the recording of stock-based compensation expense over the requisite service period using a fair value approach similar to the prior pro forma disclosure requirements of SFAS No. 123, *Accounting for Stock-Based Compensation*. Determining the fair value requires judgment, and we use the Black-Scholes valuation model for equity instruments issued. The most significant judgments required in connection with the use of the Black-Scholes valuation model are the assumptions of volatility of our common stock and the estimated term over which our stock options will be outstanding. We determine these assumptions from a peer group of publicly traded airline companies due to our lack of historical information regarding our own stock price volatility and option exercise behavior. Before our stock was publicly traded, we measured fair value based on a variety of metrics including the share price of a peer group for both publicly traded airline companies and airline stock prices in general, consultation with third parties such as our investment advisors and outside consultants and individual attributes of our Company including our then existing financial condition as well as future operating prospects.

In December 2006, we issued 100,000 restricted shares under our long-term incentive plan which were allocated as of the date of our initial public offering among our employees at the manager level or below. As required by SFAS No. 123(R), the fair value of the shares at the date of issuance was based on our initial offering price, and is being expensed ratably over the three-year vesting period. The total compensation expense from this restricted share grant will be \$18.00 per share for a total expense of \$1.8 million to be recognized over a three-year period. We have used our closing share price on the grant date as the fair value for all subsequent issuances of restricted stock.

Recent Accounting Pronouncements

See related disclosure at "Item 8—Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 2—Summary of Significant Accounting Policies."

Special Note about Forward-Looking Statements

We have made forward-looking statements in this annual report on Form 10-K, and in this section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," that are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "anticipate," "intend," "plan," "estimate," "project" or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in the forward-looking statements. Important risk factors that could cause our results to differ materially from those expressed in the forward-looking statements may be found in Item 1A of this annual report on Form 10-K and generally may be found in our periodic reports and registration statements filed with the Securities and Exchange Commission at www.sec.gov. These risk factors include, without limitation, the effect of the economic downturn on leisure travel, increases in fuel prices, terrorist attacks, risks inherent to airlines, demand for air services to our leisure destinations from the markets served by us, our ability to implement our growth strategy, our fixed obligations, our dependence on our leisure destination markets, our ability to add, renew or replace gate leases, the competitive environment, problems with our aircraft, dependence on fixed fee customers, our reliance on our automated systems, economic and other conditions in markets in which we operate, governmental regulation, increases in maintenance costs and insurance premiums and cyclical and seasonal fluctuations in our operating results.

Any forward-looking statements are based on information available to us today and we undertake no obligation to update publicly any forward-looking statements, whether as a result of future events, new information or otherwise.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are subject to certain market risks, including commodity prices (specifically, aircraft fuel). The adverse effects of changes in these markets could pose a potential loss as discussed below. The sensitivity analysis does not consider the effects that such adverse changes may have on overall economic activity, nor does it consider additional actions we may take to mitigate our exposure to such changes. Actual results may differ. See the Notes to the consolidated financial statements for a description of our financial accounting policies and additional information.

Aircraft Fuel

Our results of operations can be significantly impacted by changes in the price and availability of aircraft fuel. Aircraft fuel expense for the years ended December 31, 2008 and 2007 represented approximately 51.2% and 48.1% of our operating expenses, respectively. Increases in fuel prices or a shortage of supply could have a material effect on our operations and operating results. Based on our 2008 fuel consumption, a hypothetical ten percent increase in the average price per gallon of aircraft fuel would have increased fuel expense by approximately \$22.8 million for the year ended December 31, 2008. While we do not currently hedge fuel price risk, in the past we entered into

forward contracts or other financial products to reduce our exposure to fuel price volatility. As of December 31, 2008, we had no fuel derivative contracts outstanding.

Interest Rates

We have market risk associated with changing interest rates due to the short-term nature of our invested cash, which totaled \$97.2 million, and short term investments of \$77.6 million at December 31, 2008. We invest available cash in money market funds, certificates of deposit, investment grade commercial paper, and other highly rated financial instruments. Because of the short-term nature of these investments, the returns earned closely parallel short-term floating interest rates. A hypothetical 100 basis point change in interest rates for the years ended December 31, 2008 and 2007, would have affected interest income from cash and investments by \$0.5 million and \$0.9 million, respectively.

Our long-term debt consists of fixed rate notes payable and capital lease arrangements. A hypothetical 100 basis point change in market interest rates as of December 31, 2008, would not have a material effect on the fair value of our fixed rate debt instruments. Also, a hypothetical 100 basis point change in market rates would not materially impact our earnings or cash flow associated with our fixed-rate debt.

Item 8. Financial Statements and Supplementary Data

The following consolidated financial statements as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008 are included below.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Allegiant Travel Company

We have audited the accompanying consolidated balance sheets of Allegiant Travel Company and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 consolidated financial position of Allegiant Travel Company and subsidiaries at December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Allegiant Travel Company's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young

Las Vegas, Nevada
February 27, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Allegiant Travel Company

We have audited Allegiant Travel Company and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Allegiant Travel Company and subsidiaries management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting, included in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Allegiant Travel Company and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2008 and our report dated February 27, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Las Vegas, Nevada
February 27, 2009

ALLEGIANT TRAVEL COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands, except for share amounts)

	December 31, 2008	December 31, 2007
Current assets:		
Cash and cash equivalents	\$ 97,153	\$ 144,269
Restricted cash	16,032	15,383
Short-term investments	77,635	27,110
Accounts receivable, net of allowance for doubtful accounts of \$— at December 31, 2008 and December 31, 2007	5,575	9,084
Income tax receivable	—	6,228
Expendable parts, supplies and fuel, net of allowance for obsolescence of \$539 and \$374 at December 31, 2008 and December 31, 2007, respectively	7,005	6,544
Prepaid expenses	9,261	14,718
Deferred income taxes	111	—
Other current assets	1,645	1,552
Total current assets	214,417	224,888
Property and equipment, net	205,751	171,170
Restricted cash, net of current portion	—	38
Investment in and advances to joint venture	711	1,976
Deposits and other assets	3,097	7,353
Total assets	\$ 423,976	\$ 405,425
Current liabilities:		
Current maturities of notes payable	\$ 23,435	\$ 11,955
Current maturities of capital lease obligations	1,903	6,241
Accounts payable	17,461	21,302
Accrued liabilities	19,232	13,174
Air traffic liability	68,997	74,851
Deferred income taxes	—	456
Total current liabilities	131,028	127,979
Long-term debt and other long-term liabilities:		
Notes payable, net of current maturities	35,904	31,890
Capital lease obligations, net of current maturities	3,483	22,060
Deferred income taxes	19,640	13,165
Total liabilities	190,055	195,094
Stockholders' equity:		
Common stock, par value \$.001, 100,000,000 shares authorized; 20,917,477 and 20,738,387 shares issued; 20,339,646 and 20,738,387 shares outstanding, as of December 31, 2008 and December 31, 2007, respectively	21	21
Treasury stock, at cost, 577,831 shares at December 31, 2008	(16,713)	—
Additional paid in capital	164,206	159,863
Accumulated other comprehensive income	566	13
Retained earnings	85,841	50,434
Total stockholders' equity	233,921	210,331
Total liabilities and stockholders' equity	\$ 423,976	\$ 405,425

The accompanying notes are an integral part of these consolidated financial statements.

ALLEGIANT TRAVEL COMPANY
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except for share amounts)

	Year Ended December 31,		
	2008	2007	2006
OPERATING REVENUE:			
Scheduled service revenue	\$330,969	\$258,943	\$178,349
Fixed fee contract revenue	52,525	35,378	33,743
Ancillary revenue	114,625	64,988	31,258
Other revenue	5,893	1,264	—
Total operating revenue	<u>504,012</u>	<u>360,573</u>	<u>243,350</u>
OPERATING EXPENSES:			
Aircraft fuel	229,640	152,149	101,561
Salary and benefits	72,007	55,593	37,453
Station operations	43,476	33,724	24,866
Maintenance and repairs	41,465	25,764	19,482
Sales and marketing	14,361	12,803	9,293
Aircraft lease rentals	2,815	3,004	5,102
Depreciation and amortization	23,489	15,992	10,584
Other	20,911	17,484	12,456
Total operating expense	<u>448,164</u>	<u>316,513</u>	<u>220,797</u>
OPERATING INCOME	<u>55,848</u>	<u>44,060</u>	<u>22,553</u>
OTHER (INCOME) EXPENSE:			
Loss (gain) on fuel derivatives, net	11	(2,613)	4,193
Earnings from joint venture, net	(96)	(457)	—
Other expense	—	63	—
Interest income	(4,730)	(9,161)	(2,973)
Interest expense	5,411	5,523	5,517
Total other (income) expense	<u>596</u>	<u>(6,645)</u>	<u>6,737</u>
INCOME BEFORE INCOME TAXES	<u>55,252</u>	<u>50,705</u>	<u>15,816</u>
PROVISION FOR INCOME TAXES	<u>19,845</u>	<u>19,196</u>	<u>7,076</u>
NET INCOME	<u>\$ 35,407</u>	<u>\$ 31,509</u>	<u>\$ 8,740</u>
Earnings Per Share:			
Basic	<u>\$ 1.75</u>	<u>\$ 1.56</u>	<u>\$ 1.23</u>
Diluted	<u>\$ 1.73</u>	<u>\$ 1.53</u>	<u>\$ 0.52</u>
Unaudited net income per share data(1):			
Basic pro-forma net income per share			<u>\$ 1.43</u>
Diluted pro-forma net income per share			<u>\$ 0.60</u>
Weighted average shares outstanding:			
Basic	20,289	20,243	7,092
Diluted	20,500	20,529	16,961

- (1) Prior to its December 2006 initial public offering, the Company was organized as a limited liability company (LLC) and as such was generally not subject to income taxes, except in certain state and local jurisdictions. The pro-forma net income per share reflects income taxes as if the Company were organized as a corporation effective January 1, 2006. For 2006, the provision for income taxes includes a tax accrual for recognition of net deferred tax liabilities upon C-corporation conversion which results in lower actual net income per share than pro-forma net income per share.

The accompanying notes are an integral part of these consolidated financial statements.

ALLEGIANT TRAVEL COMPANY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(in thousands)

	Common Stock			Members' Contributed Capital	Accumulated Other Comprehensive Income	Deferred Compensation — Restricted Stock	Retained Earnings	Less: Treasury Shares	Total
	Shares	Par Value	APIC						
Balance at December 31, 2005	6,433	\$ —	\$ —	\$ 1,766	\$ 104	\$ —	\$ 13,744	\$(1,007)	\$ 14,607
Warrants issued in connection with issuance of redeemable convertible preferred shares	—	—	—	329	—	—	—	—	329
Stock compensation expense	—	—	—	355	—	30	—	—	385
Distributions to members	—	—	—	—	—	—	(3,396)	—	(3,396)
Retirement of treasury shares	—	—	(1,007)	—	—	—	—	1,007	—
Merger of Allegiant Travel Company LLC into Allegiant Travel Company	—	6	2,474	(2,450)	—	(30)	—	—	—
Issuance of restricted stock	100	—	1,800	—	—	(1,800)	—	—	—
Proceeds from initial public offering, net of offering expenses	5,750	6	93,360	—	—	—	—	—	93,366
Conversion of redeemable convertible preferred shares	7,513	8	39,532	—	—	—	—	—	39,540
Comprehensive income:									
Unrealized (loss) on short-term investments	—	—	—	—	(102)	—	—	—	(102)
Other	—	—	—	—	2	—	—	—	2
Net income	—	—	—	—	—	—	8,740	—	8,740
Total comprehensive income									8,640
Balance at December 31, 2006	19,796	20	136,159	—	4	(1,800)	19,088	—	153,471
Reclassification of deferred compensation	—	—	(1,800)	—	—	1,800	—	—	—
Proceeds from secondary public offering, net of offering expenses	748	1	22,265	—	—	—	—	—	22,266
Stock compensation expense	—	—	1,006	—	—	—	—	—	1,006
Distributions to members	—	—	—	—	—	—	(163)	—	(163)
Issuance of restricted stock	22	—	—	—	—	—	—	—	—
Exercises of stock options	204	—	764	—	—	—	—	—	764
Tax benefit from stock option exercises	—	—	2,139	—	—	—	—	—	2,139
Shares repurchased and retired by the Company	(20)	—	(647)	—	—	—	—	—	(647)
Cancellation of restricted stock	(12)	—	—	—	—	—	—	—	—
Other	—	—	(23)	—	—	—	—	—	(23)
Comprehensive income:									
Unrealized gain on short-term investments	—	—	—	—	14	—	—	—	14
Other	—	—	—	—	(5)	—	—	—	(5)
Net income	—	—	—	—	—	—	31,509	—	31,509
Total comprehensive income									31,518
Balance at December 31, 2007	20,738	21	159,863	—	13	—	50,434	—	210,331

The accompanying notes are an integral part of these consolidated financial statements.

ALLEGIANT TRAVEL COMPANY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (Continued)
(in thousands)

	Common Stock			Members' Contributed Capital	Accumulated Other Comprehensive Income	Deferred Compensation — Restricted Stock	Less:		Total
	Shares	Par Value	APIC				Retained Earnings	Treasury Shares	
Balance at December 31, 2007	20,738	21	159,863	—	13	—	50,434	—	210,331
Stock compensation expense	—	—	1,702	—	—	—	—	—	1,702
Issuance of restricted stock	7	—	—	—	—	—	—	—	—
Exercises of stock options	175	—	1,040	—	—	—	—	—	1,040
Tax benefit from stock option exercises	—	—	1,602	—	—	—	—	—	1,602
Cancellation of restricted stock	(3)	—	—	—	—	—	—	—	—
Shares repurchased by the Company and held as treasury shares	—	—	—	—	—	—	—	(16,713)	(16,713)
Comprehensive income:									
Unrealized gain on short-term investments	—	—	—	—	548	—	—	—	548
Other	—	—	(1)	—	5	—	—	—	4
Net income	—	—	—	—	—	—	35,407	—	35,407
Total comprehensive income	—	—	—	—	—	—	—	—	35,959
Balance at December 31, 2008	<u>20,917</u>	<u>\$ 21</u>	<u>\$ 164,206</u>	<u>\$ —</u>	<u>\$ 566</u>	<u>\$ —</u>	<u>\$ 85,841</u>	<u>\$ (16,713)</u>	<u>\$233,921</u>

The accompanying notes are an integral part of these consolidated financial statements.

ALLEGIANT TRAVEL COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year ended December 31,		
	2008	2007	2006
OPERATING ACTIVITIES:			
Net income	\$ 35,407	\$ 31,509	\$ 8,740
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	23,489	15,992	10,584
Loss on aircraft and other equipment disposals	2,184	540	214
Provision for obsolescence of expendable parts, supplies and fuel	165	318	11
Deferred issuance cost amortization	—	—	437
Warrant amortization	—	—	107
Stock compensation expense	1,702	1,006	385
Deferred income taxes	5,908	7,309	6,319
Excess tax benefits from stock option exercises	(1,602)	(2,139)	—
Changes in certain assets and liabilities:			
Restricted cash	(611)	(4,212)	(6,372)
Accounts receivable	3,509	(3,334)	992
Income tax receivable	6,228	(6,228)	—
Receivable from related parties	—	1,414	(1,577)
Expendable parts, supplies and fuel	(626)	(3,115)	(2,371)
Prepaid expenses	(1,993)	(6,556)	2,268
Other current assets	(93)	2,911	(1,736)
Accounts payable	(2,239)	6,032	3,251
Accrued liabilities	6,058	2,926	5,366
Air traffic liability	(5,854)	29,574	8,128
Net cash provided by operating activities	<u>71,632</u>	<u>73,947</u>	<u>34,746</u>
INVESTING ACTIVITIES:			
Purchase of short-term investments	(101,753)	(27,110)	(35,530)
Proceeds from sale and maturities of short-term investments	51,781	5,788	61,690
Purchase of property and equipment	(54,119)	(42,132)	(27,833)
Proceeds from sale of property and equipment	1,065	570	—
Investment in joint venture, net	1,265	(1,976)	—
Decrease (increase) in lease and equipment deposits	1,256	(4,067)	66
Net cash used in investing activities	<u>(100,505)</u>	<u>(68,927)</u>	<u>(1,607)</u>
FINANCING ACTIVITIES:			
Distributions to members	—	—	(3,396)
Proceeds from issuance of common stock, net	—	22,265	93,366
Proceeds from issuance of notes payable	25,625	—	—
Excess tax benefits from stock option exercises	1,602	2,139	—
Proceeds from exercise of stock options	1,040	764	—
Repurchase of common stock	(16,714)	(647)	—
Principal payments on notes payable	(17,331)	(9,961)	(10,035)
Principal payments on related party notes payable	—	(891)	(845)
Principal payments on capital lease obligations	(12,465)	(4,693)	(3,215)
Net cash (used in) provided by financing activities	<u>(18,243)</u>	<u>8,976</u>	<u>75,875</u>
Net change in cash and cash equivalents	<u>(47,116)</u>	<u>13,996</u>	<u>109,014</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	144,269	130,273	21,259
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 97,153</u>	<u>\$ 144,269</u>	<u>\$ 130,273</u>

The accompanying notes are an integral part of these consolidated financial statements.

ALLEGIANT TRAVEL COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(in thousands)

	<u>Year ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash Transactions:			
Interest paid, net of capitalized interest	\$ 4,975	\$ 3,709	\$ 4,670
Income taxes paid, net of refunds	\$ 4,623	\$16,685	\$ 63
Non-Cash Transactions:			
Note payable issued for aircraft and equipment	\$ 7,200	\$ 7,200	\$27,111
Conversion of Series A redeemable convertible preferred shares	\$ —	\$ —	\$34,540
Conversion of Series B redeemable convertible preferred shares	\$ —	\$ —	\$ 5,000
Retirement of 256,667 shares of treasury stock	\$ —	\$ —	\$ 1,007
Acquisition of aircraft under capital lease	\$ —	\$ 7,726	\$ —

The accompanying notes are an integral part of these consolidated financial statements.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

1. Organization and Business of Company

Allegiant Travel Company is a leisure travel company providing scheduled passenger service primarily from small cities to the leisure destinations of Las Vegas, Nevada, Phoenix, Arizona, Orlando, Florida, Tampa/St. Petersburg, Florida and Ft. Lauderdale, Florida. The Company announced it will start scheduled passenger service in the second quarter of 2009 to the leisure destination of Los Angeles, California. The Company sells air travel on a stand-alone basis or bundled with hotel rooms, rental cars and other travel related services. The Company also provides charter air service under long-term contracts as well as on a seasonal and ad-hoc basis. Because scheduled and chartered air services have similar operating margins, economic characteristics, "production processes" involving check-in, baggage handling, flight services which target the same class of customers and are subject to the same regulatory environment, the Company believes it operates in one reportable segment. Additionally, the Company does not separately track expenses for the scheduled and chartered air services.

As of December 31, 2008, the Company had a fleet of 43 MD80 series aircraft, which included 38 aircraft in revenue service. Of the remaining five aircraft, three aircraft are leased to a third party. The Company has taken possession of the remaining two aircraft which were previously leased to a third party and are expected to be placed into service during the first quarter of 2009. The Company served 66 scheduled service cities with its fleet. As of December 31, 2007, the Company had a fleet of 35 MD80 series aircraft, of which 32 were in revenue service, and served 58 scheduled service cities. The Company markets scheduled service products through direct advertising while charter services are sold directly or via brokers.

In 2004, Allegiant Air, Inc., a California corporation, merged into Allegiant Air LLC, a newly formed Nevada limited liability company. The purpose of the transaction was to change the form of the business from a corporation to a limited liability company and to change the state of incorporation to Nevada. By virtue of the merger, all of the operations, assets and liabilities of Allegiant Air, Inc. were transferred to Allegiant Air LLC. The merger was accounted for as a transfer of assets and liabilities among entities under common control and accordingly was recorded at historical cost. The management and ownership did not change as a result of this merger.

In 2005, Allegiant Travel Company LLC and Allegiant Vacations LLC were formed as Nevada limited liability companies. Allegiant Travel Company LLC was designated to serve as the holding company for Allegiant Air LLC and Allegiant Vacations LLC. To effectuate this, all outstanding shares of Allegiant Air LLC were exchanged for shares of Allegiant Travel Company LLC and thereafter Allegiant Air LLC and Allegiant Vacations LLC became wholly owned subsidiaries of Allegiant Travel Company LLC.

AFH, Inc., a Nevada corporation, was formed in August 2006 and is a wholly owned subsidiary of Allegiant Travel Company. AFH, Inc. was formed to address fuel purchasing and storage opportunities. SFB Fueling LLC is a 50% owned subsidiary of AFH, Inc. accounted for under the equity method. SFB Fueling LLC, a joint venture agreement with Orlando Sanford International, Inc. ("OSI"), began operations in January 2007 to handle certain fuel operations for the Orlando Sanford International Airport.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

1. Organization and Business of Company (Continued)

On December 13, 2006, the Company completed the initial public offering of its common stock. The Company issued 5,750,000 shares at \$18.00 per share resulting in net proceeds of approximately \$94,500. Prior to the completion of its initial public offering in December 2006, the Company converted from a Nevada limited liability company to a Nevada corporation. In connection with the conversion, the outstanding common shares and preferred shares in the limited liability company were exchanged for shares of common stock in the Company pursuant to the terms of a merger agreement with Allegiant Travel Company, LLC. The reorganization did not affect its operations, which it continued to conduct through its operating subsidiaries.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Allegiant Travel Company and its wholly owned operating subsidiaries, Allegiant Air LLC, Allegiant Vacations LLC and AFH, Inc., and its 50% owned subsidiary accounted for under the equity method, SFB Fueling LLC. All intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Due to the prospective nature of these estimates, actual results could differ from those estimates.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include investments and interest bearing instruments with maturities of three months or less at the date of acquisition. Such investments are carried at cost which approximates market value. Restricted cash represents credit card deposits, escrowed funds under fixed fee flying contracts and cash collateral against letters of credit required by hotel properties for guaranteed room availability, airports and certain other parties.

Short-term Investments

The Company's investments in marketable debt and equity securities are classified as available for sale and are reported at fair market value with the net unrealized gain or (loss) reported as a

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

component of accumulated comprehensive income in stockholders' equity. Short-term investments consisted of the following:

	As of December 31, 2008				As of December 31, 2007			
	Cost	Gross Unrealized		Market Value	Cost	Gross Unrealized		Market Value
		Gains	(Losses)			Gains	(Losses)	
Commercial paper	\$ —	\$ —	\$ —	\$ —	\$18,925	\$ —	\$ —	\$ 18,925
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	77,069	568	(2)	77,635	8,179	6	—	8,185
Total	\$77,069	\$568	\$ (2)	\$ 77,635	\$27,104	\$ 6	\$ —	\$ 27,110

For the years ended December 31, 2008, 2007 and 2006, proceeds from sales and maturities of short-term investments totaled \$51,781, \$5,788, and \$61,690, respectively.

The cost of marketable securities sold is determined by the specific identification method with any realized gains or losses reflected in income. For the year ended December 31, 2008, the Company recognized \$307 of realized gains. There were no realized gains or losses for the years ended December 31, 2007 and 2006.

Short-term investments had the following maturities as of December 31, 2008:

<u>Maturities</u>	<u>Amount</u>
Year 2009	\$43,830
Years 2010 through 2013	33,805
Years 2014 through 2018	—
Thereafter	—
Total	\$77,635

Short-term investments had the following maturities as of December 31, 2007:

<u>Maturities</u>	<u>Amount</u>
Year 2008	\$27,110
Years 2009 through 2012	—
Years 2013 through 2017	—
Thereafter	—
Total	\$27,110

The Company has classified investments as short-term since it maintains a liquid portfolio of investments that are available for current operations.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)***Fair Value Measurements***

Effective January 1, 2008, the Company adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 157 *Fair Value Measurements* ("SFAS 157") which establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. See Note 7 for more information, including a listing of the Company's assets and liabilities required to be measured at fair value on a recurring basis and where they are classified within the hierarchy established under SFAS 157 as of December 31, 2008.

Expendable Parts, Supplies and Fuel

Expendable parts, supplies and fuel inventories are valued at cost using the first-in, first-out method. An allowance for obsolescence has been recorded based upon historical results and management's expectations of future operations. Such inventories are charged to expense as they are used in operations.

Property and Equipment

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

Aircraft	10 years
Flight equipment	5-10 years
Equipment and leasehold improvements	5-7 years

Aircraft and jet engines (included in Flight equipment) have an estimated average residual value of 21% of original cost; other property and equipment are assumed to have no residual value.

Aircraft under capital lease arrangements are depreciated over the shorter of the useful life of the aircraft or remaining lease term. Depreciation for these aircraft is included in depreciation and amortization expense in the Company's consolidated statements of income.

Investment in joint venture

AFH, Inc., a wholly owned subsidiary of Allegiant Travel Company, entered into a joint venture agreement with OSI to handle certain fuel operations for the Orlando Sanford International Airport. The joint venture, which began operations in January 2007, is responsible for the purchase and transport of jet fuel to a fuel farm facility owned and operated by OSI, and for the sale of jet fuel to air carriers. In addition, AFH, Inc. is responsible for the administrative functions for the joint venture. The Company accounts for the 50% interest in the joint venture agreement under the equity method. AFH, Inc.'s proportionate allocation of net income or loss is reported in the Company's consolidated statements of income in other income (expense) with an adjustment to the recorded investment in the Company's consolidated balance sheet.

ALLEGIANT TRAVEL COMPANY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the years ended December 31, 2008, 2007 and 2006****(Dollars in thousands except share and per share amounts)****2. Summary of Significant Accounting Policies (Continued)*****Capitalized Interest***

Interest attributable to funds used to finance the refurbishment of aircraft prior to revenue service is capitalized as an additional cost of the related asset provided the refurbishment is extensive or requires an extended period of time to complete, generally longer than 90 days. Interest is capitalized at the Company's average interest rate on long-term debt. Capitalization of interest ceases when the asset is ready for service. For the years ended December 31, 2008, 2007 and 2006, the Company incurred interest expense of \$5,411, \$5,523 and \$5,517, respectively. The Company had no capitalized interest during 2008 or 2007, and \$31 in 2006.

Measurement of Impairment of Long-Lived Assets

The Company records impairment losses on long-lived assets used in operations, consisting principally of property and equipment, when events or changes in circumstances indicate, in management's judgment, that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Cash flow estimates are based on historical results adjusted to reflect the Company's best estimate of future market and operating conditions. The net carrying value of assets not recoverable is reduced to fair value if lower than carrying value. Estimates of fair value represent the Company's best estimate based on industry trends and reference to market rates and transactions and are subject to change. The Company had no impairment losses on long-lived assets used in operations for the years ended December 31, 2008, 2007 and 2006.

Revenue Recognition

Scheduled service revenue consists of passenger revenue involving limited frequency nonstop flights between our leisure destinations and small cities recognized when the travel-related service or transportation is provided or when the itinerary expires unused. Nonrefundable scheduled itineraries expire on the date of the intended flight, unless the date is extended by notification from the customer in advance. Itineraries sold, but not yet used, as well as unexpired credits, are included in air traffic liability.

Fixed fee contract revenue consists largely of long-term agreements to provide charter service on a seasonal and ad hoc basis to affiliates of Harrah's Entertainment Inc., Apple Vacations West, Inc. and others. Fixed fee contract revenues are recognized when the transportation is provided. Under certain of the Company's fixed fee contracts, if fuel exceeded a predetermined cost per gallon, reimbursements are received from the customer and netted against fuel expense. As of January 2009, the Company is under a new fixed fee flying agreement with Harrah's, the Company's largest fixed fee customer, which provides reimbursement for the entire amount of incurred fuel costs. As a result, the amount of revenue to be recognized under this agreement and the Company's fuel expense will be reduced as the amount to be paid by Harrah's for fuel cost will be netted against fuel expense rather than constituting a part of the revenue which would have otherwise recognized under the fixed fee contract.

Ancillary revenue is generated from the sale of hotel rooms, rental cars, advance seat assignments, in-flight products and other items. Revenues from the sale of hotel rooms and rental cars are

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

recognized at the time the room is occupied or rental car is utilized. The amount of revenues attributed to each element of a bundled sale involving hotel rooms and rental cars in addition to airfare is determined in accordance with Emerging Issues Task Force ("EITF") No. 00-21, *Revenue Arrangements with Multiple Deliverables*. The sale of hotel rooms, rental cars and other ancillary products are recorded net of amounts paid to wholesale providers, travel agent commissions and credit card processing fees in accordance with EITF No. 99-19, *Reporting Revenue Gross As A Principal Versus Net As An Agent*. Revenues from change fees for charges imposed on passengers for making changes to nonrefundable itineraries are recognized as they occur. Revenues from the Company's travel protection product for unlimited changes to nonrefundable itineraries are recognized at the time of purchase.

Other revenue is generated from leased out aircraft and flight equipment. Lease revenue is recognized on a straight-line basis over the lease term.

Financial Instruments

The Company accounts for financial instruments under SFAS No. 133, *Accounting For Derivative Instruments and Hedging Activities*, as amended. Such instruments consist principally of fuel derivative contracts as described in Note 10—Financial Instruments and Risk Management.

Maintenance and Repair Costs

Aircraft maintenance and repair costs. The Company accounts for maintenance activities under the direct expense method. Under this method, maintenance and repair costs for owned and leased aircraft, including major overhaul maintenance costs, are charged to operating expenses as incurred. Maintenance deposits paid to aircraft lessors in advance of the performance of major maintenance activities are recorded as prepaid maintenance deposits, and then recognized as maintenance expense when the underlying maintenance is performed. These deposits are calculated based on a performance measure, such as flight hours or cycles, and are available for reimbursement to the Company upon the completion of the maintenance of the leased aircraft. If there are sufficient funds on deposit to reimburse the Company for the invoices initially paid by the Company for these maintenance events, they are reimbursed to the Company by the lessor. Under the Company's existing aircraft lease agreements, if the Company exercises the option to purchase the aircraft and there are excess maintenance deposit balances at the exercise date of the purchase option, any excess amounts are applied to the purchase price as an additional down payment. If at any point the Company determines it is not probable it will recover amounts retained by the lessor through future maintenance events, such amounts are expensed.

The maintenance deposits paid under the Company's lease agreements do not transfer either the obligation to maintain the aircraft or the cost risk associated with the maintenance activities to the aircraft lessor. In addition, the Company maintains the right to select any third-party maintenance provider. Therefore, the amounts paid as deposits are recorded on the balance sheet and then recognized as maintenance expense when the underlying maintenance is performed, in accordance with the Company's maintenance accounting policy. Maintenance deposits totaled \$1.1 million and

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

\$6.4 million as of December 31, 2008 and 2007, respectively. Any amounts that are not probable of being used to fund future maintenance expense would be recognized as additional aircraft lease rentals.

In determining whether it is probable maintenance deposits will be used to fund the cost of maintenance events, the Company conducts the following analysis:

- 1) At the time of delivery of each aircraft under lease, the Company evaluates the aircraft's condition, including the airframe, the engines, the auxiliary power unit and the landing gear.
- 2) The Company projects future usage of the aircraft during the term of the lease based on its business and fleet plan.
- 3) The Company estimates the cost of performing all required maintenance during the lease term. These estimates are based on the extensive experience of the Company's management and industry available data, including historical fleet operating statistic reports published by the Company's engine manufacturer, Pratt & Whitney.

The Company has determined it is probable that all but an immaterial amount of the maintenance deposits would be used to pay the expected costs of maintenance events during the term of the aircraft leases.

The Company reviews this asset (the maintenance deposits) for potential impairment in the preparation of its financial statements. Because there have been no material changes to the estimated cost of expected maintenance events during the remaining term of the leases, no impairment charge was recognized for the years ended December 31, 2008, 2007 or 2006.

Advertising Costs

Advertising costs are charged to expense in the period incurred. Advertising expense was \$4,849, \$4,948 and \$3,426 for the years ended December 31, 2008, 2007 and 2006, respectively.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

Earnings per Share

The following table sets forth the computation of net income per share, on a basic and diluted basis for the periods indicated (shares and dollars in thousands):

	Year Ended December 31,		
	2008	2007	2006(1)
Numerator:			
Net income	\$ 35,407	\$ 31,509	\$ 8,740
Denominator:			
Weighted-average shares outstanding	20,289	20,243	7,092
Weighted-average effect of dilutive securities:			
Redeemable convertible preferred shares	—	—	9,398
Employee stock options	61	117	335
Stock purchase warrants	138	140	136
Restricted stock	12	29	—
Adjusted weighted-average shares outstanding, diluted	20,500	20,529	16,961
Net income per share, basic	\$ 1.75	\$ 1.56	\$ 1.23
Net income per share, diluted	\$ 1.73	\$ 1.53	\$ 0.52

(1) For 2006, the dilutive effect of common stock subject to unvested restricted stock was not material.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with the provisions of SFAS No. 123(R), *Share-Based Payments*, requiring the compensation cost relating to share-based payment transactions be recognized in the Company's consolidated statements of income. The cost is measured at the grant date, based on the calculated fair value of the award using the Black-Scholes option pricing model for stock options, and based on the closing share price of the Company's stock on the grant date for restricted stock awards. The cost is recognized as an expense over the employee's requisite service period (the vesting period of the equity award). The Company adopted SFAS 123(R) effective January 1, 2006 using the modified prospective method and accordingly, financial statement amounts for the prior periods were not restated to reflect the fair value method of recognizing compensation cost relating to stock options issued in prior periods under Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*. The Company's stock-based employee compensation plan is more fully discussed in Note 11—Employee Benefit Plans.

Income Taxes

The Company's provision for income taxes is based on estimated effective annual income tax rates. The provision differs from income taxes currently payable because certain items of income and expense

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

are recognized in different periods for financial statement purposes than for tax return purposes. A valuation allowance for net deferred tax assets is provided unless realizability is judged by the Company to be more likely than not. Accordingly, the Company has determined that all of its deferred tax assets are more likely than not to be realized. The Company determines the net current and non-current deferred tax assets or liabilities separately for federal, state, and other local jurisdictions.

The Company's income tax returns are subject to examination by the Internal Revenue Service ("IRS") and other tax authorities in the locations where the Company operates. The Company assesses potentially unfavorable outcomes of such examinations based on the criteria of FASB Interpretation No. 48 ("FIN 48") *Accounting for Uncertainty in Income Taxes* which the Company adopted as of January 1, 2007. The Interpretation prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

FIN 48 applies to all tax positions related to income taxes subject to SFAS No. 109. FIN 48 utilizes a two-step approach for evaluating tax positions. Recognition (Step I) occurs when the Company concludes that a tax position, based on its technical merits, is more likely than not to be sustained upon examination. Measurement (Step II) is only addressed if the position is deemed to be more likely than not to be sustained. Under Step II, the tax benefit is measured as the largest amount of benefit that is more likely than not to be realized upon settlement. FIN 48's use of the term "more likely than not" is consistent with how that term is used in SFAS No. 109 (i.e. likelihood of occurrence is greater than 50%).

The tax positions failing to qualify for initial recognition are to be recognized in the first subsequent interim period that they meet the "more likely than not" standard. If it is subsequently determined that a previously recognized tax position no longer meets the "more likely than not" standard, it is required that the tax position be derecognized. FIN 48 specifically prohibits the use of a valuation allowance as a substitute for derecognition of tax positions. As applicable, the Company will recognize accrued penalties and interest related to unrecognized tax benefits in the provision for income taxes. During the years ended December 31, 2008, 2007 and 2006, the Company recognized no amounts for interest or penalties related to unrecognized tax benefits.

Accumulated Comprehensive Income

Comprehensive income is comprised of changes in the fair value of short-term investments and marketable securities deemed to be available for sale by management.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to 2008 classifications. These classifications had no effect on the previously reported net income.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

Newly Issued Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115* ("SFAS 159"). This statement permits, but does not require, entities to measure certain financial instruments and other assets and liabilities at fair value on an instrument-by-instrument basis. Unrealized gains and losses on items for which the fair value option has been elected should be recognized in earnings at each subsequent reporting date. SFAS 159 became effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The adoption of SFAS 159 has not had a material effect on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS 141(R)"), which replaces SFAS No. 141. SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements intended to enable users to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. SFAS 141(R) will impact the Company's financial statements if the Company enters into a business combination after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51* ("SFAS 160"), which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements intended to provide disclosures to identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008 and will therefore apply to the Company's financial statements as of January 1, 2009. The Company does not expect the adoption of SFAS 160 to have a material impact on its consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of SFAS 157* ("FSP FAS 157-2"). This FSP amends SFAS 157 to delay the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of FSP FAS 157-2. The standard will be effective on January 1, 2009, the beginning of the Company's 2009 fiscal year. The Company does not expect the guidance provided by FSP FAS 157-2 to have a material effect on the Company's consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* ("SFAS 161"). The Statement requires disclosures of how and why an entity uses derivative instruments, how derivative instruments and

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

related hedged items are accounted for and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years beginning after November 15, 2008, and will therefore apply to the Company's financial statements as of January 1, 2009. The Company does not expect the adoption of SFAS 161 to have a material impact on its consolidated financial statements.

3. Property and Equipment

At December 31, 2008, the Company's fleet consisted of 43 MD80 series aircraft, 38 of which were in revenue service. Before the end of 2008, the Company took possession of two of aircraft which came off lease from another party, with three remaining on lease and expected to be returned during 2009. The Company owns 39 of these aircraft while two are subject to capital leases and two are subject to operating lease agreements. As of December 31, 2007, the Company's fleet consisted of 35 MD80 series aircraft, 32 of which were in revenue service.

	As of	
	December 31,	
	2008	2007
Aircraft:		
Owned	\$ 119,257	\$ 78,493
Under capital lease agreements	7,726	36,286
	<u>126,983</u>	<u>114,779</u>
Flight equipment	123,808	83,261
Equipment and leasehold improvements	11,381	7,039
Total property and equipment	<u>262,172</u>	<u>205,079</u>
Less accumulated depreciation and amortization	(56,421)	(33,909)
Property and equipment, net	<u>\$205,751</u>	<u>\$171,170</u>

Depreciation and amortization expense for the years ended December 31, 2008, 2007 and 2006 was \$23,489, \$15,992 and \$10,584, respectively.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

4. Accrued Liabilities

Accrued liabilities consist of the following:

	December 31,	
	2008	2007
Aircraft lease rentals	\$ 48	\$ 563
Interest payable	163	146
Salaries, wages and benefits	7,849	7,441
Maintenance reserves	2,970	—
Taxes	4,411	2,184
Other accruals	3,791	2,840
Total accrued liabilities	<u>\$19,232</u>	<u>\$13,174</u>

5. Long-Term Debt

Long-term debt, including capital lease obligations, consists of the following:

	As of December 31, 2008	As of December 31, 2007
Notes payable, secured by aircraft, interest at 8%, due at varying dates through December 2010	\$ 10,803	\$ 15,747
Notes payable, secured by aircraft, interest at 8.5%, due November 2011	11,698	14,113
Notes payable, secured by aircraft, interest at 6%, due April 2012	15,234	—
Notes payable, secured by aircraft, interest at 6%, due at varying dates through February 2011	10,364	7,108
Notes payable, secured by aircraft, interest at 6.8%, due June 2011	6,697	—
Notes payable, secured by aircraft, interest at 8%, due June 2011	4,507	6,071
Note payable, secured by aircraft, interest at 9%	—	747
Other notes payable	36	59
Capital lease obligations	5,386	28,301
Total long-term debt	<u>64,725</u>	<u>72,146</u>
Less current maturities	<u>(25,338)</u>	<u>(18,196)</u>
Long-term debt, net of current maturities	<u>\$ 39,387</u>	<u>\$ 53,950</u>

Maturities of long-term debt and capital lease obligations, as of December 31, 2008, for the next five years and thereafter, in aggregate, are: 2009—\$25,338; 2010—\$22,081; 2011—\$15,719; 2012—\$1,587; none in 2013 or thereafter.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

6. Capital and Operating Lease Obligations**Capital Leases**

As of December 31, 2008, the Company was party to two lease agreements for aircraft which are classified as capital leases under the provisions of SFAS No. 13, *Accounting For Leases*. The amounts applicable to capital leases included in property and equipment were:

	December 31,	
	2008	2007
Aircraft	\$7,726	\$36,286
Less: Accumulated depreciation	(472)	(4,792)
Aircraft, net	<u>\$7,254</u>	<u>\$31,494</u>

Operating Leases

As of December 31, 2008, the Company was party to operating lease agreements for two aircraft with terms extending through November 2012. The operating lease agreements for these two aircraft include the option to purchase them in the fourth quarter of 2010. Additionally, the Company leases office facilities, airport and terminal facilities and office equipment under operating lease arrangements with terms extending through 2019. The office facilities under lease include approximately 65,000 square feet of space for the Company's primary corporate offices. The lease has two five-year renewal options, but the Company has the right to terminate after seven years in April 2015 and the right to purchase the building from the landlord after the third year of the lease in April 2011. The initial base rental is approximately \$1,528 per year and is subject to escalation. The Company is also responsible for its share of common area maintenance charges.

Airport and terminal facility leases are entered into with a variety of local governments and other third parties. These lease arrangements have a variety of terms and conditions. Leasehold improvements made at these facilities are not material.

Total rental expense charged to operations for aircraft and non-aircraft operating leases for the years ended December 31, 2008, 2007 and 2006 was \$7,373, \$6,147 and \$7,885, respectively.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

6. Capital and Operating Lease Obligations (Continued)

At December 31, 2008, scheduled future minimum lease payments under operating leases with initial or remaining noncancelable lease terms in excess of one year and amounts due under capital lease arrangements are as follows:

	Capital Leases	Operating Leases
2009	\$ 2,220	\$ 3,833
2010	2,220	3,763
2011	1,480	3,729
2012	—	3,560
2013	—	2,405
Thereafter	—	10,291
Total	5,920	\$ 27,581
Less: amount representing interest	534	
Present value of future payments	5,386	
Less: current obligations	1,903	
Long-term obligations	\$ 3,483	

7. Fair Value Measurements

In September 2006, the FASB issued Statement of Financial Accounting Standards SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 is a technical standard which defines fair value, establishes a consistent framework for measuring fair value, and expands disclosures for each major asset and liability category measured at fair value on either a recurring or a nonrecurring basis. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The Company has adopted the provisions of SFAS 157 as of January 1, 2008. Although the adoption of SFAS 157 has not materially impacted its financial condition, results of operations, or cash flow, the Company is now required to provide additional disclosures as part of its financial statements.

In October 2008, the FASB issued Staff Position No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active* (FSP 157-3), which clarifies the application of SFAS 157 in cases where a market is not active. The Company has considered the guidance provided by FSP 157-3 in its determination of estimated fair values as of December 31, 2008, and determined that there was no impact.

SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

7. Fair Value Measurements (Continued)

directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of December 31, 2008, the Company held cash equivalents and short term investments that are required to be measured at fair value on a recurring basis. Cash equivalents and short term investments consist of short-term, highly liquid, income-producing investments all of which have maturities of three months or less, including money market funds, debt securities issued by U.S. Treasury and other U.S. government corporations and agencies. Cash equivalents have maturities of three months or less, while the short-term investments have maturities of greater than three months. These assets are classified within Level 1 or Level 2 because the Company values these assets using quoted market prices or alternative pricing sources and models utilizing market observable inputs.

Assets measured at fair value on a recurring basis during the period were as follows (in thousands):

Description	12/31/2008	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	\$ 78,926	\$ 72,496	\$ 6,430	\$ —
Short-term investments	77,635	—	77,635	—
Total assets	\$ 156,561	\$ 72,496	\$ 84,065	\$ —

8. Income Taxes

Prior to May 2004, the Company elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code wherein the taxable income or loss of the Company was included in the income tax returns of the shareholders. In May 2004, the Company reorganized as a limited liability company and was therefore taxed as a partnership for federal income tax purposes until the reorganization into a corporation effected at the time of the Company's initial public offering in December 2006. A provision for state income taxes has been included in the financial statements for each of the three years ended December 31, 2008, 2007 and 2006, as the Company was also subject to tax at the entity level in certain states in which it operates. In addition, the provision for income taxes for the year ended December 31, 2006 includes a tax accrual for recognition of net deferred tax liabilities upon C-corporation conversion. After the reorganization, the Company accounts for taxes in accordance with SFAS No. 109, *Accounting for Income Taxes* ("SFAS 109") which requires the recognition of tax benefits or expense on the temporary differences between the financial reporting and tax bases of its assets and liabilities.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

8. Income Taxes (Continued)

The components of the provision (benefit) for income taxes are as follows:

	Year Ended December 31,		
	2008	2007	2006
Current:			
Federal	\$ 13,326	\$ 10,903	\$ 664
State	606	1,150	95
Total current	13,932	12,053	759
Deferred:			
Federal	6,060	6,192	(103)
State	(147)	951	(5)
Total deferred	5,913	7,143	(108)
Tax provision	19,845	19,196	651
Recognition of net deferred tax liability upon C-corporation conversion	—	—	6,425
Total income tax provision	\$ 19,845	\$ 19,196	\$ 7,076

The Company recorded \$1.6 million and \$2.1 million as an increase to contributed capital for certain tax benefits from employee share-based compensation for the years ended December 31, 2008 and 2007, respectively. No increase to contributed capital was recorded for the year ended December 31, 2006.

Reconciliation of the statutory income tax rate and the Company's effective tax rate for 2008, 2007, and from the C corporation conversion date through December 31, 2006 are as follows:

	Year Ended December 31,		Period from December 13- December 31, 2006
	2008	2007	2006
Statutory federal rate	35.0%	35.0%	34.0%
State income taxes, net of federal income tax benefit	0.7%	2.7%	1.1%
Other	0.2%	0.2%	0.5%
Recognition of net deferred tax liability upon C-corporation conversion	—	—	388.7%
Effective tax rate	35.9%	37.9%	424.3%

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

8. Income Taxes (Continued)

The major components of the Company's net deferred tax assets and liabilities are as follows:

	At December 31, 2008		At December 31, 2007	
	Assets	Liabilities	Assets	Liabilities
Current:				
Accrued Vacation	\$ 517	\$ —	\$ 402	\$ —
Accrued bonus	—	—	2,065	—
Prepaid expenses	—	(1,346)	—	(3,768)
State taxes	346	—	400	—
Accrued property taxes	393	—	306	—
Fuel hedge	—	—	—	(31)
Other	201	—	170	—
Total current	<u>1,457</u>	<u>(1,346)</u>	<u>3,343</u>	<u>(3,799)</u>
Noncurrent:				
Depreciation	—	(21,000)	—	(14,746)
Goodwill	1,149	—	1,337	—
Other	211	—	244	—
Total noncurrent	<u>1,360</u>	<u>(21,000)</u>	<u>1,581</u>	<u>(14,746)</u>
Total	<u>\$2,817</u>	<u>\$(22,346)</u>	<u>\$4,924</u>	<u>\$(18,545)</u>

The Company paid corporate income taxes, net of refunds, of \$4,623 in 2008 and \$16,685 in 2007. The Company paid LLC state income taxes, net of refunds, of \$63 in 2006.

For the year ended December 31, 2008, the Company did not have any material unrecognized tax benefits and there was no material effect on the Company's financial condition or results of operation as a result of implementing FIN 48. The Company estimates that the unrecognized tax benefit will not change significantly within the next twelve months. The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. There is no significant accrued interest at December 31, 2008. No penalties were accrued at December 31, 2008.

The Company (or its predecessor entities) is no longer subject to U.S. Federal income tax examinations for years before 2004. Various state and local tax returns remain open to examination. The Company believes that any potential assessment would be immaterial.

9. Related Party Transactions

The Company periodically utilizes private aircraft owned by a corporation principally owned by the Company's Chief Executive Officer and another Director for the time-sensitive delivery of aircraft parts and other critical travel situations. During 2006, there were expenses of \$81 incurred by the Company as a result of this use of the private aircraft. No amounts were paid for these services during 2008 or 2007.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

9. Related Party Transactions (Continued)

For administrative reasons, the Company arranged for the payment of salaries and benefits for executive officers and other management bonuses through Flynn Gallagher Associates, of which the Chief Executive Officer and another Director are owners and principals. The Company reimbursed Flynn Gallagher Associates for the actual cost paid by it for the benefit of these employees. During 2006, the total amount paid by the Company under this arrangement was approximately \$793. This arrangement for salaries and benefits for these executive officers was discontinued as of the end of 2006.

The Company had notes payable to its Chief Executive Officer totaling \$891 as of December 31, 2006. This debt was repaid in full in January 2007.

In June 2006, the Company purchased an MD83 aircraft from an entity in which the Chief Executive Officer and another Director are principals. The purchase price of \$3,525 was paid directly to a secured lender, and none of the proceeds were paid to the entity which the Company's Chief Executive Officer and Director are principals.

As the Company's predecessor was a limited liability company, the members were taxed on the income earned by the Company until the reorganization into a corporation. The Company made distributions to its members to enable them to pay their respective income taxes. These distributions are reflected in the statements of cash flows and statements of stockholders' equity. The Company made distributions to its members of \$5,000 for the year ended December 31, 2006 and received \$1,414 from its members for December 31, 2007 as a result of the true-up of tax payments in connection with the reorganization.

The building in which the Company maintains its headquarters is under a lease agreement with a limited liability company in which the Chief Executive Officer, two other Directors and one other officer own significant interests as non-controlling members. In June 2008, additional office space was obtained by the Company in the leased building through an amendment to the existing lease agreement with the landlord. The amended lease agreement has a ten year term with base rental at \$1,528 per year. In June 2008, the Company entered into a lease agreement for office space to be used as its training facility which is located in a building adjacent to the location of the Company's headquarters. The second building is also owned by a limited liability company in which the Chief Executive Officer, two other Directors and one other officer own significant interests as non-controlling members. The lease agreement on the office space in the second building has a ten year term with base rental beginning at \$158 per year. The disinterested members of the Company's board and audit committee have determined that the terms for the lease agreements are at least favorable as the Company could receive in arms' length transactions.

10. Financial Instruments and Risk Management

Fuel Price Risk Management

Airline operations are inherently dependent upon energy, and are therefore impacted by changes in jet fuel prices. Aircraft fuel expense represented approximately 51.2%, 48.1% and 46.0%, of the

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

10. Financial Instruments and Risk Management (Continued)

Company's operating expenses for the years ended December 31, 2008, 2007 and 2006, respectively. The Company endeavors to acquire jet fuel at the lowest possible cost.

The Company has in the past entered into financial derivative contracts to manage fuel price risk. These financial derivative instruments were not purchased nor held for trading purposes. The Company suspended this hedging strategy in 2007 and the last contract settled in January 2008. The Company does not have any derivative instruments as of December 31, 2008.

The Company's fuel hedging program and the financial derivative instruments purchased pursuant to this program did not qualify for financial reporting purposes in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Therefore, changes in the fair value of such derivative contracts, which amounted to a loss of \$11, gain of \$2,613 and a loss of \$4,193 in the years ended December 31, 2008, 2007 and 2006, respectively, were recorded as a "Loss (gain) on fuel derivatives, net" within other income (expense) in the accompanying consolidated statements of income. These amounts include both realized gains and losses and mark-to-market adjustments of the fair value of the derivative instruments at the end of each period. The fair value of hedge contracts amounted to \$81 as of December 31, 2007 and was recorded in "Other current assets" in the accompanying consolidated balance sheets.

Debt

The Company's debt with a carrying value of \$59,339 and \$43,845 as of December 31, 2008 and 2007, respectively, approximates fair value. These fair value estimates were based on the discounted amount of future cash flows using the Company's current incremental rate of borrowing for similar liabilities.

Other Financial Instruments

The carrying amounts of cash, cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value due to their short term nature.

11. Employee Benefit Plans

401(k) Plan

The Company has a defined contribution plan covering substantially all eligible employees. Under the Plan, employees may contribute up to 18% of their eligible annual compensation with the Company matching up to 3% of eligible employee wages. Employees generally vest in matching contributions ratably over five years. The Company recognized expense under this plan of \$748, \$542 and \$445 for the years ended December 31, 2008, 2007 and 2006, respectively.

Stock-based Employee Compensation

In 2006, the Board of Directors adopted, and the stockholders approved, a Long-Term Incentive Plan (the "2006 Plan"). Upon the merger of Allegiant Travel Company, LLC into Allegiant Travel Company (a Nevada corporation) immediately prior to the Company's initial public offering, all

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

11. Employee Benefit Plans (Continued)

outstanding options under the previously adopted share option program (the "Share Option Program") were transferred to the 2006 Plan. In addition, no further option grants may be made under the Share Option Program. The transferred options will continue to be governed by their existing terms, unless the Company's compensation committee elects to extend one or more features of the 2006 Plan to those options. The Company has reserved 3,000,000 shares of common stock for issuance of stock-based awards to certain officers, directors, employees, and consultants of the Company under the 2006 Plan. Such shares include the 500,000 shares that were transferred from the Share Option Program.

For the years ended December 31, 2008, 2007, and 2006, the Company recorded \$1,702, \$1,006 and \$385, respectively, of compensation expense in the consolidated statements of income related to stock options and restricted stock. As of December 31, 2008, there was \$2,297 of unrecognized compensation cost, net of estimated forfeitures of 2.0%, related to nonvested stock options and there was \$899 of unrecognized compensation cost, net of estimated forfeitures of 5.0%, related to nonvested restricted stock granted under the 2006 Plan. The cost is expected to be recognized over a weighted-average period of 2.71 years and 2.42 years, respectively.

Stock Options

The fair value of options granted was estimated as of the grant date using the Black-Scholes option-pricing model with assumptions noted in the following table. Expected volatilities are based on the historical volatilities from publicly traded airline companies of the Company's peer group due to the Company's lack of historical information. The risk-free interest rate for periods equal to the expected term of the stock option is based on a blended historical rate using Federal Reserve rates for U.S. Treasury securities.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Weighted-average volatility	32.79%	32.80%	57.20%
Expected term (in years)	3.5	5	6
Risk-free interest rate	2.56%	4.30%	4.97%
Expected dividends	—	—	—

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

11. Employee Benefit Plans (Continued)

A summary of option activity under the 2006 Plan as of December 31, 2008, and changes during the year then ended is presented below:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2008	286,367	\$ 14.35		
Granted	364,500	\$ 20.99		
Exercised	(175,033)	\$ 6.12		
Forfeited	(24,833)	\$ 14.91		
Outstanding at December 31, 2008	<u>451,001</u>	<u>\$ 22.88</u>	5.33	\$ 11,587
Exercisable at December 31, 2008	<u>39,334</u>	<u>\$ 21.07</u>	7.67	\$ 1,082

The weighted average fair value of options granted during the years ended December 31, 2008, 2007, and 2006 was \$5.80, \$13.52, and \$7.63, respectively. During the years ended December 31, 2008 and 2007, the total intrinsic value of options exercised was \$4,330 and \$5,763, respectively. Cash received from option exercises for the years ended December 31, 2008 and 2007 was \$1,040 and \$764, respectively. The actual tax benefit realized for the tax deductions from these option exercises totaled \$1,568 and \$2,145, respectively. No options were exercised in 2006.

Restricted Stock Awards

In December 2006, the Company issued 100,000 shares of restricted stock under the 2006 Long-Term Incentive Plan which have been allocated as of the date of the initial public offering among employees at the manager level and below.

A summary of the status of the Company's nonvested restricted stock grants during the year ended December 31, 2008 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2008	80,476	\$ 21.56
Granted	7,000	\$ 22.43
Vested	(35,272)	\$ 20.79
Forfeited	(2,943)	\$ 18.00
Nonvested at December 31, 2008	<u>49,261</u>	<u>\$ 22.45</u>

The weighted average grant date fair value of restricted stock grants during the years ended December 31, 2008, 2007 and 2006 was \$22.43, \$30.91 and \$18.00, respectively. The total fair value of restricted stock vested during the year ended December 31, 2008 and 2007, was \$1,382 and \$959,

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

(Dollars in thousands except share and per share amounts)

11. Employee Benefit Plans (Continued)

respectively. The actual tax benefit realized from the tax deductions from the restricted stock vested totaled \$500 and \$357, respectively. No restricted stock vested during 2006.

12. Stockholders' Equity

In December 2006, the Company completed its initial public offering of common stock. 5,750,000 shares were issued at \$18.00 per share resulting in net proceeds of approximately \$94,500.

On December 13, 2006, simultaneously with the Company's initial public offering, certain of the Company's shareholders sold 1,750,000 shares of common stock to Par Investment Partners, L.P.

In second quarter 2007, the Company sold 748,214 shares in a secondary public offering. The Company received approximately \$22,300 in net proceeds from the sale of its shares in this offering.

In January 2008, the Board of Directors authorized a share repurchase program to acquire through open market purchases up to \$25,000 of the Company's common stock. As of December 31, 2008, the Company has repurchased approximately 554,000 shares of the Company's common stock through open market purchases at an average cost of \$28.55 per share for a total expenditure of \$15,809.

13. Redeemable Convertible Preferred Shares

In May 2005, the Company authorized the issuance of up to 9,885,000 shares of redeemable convertible preferred shares of which 8,635,000 were designated as Series A Convertible Preferred Shares and 1,250,000 were designated as Series B Convertible Preferred Shares (the "Preferred Shares"). In May 2005, the Company completed a private placement offering in which all authorized Series A shares were issued at \$4.00 per share for total proceeds to the Company of \$34,540. Concurrently, all authorized Series B Convertible Preferred Shares were issued at \$4.00 per share to the Company's Chief Executive Officer in exchange for the cancellation of \$5,000 in outstanding debt. Expenses of the offering totaled \$1,360. In connection with the issuance of the Series A Convertible Preferred Shares, the placement agent was issued 162,500 warrants to acquire the Company's common shares at \$4.40 per share as part of the consideration for services provided. The warrants are exercisable through May 5, 2010. The share purchase warrant agreement includes anti-dilution provisions and piggyback registration rights in the event of a primary or secondary registration of any class of securities as defined. The warrants were valued at approximately \$329 at the date of grant using the Black-Scholes valuation method based on the following assumptions: no dividend yield; an expected life of 5 years; risk-free interest rate of 3.93%; and volatility of 60%.

The Series A and Series B Convertible Preferred Shares had no stated dividend rate, had voting rights similar to common shares and could be converted into common shares at any time, at the option of the holder. Upon the consummation of the Company's initial public offering, the outstanding Series A and Series B Convertible Preferred Shares were automatically converted into shares of common stock on a 0.76 to 1 basis. The Series A and Series B Convertible Preferred Shares had redemption rights which were to have become effective in May 2010. The redemption value was the greater of the Liquidation Value (defined as \$4.00 per share) or the Redemption Value (defined as the market value of the shares as agreed upon between the Company and the holders of the Convertible Preferred Shares at the time of redemption).

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2008, 2007 and 2006

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14. Quarterly Financial Data (Unaudited)

Quarterly results of operations for the years ended December 31, 2008 and 2007 are summarized below.

	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
2008				
Operating revenues	\$133,140	\$131,558	\$116,886	\$122,428
Operating income	14,364	4,675	8,117	28,692
Net income	9,672	2,646	4,890	18,199
Earnings per share				
Basic	0.47	0.13	0.24	0.90
Diluted	0.47	0.13	0.24	0.88
2007				
Operating revenues	\$84,349	\$88,941	\$86,327	\$100,956
Operating income	14,301	14,158	9,543	6,058
Net income	9,747	9,976	7,015	4,771
Earnings per share				
Basic	0.49	0.50	0.34	0.23
Diluted	0.48	0.49	0.34	0.23

The sum of the quarterly earnings per share amounts does not equal the annual amount reported since per share amounts are computed independently for each quarter and for the full year based on respective weighted-average common shares outstanding and other dilutive potential common shares.

15. Commitments and Contingencies

The National Transportation Safety Board has not yet released its report on its investigation of the nose landing gear failure the Company had at the Orlando Sanford International Airport in March 2007. Although no claims relating to this event have been made against the Company to date, it could be subject to claims in the future. The Company believes any such claims would be covered by its insurance policies in effect.

The Company is subject to certain legal and administrative actions which management considers routine to its business activities. Management believes after consultation with legal counsel, the ultimate outcome of any pending legal matters will not have a material adverse impact on the Company's financial position, liquidity or results of operations.

16. Subsequent Events

In January 2009, the Board of Directors authorized a share repurchase program to acquire through open market purchases up to \$25,000 of the Company's common stock. The repurchase program replaces a program the Board of Directors authorized in January 2008 which has expired. As of February 20, 2009, the Company has repurchased 100,400 shares of the Company's common stock through open market purchases in the first quarter of 2009 at an average cost of \$33.74 per share for a total expenditure of \$3,388.

In January 2009, the Company purchased for cash one MD-80 aircraft. The aircraft is expected to be placed into service during the first quarter of 2009.

In February 2009, the Company entered into two separate operating lease agreements for the lease of two MD-80 aircraft. The lease term expires in July 2014. The aircraft are expected to be placed into service by the end of the second quarter of 2009.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures. As of the end of the period covered by this report, under the supervision and with the participation of our management, including our chief executive officer ("CEO") and chief financial officer ("CFO"), we evaluated the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or the "Exchange Act"). Based on this evaluation, our management, including our CEO and CFO, has concluded that our disclosure controls and procedures are designed, and are effective, to give reasonable assurance that the information we are required to disclose is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Based upon this evaluation, the CEO and CFO concluded that our disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed in our reports filed with or submitted to the SEC under the Exchange Act is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- 1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

The effectiveness of our or any system of controls and procedures is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events, and the inability to eliminate misconduct completely. Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-

Integrated Framework. Based on our assessment, management has concluded that, as of December 31, 2008, our internal control over financial reporting was effective based on those criteria.

Ernst & Young, LLP, the independent registered public accounting firm who audited our consolidated financial statements included in this Form 10-K, has issued a report on the Company's internal control over financial reporting, which is included herein.

Changes in internal controls. There were no changes in our internal control over financial reporting that occurred during the fourth quarter of our year ended December 31, 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The information required by this Item is incorporated herein by reference to the data under the headings "ELECTION OF DIRECTORS," "EXECUTIVE OFFICERS" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement to be used in connection with the solicitation of proxies for our annual meeting of stockholders to be held May 15, 2009, which Proxy Statement is to be filed with the Commission.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the data under the headings "EXECUTIVE COMPENSATION" and "REPORT OF THE COMPENSATION COMMITTEE" in the Proxy Statement to be used in connection with the solicitation of proxies for our annual meeting of stockholders to be held May 15, 2009, which Proxy Statement is to be filed with the Commission.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the data under the heading "STOCK OWNERSHIP" in the Proxy Statement to be used in connection with the solicitation of proxies for our annual meeting of stockholders to be held May 15, 2009, which Proxy Statement is to be filed with the Commission. The information required by this item with respect to securities authorized for issuance under our equity compensation plans is included in Part II, Item 5 of this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the data under the heading "RELATED PARTY TRANSACTIONS" and "Director Independence" in the Proxy Statement to be used in connection with the solicitation of proxies for our annual meeting of stockholders to be held May 15, 2009, which Proxy Statement is to be filed with the Commission.

Item 14. Principal Accountant's Fees and Services

The information required by this Item is incorporated herein by reference to the data under the heading "PRINCIPAL ACCOUNTANT FEES AND SERVICES" in the Proxy Statement to be used in connection with the solicitation of proxies for our annual meeting of stockholders to be held May 15, 2009, which Proxy Statement is to be filed with the Commission.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements and Supplementary Data. The following consolidated financial statements of the Company are included in Item 8 of this report:	
Reports of Independent Registered Public Accounting Firm	48
Consolidated Balance Sheets	50
Consolidated Statements of Income	51
Consolidated Statements of Stockholders' Equity and Comprehensive Income	52
Consolidated Statements of Cash Flows	54
Notes to Consolidated Financial Statements	56
2. Financial Statement Schedules. Schedules are not submitted because they are not required or are not applicable, or the required information is shown in the consolidated financial statements or notes thereto.	
3. Exhibits. The Exhibits listed below are filed or incorporated by reference as part of this Form 10-K. Where so indicated by footnote, exhibits which were previously filed are incorporated by reference.	

<u>Exhibit Number</u>	<u>Description</u>
3.1*	Articles of Incorporation of Allegiant Travel Company.
3.2	Bylaws of Allegiant Travel Company (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q filed with the Commission on May 9, 2008).
3.3	Specimen Stock Certificate (incorporated by reference to Exhibit 3.3 to the Form 8-A filed with the Commission on November 22, 2006).
10.1*	Form of Tax Indemnification Agreement between Allegiant Travel Company and members of Allegiant Travel Company, LLC.
10.2*	2006 Long-Term Incentive Plan.(1)
10.3	Form of Stock Option Agreement used for officers of the Company.(1)
10.4	Form of Restricted Stock Agreement used for Directors of the Company.(1)
10.5*	Allegiant Air 401(k) Retirement Plan.(1)
10.6*	Form of Indemnification Agreement.
10.7*	Airport Operating Permit between Allegiant Air, Inc. and Clark County Department of Aviation dated April 14, 2003.
10.8*	Permanent Software License Agreement between Allegiant Air, Inc. and CMS Solutions, Inc. dated August 1, 2001.
10.9*	Memorandum of Understanding between Allegiant Air, LLC and Sanford Airport Authority dated March 4, 2005.
10.10*	Employment Agreement dated July 31, 2006, between Allegiant Travel Company and M. Ponder Harrison.(1)
10.11*	Employment Agreement dated July 31, 2006, between Allegiant Travel Company and Andrew C. Levy.(1)
10.12*	Maintenance General Terms Agreement dated March 2006 between Allegiant Air, LLC and American Airlines, Inc.(2)
10.13	Lease dated May 1, 2007, between Allegiant Air, LLC and Windmill Durango Office, LLC (incorporated by reference to Exhibit 10.22 to the Form S-1 registration statement filed with the Commission on May 16, 2007).
10.14	Terminalling Agreement between AFH, Inc. and Kinder Morgan Liquids Terminals, LLC (incorporated by reference to Exhibit 10.23 to the Post-Effective Amendment No. 1 to Form S-1 registration statement filed with the Commission on June 25, 2007).
10.15	Shipper's Agreement between AFH, Inc. and Central Florida Pipeline, LLC (incorporated by reference to Exhibit 10.24 to the Post-Effective Amendment No. 1 to Form S-1 registration statement filed with the Commission on June 25, 2007).
10.16	Master Loan Agreement dated as of April 11, 2008 between Bank of Nevada and Allegiant Air, LLC(3) (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the Commission on August 8, 2008)
10.17	Amendment to Lease dated as of June 23, 2008 between Windmill Durango Office, LLC and Allegiant Air, LLC.
10.18	Lease dated June 23, 2008 between Windmill Durango Office II, LLC and Allegiant Air, LLC.
10.19	Air Transportation Charter Agreement dated as of October 31, 2008 between Harrah's Operating Company, Inc. and Allegiant Air, LLC.(3)
21.1	List of Subsidiaries

<u>Exhibit Number</u>	<u>Description</u>
23.1	Consent of Ernst & Young LLP.
24.1	Powers of Attorney (on signature page)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32	Section 1350 Certifications

* Incorporated by reference to Exhibits filed with Registration Statement #333-134145 filed by Allegiant Travel Company with the Commission and amendments thereto.

- (1) Management contract or compensation plan or agreement required to be filed as an Exhibit to this Report on Form 10-K pursuant to Item 15(b) of Form 10-K.
- (2) Portions of the indicated document have been omitted pursuant to the grant of confidential treatment and the documents indicated have been filed separately with the Commission as required by Rule 406 under the Securities Act of 1933, as amended, or Rule 24b-2 of the Securities Exchange Act of 1934, as amended.
- (3) Portions of the indicated document have been omitted pursuant to a request for confidential treatment and the document indicated has been filed separately with the Commission as required by Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

The following exhibits are filed as part of this report.

<u>Exhibit Number</u>	<u>Description</u>
10.3	Form of Stock Option Agreement used for officers of the Company.
10.4	Form of Restricted Stock Agreement used for Directors of the Company.
10.17	Amendment to Lease dated as of June 23, 2008 between Windmill Durango Office, LLC and Allegiant Air, LLC.
10.18	Lease dated June 23, 2008 between Windmill Durango Office II, LLC and Allegiant Air, LLC.
10.19	Air Transportation Charter Agreement dated as of October 31, 2008 between Harrah's Operating Company, Inc. and Allegiant Air, LLC.(1)
21.1	List of Subsidiaries
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm
24.1	Power of Attorney (included on signature page hereto).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32	Section 1350 Certifications

(1) Portions of the indicated document have been omitted pursuant to a request for confidential treatment and the document indicated has been filed separately with the Commission as required by Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

ALLEGIANT TRAVEL COMPANY

STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (the "Agreement") is made and entered into as of _____, 20____ (the "Effective Date"), between ALLEGIANT TRAVEL COMPANY, a Nevada corporation (the "Company") and XXXXXXXX (the "Optionee").

THE PARTIES AGREE AS FOLLOWS:

1. Stock Option Plan. The exercise of the Options granted under this Agreement shall be subject to the terms, conditions and restrictions of Allegiant Travel Company 2006 Long-Term Incentive Plan (the "Plan"). A copy of the Plan is available to Optionee upon request and is incorporated in this Agreement by this reference. Terms used in this Agreement that are defined in the Plan shall have the same meaning as in the Plan, unless the text of this Agreement clearly indicates otherwise.

2. Grant of Option.

A. The Company hereby grants to Optionee pursuant to the Plan an option (the "Option") to purchase all or any part of _____ thousand (XX,XXX) shares (the "Option Shares") of the Company's \$.001 par value common stock (the "Common Stock") on the terms and conditions set forth herein and in the Plan.

B. All Options granted under this Agreement shall be considered to be non-qualified stock options under the Code.

3. Exercise Price. The exercise price (the "Exercise Price") for each share of Common Stock covered by this Option shall be \$ _____ per share.

4. Adjustment of Options. The Committee shall adjust the number of Option Shares and the Exercise Price thereof in certain circumstances in accordance with the provisions of Item 11 of the Plan.

5. Exercise of Options.

A. *Exercise of Option.* Subject to the other terms of this Agreement, Optionee's right to exercise the Option granted hereunder shall be subject to the following Vesting Schedule wherein Optionee shall be entitled to exercise his right to purchase the Option Shares at any point in time during this Agreement only to the extent indicated below:

Vesting Schedule

<u>Date</u>	<u>Number of Option Shares First Becoming Vested</u>
First anniversary of Effective Date	1/3 of Option Shares granted
Second anniversary of Effective Date	1/3 of Option Shares granted
Third anniversary of Effective Date	1/3 of Option Shares granted

B. *Partial Exercise.* Subject to the terms of the Plan, this Option (to the extent vested as provided in Paragraph 5A above) may be exercised for all or any part of the Option Shares.

C. *Method of Exercising Option.* Subject to Paragraph 5A above, any Option granted hereunder or any portion thereof may be exercised by the Optionee by delivering to the Company at its main office (attention of its Secretary) written notice which shall set forth the Optionee's election to exercise a portion or all of his Option, the number of shares with respect to which the Option rights are being exercised and such other representations and agreements as may be required by the Company to comply with applicable securities laws and by paying in full the

purchase price of the shares purchased in cash or its equivalent or, subject to the approval of the Committee, pursuant to one of the alternative methods set forth in Paragraph 10B of the Plan.

D. *Nonassignability of Option.* The Option shall not be assignable or transferable by the Optionee except by will or by the laws of descent and distribution. Any distributee by will or by the laws of descent and distribution shall be bound by the provisions of the Plan and this Agreement. During the life of the Optionee, the Option shall be exercisable only by the Optionee. Any attempt to assign, pledge, transfer, hypothecate or otherwise dispose of the Option, and any levy of execution, attachment or similar process on the Option, shall be null and void.

E. *Termination of Employment other than as a Result of Death or Disability.* If Optionee ceases to be an Employee other than as a result of Optionee's death or disability (as defined in Paragraph F below), then the Option shall be exercisable only to the extent exercisable (*i.e.*, vested) on the date of termination of employment and must be exercised on or before the date that is ninety (90) days after the effective date of termination of employment. To the extent any portion of the Option is not exercisable (*i.e.*, not vested) on the date of termination of employment, such nonvested portion of the Option shall terminate on the date of termination of employment. To the extent any portion of the Option is not exercised on or before the date that is ninety (90) days after the date of termination of employment, such portion of the Option shall terminate as of the end of such date. Nothing in the Plan shall be construed as imposing any obligation on the Company to continue the employment of Optionee or shall interfere or restrict in any way the rights of the Company to discharge Optionee at any time for any reason whatsoever, with or without cause.

F. *Termination of Employment as a Result of Death or Disability.* In the event of the death or disability of the Optionee while in the employ of the Company, the personal representative of the Optionee (in the event of Optionee's death) or the Optionee (in the event of Optionee's disability) may, subject to the provisions hereof and before the earlier of the Option's expiration date or the expiration of one (1) year after the date of such death or disability, exercise the Option granted to the Optionee to the same extent the Optionee might have exercised such Option on the date of Optionee's death or disability (*i.e.*, to the extent then vested), but not further or otherwise. To the extent any portion of the Option is not exercisable at the date of the death or disability of the Optionee (*i.e.*, to the extent not then vested), such nonvested portion of the Option shall terminate on the date of death or disability. To the extent any portion of the Option is not exercised within the time period provided, such portion of the Option shall terminate as of the date of expiration of such time period. For purposes of this Paragraph F, the Optionee shall be considered to be subject to a disability when the Optionee is disabled within the meaning of Code Section 22(e)(3), and the date of any such disability shall be deemed to be the day following the last day the Optionee performed services for the Company.

G. *Period to Exercise Option.* The Option granted hereunder may, prior to its expiration or termination, be exercised from time to time, in whole or in part, up to the total number of Option Shares with respect to which it shall have then become exercisable. An Option granted hereunder may become exercisable in installments as determined by the Committee; provided, however, that if the Option is exercisable in more than one installment, and if the employment of the Optionee is terminated, then the Option (or such portion thereof as shall be exercisable in accordance with the terms of this Agreement) shall be exercisable during the period set forth in Paragraph E or F (whichever is applicable).

H. *No Exercise after Five Years.* The Option shall in no event be exercisable after five (5) years from the date hereof.

I. *Issuance of Stock Certificates Upon Exercise.* Subject to the provisions of Item 6 of this Agreement, upon receipt of the Exercise Price for any Option Shares, the Company will issue to

Optionee shares of Common Stock equal to the number of such Option Shares; provided, however, that no stock certificate shall be issued to the Optionee pursuant to the exercise of any Option granted herein, in whole or in part, unless and until either: (i) the Option Shares have been registered in accordance with the rules of the SEC, or (ii) Optionee signs an Investment Letter in a form provided by the Company.

6. Restriction on Issuance of Shares; Optionee's Representations.

A. *Securities Laws—Restrictions on Issuance of Shares.* No shares of Common Stock shall be issued or sold upon the exercise of any portion of the Option unless and until (i) the full amount of the Exercise Price has been paid as provided in Item 5C hereof, and (ii) the then applicable requirements of the Securities Act of 1933 and the applicable securities laws of any state, the rules and regulations of the Securities and Exchange Commission and any other regulations of any securities exchange on which the Common Stock may be listed, shall have been fully complied with and satisfied.

B. *Purchase for Investment; Other Representations of Optionee.* In the event the offering of shares with respect to which the Option is being exercised is not registered under the Securities Act of 1933, but an exemption is available which requires an investment representation or other representation, the Optionee shall, as a condition to exercise of this Option, be required to execute such documents as may be necessary or advisable in the opinion of counsel for the Company to comply with any federal securities laws or any applicable state securities laws. Stock certificates evidencing such unregistered shares acquired upon exercise of the Option shall bear a restrictive legend in substantially the following form and such other restrictive legends as are required or advisable under the provisions of any applicable laws:

This stock certificate and the shares represented hereby have not been registered under the Securities Act of 1933, as amended (the "Act") nor under the securities laws of any state and shall not be transferred at any time in the absence of (i) an effective registration statement under the Act and any other applicable state law with respect to such shares at such time; or (ii) an opinion of counsel satisfactory to the Company and its counsel to the effect that such transfer at such time will not violate the Act or any applicable state securities laws; or (iii) a "no action" letter from the Securities and Exchange Commission and a comparable ruling from any applicable state agency with respect to such state's securities laws.

C. *Holding Period Before Sale of Option Shares.* If the Optionee is an insider subject to the SEC's rules under Section 16(b) of the Securities and Exchange Act of 1934, then the Optionee shall be restricted from selling any Option Shares acquired by him through exercise of the Options or any portion thereof during the six (6) month period following the date of grant of the Option.

7. No Rights as a Shareholder. The Optionee shall not have any rights as a shareholder with respect to any Option Shares covered by the Option granted hereunder until the issuance of a stock certificate for such shares. No adjustment shall be made on the issuance of a stock certificate to the Optionee as to any dividends or other rights for which the record date occurred prior to the date of issuance of such certificate.

8. Binding Effect. This Agreement shall be binding upon the executors, administrators, heirs, legal representatives and successors of the parties hereto.

9. No Employment Rights. This Agreement shall not confer upon Optionee any right with respect to the continuance of employment by the Company, nor shall it interfere in any way with the right of the Company to terminate such employment at any time.

10. Governing Law. This Stock Option Agreement shall be governed by and construed in accordance with the laws of the State of Nevada.

11. Notices. All notices and other communications under this Agreement shall be in writing, and shall be deemed to have been duly given on the date of delivery if delivered personally or three days after being mailed to the party to whom notice is to be given, by certified mail, return receipt requested, postage prepaid, and addressed as follows, until any such address is changed by notice duly given:

To Optionee at:	The address indicated below Optionee's signature
To Company at:	Allegiant Travel Company 8360 S. Durango Drive Las Vegas, Nevada 89113

12. Enforcement. If any portion of this Agreement shall be determined to be invalid or unenforceable, the remainder shall be valid and enforceable to the extent possible.

IN WITNESS WHEREOF, this Agreement has been duly executed on the date first above written.

OPTIONEE:	ALLEGIANT TRAVEL COMPANY
_____	(SEAL) By: _____
	Its: _____
Address:	

QuickLinks

[Exhibit 10.3](#)

[ALLEGIANT TRAVEL COMPANY STOCK OPTION AGREEMENT
Vesting Schedule](#)

**ALLEGIANT TRAVEL COMPANY
RESTRICTED STOCK
AGREEMENT**

This Restricted Stock Agreement (the "Agreement") is made as of the day of , 20 ("Date of Grant") between Allegiant Travel Company, a Nevada corporation (the "Company") and ("Grantee").

1. RESTRICTED STOCK AWARDS.

A. The Company hereby grants to Grantee a total of XXXXX () shares of the Company's Common Stock (the "Restricted Stock") subject to the terms and conditions set forth below.

B. Grantee will receive a certificate identifying the number of shares of common stock issued to the Grantee as Restricted Stock.

C. The Restricted Stock has been awarded as compensation to the Grantee for services to be rendered as a Director of the Company over the vesting period provided for herein.

D. This Agreement sets forth the terms, conditions and restrictions applicable to the Restricted Stock granted to Grantee.

2. RESTRICTIONS.

A. The Restricted Stock has been awarded to the Grantee subject to the transfer and forfeiture conditions set forth in Paragraph B below (the "Restrictions") which shall lapse, if at all, as described in Section 3 below. For purposes of this Award, the term Restricted Stock includes any additional shares of stock granted to the Grantee with respect to any Restricted Stock (e.g., shares issued upon a stock dividend or stock split) prior to the vesting of the Restricted Stock.

B. Grantee may not directly or indirectly, by operation of law or otherwise, voluntarily or involuntarily, sell, assign, pledge, encumber, charge or otherwise transfer (a "transfer") any of the Restricted Stock prior to vesting as provided in Section 3 below. Any transfer or attempted transfer prior to such time shall be null and void and of no effect whatsoever.

C. If the Grantee's service as a Director of the Company terminates prior to the vesting of all Restricted Stock of the Grantee for any reason other than as set forth in Section 3 below, then the Grantee shall forfeit all of the Grantee's right, title and interest in and to the Restricted Stock not vested as of the date of such termination and such Restricted Stock shall be reconveyed to the Company as of the date of such termination without further consideration or any act or action by the Grantee.

D. The Restrictions imposed under this Section 2 shall apply to all shares of the Company's common stock or other securities issued with respect to Restricted Stock hereunder in connection with any merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure affecting the common stock of the Company which occurs prior to the vesting of the Restricted Stock.

3. EXPIRATION AND TERMINATION OF RESTRICTIONS. The Restrictions imposed under Section 2 above will expire and vesting of the Restricted Stock shall be as follows:

On _____, 20____, the Restrictions will expire with respect to the Restricted Stock of the Grantee not forfeited prior to that date.

Notwithstanding anything herein to the contrary, all Restricted Stock of a Grantee shall become fully vested upon the Grantee's death or total disability. Total disability shall be defined as a physician certified disability which permanently or indefinitely renders the Grantee unable to perform his usual duties for the Company.

4. ADJUSTMENTS. If the number of outstanding shares of common stock of the Company is changed as a result of a stock dividend, stock split or the like without additional consideration to the Company, the number of shares of Restricted Stock under this Agreement shall be adjusted to correspond to the change in the outstanding shares of the Company's common stock.

5. VOTING AND DIVIDENDS. Subject to the restrictions contained in Section 2 hereof, the Grantee shall have all rights of a stockholder of the Company with respect to the Grantee's Restricted Stock, including the right to vote the shares of the Grantee's Restricted Stock and the right to receive any cash or stock dividends, including dividends of stock of a company other than the Company. Stock dividends issued with respect to the Grantee's Restricted Stock shall be treated as additional shares of the Grantee's Restricted Stock (even if they are shares of a company other than the Company) that are subject to the same restrictions and other terms and conditions that apply to the shares with respect to which such dividends are issued. If a dividend is paid in other property, the Grantee will be credited with the amount of property which would have been received had the Grantee owned a number of shares of common stock equal to the number of shares of Restricted Stock credited to his account. The property so credited will be subject to the same restrictions and other terms and conditions applicable to the Restricted Stock under this Agreement and will be disbursed to the Grantee in kind simultaneously with the Restricted Stock to which such property relates.

6. DELIVERY OF SHARES. The shares of Restricted Stock of the Grantee will be issued in the name of the Grantee as Restricted Stock and will be held by the Company prior to vesting in certificated or uncertificated form. If a certificate for Restricted Stock is issued prior to vesting, such certificate shall be registered in the name of the Grantee and shall bear a legend in substantially the following form:

"This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture and restrictions against transfer) contained in a Restricted Stock Agreement dated _____, 20____, between the registered owner of the shares represented hereby and Allegiant Travel Company. Release from such terms and conditions shall be made only in accordance with the provisions of such Agreement, copies of which are on file in the office of Allegiant Travel Company."

Upon request from the Company, the Grantee shall deposit with the Company a stock power, or powers, executed in blank and sufficient to reconvey the Restricted Stock to the Company upon any forfeiture of the Restricted Stock (or a portion thereof), in accordance with the provisions of this Agreement. Upon vesting of any Restricted Stock, any stock certificates and stock powers relating to such vested Restricted Stock shall be released to the Grantee upon request.

7. WITHHOLDING TAXES. The Company is entitled to withhold an amount equal to the Company's required minimum statutory withholding taxes (if any) for the respective tax jurisdiction attributable to any share of common stock or property deliverable in connection with the Restricted Stock. Grantee may satisfy any withholding obligation in whole or in part by electing to have the Company retain shares of the Restricted Stock having a Fair Market Value on the date of vesting equal to the minimum amount to be withheld. Fair Market Value for this purpose shall be the closing price for a share of the Company's common stock on the last trading day before the date of vesting.

8. OTHER RIGHTS. The grant of Restricted Stock does not confer upon Grantee any right to continue on the Board of Directors of the Company and does not interfere with the right of the Company to terminate Grantee's service on the Board at any time in accordance with the Company's By-Laws.

9. NOTICES. Any written notice under this Agreement shall be deemed given on the date that is three business days after it is sent by registered or certified mail, postage prepaid, addressed either to the Grantee at his address as indicated in the Company's employment records or to the Company at its principal office. Any notice may be sent using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail or electronic mail) but no such notice shall be deemed to have been duly given unless and until it is actually received by the intended recipient.

10. NONTRANSFERABILITY. This Agreement and all rights hereunder are nontransferable and nonassignable by the Grantee, other than by the last will and testament of Grantee or the laws of descent and distribution, unless the Company consents thereto in writing. Any transfer or attempted transfer except pursuant to the preceding sentence shall be null and void and of no effect whatsoever.

11. SECTION 83(b) ELECTION. Grantee may make an election to be taxed upon the grant of his Restricted Stock under Section 83(b) of the Internal Revenue Code of 1986, as amended. To effect such election, the Grantee must file an appropriate election with the Internal Revenue Service within thirty (30) days after the grant of the Restricted Stock and otherwise in accordance with the applicable Treasury Regulations.

12. AMENDMENT. This Agreement may not be amended except by a writing signed by the Company and Grantee.

13. HEIRS AND SUCCESSORS. Subject to Section 10 above, this Agreement and all terms and conditions hereof shall be binding upon the Company and its successors and assigns, and upon the Grantee and their heirs, legatees and legal representatives.

14. INTERPRETATION. Any issues of interpretation of any provision of this Agreement shall be resolved by the Compensation Committee of the Board of Directors of the Company.

15. SEVERABILITY. The provisions of this Agreement, and of each separate section and subsection, are severable, and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions, and any unenforceable provisions to the extent enforceable, shall nevertheless be binding and enforceable.

16. GOVERNING LAW. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by and construed according to the internal law and not the law of conflicts of the State of Nevada.

17. WAIVER. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or any other provision hereof.

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IN WITNESS WHEREOF, the Company has executed this Agreement as of day and year first above written.

ALLEGIANT TRAVEL COMPANY

By: _____

Its: _____

The undersigned Grantee hereby accepts, and agrees to, all terms and provisions of the foregoing Award.

Address: _____

QuickLinks

[Exhibit 10.4](#)

[ALLEGIANT TRAVEL COMPANY RESTRICTED STOCK AGREEMENT](#)

AMENDMENT TO LEASE

This AMENDMENT TO LEASE ("Amendment") is made as of the 23rd day of June, 2008, by and between **WINDMILL DURANGO OFFICE, LLC** (hereinafter referred to as "Landlord"), and **ALLEGIANT AIR, LLC** (hereinafter referred to as "Tenant").

WITNESSETH:

WHEREAS, Landlord entered into a certain Lease Agreement (the "Lease") dated May 1, 2007 with Tenant for a premises located at 8360 South Durango, Las Vegas, Nevada 89113 (the "Premises"), which Premises are more particularly described in said Lease.

WHEREAS, pursuant to the Lease, assuming Tenant is not in default beyond any applicable notice and cure period under the Lease, Landlord shall grant to Tenant a continuous Right of First Offer on any space that comes available in the Building during the Lease Term.

WHEREAS, Tenant wishes to exercise said right at this time and assume additional floor area at the Building.

NOW, THEREFORE, in consideration of the mutual promises herein contained and for other good and valuable consideration paid for and given by each of the parties hereto to the other, receipt of which each of the parties hereby respectively acknowledges, the parties hereto agree as follows:

1. As of the effective date of this Amendment, Tenant shall take on an additional 6,380 square feet of floor area at the Building. As such, the Premises shall hence contain a total of approximately 64,908 square feet of floor area. A depiction of the 6,380 square feet of additional floor area is attached hereto and made part hereof as Exhibit "1".
2. Tenant's Pro Rata Share pursuant to Section 1.9 of the Lease shall increase from 78% to 87.5%.
3. Tenant's Base Rent and Escalations pursuant to Section 1.10 of the Lease shall increase proportionately due to the adjusted floor area as follows:

<u>Lease Year</u>	<u>Rental Rate Per Square Foot Per Month (NNN)</u>	<u>Monthly Installments of Base Rent</u>
1	\$ 1.91	\$ 123,974.28
2	\$ 1.98	\$ 128,517.84
3	\$ 2.13	\$ 138,254.04
4	\$ 2.19	\$ 142,148.52
5	\$ 2.26	\$ 146,692.08
6	\$ 2.33	\$ 151,235.64
7	\$ 2.40	\$ 155,779.20
8	\$ 2.47	\$ 160,322.76
9	\$ 2.54	\$ 164,866.32
10	\$ 2.62	\$ 170,058.96

4. Tenant shall be relieved from paying Rent to Landlord for the two (2) months of May 2008 and June 2008 only. All Rent shall again commence and be due and owing pursuant to the terms of the Lease on July 1, 2008, and continue thereafter.

EXHIBIT "1"

[FLOOR PLAN]

QuickLinks

[AMENDMENT TO LEASE](#)

LEASE

BY AND BETWEEN

WINDMILL DURANGO OFFICE II, LLC

AS "LANDLORD"

and

ALLEGIANT AIR, LLC

AS "TENANT"

DATED AS OF JUNE 23, 2008

LAS VEGAS, NEVADA

APN: 176-16-210-001

Triple Net Lease (NNN)

OFFICE SPACE

LEASE AGREEMENT

This Office Space Lease Agreement ("*Lease*") is made between the Landlord and Tenant hereinafter identified in Sections 1.2 and 1.3 hereof, respectively, and constitutes a lease between the parties of the "*Premises*" as identified in Section 1.6 hereof on the terms and conditions and with and subject to the covenants and agreements of the parties hereinafter set forth by basic lease provisions. The Premises are located within the Building and Project described in Section 1.5. Tenant shall have the non-exclusive right (unless otherwise provided herein) in common with Landlord, other tenants, subtenants and invitees, to use of the Common Areas (as defined below).

**ARTICLE 1
BASIC LEASE PROVISIONS**

The following are certain Lease provisions, which are a part of and, in certain instances, referred to, in subsequent provisions of this Lease:

SECTION 1.1

DATE OF LEASE: June 23rd, 2008

SECTION 1.2

LANDLORD: WINDMILL DURANGO OFFICE II, LLC

SECTION 1.3

TENANT: ALLEGIANT AIR, LLC

SECTION 1.4

TENANT'S TRADE NAME: ALLEGIANT AIR

SECTION 1.5

PROJECT/BUILDING: The building of which the Premises are a part (the "*Building*") and any other buildings or improvements on the real property (the "*Property*") located at _____, Las Vegas, Nevada and further described at Exhibit "B" as "Two Story Office 2". The Project is known as Durango Commons. (See Section 2.1)

SECTION 1.6

PREMISES: Suite/Space No. _____ containing approximately 10,000 Rentable square feet of floor area (_____ Useable square feet). (See Exhibit A-1 and Section 2.2)

SECTION 1.7

TERM: 120 months from the Lease Commencement Date ("*Expiration Date*"). (See Section 3.1)

SECTION 1.8

COMMENCEMENT DATE: *Lease Commencement Date*: (subject to Section 4.1 below) is Approximately May 1, 2009, and the Expiration Date Is Approximately April 30, 2019. Lease Commencement Date shall occur when a Certificate of Occupancy (C. of O.) is issued for the Premises.

Tenant expressly agrees, and this Lease is made upon the express condition, that Landlord shall not be liable, responsible, or in any way accountable to Tenant, Tenant's agents, employees, servants, customers or invitees, or to any person whoever, for any loss incurred by Tenant or its business due to any delays incurred in occupying the Premises. However, Landlord expressly agrees that Tenant will not be responsible for rent until the actual Lease Commencement Date.

SECTION 1.9
TENANT'S PRO
RATA SHARE:

% Such share is a fraction, the numerator of which is the Rentable Area of the Premises, and the denominator of which is the Rentable Area of the Building. The total Rentable Area of the Building is 56,308 Rentable square feet.

SECTION 1.10
BASE RENT AND
ESCLATIONS:

The initial Base Rent shall be \$1.98 per Rentable sq. ft., per month (NNN).

The Base Rent shall be increased as follows:

<u>Lease Year</u>	<u>Rental Rate Per Square Foot Per Month (NNN)</u>	<u>Monthly Installments of Base Rent</u>
1	\$ 1.98	
2	\$ 2.13	
3	\$ 2.19	
4	\$ 2.26	
5	\$ 2.33	
6	\$ 2.40	
7	\$ 2.47	
8	\$ 2.54	
9	\$ 2.62	
10	\$ 2.70	

SECTION 1.11
CAM/Operating
Expenses

Triple Net (NNN) to Tenant

SECTION 1.12
SECURITY
DEPOSIT:

\$19,800 (See Sections 7., 7.2 and 7.3)
Which shall be deposited with Landlord upon receipt of building permit.

SECTION 1.13
PERMITTED USE:

General office use and all related uses thereto and for no other use or purpose. (See Section 12.1)

SECTION 1.14
GUARANTOR(S):

N/A. (See Section 18.3)

Premises shall be built as a "turn key" for Tenant as per Landlord's plans and as described generally in Exhibit "D."

SECTION 1.15
TENANT'S IMPROVEMENT
ALLOWANCE:

Tenant shall also receive from Landlord the total sum not to exceed \$225,000 to be used as an allowance for Tenant's Work as described generally in Exhibit "D", to be released pursuant to Landlord's construction control procedures.

SECTION 1.16
BROKER(S):

Landlords:

JEFF SUSA
3275 South Jones Blvd., #105
Las Vegas, NV 89146

Tenants:

None.

(See Section 31.5)

SECTION 1.17
ADDRESSES FOR NOTICES AND
REPORTS:

Landlord:
WINDMILL DURANGO OFFICE II, LLC
3275 South Jones Blvd., #105
Las Vegas, NV 89146

Tenant:
Allegiant Air, LLC
3301 N. Buffalo, Suite B-9
Las Vegas, Nevada 89129

with a copy to:

Robert B. Goldberg, Esq.
Ellis Funk, P.C.
3490 Piedmont Road, Suite 400
Atlanta, Georgia 30305

SECTION 1.18
LANDLORD'S ADDRESS FOR
RENT PAYMENTS:

WINDMILL DURANGO OFFICE II, LLC
3275 South Jones Blvd., #105
Las Vegas, NV 89146

SECTION 1.19
BUILDING HOURS:

Monday through Friday 7:00 a.m. to 6:00 p.m. and
Saturday 7:00 a.m. to 1:00 p.m.

SECTION 1.20
PARKING:

Tenant shall be permitted to park cars (based upon a ratio of 5:1,000 per rentable square feet) on a non-exclusive basis in the area(s) designated by Landlord for parking. Tenant shall abide by any and all parking regulations and rules established from time to time by Landlord or Landlord's parking operator. No charges may be imposed for guest parking during the initial or any renewal term of the Lease assuming such parking is non-exclusive and uncovered.

Covered parking will be made available at a cost of \$40.00 or the prevailing market rate per space, per month. Location and exact number of spaces is to be determined. *(See Section 8.4)*

SECTION 1.21
RENTABLE AREA

As to both the Premises and the Project, the respective measurements shall be calculated according to the BOMA Method of measurement in effect at the time of execution of this Lease (subject to adjustment as described in Section 2.2 below).

SECTION 1.22
TENANT'S FIRST ADJUSTMENT
DATE

Twelve (12) months from the Lease Commencement Date set forth in Section 1.8 above. *(See Section 1.10)*

SECTION 1.23
RENT ABATEMENT

Six (6) Months from the Lease Commencement Date. This rent abatement shall only apply to Base Rent. Payment of CAM/Operating Expenses shall nevertheless commence on the Lease Commencement Date.

SECTION 1.24
EXPENSE STOP (if applicable):

N/A

SECTION 1.25
INDEX: (if applicable):

N/A

SECTION 1.26
ADDENDUMS

Addendum(s) Numbered I: are attached hereto and incorporated herein.

ARTICLE 2
GRANT

2.1 Protect. The Project consists of the real property and those buildings and improvements shown on the site plan ("*Site Plan*") attached hereto as Exhibit "B" and constructed or to be constructed on the real property. The Site Plan sets forth the general layout of the Project and the approximate location of the Building and the Premises within the Project, but is for informational purposes only and does not constitute a warranty, representation, or agreement of any kind on the part of Landlord. Landlord reserves the right, for itself and for the underlying Lessor, if any, without incurring any liability to Tenant and without altering in any way Tenant's obligations under this Lease, to (i) change the tenant mix of the Project without prior notice, (ii) increase, reduce, or change the size, height, or layout of the Project or any part thereof, including without limitation the right not to construct any proposed improvements or portion of the Project which may or may not be shown on the Site Plan and the right to change the parking plan, and/or parking ratios (provided however, the Tenant's parking ratio shall not be changed without the Tenant's prior written consent, which shall not be unreasonably withheld) or to construct new buildings and structures in the Project and to remove and replace existing buildings, tenants and structures in the Project, and (iii) make alterations to and build additional stories on the building in which the Premises are located, and to construct other buildings and improvements in the Project, including any modifications of the Common Area (as hereafter defined). Tenant hereby consents to the exercise by Landlord of the rights set forth in this paragraph and agrees that the exercise of such rights by Landlord or by the underlying lessor, if any, shall not diminish Tenant's obligations under this Lease. Notwithstanding the above to the contrary, no changes to the Project shall: (a) materially affect the conduct of the Tenant's business therein; or, (b) impose any additional obligations on, or restrict the rights of, the Tenant.

2.2 Premises. Landlord leases to Tenant and Tenant leases from Landlord the Premises described in Section 1.6 for the Term (as defined in Article 3) and pursuant to all of the terms, covenants and conditions contained herein. The Premises are being leased to Tenant subject to covenants, restrictions and easements of record. Landlord reserves the right to use the exterior walls, floor, and roof in, above and below the Premises, and retains the right to install, maintain, use, repair, and replace structural elements and utility equipment, including, but not limited to, pipes, ducts, conduits, wires, and appurtenant fixtures in, under, over, and through the Premises, in locations that will not materially interfere with Tenant's use of the Premises. Landlord and Tenant agree that the square footage of the Premises is subject to verification by Landlord's architect or space planner. The square footage of the Premises shall be determined in accordance with the Standard Building Owners and Manager's Association ANSI-Z65.1 (1996). If the amount of rentable square footage of the Premises shall differ from the approximate amount set forth in Section 1.6 of this Lease, then the Base Rent, Security Deposit, Tenant's Prorate Share, and any other amounts and percentages appearing in this Lease, which are based upon the square footage of the Premises, shall be proportionately adjusted. Upon determination of the square footage of the Premises, Landlord and Tenant shall confirm the same in a written amendment to this Lease.

2.3 Common Area. The term "*Common Area*" means without limitation parking areas (Including parking decks), roadways, pedestrian sidewalks, truckways, loading docks for use by more than one tenant, delivery areas, landscaped areas, roofs, elevators and escalators and stairs not contained in leased areas, service, fire and exit corridors, passageways, common restrooms and all of the areas or improvements which may, at the commencement of the Term hereof and at any time during the Term, be provided upon the Project/Building, for the convenience and use of the tenants of the Project and their respective subtenants, agents, employees, customers, invitees and any other licensees of Landlord. All Common Areas and facilities which Tenant may be permitted to use and occupy for Tenant's purposes, shall be used and occupied under a revocable license for the term of this Lease.

**ARTICLE 3
TERM**

3.1 Term. The Term of the Lease ("Term") shall commence upon the Lease Commencement Date and shall expire, unless sooner terminated in accordance with this Lease, upon the Expiration Date. Following the Lease Commencement Date, upon Landlord's request, Tenant shall promptly execute and deliver a "*Memorandum of Lease Commencement*" in the form attached hereto as Exhibit "C", which shall specify the Lease Commencement Date and the Expiration Date. If Tenant fails to so execute or deliver a Memorandum of Rent Commencement, such failure shall not affect Tenant's obligation to commence paying rent upon the occurrence of the Lease Commencement Date. If the Lease Commencement Date occurs on a day other than the first day of a calendar month, the monthly installment of Base Rent for the first fractional month shall be equal to one-thirtieth ($1/30$) of the monthly installment of Base Rent for each day from the Lease Commencement Date to the end of the partial month.

3.2 Holding Over. This Lease shall terminate without further notice upon the Expiration Date and any holding over by Tenant after the Expiration Date shall not constitute a renewal or extension of this Lease, or give Tenant any rights under this Lease, except when signed in writing, by both parties. If Tenant holds over for any period after the Expiration Date (or earlier termination) of the term, Landlord may, at its option, treat Tenant as a tenant at sufferance only, commencing on the first (1st) day following the termination of this Lease and subject to all of the terms of this Lease, except that the monthly Base Rent shall be one hundred twenty-five percent (125%) of the last monthly rental installment.

If Tenant fails to surrender the Premises upon the expiration of this Lease despite demand to do so by Landlord, Tenant shall indemnify and hold Landlord harmless from all loss or liability, including, without limitation, any claims made by any succeeding tenant relating to such failure to surrender provided that Tenant has received sixty (60) days advance notice of any succeeding tenant. Acceptance by Landlord of rent after the termination shall not constitute a consent to a holdover or result in a renewal of this Lease. The foregoing provisions of this Section are in addition to, and do not affect, Landlord's right to re-entry or any other rights of Landlord under this Lease or at law.

**ARTICLE 4
POSSESSION**

4.1 Delivery of Possession. If for any reason Landlord does not deliver possession of the Premises to Tenant by the Lease Commencement Date as set forth in Section 1.8 above, Landlord and Tenant agree to execute a written addendum to this Lease within ten (10) days of Delivery of Possession extending the Expiration Date for the length of the delay. Landlord shall not be subject to any liability for such failure to deliver possession and the validity of this Lease shall not be impaired, but Base Rent shall be abated until Delivery of Possession; except that if Landlord's failure to so deliver possession on the Lease Commencement Date is attributable to: (i) Tenant's delays in the reasonable approval or preparation of plans and specifications for improvements, (ii) unreasonable delays caused by the Tenant's contractors or agents in performing services for which Tenant is responsible, or (iii) Tenant's negligence or willful misconduct ("Tenant Delays"), then Landlord shall be entitled to full performance by Tenant (including the payment of all forms of rent) from the Lease Commencement Date. "*Delivery of Possession*" shall be deemed to occur on the date Landlord substantially completes Landlord's Work as set forth in Exhibit "D" hereto. If Landlord permits Tenant to enter into possession of the Premises before the Lease Commencement Date, such possession shall be subject to the provisions of this Lease. By entry hereunder, Tenant shall be deemed to have accepted the Premises (except for minor items of work and minor adjustments that can be completed after occupancy of the Premises without causing undue interference with Tenant's reasonable use of the Premises [i.e., so called "*punchlist*" items]) as being in good and sanitary order, condition and repair, subject to all applicable zoning, municipal,

county and state laws, ordinances and regulations governing and regulating the use of the Premises and any covenants or restrictions of record, and accepts this Lease subject thereto as to all matters disclosed thereby and by any exhibits attached hereto. Landlord shall use its reasonable efforts to complete the punchlist items as quickly as reasonably possible. Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Tenant's business. Tenant shall have access to the Building through all public entrances during the Building Hours. After Building Hours Tenant shall be allowed access through those entrances designated by the Landlord as after-hour entrances by means of cards or keys provided by Landlord for such purpose.

ARTICLE 5 CONSTRUCTION

5.1 Tenant's Construction. Tenant shall commence the installation of fixtures, equipment and any other Tenant's Work as set forth in Exhibits "D," if any, promptly upon substantial completion of Landlord's Work and Tenant shall diligently pursue such installation and work to completion. All of Tenant's Work shall be at Tenant's sole cost and expense pursuant to plans and specifications which meet Landlord's reasonable approval. Tenant shall provide its own trash container(s) as needed for containment and removal of construction debris from Tenant's Work and Tenant shall remove said trash containers prior to opening for business. The location of the trash containers shall be reasonably designated by Landlord. During the Tenant improvement period, Tenant and its contractor, if any, shall keep the Project free of all construction and related debris. Prior to opening for business, Tenant shall remove all construction and related debris from the Premises and the Project, and all such areas shall be left in a broom clean condition. Tenant's contractor shall name Landlord as an additional insured on contractor's insurance policies. All Tenant's Work shall be undertaken and completed in a good, workmanlike manner, and Tenant shall obtain all necessary governmental permits, licenses and approvals with respect thereto and shall fully comply with all covenants, conditions and restrictions of record, governmental statutes, ordinances, rules and regulations pertaining thereto. Tenant covenants that no work by Tenant's employees, agents or contractors, shall disrupt or cause a slowdown or stoppage of any work conducted by Landlord on the Premises or Project.

5.2 Landlord's Construction. Landlord shall deliver to Tenant, and except as specifically provided herein, Tenant agrees to accept from Landlord, possession of the Premises upon substantial completion of Landlord's Work as described in Exhibit "D," in addition to (and not in lieu of) Landlord's obligations under this Lease, Landlord hereby represents and warrants ("Landlord's Warranty") that the Tenant Improvements shall be free from defects in workmanship and materials for a period of twelve (12) months after the date that such Tenant Improvements are Substantially Complete. If Tenant notifies Landlord of any such defects within such twelve (12) month period, then Landlord, at its expense, will repair or cause to be repaired (unless caused or changed in condition by Tenant prior thereto), the defects as soon as practicable and shall use reasonable efforts to repair the defects with minimal disruption and interference to Tenant's use of the Premises. At any time after the expiration such twelve (12) month period, Landlord will promptly, upon written request of Tenant, assign to Tenant (to the extent assignable and without warranty or representation by Landlord) all rights which Landlord may have under the contract for the construction of the Tenant Improvements against the contractor respecting defects in workmanship and materials.

ARTICLE 6 RENT

6.1 General Provisions. As used herein, "rent" or "Rent" shall mean Base Rent and Additional Rent, all as hereinafter defined. Unless provided herein to the contrary, Tenant shall pay all rent to Landlord in advance on or before the first day of each month of the Term at the address provided in

Section 1.18 hereof, commencing on the Lease Commencement Date (payment of the 1st month's rent), and continuing until the Expiration Date, All rent shall be paid, to Landlord, in lawful money of the United States of America without demand therefor, and without deduction, offset or abatement (subject to Section 1.23) of any kind. Rent for any partial month, including any month adjusted pursuant to Section 3.1 hereof, shall be prorated on the basis of a thirty (30) day month. Upon the execution of this Lease, Tenant shall pay to Landlord the sum equal to the first full monthly installment of Base Rent. No payment by Tenant or receipt by Landlord of lesser amounts of rent than those herein stipulated shall be deemed to be other than on account of the earliest unpaid stipulated rent. No endorsement or statement on any check or any letter accompanying any check or payment as rent shall be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy provided in this Lease. Any credit due to Tenant hereunder by reason of overpayment of additional rent shall first be applied to any damages or rent owed to Landlord by Tenant if Tenant shall be in default when said credit shall be owed.

6.2 Base Rent. Subject to Section 6.3, Tenant shall pay Landlord as fixed rent ("*Base Rent*") during the Term of this Lease, the sum set forth in Section 1.10 hereof, which sum shall be payable by Tenant, monthly, on or before the first day of each month, in advance.

6.3 Additional Rent. All other charges or payments of whatever nature required to be paid by Tenant to Landlord under this Lease, except Base Rent, including without limitation Operating Expenses/CAM charged and the Exhibits attached hereto, shall be referred to as "*Additional Rent*". Base Rent and monthly Operating Expenses/CAM fees shall be paid in the manner specified in Section 6.2; all other charges or whatever kind required to be paid by Tenant under this Lease, including the Exhibits attached hereto, shall, unless otherwise specified, be due and payable ten (10) days after demand, without any deductions or set-off whatsoever, except as expressly provided in this Lease, in the manner and at the place where Base Rent is payable.

6.4 Rent Control. If the amount of Rent or any other payment due under this Lease violates the terms of any governmental restrictions on such Rent or payment, then the Rent or payment due during the period of such restrictions shall be the maximum amount allowable under those restrictions. Upon termination of the restrictions, Landlord shall, to the extent it is legally permitted, recover from Tenant the difference between the amounts received during the period of the restrictions and the amounts Landlord would have received had there been no restrictions.

6.5 Increases to Base Rent. See Section 1.10

ARTICLE 7 SECURITY DEPOSIT

7.1 Security Deposit. Concurrently with Landlord obtaining a building permit, Tenant shall deposit with Landlord the Security Deposit ("*Security Deposit*") specified in Section 1.12. Landlord shall hold the Security Deposit as security for Tenant's faithful performance of all the terms, covenants, and conditions of this Lease. Landlord shall not be required to keep the Security Deposit separate from Landlord's general funds. Subject to Landlord's right hereunder to apply the Security Deposit in accordance with this Article, the parties acknowledge that the Security Deposit does not cover any rent or Operating Expenses hereunder. The retention or application of such Security Deposit by Landlord pursuant to this Section does not constitute a limitation on or waiver of Landlord's right to seek further remedy under law or equity.

7.2 Use of Security Deposit. If Tenant breaches or fails to perform any of Tenant's obligations under this Lease, Landlord shall have the right, but not the obligation, to use or retain all or any part of the Security Deposit to cure the breach or failure of performance, and to compensate Landlord for any damages sustained by Landlord, including but not limited to payment of: (i) delinquent rent;

(ii) interest on delinquent rent; (iii) late charges on delinquent rent; (iv) the cost of performing any of Tenant's obligations under this Lease; (v) the cost of repairing damages to the Premises or Project; (vi) the cost of cleaning, maintaining, repairing, restoring or reletting the Premises; (vii) attorneys' and accountants' fees and disbursements and court costs; (viii) brokerage commissions and finders' fees; and, (ix) interest on any and all of the above at the lower of (x) the so-called "Prime Rate" published in *The Wall Street Journal*, as the same may change from time to time, plus two percent (2%), or (y) sixteen percent (16%) per annum, but in no event at a rate higher than that permitted by applicable law ("*Remedy Rate*") from the date due until paid; provided, however, that retention of all or any part of the Security Deposit shall not affect Tenant's obligations under this Lease or Landlord's other rights and remedies provided at law, in equity, or under this Lease. If any portion of the Security Deposit is used as provided for in this Section, then within five (5) days after written demand by Landlord, Tenant shall deposit with Landlord sufficient cash to restore the Security Deposit to its original amount. Tenant's failure to make this deposit shall be a default under this Lease.

7.3 Refund and Transfer. If Tenant shall have fully and faithfully performed all of Tenant's obligations under this Lease (or upon the earlier termination without Tenant's fault) and after Landlord has inspected the Premises, has cleaned and repaired any damage, and has received invoices for such repair or cleaning costs, if any, then Landlord shall return the Security Deposit or any balance thereof to Tenant. Landlord may transfer the Security Deposit, or that portion remaining after any deduction, to Landlord's successor-in-interest and shall upon such transfer be discharged from any further liability with respect to such Security Deposit.

ARTICLE 8 USE AND MAINTENANCE OF THE COMMON AREAS

Landlord hereby grants to Tenant, the nonexclusive use of the Common Area in common with Landlord and with all others for whose convenience and use of the Common Area has been or may hereafter be provided by Landlord or by the owners of common areas not within the Project; subject, however, to rules and regulations for the use thereof as prescribed from time to time by Landlord or the owner of such other common areas. In no event, however, shall Tenant, its agents or employees, use the Common Area for the display, promotion or sale of merchandise. The Common Area shall be used and maintained pursuant to the following terms:

8.1 Maintenance of Common Area. Except for certain items to be maintained by Tenant as stated herein, Landlord, during the Term, will maintain the Common Area in good condition and repair.

8.2 Landlord's Control Over Common Area. Landlord shall at all times have the exclusive control and management of the Common Areas of the Building and Project. Landlord shall have the right from time to time to employ personnel; establish, modify and enforce reasonable rules and regulations; construct, maintain and operate lighting facilities; police the Common Areas and facilities; from time to time to change the area, level, location and arrangement of parking areas and other facilities hereinabove referred to; to restrict parking by Tenant, its officers, agents and employees to employee parking areas within the Project; to temporarily close all or any portion of the Common Areas to such extent as may, in the opinion of Landlord's counsel, be legally sufficient to prevent a dedication thereof or the accrual of any interest therein by any person or the public; temporarily close all or any portion of the parking areas or facilities to discourage non-customer parking; and to do and perform such other acts in and to the Common Areas as, in the use of good business judgment, Landlord shall determine to be advisable with a view to the improvement of the convenience and use thereof by tenants of the Building or Project, their employees, invitees and customers.

8.3 Compliance with Landlord's Rules and Regulations. Tenant agrees to comply with (and cause its agents, contractors, employees and invitees to comply with) the rules and regulations attached hereto as Exhibit "F" ("*Rules and Regulations*") and with such reasonable modifications thereof and

additions thereto as Landlord may from time to time make provided said additions/modifications are reasonable and are uniformly applied to all tenants, Landlord shall not be responsible for any violation of said rules and regulations by other tenants or occupants of the Building or Project, but shall nevertheless apply and enforce said Rules and Regulations equitably to all tenants.

8.4 Parking. Landlord shall cause to be maintained, automobile parking areas within the Project for the benefit and use of the visitors and patrons and employees of Tenant, and other tenants and occupants of the Project, subject to any and all conditions as set forth in this Lease. The parking areas shall include the automobile parking stalls, driveways, entrances, exits, sidewalks and attendant pedestrian passageways and other areas designated for parking. Landlord shall determine the nature and extent of the parking areas and make such changes which, in its opinion, are in the best interests of all persons using the parking area. Nothing contained in this Lease shall be deemed to create liability upon Landlord for any damage to motor vehicles of visitors or employees, unless ultimately determined to be caused by the negligence or willful misconduct of Landlord. Landlord shall also have the right to establish, amend, and enforce against all users of the parking areas reasonable rules and regulations as Landlord may deem necessary and advisable for the proper and efficient operation and maintenance of the parking area. Tenant shall hold harmless Landlord and defend Landlord, its agents and employees against any and all claims of the employee and/or owner of the vehicle towed hereof respectively.

8.5 No Obstruction. Tenant shall not obstruct any portion of the Common Area without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed, by placing or allowing any item on it, including without limitation, signs, banners, displays, merchandise or other materials, except as expressly permitted by this Lease, the Rules and Regulations or Landlord in writing.

8.6 Operating Expenses. "Operating Expenses" (sometimes referred to as "CAM") shall mean all costs and expenses of every kind and nature, including a 3% Management Fee incurred or paid by Landlord (calculated as 3% of all Rent), and including but not limited to the following:

(i) In operating, equipping, policing and protecting, lighting, heating, air conditioning, providing sanitation and other services, insuring (including self insurance and the payment of deductible amounts under insurance policies), repairing, replacing and maintaining the (a) Common Area, including any parking decks and connectors, (b) all buildings and roofs within the Project, and (c) all other areas, facilities and buildings and vertical transportation facilities.

(ii) For all taxes, assessments, water and sewer charges and other similar governmental charges levied on or attributable to the Building or Project or their operation, including without limitation, (a) real property taxes or assessments levied or assessed against the Building or Project, (b) assessments or charges levied or assessed against the Building or Project by any redevelopment agency, (c) any tax measured by gross rentals received from the leasing of the Premises, Building or Project, excluding any net income, franchise, capital stock, estate or inheritance taxes imposed by the state or federal government or their agencies, branches or departments; provided that if at any time during the Term any governmental entity levies, assesses or imposes on Landlord any (1) general or special, ad valorem or specific, excise, capital levy or other tax, assessment, levy or charge directly on the rent received under this Lease or on the rent received under any other leases of space in the Building or Project, or (2) any license fee, excise or franchise tax, assessment, levy or charge measured by or based, in whole or in part, upon such rent, or (3) any transfer, transaction, or similar tax, assessment, levy or charge based directly or indirectly upon the transaction represented by this Lease or such other leases, or (4) any occupancy, use, per capita or other tax, assessment, levy or charge based directly or indirectly upon the use or occupancy of the Premises or other premises within the Building or Project, then any such taxes, assessments, levies and charges shall be deemed to be included in the term Operating Expenses.

(iii) For all sums expended in connection with the Building and Project for all general maintenance and repairs; "S.I.D." fees; relocation of facilities; resurfacing; painting; striping; re-striping; cleaning; sweeping and janitorial services; maintenance and repair of sidewalks, curbs, Building and Project signs, landscaping, irrigation or sprinkling systems; planting and landscaping; lighting and other utilities; directional signs and other markers and bumpers; all roof repairs and maintenance including but not limited to patching, resurfacing and preventative maintenance and painting or renovation of the exterior portion of all or any part of the improvements constructed on the Building and Project; maintenance and repair of any fire protection systems, lighting systems, storm drainage systems and any other utility systems; all cost or expense incurred by reason of any repairs or modifications to the Building and Project and/or its improvements and/or for repair or installation of equipment for energy or safety purposes; personnel to implement such services including, if Landlord deems necessary, the cost of a maintenance supervisor and/or the cost of security guards; all costs and expenses pertaining to a security alarm system for the tenants and/or Building and Project; all costs, expenses, taxes and/or surcharges levied or imposed upon or against the Building and Project, parking spaces or areas, the Building and Project and/or Landlord and all payments to or for public transit or car-pooling facilities or as otherwise required by any governmental agency having jurisdiction over the Building and Project; all costs incurred by Landlord in connection with complying with applicable federal, state, county, borough or municipal laws, ordinances, rules, regulations, directives, orders and/or requirements now or hereafter in force with respect to the Building and Project and/or its Building and Project.

(iv) For reserves for future maintenance and repair work and reserves for replacement of existing capital improvements in the Building and Project which Tenant hereby authorizes Landlord to use as Landlord deems necessary; personal property taxes on the improvements located on the Building and Project; fees and costs incurred in managing the Building and Project and in the performance, management and supervision of the Common Area maintenance services and obligations and/or administering the accounting, bookkeeping and collection of the expenses in connection with the Building and Project, said fees and costs incurred in the previous sentence shall be included in, and are not in addition to, the 3% management fee set forth in the first paragraph of Section 8.6; and public liability and property damage insurance covering the Building and Project in amounts as required by Landlord. Landlord may cause any or all of said services to be provided by an independent contractor or contractors.

The following items shall not be included in Operating Expenses: (i) any expenses which under generally accepted accounting industry standards would not be considered a maintenance, repair and/or operating expense for a commercial office facility, (ii) costs associated with the operation of the business of the entity which constitutes the "Landlord", including, but not limited to, the legal and accounting costs associated with the leasing, selling, syndicating, financing, mortgaging, or hypothecating of any of Landlord's interest in the Building or Project, the costs of disputes between Landlord and its employees, tenants or contractors, (iii) deleted, (iv) expenses in connection with services (other than utilities commonly used by all tenants at the Project) provided solely to the premises of other tenants which are of no benefit to Tenant, (v) depreciation and/or amortization of the Building, (vi) the cost of repairs or other work incurred by reason of fire, windstorm or other casualty, except for deductibles paid under insurance contracts, (vii) Landlord's gross receipts taxes, personal and corporate taxes, inheritance and estate taxes, franchise, gift or transfer taxes, (viii) the cost of preparing any space for any tenant or prospective tenant of the Project or costs associated with any space presently deemed to be rentable space; (ix) costs incurred in leasing or obtaining new tenants or retaining existing tenants, including leasing commissions, attorneys' fees, or the cost of advertising and promotion; (x) attorneys' fees incurred in enforcing the terms of any lease; (xi) the cost of any item or service that Landlord provides selectively to one or more tenants of the Project, whether or not Landlord is reimbursed by such other tenants; and (xii) any amount paid to an entity or individual affiliated with or otherwise

related to Landlord which exceeds the amount which would be paid for similar goods or services on an arms-length basis between unrelated parties.

The inclusion of the improvements, facilities and services set forth in this Lease, shall not be deemed to impose an obligation upon Landlord to either have said improvements or facilities or to provide those services unless; (i) the Project already has the same, or (ii) Landlord already provides the services, or (iii) Landlord has agreed elsewhere in this Lease to provide the same or some of them. The Landlord may contract for Security Personnel to monitor the Common Areas of the Project. The extent and scope of the use of Security Personnel to monitor the Common Area, including the Parking Area, shall be under Landlord's sole control. The use of Security Personnel to monitor the Common Facilities shall be for the protection of the capital improvements of the Project and shall not create nor impose upon Landlord or its agents an obligation or duty to protect or defend the property or personal well being of Tenant, its employees, guests or agents.

8.7 Payment of Operating Expenses. Tenant shall pay to Landlord its Prorata Share of all costs and expenses of every kind and nature (collectively, "Operating Expenses") paid or incurred by Landlord in connection with the maintenance, repair, replacement, operation, protection, lighting and policing of the Common Area and the Project in the manner set forth in Section 6.2 as Additional Rent. Tenant's obligations set forth in this Section 8.7 form a material part of the consideration for this Lease, and Tenant hereby waives all rights to make repairs at the expense of Landlord as provided by any Laws now or hereafter in effect. It is understood that the foregoing charges shall be paid in estimated amounts determined periodically by Landlord. Landlord shall have the right at any time and from time to time to adjust the estimated amount based on actual amounts incurred and on projected costs for future periods. When the actual amounts of such charges have been determined, and if Tenant shall have paid an amount less than it is required to pay, Tenant shall pay the balance due within thirty (30) days after receipt of said statement, and if Tenant shall have paid an amount greater than it is required to pay, the additional amount shall be credited to Tenant's next such payments. The obligations of Tenant and Landlord to make payments required under this Section 8.7 shall survive the Expiration Date. In no event shall Tenant be relieved of its obligation to pay Tenant's Prorata Share of Operating Expenses if Landlord fails to send or is late in sending Landlord's Operating Statement or Estimated Operating Expense notice to Tenant.

Tenant or its agents shall have the right, not more frequently than once per calendar year, after notice to Landlord and at reasonable times, to inspect and photocopy Landlord's Operating Expense records at Landlord's office. Should Tenant dispute any Operating Expenses, Tenant shall be entitled, but not later than one year following the operating year in question, to retain an independent certified public accountant or other competent real estate professional applying generally accepted accounting industry standards, who is not contracted or compensated on a contingency fee basis, to audit Landlord's Operating Expense records for the calendar year in question. Should the audit determine that Tenant was over-charged, then, within thirty (30) days of Landlord's inspection of the audit, Landlord shall credit Tenant the amount of such over-charge toward the payments of Base Rent and Additional Rent next coming due under the Lease. Should the audit determine that Tenant has been under-charged; Tenant shall reimburse Landlord for such amount as Additional Rent next coming due under the Lease. Tenant agrees to pay the cost of the audit, unless the audit determines that Landlord's calculation of Operating Expenses was in error by more than three percent (3%), in which case Landlord shall pay for the audit. The obligations of Tenant and Landlord to make payments required under this Section 8.7 shall survive the Expiration Date.

ARTICLE 9 TAXES

9.1 Personal Property Taxes. Prior to delinquency, Tenant shall pay all taxes levied or assessed upon Tenant's equipment, furniture, fixtures and other personal property located in or about the

Premises. If the assessed value of Landlord's property is increased by the inclusion therein of the value placed upon Tenant's equipment, furniture, fixtures or other personal property, Tenant shall pay Landlord, upon written demand, the taxes so levied against Landlord, or the proportion thereof resulting from said increase in assessment.

ARTICLE 10 UTILITIES AND SERVICES

10.1 General. Landlord shall not be responsible for, or in default hereunder or be liable for any damages (including any consequential damages) directly or indirectly resulting from, nor shall the Rent be abated by reason of (i) the installation, use or interruption of use of any equipment in connection with the foregoing services, (ii) failure caused by accident or any condition or event beyond the reasonable control of Landlord, or by the making of necessary repairs or improvements to the Premises, Building or Project, or (iii) the limitation, curtailment or rationing of, or restrictions on, use of water, electricity, gas or any other form of energy serving the Premises, Building or Project. Landlord shall not be liable under any circumstances for a loss of or injury to property or business, however occurring, through or in connection with or incidental to any such services. Notwithstanding the preceding or anything in this Lease to the contrary, if water, electricity, gas or any other form of energy serving the Premises is interrupted due to the gross negligence of Landlord, its agents, employees, or contractors (or such contractors' subcontractors) for a period in excess of two (2) continuous business days, then Rent due under this lease shall be abated thereafter during the period of time Tenant is without such utility, until restoration of such services.

10.2 Landlord's Obligations. During the periods from 7:00 a.m. to 6:00 p.m., Monday through Friday and Saturday 7:00a.m. to 1:00 p.m., except New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and such other nationally recognized holidays, and subject to reasonable rules and regulations from time to time established by Landlord (for purposes of this Section 10, such hours and days of operation are herein called "*Normal Working Hours*"). In addition, the Building shall be accessible to Tenant's employees to work in the Premises outside Normal Working Hours for dispatch and customer care matters in the normal course of Tenant's business. Notwithstanding, Landlord shall furnish the following services and utilities to the Premises during the term of this Lease at levels and in types customary for first-class, office buildings in the Las Vegas, Nevada office market and as more particularly provided below, the cost of which shall be included in Operating Expenses except as specifically provided otherwise herein:

(a) *HVAC.* Landlord shall furnish heating, ventilation and air conditioning ("*HVAC*") amounts required for the use and occupancy of the Premises for normal office purposes. Tenant shall not, without Landlord's prior written consent, which shall not be unreasonably withheld or delayed, use heat-generating machines or other than normal fractional horsepower office machines or other machinery or equipment which may affect the temperature otherwise maintained in any portion of the Premises by the HVAC system, and if such temperature is affected as a result of: (i) any lights, machines or equipment (including, without limitation, computers, photocopiers and electronic data processing machines) used by Tenant in the Premises in excess of normal office use; (ii) the occupancy of the Premises by more than one person per two hundred (200) square feet of Rentable Area therein; or (iii) an electrical load in excess of five (5) watts (connected load) per square foot of Usable Area of the Premises, Landlord shall have the right to install any machinery or equipment which Landlord reasonably deems necessary to restore temperature balance, including, without limitation, modifications to the standard air conditioning equipment, and the cost thereof including the cost of installation and any additional cost of operation and maintenance incurred thereby, shall be paid by Tenant to Landlord as Additional Rent. As it pertains to any special equipment of Tenant only, Landlord makes no representation with respect to the adequacy

or fitness of the HVAC equipment in the Building to maintain satisfactory temperatures, and Landlord shall have no liability for loss or damage in connection therewith.

(b) *Electricity.* Landlord shall furnish to the Premises an average of five (5) watts of electric current (connected load) per square foot of Usable Area for wall outlet power and lighting and electric current. Without the prior written consent of Landlord, which Landlord may refuse in its sole discretion, Tenant shall not connect any apparatus, device, machinery, appliances or equipment, except through existing electrical outlets in the Premises. Tenant agrees to pay directly and in addition to Operating Expense payments for the cost of electrical current (at rates no higher than that charged by the public utility providing similar service) used by Tenant, which exceeds the amount of such current typically used by similar size tenants in similar class buildings and that the allocation of electricity costs to all tenants in the Project through Operating Expenses is, therefore, materially distorted or unfair, then Tenant shall pay Landlord the actual cost of the installation of such sub-meter and shall pay directly (instead of as part of Operating Expenses) for the actual cost of such excess electric current usage plus any additional expense incurred in keeping account of the electric current so consumed. Landlord shall have the right to install such sub-meter at any time and from time to time during the Term or any renewal thereof.

(c) *Elevators.* Landlord shall furnish passenger elevator services to the Premises at all times and shall identify a service provider for emergency calls from the elevator at all times.

(d) *Water.* Landlord shall make available water for lavatory and drinking purposes to be drawn from the public lavatory in the core of the floor on which the Premises are located and to any plumbing fixtures installed within Tenant's Premises as Landlord's Work. Tenant shall not make any use of the Premises, which would increase the amount of water typically furnished for office use, nor connect any appliance directly to the water pipes, unless specifically approved by Landlord in writing.

(e) *Janitorial.* Tenant shall provide janitorial service five (5) nights per week generally consistent with that furnished in other office buildings in Las Vegas and window washing as determined by Landlord but no less than once per quarter. Tenant shall also be required to provide janitorial services for the interior Common Areas of the Building that is part of its leased area, including without limitation, hallways, storage areas, stairwells, loading docks, delivery areas, escalators and elevators, service, fire and exit corridors, passageways, common restrooms, and all of the areas or improvements which may, at the commencement of the Term hereof and at any time during the Term, be provided upon the Project/Building, for the convenience and use of the Tenant and its subtenants, agents, employees, customers, invitees and any other licensees of Landlord.

10.3 Tenant's Obligations. In addition to the forgoing, Tenant shall be solely responsible for, and promptly pay when due, all charges for gas, water, sewer, telephone, electricity, and all other utilities used by Tenant or consumed at the Premises during the Term. If Tenant refuses or neglects to pay any such utility charges, Landlord may, at Landlord's option, pay such charges, and Tenant shall, upon demand, pay to Landlord the amount paid by Landlord in connection therewith as Additional Rent. In the event that any utility usage of Tenant is not separately metered or billed, Tenant agrees to pay to Landlord its equitable share of the charges for each utility as reasonably determined by Landlord as part of Tenant's Prorata Share of Operating Expenses.

All times during the Lease Term, Landlord shall have the right to select the utility company or companies that shall provide services to the Premises and, subject to all applicable Laws, Landlord shall have the right at any time and from time to time during the Lease Term to either (a) contract for services from service provider(s) other than the provider with which Landlord has a contract as of the date of this Lease (the "Current Provider"), or (b) continue to contract for services from the Current Provider. Tenant shall at all times cooperate with Landlord and any service provider with which Landlord has contracted and, as reasonably necessary, shall allow Landlord or such service provider

reasonable access to any pipes, electric lines, feeders, risers, wiring and any other machinery within the Premises.

ARTICLE 11 INSURANCE

11.1 General. Tenant shall, at its expense, maintain in effect from and after the date of Delivery of Possession of the Premises to Tenant and continuously thereafter until the Expiration Date, the policies of insurance required under this Article. All policies that Tenant is required to obtain under this Article shall be issued by responsible insurance companies authorized to do business in Nevada with a general policyholder's rating of not less than "A" and a financing rating of not less than Class "X", as rated by the most current available "Bests" Insurance Reports and shall be in a form (without any additions or deletions unless approved in writing by Landlord) and underwritten by companies reasonably acceptable to Landlord. On or before the Lease Commencement Date, Tenant shall furnish Landlord with evidence acceptable to Landlord that (i) the policies (or a binder thereof) required pursuant to this Article are in effect and (ii) Landlord shall be notified by the carrier in writing thirty (30) days prior to cancellation, material change, or non-renewal of such insurance. The policies that Tenant is required to obtain pursuant to this Article shall name Landlord and, upon Landlord's request, Landlord's mortgagee, if any, as additional Insureds on such equivalent form as may be approved by Landlord and shall be primary policies, and shall not be contributing with and shall be in excess of coverage which Landlord may have and shall be unaffected by any insurance or self-insurance Landlord may have regardless of whether any other insurance policy names Landlord as an insured or whether such insurance stands primary or secondary. If Tenant carries any of the insurance required hereunder in the form of a blanket policy, any certificate required hereunder shall make specific reference to the Premises, provided, however, the blanket policy carried with respect to the insurance required by Tenant hereunder shall contain a "per location" endorsement assuring that any aggregate limit under such blanket policy shall apply separately to the Premises and that the insurer thereunder shall provide written notice to Landlord if the available portion of such aggregate is reduced to less than the minimum amounts required under this Article by either payment of claims or the establishment of reserves for claims, (whereupon Tenant shall be obligated to take immediate steps to increase the amount of its insurance coverage in order to satisfy the minimum requirements set forth in Section 11.2). The policy evidencing insurance required to be carried by Tenant pursuant to this Article shall provide coverage on an occurrence basis. The limits of the insurance coverage required by Landlord or the unavailability of certain types of coverage shall not limit or release Tenant from any of its obligations under this Lease and the existence of such insurance in no way changes Tenant's obligations to Landlord.

11.2 Tenant's Insurance.

A. Tenant, at its sole cost and expense, during the entire Term hereof, shall, commencing with the date upon which possession of the Premises shall be made available to Tenant, procure, pay for and keep in full force and effect: (i) a commercial general liability insurance policy (ISO form or equivalent), including insurance against assumed or contractual liability under this Lease with respect to the Premises and the operations of Tenant and any subtenants of Tenant in, on or about the Premises in which the limits with respect to personal liability and property damage shall not be less than Three Million Dollars (\$3,000,000) per occurrence on a location basis; (ii) all risk property insurance including theft and, if applicable, boiler and machinery coverage, written at replacement cost value in an adequate amount to avoid coinsurance and a full replacement cost endorsement insuring the Tenant's trade fixtures, equipment, merchandise and furnishings and any other items of personal property of Tenant and including the property of Tenant's customers located on or in the Premises; (iii) workers' compensation coverage as required by law; (iv) with respect to alterations, additions or improvements and the like required or permitted to be made by Tenant hereunder, contingent liability and builder's

risk insurance, in amounts reasonably satisfactory to Landlord; and (v) such other insurance as from time to time may be required by city, county, state or Federal laws, codes, regulations or authorities. The deductibles or self-insurance portion under any such insurance policies to be carried by Tenant shall not exceed Fifty Thousand Dollars (\$50,000) or such higher commercially reasonable amount consistent with Tenant's financial condition. Tenant agrees that if Tenant does not take out and maintain such insurance, Landlord may (but shall not be required to) procure said insurance on Tenant's behalf and charge the Tenant the premiums, payable upon demand as Additional Rent.

B. Tenant shall not use, or allow the Premises to be used for any purpose which may be prohibited by the form of fire insurance policy required to be carried under this Lease. Tenant shall pay any increase in premiums for casualty and fire (including all risk coverage) insurance that may be charged during the Term of this Lease on the amount of such insurance which may be carried by Landlord on the Premises, the Building or the Project resulting from Tenant's occupancy whether or not Landlord has consented thereto. In such event, Tenant shall also pay any additional premium on the insurance policy that Landlord may carry for its protection against rent loss through fire or casualty. In determining whether increased premiums are the result of Tenant's use of the Premises, a schedule, issued by the organization setting the insurance rate on the Premises, showing the various components of such rate, shall be conclusive evidence of the several items and charges which make up the casualty and fire insurance rate on the Premises. Landlord shall deliver invoices for such additional premiums to Tenant at such times as Landlord may elect, and Tenant shall immediately reimburse Landlord therefore.

11.3 Landlord's Insurance. During the Term, Landlord shall procure and maintain at its expense (but with the expense to be included in Operating Expenses) through the term of this Lease a policy or policies of special form/all risk (including rent loss coverage) real and personal property insurance covering the Building (including the leasehold improvements in the Premises, but excluding Tenant's personal property and equipment), in an amount equal to the full insurable replacement cost thereof as such may increase from time to time (but such insurance may provide for a commercially reasonable deductible not to exceed \$150,000), and in an amount sufficient to comply with any co-insurance requirements in such policy, and a policy of workers' compensation insurance, if any, as required by applicable law. In addition, Landlord shall procure and maintain at its expense (but with the expense to be included in Operating Expenses) and shall thereafter maintain throughout the term of this Lease, a commercial general liability insurance policy covering the Building with combined single limits for both damage to property and personal injury of not less than Three Million Dollars (\$3,000,000) per occurrence, subject to annual aggregate limits of not less than Five Million Dollars (\$5,000,000), which policy shall be considered primary as to occurrences in the Common Areas. Such insurance also shall extend to any liability of Landlord arising out of its indemnities in this Lease. All such policies procured and maintained by Landlord pursuant to this Section 11.3 shall be carried with companies licensed to do business in the State of Nevada.

11.4 Waiver of Subrogation. Notwithstanding anything to the contrary contained herein, to the full extent permitted by law, Landlord and Tenant hereby waive any rights each may have against the other on account of any loss or damage occasioned to Landlord or Tenant, their respective property, the Premises or its contents, or to other portions of the Project, arising from any risk to the extent covered by the insurance required hereunder. Landlord and Tenant shall each make its best efforts to obtain from its insurers under all policies of fire, theft, public liability and other insurance maintained by it at any time during the term of this Lease insuring or covering the Building or any portion thereof or operations therein, a waiver by the insurer of all rights of subrogation which the insurer might have against the other. The foregoing waivers of subrogation shall be operative only so long as available without invalidating either Landlord's or Tenant's policy of insurance.

ARTICLE 12
USE OF PREMISES

12.1 Use. Tenant shall use the Premises solely for the purposes set forth in Section 1.13. Landlord or Tenant shall not do or permit anything to be done in or about the Premises nor bring or keep anything therein which will in any way cause the cancellation or Increase the existing rate of any fire or other insurance upon the Premises or the Project. Landlord or Tenant shall not do or permit anything to be done in or about the Premises which will obstruct or interfere with the reasonable rights of other tenants or occupants of the Project and Landlord or Tenant shall prevent odors, emissions, fumes, liquids or other substances or excessive noise from escaping or extending beyond the Premises, nor shall Landlord or Tenant use or allow the Premises or Common Areas of the Project to be used for any unlawful or extra hazardous purpose. Tenant shall refrain from using or permitting the use of the Premises or any portion thereof as living quarters, sleeping quarters or for lodging purposes. Tenant shall, at its sole cost and expense, promptly comply in all material respects with all applicable federal, state, county, or municipal laws, ordinances, rules, regulations, directives, covenants, restrictions, orders and/or requirements now in force or which may hereafter be in force with respect to Tenant's specific use and occupancy of the Premises. The judgment of any court of competent jurisdiction or the admission of Landlord or Tenant in any action against Landlord or Tenant, whether Landlord or Tenant be a party thereto or not, that Landlord or Tenant has violated any related law, statute, ordinance or requirement, shall be conclusive of that fact as between Landlord and Tenant.

12.2 Environmental Compliance. The term "*Hazardous Substances*," as used in this Lease, shall include, without limitation, flammables, explosives, radioactive materials, asbestos, polychlorinated biphenyls (PCBs), chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances or related materials, petroleum and petroleum products, and substances declared to be hazardous or toxic under any law or regulation now or hereafter enacted or promulgated by any governmental authority.

Tenant shall not cause or permit to occur:

- (a) Any violation of any federal, state, or local law, ordinance, or regulation now or hereafter enacted, related to environmental conditions on, under, or about the Premises, or arising from Tenant's use or occupancy of the Premises, including, but not limited to, soil and ground water conditions; or
- (b) The use, generation, release, manufacture, refining, production, processing, storage, or disposal of any Hazardous Substance on, under, or about the Premises, or the transportation to or from the Premises of any Hazardous Substance.

Tenant shall, at Tenant's own expense, comply with all laws regulating the use, generation, storage, transportation, or disposal of Hazardous Substances ("*Laws*").

Tenant shall, at Tenant's own expense, make all submissions to, provide all information required by, and comply with all requirements of all governmental authorities (the "*Authorities*") under the Laws.

Should any Authority or any third party demand that a cleanup plan be prepared and that a clean-up be undertaken because of any deposit, spill, discharge, or other release of Hazardous Substances that occurs during the term of this Lease, at or from the Premises, and/or which arises at any time from Tenant's use or occupancy of the Premises, then Tenant shall, at Tenant's own expense, prepare and submit the required plans and all related bonds and other financial assurances; and Tenant shall carry out all such cleanup plans.

Tenant shall promptly provide all information regarding the use, generation, storage, transportation, or disposal of Hazardous Substances that is requested by Landlord. If Tenant fails to

fulfill any duty imposed under this Section 12.2 within a reasonable time, Landlord may do so; and in such case, Tenant shall cooperate with Landlord in order to prepare all documents Landlord deems necessary or appropriate to determine the applicability of the Laws to the Premises and Tenant's use thereof, and for compliance therewith, and Tenant shall promptly execute all documents reasonably requested by Landlord. No such action by Landlord and no attempt made by Landlord to mitigate damages under any Law shall constitute a waiver of any of Tenant's obligations under this Section 12.2.

Tenant shall indemnify, defend, and hold harmless Landlord, the manager of the property, and their respective officers, directors, beneficiaries, shareholders, partners, agents, and employees from all fines, suits, procedures, claims, and actions of every kind, and all costs associated therewith (including attorneys' and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of Hazardous Substances that occurs during the term of this Lease, at or from the Premises, and which arises at any time from Tenant's use or occupancy of the Premises, or from Tenant's failure to provide all information, make all submissions, and take all steps required by all Authorities under the Laws and all other environmental laws.

Tenant's obligations and liabilities under this Section 12.2 shall survive the expiration of this Lease.

12.3 Landlord's Right of Entry. Landlord or its agents, at reasonable times, may enter into the Premises without any liability whatsoever for the purposes of (i) inspecting the Premises; (ii) inspecting the performance by Tenant of the terms and conditions hereof; (iii) showing the Premises to prospective purchasers, partners, or mortgagees; (iv) inspecting, repairing or maintaining the Common Area and the Project, if it is reasonably necessary for the Landlord to enter the Premises to do so; and (v) making such repairs, alterations, Improvements or additions as Landlord may deem necessary or desirable, and Landlord shall be allowed to take all material into and upon the Premises that may be reasonably required therefore without the same constituting an eviction of Tenant in whole or in part, and the rents reserved herein shall not abate while said repairs, alterations, improvements or additions are being made, by reason of loss or interruption of business of Tenant or otherwise. Except in the case of an emergency, Landlord shall give Tenant reasonable notice of any and all intended entries or inspections pursuant to this Section.

ARTICLE 13 MAINTENANCE AND REPAIR OF PREMISES

13.1 Tenant's Obligations. Subject to Landlord's obligations in Section 13.3, from and after the date of delivery of the Premises to Tenant, and continuously thereafter until the Expiration Date, Tenant, at Tenant's sole expense, shall maintain the Premises in a first-class appearance, in a condition at least equal to that which existed when Tenant initially opened the Premises for business, and in good order, condition and repair, notwithstanding ordinary wear and tear and condemnation, as reasonably determined by Landlord (including replacement of parts and equipment, if necessary) the Premises and every part thereof and any and all appurtenances thereto wherever located and all other repairs, replacements, renewals and restorations, interior and exterior, ordinary and extraordinary, foreseen and unforeseen, and all other work performed by or on behalf of Tenant pursuant to Exhibit "D" attached hereto. Tenant shall do all acts required to comply with all applicable laws, ordinances, and rules of any public authority relating to its maintenance obligations as set forth herein. Tenant expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford the Tenant the right to make repairs at Landlord's expense or to terminate this Lease because of Landlord's failure to keep the Premises in good order, condition and repair. Tenant shall not place a load upon any floor of the Premises, which exceeds the load per square foot, which such floor was designed to carry, as determined by Landlord or Landlord's structural engineer.

Tenant shall give Landlord prompt notice of any damage to or defective condition that Tenant has actual knowledge of in any part or appurtenance of the Building's mechanical, electrical, plumbing, HVAC or other systems serving, located in, or passing through the Premises.

13.2 Landlord's Cure. If Tenant fails to commence any of the Tenant's obligations listed in Section 13.1 within ten (10) days after receipt of Landlord's written demand to perform such obligations, or fails to adequately complete the performance of such obligations within a reasonable time after commencement, then Landlord may, but is not obligated to, perform such obligations without liability to Tenant for any loss to Tenant's property or business that might arise by reason thereof. Tenant shall reimburse Landlord on demand in an amount equal to the cost incurred by Landlord in the performance of such obligations plus an administrative fee equal to ten percent (10%) of the cost incurred by Landlord.

13.3 Landlord's Obligations. Except for damage caused by any willful misconduct of Tenant, Tenant's employees, suppliers, shippers, customers or invitees, (in which event Tenant shall repair the damage), Landlord, as an Operating Expense, shall keep in good condition and repair the foundations, the Building HVAC system, plumbing, exterior walls, structural condition of interior bearing walls, roof structure of the Premises, Parking Area, utility installations of the Common Facilities and all parts thereof. Landlord shall not be obligated to paint the Premises interior walls. Landlord shall not be required to maintain, repair or replace the interior doors, windows or plate glass of the Premises. Landlord shall have no obligation to begin repairs under this Section 13.3 until fifteen (15) days after receipt of written notice from the Tenant of the need for such repairs except for the operations of the Building HVAC system, electrical system or such systems as will impact Tenant's ability to conduct ongoing business operations, which shall be repaired on an emergency basis. If Landlord has not performed or undertaken to perform maintenance or repair services required under this Lease within fifteen (15) days of receipt of written notice from Tenant, Tenant may take such reasonable action as is necessary to make repairs or perform such services and deduct the cost of such performance from any sums due Landlord hereunder. In case of emergencies, the aforesaid fifteen (15) day period shall be reduced to such period as is reasonable under the circumstances and Tenant shall only be required to provide oral notice to Landlord. Landlord shall not be liable for damage or loss of any kind or nature by reason of Landlord's failure to furnish any such service when such failure is caused by strikes, lockout, or any other labor disturbances or disputes of any character beyond the reasonable control of Landlord.

ARTICLE 14 ALTERATIONS AND ADDITIONS

14.1 Tenant Alterations. Except for Permitted Alterations (as defined below), Tenant shall not commence to make any alterations, improvements or additions to the Premises (collectively "*Tenant Alterations*") without Landlord's prior written consent in each instance provided, however, Landlord agrees it will not unreasonably withhold, delay or condition its consent to cosmetic or non-structural alterations or additions which do not involve structure, walls, floors, Building systems, electrical installations or the obtaining of building permits. All alterations, physical additions, modifications or improvements in or to the Premises (including fixtures) shall, when made, become the property of Landlord and shall be surrendered to Landlord upon termination or expiration of this Lease; provided, however, that (i) Tenant shall retain title to and shall remove from the Premises movable equipment and furniture owned by Tenant and (ii) Tenant shall repair any damage caused by such removal except for nonstructural alterations to the interior of the Premises not exceeding Twenty-five Thousand Dollars (\$25,000) annually during the term. If Tenant makes any Tenant Alterations or commences Tenant's Work without the prior written approval of Landlord, Landlord shall have the right to require that Tenant remove any or all of such Tenant Alterations or Tenant's Work and repair and any restore damage to the Premises caused by such removal at Tenant's sole expense. Tenant's Work and any

Tenant Alterations shall at all times comply fully with all applicable federal, state and municipal laws, ordinances, regulations, recorded covenants and restrictions/codes and other governmental requirements now or hereafter in force.

Tenant shall provide Landlord with a written request for approval of Tenant's Work or any Tenant Alterations that Tenant would like to make with proposed detailed plans. Landlord shall have the right to condition Landlord's prior written consent upon Tenant's: (i) providing Landlord with plans and specifications for the Tenant Alterations or Tenant's Work for Landlord's prior written approval or the consent of any other tenant; (ii) obtaining a building permit and complying with all building and planning laws and regulations for the Tenant's Work or Tenant Alterations from appropriate governmental agencies; (iii) furnishing a copy of such building permit and evidence of such compliance to Landlord prior to the commencement of such work; (iv) complying with all the conditions of such building permit and such building and planning laws and regulations including without limitation those obligations and procedures stated in Chapter 108 of the Nevada Revised Statutes, as amended; (v) providing Landlord with a copy of the construction contract and construction schedule and list of subcontractors and suppliers for Landlord's prior written approval, which shall not be unreasonably conditioned, withheld or delayed; (vi) obtaining a builder's "all risk" insurance policy in an amount and issued by insurance company reasonably acceptable to Landlord, naming Landlord as an additional insured and otherwise satisfying the requirements of Article 11 of this Lease; and, (vii) providing Landlord with ten (10) days written notice prior to commencing any such work. Landlord's approval of the plans, specifications and working drawings for Tenant's Work or any Tenant Alterations shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. Landlord shall not be liable for any damage, loss, or prejudice suffered or claimed by Tenant, its agents or any other person or entity on account of: (a) the approval or disapproval of any plans, contracts, bonds, contractors, sureties or matters; (b) the construction or performance of any work whether or not pursuant to approved plans; (c) the improvement of any portion of the Premises or alteration or modification to any portion of the Premises; or, (d) the enforcement or failure to enforce any of the covenants, conditions and restrictions contained in this Lease.

All work with respect to any addition, alteration or improvement shall be done in a good and workmanlike manner by properly qualified and licensed personnel approved by Landlord, and such work shall be diligently prosecuted to completion. Landlord may, at Landlord's option, require that any such work be performed by Landlord's contractor, in which case the cost of such work shall be paid for before commencement of the work. Tenant shall pay to Landlord upon completion of any such work by Landlord's contractor, an administrative fee of fifteen percent (15%) of the cost of the work. Any such alterations, additions or improvements consented to by Landlord including any roof penetration shall be made at Tenant's sole cost and expense.

Tenant shall provide its own trash container or containers for construction debris; shall promptly remove all construction and related debris from the Premises and all Common Areas; immediately following completion of construction shall return the Premises and Common Areas to the condition they were in immediately prior to construction; shall repair and restore any portions of the Common Areas harmed as result of the construction activities to the condition they were in immediately prior to construction; shall use service entrances to the Premises, if any; will conduct no core drilling, jack hammering or excessive noise during business hours; will disrupt other tenants as little as possible; and will pay to Landlord the amount of any and all damage to the roof caused by the penetration thereof, and the amount of any and all damages to the Premises, Building and/or Project as a result of roof leaks caused by the penetration. Tenant shall secure any and all governmental permits, approvals or authorizations required in connection with any such work, and shall indemnify, defend Landlord against, and hold Landlord harmless from any and all liability, costs, damages (including any damage to

the Building, Premises, Common Areas or any part of the Project), expenses (including reasonable attorneys' fees) and any and all liens resulting therefrom.

Under no circumstances shall Tenant enter upon the Project roof or make any roof penetrations without the prior written consent of Landlord. Any consent of Landlord shall be conditioned upon Landlord's review and approval of plans satisfactory to Landlord for the repair of the roof. At Landlord's option, any roof penetrations shall be performed by Landlord's roofing contractor, and Tenant shall reimburse Landlord for the cost thereof and any necessary repair work within thirty (30) days after Tenant's receipt of an invoice therefor.

14.2 Construction of Tenant Alterations. Tenant shall pay when due all claims for labor or materials furnished to or for Tenant at, on, or for use in the Project or Premises. Tenant shall keep the Premises, the Project, and any interest therein, free and clear of all mechanics' liens and all other liens. Tenant shall give Landlord immediate written notice of any lien filed against the Premises, the Project or any interest therein related to or arising from work performed by or for the Tenant. Tenant shall give Landlord not less than ten (10) days' prior written notice of the commencement of Tenant's Work or any Tenant Alterations in the Premises, and Landlord shall have the right to post notices of non-responsibility in or upon the Premises as provided by law. If Tenant shall in good faith contest the validity of any such lien, claim or demand, then Tenant, at its sole expense, shall defend, indemnify, protect and hold the Premises, Project and Landlord harmless against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Tenant, Landlord, the Project, or the Premises. Notwithstanding the foregoing, at Landlord's request, Tenant shall immediately discharge such lien either by payment of the indebtedness due to the mechanic's lien claimant or by filing a bond (as provided by statute) as security therefor. Landlord shall have the right to procure such discharge by filing such bond, and Tenant shall pay the cost of such bond to Landlord as additional rent upon the first day thereafter that rent shall be due hereunder. In addition, Landlord shall have the right to require that Tenant pay Landlord's attorneys' fees and disbursements, court costs and other costs in defending any such action if Landlord is named as a party to any such action, the lien encumbers any portion or interest in the Project and/or if Landlord elects to defend any such action or lien.

14.3 Title to Tenant Alterations. Any and all Tenant's Work and Tenant Alterations which may be made in or upon the Premises shall become the property of Landlord and remain upon and be surrendered with the Premises at the expiration of the Term without compensation to Tenant; provided, however, that (i) Tenant shall retain title to and shall remove from the Premises movable equipment and furniture owned by Tenant and (ii) Tenant shall repair any damage caused by such removal unless Landlord requires that Tenant remove the Tenant's Work or Tenant Alterations pursuant to Article 15 hereof. Said requirement to remove any of Tenant's Work or Tenant Alterations shall be made in writing by Landlord to Tenant at such time Tenant makes the request for Landlord's approval.

14.4 General. Landlord may require, at Landlord's sole option, that Tenant provide to Landlord, at Tenant's expense, a lien and completion bond in an amount equal to at least one and one-half (1^{1/2}) times the total estimated cost of any additions, alterations or improvements to be made in or to the Premises, to protect Landlord against any liability for mechanic's and materialmen's liens and to insure timely completion of the work. Nothing contained in this Section shall relieve Tenant of its obligation to keep the Premises, Building and Project free of all liens, or comply with the provisions of Chapter 108 of the Nevada Revised Statutes, as amended.

14.5 Applicable Laws. Throughout the term of this Lease all Tenant's construction, use of the Premises and alterations, additions and/or improvements to the Premises shall be in accordance with all applicable laws, ordinances and regulations of all duly constituted authorities, including, without limitation, Title III of the Americans with Disabilities Act of 1990, all regulations issued there under and the Accessibility Guidelines for Buildings and Facilities issued pursuant thereto, as the same are in

effect on the date hereof and may be hereafter modified, amended or supplemented ("*Applicable Laws*"). Further, any costs, expenses, required alterations/changes/modifications and/or damages arising from continued compliance with all Applicable Laws shall be the responsibility of Landlord at Landlord's sole cost and expense. All alterations/changes/modifications to the Premises as required by Applicable Laws shall be made in a timely manner so as to avoid any liability and/or damages arising there from.

ARTICLE 15 TENANT'S PROPERTY

15.1 *Tenant's Property.* All supplies and movable trade fixtures owned by Tenant and installed in the Premises at Tenant's sole cost and which may be removed without material damage to the Project ("*Tenant's Property*") shall remain the property of Tenant during the Term. Tenant's Property (a) may be removed from the Premises from time to time during the Term and (b) at the expiration of the Term or earlier termination thereof shall be removed from the Premises provided: (i) Tenant shall not at such time be in default, or with notice or the passage of time or both would be in default under any term, covenant, condition or provision of this Lease; (ii) Tenant shall repair to the reasonable satisfaction of Landlord, any damage to the Premises caused by the removal of Tenant's Property; and (iii) Tenant immediately replaces any such Tenant's Property (which is removed prior to the end of the Term) with similar property of comparable or better quality to assure that the Premises are suitable for conducting business in accordance with Article 6 hereof until the Expiration Date.

15.2 *Surrender of Premises.* On the Expiration Date or on the sooner termination hereof, Tenant shall peaceably surrender the Premises in accordance with the terms of this Section and in good order, condition and repair, broom clean, excepting only reasonable wear and tear and damage by fire, condemnation and other unavoidable casualty which Landlord is required to repair hereunder. The provisions of this Section shall survive termination of this Lease. Landlord may, however, designate by written notice to Tenant at the time Tenant requested Landlord's approval for said alterations, decoration, additions or improvements, those alterations, decorations, additions or improvements which shall be removed from the Premises by Tenant at the expiration or earlier termination of this Lease and Tenant shall promptly remove the same and repair, to the reasonable satisfaction of Landlord, any damage to the Premises or Project caused by such removal. Tenant shall promptly surrender all keys for the Premises to Landlord at the place then fixed for notice to Landlord and shall inform Landlord of the combinations on any locks and safes on the Premises. If Tenant abandons or surrenders the Premises, or is dispossessed by process of law or otherwise, any of Tenant's Property left on the Premises shall be deemed to be abandoned, and, at Landlord's option, title shall pass to Landlord under this Lease as by a bill of sale. If Landlord elects to remove all or any part of such Tenant's Property, the cost of removal, including repairing any damage to the Premises or Building caused by such removal, shall be paid by Tenant.

ARTICLE 16 DAMAGE AND DESTRUCTION

16.1 *Reconstruction of Damaged Premises.* If the Premises is damaged, through no fault of Tenant, or its employees, supplies, customers or invitees, Landlord shall repair that damage as soon as reasonably possible, at its expense, unless: (i) Landlord reasonably determines that the cost of repair would exceed twenty percent (20%) of the full replacement cost of the Building ("*Replacement Cost*") and the damage is not covered by Landlord's fire and extended coverage insurance or (ii) Landlord reasonably determines that the cost of repair would exceed fifty percent (50%) of the Replacement Cost; or (iii) Landlord reasonably determines that the cost of repair would exceed ten percent (10%) of the Replacement Cost and the damage occurs during the final twelve (12) months of the Term. Should Landlord elect not to repair the damage for one of the preceding reasons, Landlord shall so notify

Tenant in writing within sixty (60) days after the damage occurs and Tenant shall elect to either (i) repair the damage at its cost and deduct the cost thereof from any future Base Rent due Landlord on a prorate basis amortized over the remaining months of the operative Term, or (ii) terminate this Lease and this Lease shall terminate as of the date of that notice and the obligations of the parties shall terminate as if the Lease Term had naturally expired. Unless either party elects to terminate this Lease in accordance with the above, this Lease shall continue in effect for the remainder of the Term. However, provided that if the damage to the Premises is so extensive that it prevents Tenant's substantial use and enjoyment of the Premises for more than thirty (30) consecutive days, then Tenant may elect to terminate this Lease by written notice to Landlord within ten (10) days from and after Tenant's inability to use the Premises for thirty (30) consecutive days and this Lease shall terminate as of the date of that notice and the obligations of the parties shall terminate as if the Lease term had naturally expired. Commencing on the date of any damage to the Premises which renders a portion thereof unusable, and ending on the date the damage is repaired or this Lease is terminated, whichever occurs first, the rental to be paid under this Lease shall be abated in the same proportion that the floor area of the Premises that is rendered unusable by the damage bears to the total floor area of the Premises. Notwithstanding the provisions of the above subsections of this Section, if the damage is due to the negligence or willful misconduct of Tenant or its employees, subtenants, invitees or representatives, the cost of any repairs not covered by Landlord's or Tenant's insurance on the Building shall be borne by the Tenant, and Tenant shall not be entitled to rental abatement or termination rights. In addition, the provisions of this Section shall not be deemed to require Landlord to repair any improvements or fixtures installed by Tenant.

ARTICLE 17 EMINENT DOMAIN

17.1 Total or Partial Condemnation of Leased Premises. If all or a material portion of the Premises is taken by any lawful authority by exercise of the right of eminent domain, or sold to prevent a taking, either Tenant or Landlord may terminate this Lease effective as of the date possession is required to be surrendered to the authority. In the event title to a portion of the Building is taken or sold in lieu of taking, and if Landlord elects to restore the Building in such a way as to materially alter the Premises or Tenant's reasonable use thereof, Landlord or Tenant may terminate this Lease, by written notice to the other, effective on the date of vesting of title. In the event neither party has elected to terminate this Lease as provided above, then Landlord shall promptly, after receipt of a sufficient condemnation award, proceed to restore the Premises to substantially their condition prior to the taking, and a proportionate allowance shall be made to Tenant for the rent corresponding to the time during which, and to the part of the Premises of which Tenant is deprived on account of the taking and restoration. In the event of a taking, Landlord shall be entitled to the entire amount of the condemnation award without deduction for any estate or interest of Tenant; provided that nothing in this Section shall be deemed to give Landlord any interest in, or prevent Tenant from seeking any award against the taking authority for the taking of personal property and fixtures belonging to Tenant or for relocation or business interruption expenses recoverable from the taking authority.

17.2 Landlord's and Tenant's Damages. In the event of any taking, partial or whole, all of the proceeds of any award, judgment or settlement payable by the condemning authority shall be the exclusive property of Landlord, and Tenant hereby assigns to Landlord all of its right, title and interest in any award, judgment or settlement from the condemning authority. Tenant, however, shall have the right, to the extent that Landlord's award is not reduced or prejudiced, to claim from the condemning authority (but not from Landlord) such compensation as may be recoverable by Tenant in its own right for relocation expenses and damage to Tenant's personal property.

**ARTICLE 18
INDEMNIFICATION AND GUARANTY**

18.1 Tenant Indemnification. Tenant shall indemnify, protect, defend and hold Landlord and its agents, employees, partners, officers, affiliates, subsidiaries, members, managers, directors, and representatives ("*Landlord's Indemnities*") harmless from and against any and all losses, damages (whether actual or otherwise), liabilities, actions, causes of action (whether legal, equitable or administrative), claims, judgments, costs, and expenses, including Landlord's Indemnities' attorneys' fees and disbursements, and court costs which Landlord may suffer or incur as a direct or indirect consequence of Tenant's use or occupancy of the Premises, or the Common Areas, or from the conduct of its business, or from any activity, work or thing done by Tenant or its agents, employees, invitees or licensees in or about the Premises or the Common Areas, or from any negligent act or willful misconduct of Tenant or its agents, employees, or licensees, unless caused by the negligence or willful misconduct of Landlord, its agents or employees. In case Landlord's Indemnities are made a party to any litigation commenced by or against Tenant, then Tenant shall protect and hold Landlord harmless and shall pay all reasonable costs, expenses and reasonable attorneys' fees incurred or paid by Landlord in connection with the litigation.

18.2 Landlord Indemnification. Landlord shall defend, indemnify and hold harmless Tenant, its agents and any and all affiliates of Tenant, including, without limitation, any partners, co-venturers, corporations or other entities controlling, controlled by or under common control with Tenant, from and against any and all claims or liabilities arising either before or after the Commencement Date from the negligent acts or willful misconduct of Landlord, its agents, employees, licensees, invitees or affiliates (excluding consequential damages). In case Tenant, its agents or affiliates are made a party to any litigation commenced by or against Landlord, then Landlord shall protect and hold Tenant harmless and shall pay all reasonable costs, expenses and reasonable attorneys' fees incurred or paid by Tenant in connection with the litigation.

18.3 Guaranty. All of Tenant's obligations under this Lease are and shall be guaranteed by the Guarantor designated in Section 1.14 pursuant to a guaranty in the form of Exhibit "G" attached hereto.

**ARTICLE 19
DEFAULTS AND REMEDIES**

19.1 Events of Default. The occurrence of any of the following events shall constitute an event of default and a material breach of this Lease on the part of Tenant:

A. Vacation, Abandonment. The abandonment of the Premises by Tenant. Abandonment is defined to include, but not limited to, any absence by Tenant from the Premises for thirty (30) consecutive days (or longer) or sixty (60) days (whether consecutive or not) in any calendar year accompanied by Tenant's failure to pay rent during the abandonment period (exclusive of holidays and weekends).

B. Failure to Make Payment. Tenant's failure to pay any rent or other sums due hereunder on the date when such payment is due, where such failure continues for five (5) days after such payment is due.

C. Attachment. If a writ of attachment or execution is levied on this Lease or on any of Tenant's Property or if Tenant makes a general assignment for the benefit of creditors, or provides for an arrangement, composition, extension or adjustment with its creditors.

D. Failure to Perform Other Covenants. Tenant's breach or failure to perform any of Tenant's other material covenants, agreements or obligations hereunder, where such breach or failure

continues for a period of thirty (30) days after Tenant's receipt of written notice thereof from Landlord.

E. Intentionally Deleted.

F. Bankruptcy Related. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed within sixty (60) days thereafter, or if under the provisions of any law providing for reorganization or winding up of corporations, any court of competent jurisdiction assumes jurisdiction, custody or control of Tenant or any substantial part of its property and such jurisdiction, custody or control remains in force unrelinquished, unstayed or unterminated for a period of forty-five (45) days. If in any proceeding or action in which Tenant is a party, a trustee, receiver, agent or custodian is appointed to take charge of the Premises or Tenant's Property (or has the authority to do so) for the purpose of enforcing a lien against the Premises or Tenant's Property.

G. Failure to Complete Tenant's Work. Tenant's failure to complete Tenant's Work in accordance with the terms, covenants and conditions of this Lease on or before the Lease Commencement Date, where such failure continues for a period of ninety (90) days after Tenant's receipt of written notice thereof from Landlord.

19.2 Remedies. Upon the occurrence of an event of default by Tenant as set forth in Section 19.1 above, Landlord shall have the following rights and remedies, in addition to any and all other rights and remedies available to Landlord at law or in equity.

A. Terminate Lease. Landlord shall have the right to terminate this Lease and all rights of Tenant hereunder by giving written notice to Tenant. If the Lease is so terminated, then Landlord may recover from Tenant all actual damages sustained by Landlord, including, without limitation, deficiency in rent, reasonable attorneys' fees, other collection costs, brokerage fees, and expenses of placing the Premises in good order. Landlord's putting the Premises in good order or preparing the same for rental shall not operate to release Tenant from this Lease.

B. Reenter Premises. Landlord shall also have the right, with or without terminating this Lease, to reenter the Premises and any property that Tenant leaves in the Premises shall be deemed to have been abandoned and may either be retained by Landlord as the property of Landlord or may be disposed of at public or private sale in accordance with applicable law as Landlord sees fit. The proceeds of any public or private sale of Tenant's property, or the then current fair market value of any property retained by Landlord, shall be applied by Landlord against (i) the expenses of Landlord for removal, storage or sale of the property; (ii) the arrears of rent or future rent payable under this Lease; and (iii) any other damages to which Landlord may be entitled hereunder. Further, Landlord may, upon presentation of evidence of a claim valid upon its face of ownership or for security interest in any of Tenant's property abandoned in the Premises, turn over such property to the claimant with no liability to Tenant.

C. Maintain Lease; Relet Premises. Unless Landlord elects to terminate this Lease as provided in Subsection 19.2(A) above, Landlord may from time to time, without terminating this Lease, either recover all rent as it becomes due or relet the Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable, with the right to clean and to make alterations and repairs to the Premises at Tenant's sole expense.

If Landlord elects to relet as provided herein, then rent received by Landlord from such reletting shall be applied at Landlord's option: first, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any costs of such reletting incurred by Landlord, including attorneys' fees, tenant improvements, court costs and brokerage

commissions; third, to the payment of the cost of any cleaning, alterations and repairs to the Premises; fourth, to the payment of rent and other charges due and unpaid hereunder; and the balance, if any, shall be applied in payment of future rent as the same may become due and payable hereunder. If the portion of such rentals received from such reletting during any month which is applied to the payment of rent under the retelling lease is less than the rent payable during that month by Tenant hereunder, then Tenant shall pay any such deficiency to Landlord immediately upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, upon Landlord's demand, the costs and expenses incurred by Landlord in such reletting, including attorneys' fees, court costs, tenant improvements and brokerage commissions and in making any alterations and repairs to the Premises.

No reentry, acts of maintenance or preservation, efforts to relet, or taking possession of the Premises by Landlord or the appointment of a receiver upon initiative of the Landlord to protect the Landlord's interest under the Lease shall be construed as an election to terminate this Lease unless an express written notice of such intention is delivered to Tenant or unless the termination thereof is decreed by a court of competent jurisdiction. Notwithstanding any reletting of the Premises without termination of this Lease by Landlord, Landlord may at any time after such reletting elect to terminate this Lease, in which case, Landlord shall have all the rights and remedies provided by law or equity or this Lease upon termination.

D. Performance by Landlord. If Tenant breaches or fails to perform any of Tenant's obligations under this Lease and the breach or failure continues for thirty (30) days (or such shorter time period as may be specified otherwise in this Lease) after Landlord gives Tenant written notice of the breach or failure, Landlord, without thereby waiving or curing such may, but shall not be obligated to, perform any such obligation for the account and at the expense of Tenant. Landlord may also so perform any such obligation without notice in case of an emergency.

19.3 Late Charges. Landlord and Tenant agree that the fixing of actual damages for Tenant's breach of any of the provisions of this Lease, including but not limited to the late payment by Tenant to Landlord of rent and other amounts due hereunder, would cause Landlord to incur costs not contemplated by this Lease, the exact amount of which would be extremely difficult or impracticable to ascertain. Such costs include but are not limited to accounting, processing, administrative, legal and clerical charges and late charge which may be imposed upon Landlord by the terms of any mortgage covering the Premises. Accordingly, if any installment of rent or any other sum due from Tenant hereunder has not been received by Landlord or Landlord's agent within five (5) business days after such amount was due, Tenant shall pay to Landlord a late charge equal to five percent (5%) of any such delinquent installment of rent or any other delinquent sum due from Tenant. Tenant hereby agrees that said late charge represents a fair and reasonable estimate of the cost Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall not constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any other rights and remedies provided for in this Lease, at law or in equity. Tenant understands and agrees to the foregoing provisions relating to late charges.

19.4 Interest on Past Due Obligations. Any and all amounts not paid to Landlord when due, including but not limited to rent, late charges and interest shall bear interest at the so-called "Prime Rate" published in *The Wall Street Journal*, as the same may change from time to time, plus one percent (1%) per annum, not to exceed the highest rate then allowed under any applicable usury laws ("*Remedy Rate*") from the date due until paid. Payment of such interest shall not excuse or cure any default by Tenant under this Lease and shall not affect any rights and remedies provided to Landlord in this Lease or at law or in equity, all of which shall be cumulative.

19.5 Landlord's Default. Landlord shall in no event be charged with default in the performance of any of its obligations hereunder unless and until Landlord shall have failed to perform such

obligations within thirty (30) days (or such additional time as is reasonably necessary to correct any such failure) after receipt of written notice by Landlord from Tenant properly specifying which obligations Landlord has failed to perform. It is expressly understood and agreed that any money judgment against Landlord resulting from any default or other claim arising under this Lease shall be satisfied only out of the proceeds of sale received upon execution of such judgment and levied thereon against the right, title and interest of Landlord in the Project and out of the rents or other income from such property receivable by Landlord, or out of the consideration received by Landlord from the sale or other disposition of all or any part of Landlord's right, title and interest in the Project, subject, nevertheless, to the rights of Landlord's mortgagee and Landlord shall not be liable for any deficiency. No other real, personal or mixed property of Landlord (the term "*Landlord*", for purposes of this Section only, shall mean any and all members, managers, owners of either of them, partners, both general and limited, and partners of partners, which comprise Landlord), wherever situated, shall be subject to levy on any such judgment obtained against Landlord.

ARTICLE 20 SUBORDINATION AND ATTORNMENT

20.1 Subordination. At Landlord's option, this Lease is and shall be subordinate to any ground lease, mortgage, deed of trust and/or any other hypothecation or security document and advances and obligations thereunder now or hereafter placed upon the Premises or the Project, and any renewals, modifications, consolidations, replacements, and extensions thereof (collectively "*Mortgage*"), provided Tenant's right to quiet possession under this Lease shall not be disturbed so long as Tenant is not in default, or with notice or passage of time or both would not be in default, under the terms, covenants, conditions and provisions of this Lease. Such subordination shall be effective upon notice from Landlord to Tenant without any further act of Tenant. Upon the request of Landlord, Tenant shall, from time to time, execute and deliver any documents or instruments that may be required by Landlord or the mortgagee, beneficiary, ground Landlord or lender (collectively "*Landlord's Lender*") under any such Mortgage, to effectuate any subordination, provided that Landlord's Lender agrees not to disturb Tenant's right to quiet possession under this Lease so long as Tenant is not in default, or with notice or passage of time or both would not be in default, under the terms, covenants, conditions and provisions of this Lease. If Tenant fails to execute and deliver any such documents or instruments, Tenant irrevocably constitutes and appoints Landlord as Tenant's attorney-in-fact, to execute and deliver any such documents or instruments. If Landlord's Lender elects to have this Lease prior to the lien of its Mortgage, and gives written notice to Tenant of such election, this Lease shall be deemed prior to such Mortgage regardless of the respective dates of execution, delivery and recordation of this Lease and any such Mortgage.

20.2 Attornment. Tenant hereby attorns to and shall recognize the Landlord's Lender as Tenant's landlord under this Lease and shall promptly execute and deliver any instrument that Landlord may require to evidence such attornment. Tenant hereby irrevocably appoints Landlord as Tenant's attorney-in-fact, coupled with an interest, to execute, acknowledge and deliver the instrument of attornment on behalf of Tenant.

20.3 Estoppel Certificate. Tenant shall, at any time not less than fifteen (15) days after prior written notice from Landlord, execute, acknowledge and deliver to Landlord, a statement, in writing; (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of the modification and certifying that this Lease is otherwise unmodified and in full force and effect) and the dates to which the rental, additional rent and other charges have been paid in advance, if any, and (ii) acknowledging that, to Tenant's knowledge, there are no uncured defaults on the part of Landlord, or specifying each default if any are claimed, and (iii) setting forth all further information that Landlord may reasonably require. Tenant's statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Building or Project.

Tenant's failure to deliver any Landlord estoppel statement within the provided time shall be conclusive upon Tenant that: (i) this Lease is in full force and effect without modification except as may be represented by Landlord, and (ii) there are no uncured defaults in Landlord's performance.

20.4 Limitation of Liability. Neither the holder of a mortgage nor the holder of a deed of trust to which this Lease is or may be subordinate, shall be responsible in connection with the Security Deposit unless such mortgagee or holder of such deed of trust shall have actually received the Security Deposit. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant of Landlord. Further, in no event shall Landlord incur any liability to Tenant, its employees, agents, customers or invitees as a result of any failure of any security system installed at the Project or any security procedure instituted at the Project. Landlord makes no representations or warranties concerning the ability of Landlord or its employees, agents, contractors or subcontractors to maintain the Project, the Common Area or the Premises in a secure fashion. In the event of any sale or transfer by Landlord of the Premises, Building or Project, and assignment of this Lease by Landlord, Landlord shall be and is hereby entirely freed and relieved of any and all liability and obligations contained in or derived from this Lease arising out of any act, occurrence or omission relating to the Premises, Building, Project or Lease occurring after the consummation of such sale or transfer, providing the purchaser shall expressly assume all of the covenants and obligations of Landlord under this Lease. If any security deposit or prepaid Rent has been paid by Tenant, Landlord may transfer the security deposit or prepaid Rent to Landlord's successor and upon such transfer, Landlord shall be relieved of any and all further liability with respect thereto.

**ARTICLE 21
FORCE MAJEURE**

If either party hereto shall be delayed in or prevented from the performance of any act required hereunder by reason of acts of God, labor troubles, inability to procure materials, restrictive governmental laws or regulations or other causes without fault and beyond the control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay; provided, however, nothing in this Article shall delay the Lease Commencement Date or excuse Tenant from the prompt payment of any rent or other charge required of Tenant hereunder, except as may be expressly provided elsewhere in this Lease.

ARTICLE 22
ASSIGNMENT AND SUBLETTING

22.1 Assignment and Subletting. Tenant may sublet or permit the Premises or any part thereof (excluding the roof area or portions thereof) to be used or occupied by others, only with the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld, conditioned or delayed, and any such sublease, or permission for occupancy without such consent shall be voidable at the option of Landlord. If this Lease is assigned, or if the Premises or any part thereof is sublet or occupied by any party other than Tenant, Landlord may, after default by Tenant, collect rent from the assignee, subtenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver by Landlord of Tenant's default, or the acceptance of the assignee, subtenant or occupant as a tenant, or a release of Tenant from the further performance by Tenant of the obligations on the part of Tenant set forth herein. The consent by Landlord to an assignment or subletting shall not be construed to relieve Tenant, the assignee or the subtenant from obtaining the express consent in writing of Landlord to any further assignment or subletting or to release Tenant from any liability, whether past, present, or future, under this Lease or from any liability under this Lease because of Landlord's failure to give notice of default by Tenant (or by the assignee or subleases pursuant to the assumption agreement described below) under any of the terms, covenants, conditions, provisions or agreements or this Lease. A transfer of control of Tenant shall be deemed an assignment under this Lease and shall be subject to all of the provisions of this Article, including but not limited to the requirement of obtaining Landlord's prior written consent, unless Tenant at the time of the proposed transfer is then a publicly held corporation. Notwithstanding the foregoing, no consent shall be required for an assignment or subletting by Tenant to any subsidiary of Tenant, its affiliate or related company. Furthermore, Tenant shall retain any profits, which result from an assignment or sublease.

No subletting or assignment, even with the consent of Landlord, shall relieve Tenant of its obligation to pay rent and to perform all its other obligations under this Lease unless otherwise agreed by the parties in writing. Moreover, Tenant shall indemnify and hold Landlord harmless for any acts or omissions by an assignee or subtenant. Each transferee, other than Landlord, shall assume all obligations of Tenant under this Lease and shall be liable jointly and severally with Tenant for the payment of all rent and for the due performance of all of Tenant's obligations under this Lease. No transfer shall be binding upon Landlord unless any document memorializing the transfer is delivered to Landlord and, if the transfer is an assignment or sublease, both the assignee/subtenant and Tenant deliver to Landlord an executed document which contains: (i) a covenant of assumption by the assignee/subtenant, and (ii) an indemnification agreement by Tenant, both reasonably satisfactory in substance and form to Landlord and consistent with the requirements of this Article; provided that, the failure of the assignee/subtenant or Tenant to execute the instrument of assumption shall not release either from any obligation under this Lease.

The acceptance by Landlord of any payment due under this Lease from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or be a consent to any transfer. Consent by Landlord to one or more transfers shall not operate as a waiver or estoppel to the future enforcement by Landlord of its rights under this Lease.

22.2 Request for Transfer. If Tenant desires to sublease all or a portion of the Premises or assign this Lease and provided Tenant is not in default hereunder, Tenant shall give written notice to Landlord setting forth the name and address and the current certified financial statements of the proposed assignee or sublessee, the experience and background of the proposed assignee or sublessee, the terms of the proposed assignment or subletting, and such other information as Landlord or its mortgagee may reasonably request in connection therewith. Landlord agrees not to unreasonably withhold its approval of any proposed sublease or assignment to any proposed tenant whose proposed use of the Premises (or portion thereof) is consistent with and comparable to the use of other

Class "A" office buildings in the vicinity. Landlord shall have the right, exercisable by written notice to Tenant, within thirty (30) days after receipt of Tenant's notice, to consent, which consent shall not be unreasonably withheld, conditioned or delayed, and if Landlord fails to notify Tenant, it shall be deemed to have refused to have consented thereto.

**ARTICLE 23
NOTICES**

All notices, information, requests or replies ("*Notice*") required or permitted to be given hereunder shall be given in writing and shall be sent by United States registered or certified mail postage prepaid, or by nationally recognized overnight delivery service (provided that such service is able to furnish evidence of receipt or refusal of delivery) addressed to the addresses of Tenant and Landlord specified as "Addresses for Notices and Reports" in Section 1.17, or at such other place as either Landlord or Tenant may, from time to time designate in a written notice by certified mail given to the other. Notice shall be deemed to be given upon the earlier of receipt (or refusal to receive) of same by the party to whom the Notice is sent or three (3) business days after the date of the mailing thereof.

**ARTICLE 24
QUIET ENJOYMENT**

Tenant, upon keeping, observing and performing all of the covenants and agreements of this Lease on its part to be kept, observed; and performed, shall lawfully and quietly hold, occupy and enjoy the Premises during the Term of this Lease.

**ARTICLE 25
ATTORNEYS' FEES**

In the event that Landlord retains an attorney with respect to the enforcement of any provision of this Lease, Tenant shall pay to Landlord all fees and costs incurred by Landlord in connection therewith. Should either party commence an action against the other to enforce any obligation hereunder, the prevailing party shall be entitled to recover the costs thereof and attorneys' fees actually incurred by such prevailing party (including the fees and charges of legal assistants or other non-attorney personnel performing services under the supervision of an attorney), whether or not such litigation is prosecuted to judgment. Landlord and Tenant covenant and agree that Landlord and Tenant intend by this Article to compensate for attorneys' fees actually incurred by the prevailing party at such attorney's then normal hourly rates and that this Article shall constitute an instruction to the court that such rate or rates shall be deemed reasonable.

**ARTICLE 26
WAIVER**

No waiver of any default or breach of any covenant by either party hereunder shall be implied from any omission by either party to take action on account of such default if such default persists or is repeated. Landlord's acceptance of any payment which is less than that required to be paid by Tenant shall be deemed to have been received only on account of the obligation for which it is paid and shall not be deemed an accord and satisfaction, notwithstanding any provisions to the contrary asserted by Tenant, written on any check or contained in any transmittal letter. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term or covenant hereof, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent. An express waiver must be in writing and signed by a person with the power to contractually bind Tenant or Landlord. An express waiver shall affect only the default specified in the waiver, and only for

the time and to the extent expressly stated. Waivers by either party of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

ARTICLE 27 LIMITATION ON CLAIMS

Any claim, demand, right or defense of any kind by Tenant, which is based upon, arising in connection with or in any way related to this Lease or the negotiations prior to its execution, shall be barred unless Tenant commences an action thereon, or interposes in a legal proceeding a defense by reason thereof, within six (6) months after the date of the inaction or omission or the date of the occurrence of the event or of the action to which the claim, demand, right or defense relates, whichever applies.

ARTICLE 28 BANKRUPTCY

28.1 *Tenant's Interest Not Transferable.* Neither this Lease, nor any interest herein nor any estate hereby created shall pass to any trustee or receiver or assignee for the benefit of creditors or otherwise by operation of law, except as may be specifically provided pursuant to the Bankruptcy Code (11 U.S.C. §101, *et, seq.*).

28.2 *Tenant's Obligation to Avoid Creditors' Proceedings.* Tenant or Tenant's Guarantor, if any, shall not cause or give cause for the institution of legal proceedings seeking to have Tenant or Tenant's Guarantor, if any, adjudicated bankrupt, reorganized or rearranged under the bankruptcy laws of the United States, and shall not cause or give cause for the appointment of a trustee or receiver for the assets of Tenant or Tenant's Guarantor, if any, and shall not make any assignment for the benefit of creditors, or become or be adjudicated insolvent. The allowance of any petition under the bankruptcy law, or the appointment of a trustee or receiver of Tenant or Tenant's Guarantor, if any, or its assets, shall be conclusive evidence that Tenant caused or gave cause thereof, unless such allowance of the petition, or the appointment of a trustee or receiver, is vacated within thirty (30) days after such allowance or appointment.

ARTICLE 29 INTERPRETATION AND APPLICATION

29.1 *Submission of Lease.* Submission of this instrument for examination or signature by Tenant does not constitute an offer, a reservation of, option for or option to lease, and it is not effective as a tease or otherwise until execution and delivery by both Landlord and Tenant.

29.2 *Governing Law.* This Lease shall be construed in accordance with and governed by the statutes, decisions, and other laws of the State of Nevada. Tenant hereby consents to the personal jurisdiction and venue of any State court of competent jurisdiction located in Clark County, Nevada or Federal court located in Las Vegas, Nevada and the service of process by any means authorized by any such State or Federal court.

29.3 *Complete Agreement.* This Lease contains all terms, covenants, conditions, warranties and agreements of the parties relating in any manner to the rental, use and occupancy of the Premises. No prior agreements or understanding pertaining to the same shall be valid or of any force or effect. The terms of this Lease were fully negotiated by the parties hereto and shall not be construed for or against Landlord or Tenant, because either Landlord or Tenant may have drafted this Lease and this Lease shall be interpreted in accordance with the general meaning of the language herein contained in an effort to reach the intended result.

29.4 Amendment. This Lease may not be amended, altered or modified in any way except in writing signed by the parties hereto.

29.5 No Partnership. It is agreed that nothing contained in this Lease shall be deemed or construed as creating a partnership or joint venture between Landlord and Tenant or between Landlord and any other party, or cause Landlord to be responsible in any way for the debts or obligations of Tenant or any other party.

29.6 No Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work as a merger, but shall, at the option of Landlord, either terminate all or any existing subleases or subtenancies, or operate as an assignment to Landlord of any or all such subleases or subtenancies.

29.7 Severability. If any provision of this Lease or application thereof to any person or circumstances shall to any extent be invalid, the remainder of this Lease (including the application of such provision to persons or circumstances other than those to which it is held invalid) shall not be affected thereby, and each provision of this Lease shall be valid and enforced to the fullest extent permitted by law.

29.8 Captions. The captions of the Articles and Sections hereof are for convenience only and are not a part of this Lease and do not in any way limit or amplify the terms and provisions of this Lease.

29.9 Words. The words "Landlord" and "Tenant", as used herein, shall include the plural as well as the singular. Words used in the neuter gender include the masculine and feminine. If Tenant is comprised of more than one individual or entity, the obligations imposed upon Tenant hereunder shall be joint and several to all parties signing this Lease as Tenant.

29.10 Exhibits. The Exhibits, if any, and any Schedules or Riders attached to this Lease are incorporated herein by this reference and made a part hereof, and any reference in the body of the Lease or in the Exhibits, Schedules, or Riders to the Lease shall mean the Lease together with all Exhibits, Schedules and Riders.

ARTICLE 30 MISCELLANEOUS

30.1 Time. Time is of the essence of each provision hereof.

30.2 Successors. Subject to the restrictions on transfer contained in Article 22 hereof, all the terms, covenants and conditions hereof shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto.

30.3 Recordation. Tenant shall not record this Lease or any memorandum hereof. Landlord has the right in its absolute discretion to record this Lease or a memorandum hereof, and, upon Landlord's request, Tenant shall execute and have acknowledged the same for recordation.

30.4 No Recourse. The obligations of the Landlord under this Lease shall be without recourse to the assets of any partner, member, officer, shareholder, director or employee of Landlord or any partner of any partner of Landlord. The obligations of the Landlord under this Lease shall be without recourse to the assets of any partner, member, officer, shareholder, director or employee of Landlord or any member of Landlord. In the event of any actual or alleged failure, breach or default of this Lease by Landlord, Tenant's sole remedy shall be against the Project, its rents, and other assets. Tenant agrees that the foregoing provision shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by statute or at common law.

30.5 Broker. Except for the broker specified in Section 1.16 of this Lease, if any, Landlord and Tenant represent and warrant to each other that it has not retained the services of any other broker or

real estate licensee and owes no other person or entity any finder's or broker's fee, commission or payment of any kind whatsoever. Landlord and Tenant shall defend, indemnify and hold the other harmless from and against any and all claims, demands, costs, expenses or liabilities related to or connected with any broker's or finder's fee, commission or payment of any kind asserted by any person or entity, based on an agreement allegedly made by the indemnifying party, except for the broker specified in Section 1.16 of this Lease.

30.6 *Furnishing of Financial Statements.* Upon Landlord's written request, Tenant shall promptly furnish Landlord from time to time, but not more than one (1) time per calendar year except in the event of a refinance or possible sale with financial statements (including, without limitation, operating statements including an annual profit and loss statement for the individual store unit covered by this Lease) reflecting Tenant's current financial condition and written evidence of ownership of managing and controlling interest in Tenant and in any entities which directly or indirectly control or manage Tenant.

30.7 *Trade Names and Trademarks.* Tenant shall not make any use, commercial or otherwise (except to the extent necessary to identify the Premises), of the names or marks of the Project and/or any other similar names or marks without the prior written consent of Landlord, nor shall Tenant otherwise engage in conduct inconsistent with Landlord's sole and exclusive rights to its trade names and trademarks, including but not limited to the foregoing marks.

30.8 *Sign Control.* Tenant shall comply with all signage requirements as set forth by Landlord and shall further not affix, paint, erect or inscribe any sign, projection, awning, signal or advertisement of any kind to any part of the Premises, Building or Project, including without limitation, the inside or outside of windows or doors, without the written consent of Landlord. Landlord shall have the right to remove any signs or other matter, installed without Landlord's permission, without being liable to Tenant by reason of such removal, and to charge the cost of removal to Tenant as additional rent hereunder, payable within ten (10) days of written demand by Landlord.

30.9 *Counterparts.* This Lease may be executed in multiple counterparts, all of which shall constitute one and the same Lease.

30.10 *Mortgagee Protection.* Tenant agrees to send by certified or registered mail to any first mortgagee or first deed of trust beneficiary of Landlord whose address has been furnished to Tenant, a copy of any notice of default served by Tenant on Landlord. If Landlord fails to cure such default within the time provided for in this Lease, such mortgagee or beneficiary shall have an additional thirty (30) days to cure such default; provided that if such default cannot reasonably be cured within that thirty (30) day period, then such mortgagee or beneficiary shall have such additional time to cure the default as is reasonably necessary under the circumstances.

30.11 *Waiver of Jury Trial.* Landlord and Tenant waive any right to a trial by jury in any action or proceeding based upon, or related to, the subject matter of this Lease. This waiver is knowingly, intentionally, and voluntarily made by Tenant, and Tenant acknowledges that neither Landlord nor any person acting on behalf of Landlord has made any representations of fact to induce this waiver of trial by jury or in any way to modify or nullify its effect. Tenant further acknowledges that he has been represented (or has had the opportunity to be represented) in the signing of this Lease and in the making of this waiver by independent legal counsel, selected of his own free will, and that he has had the opportunity to discuss this waiver with counsel. Tenant further acknowledges that it has read and understands the meaning and ramifications of this waiver provision.

30.12 *Independently Provided Services.* This Lease is entirely separate and distinct from and independent of any and all agreements that Tenant may at any time enter into with any third party for the provision of services, which include, but are not limited to, telecommunications, office automation, repair, maintenance services, computer and photocopying ("Independent Services"). Tenant

acknowledges that Landlord has no obligation of any type concerning the provision of Independent Services, and agrees that any cessation or interruption of Independent Services or any other act or neglect by the third party providing the Independent Services shall not constitute a default or constructive eviction by Landlord. Tenant agrees, except to the extent of the gross negligence or willful conduct of Landlord, its partners, employees, agents and/or assigns, to hold harmless Landlord, its partners, employees, agents and assigns from any claim Tenant may have arising in any way out of the provision (or lack thereof) of the Independent Services which Tenant has contracted to receive from the third parties. In no event shall Landlord be liable to Tenant for incidental, consequential, indirect or special damages (including lost profits) which may arise in any way out of a claim concerning Independent Services.

30.13 Act of Landlord. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the Term. Only a written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of the Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

IN WITNESS WHEREOF, the parties hereto have executed this Lease or, as the case may be, have caused their officers thereunto duly authorized to execute this Lease the day and year first above written.

AGREED AND ACCEPTED:

LANDLORD:

TENANT:

WINDMILL DURANGO OFFICE II, LLC

ALLEGIANT AIR, LLC

WINDMILL DURANGO, LP
(Managing Member of WINDMILL

By: /s/ SCOTT SHELDON

DURANGO OFFICE II, LLC)

Scott Sheldon

IDC WINDMILL DURANGO, LLC
(General Partner of WINDMILL
DURANGO, LP)

(Print Name)

Its: VP—Accounting

By: _____

JEFF SUSA, Managing Member

EXHIBIT A
PREMISES/FLOOR PLAN

A-1

EXHIBIT B

PROJECT/BUILDING

NOTE: THE SITE PLAN SET FORTH HEREIN IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE A WARRANTY, REPRESENTATION OR AGREEMENT ON THE PART OF LANDLORD THAT THE TENANT MIX OR LAYOUT OF THE PROJECT IS OR WILL REMAIN AS INDICATED HEREON.

[SITE PLAN]

B-1

EXHIBIT C

MEMORANDUM OF LEASE COMMENCEMENT

This Memorandum of Lease Commencement is made as of _____, 20____ by WINDMILL DURANGO OFFICE II, LLC (Landlord) and _____ ("Tenant"). Landlord and Tenant agree to and acknowledge the following matters:

1. Landlord and Tenant have entered into a lease dated as of _____, ("Lease"), covering the Premises in the Project located at Durango Commons Office in Las Vegas, Nevada, as more particularly described in the Lease.
2. All terms defined in the Lease shall have the same meaning when used in this Memorandum of Lease Commencement.
3. The Lease Commencement Date is _____, 20____, and the Expiration Date of the Lease is _____.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Memorandum of Lease Commencement as of the day and year first above written.

LANDLORD:

TENANT:

WINDMILL DURANGO OFFICE II, LLC

ALLEGIANT AIR, LLC

WINDMILL DURANGO, LP
(Managing Member of WINDMILL
DURANGO OFFICE II, LLC)

By: /s/ SCOTT SHELDON

Scott Sheldon

IDC WINDMILL DURANGO, LLC
(General Partner of WINDMILL
DURANGO, LP)

(Print Name)

Its: VP—Accounting

By: /s/ JEFF SUSA

JEFF SUSA, Managing Member

EXHIBIT D

LANDLORD'S/TENANT'S WORK

I. LANDLORD'S WORK

Landlord shall construct a "Turn Key" Premises for Tenant with the following improvements (as described in more detail in Schedule 1 attached hereto) in accordance with all applicable laws and regulations in effect as of the Delivery of Possession at Landlord's sole cost and expense:

- **Generator Equipment and Enclosure**
- **Case Work**
- **Floor Coverings**
- **Lighting Fixtures**
- **Wall Coverings (Paint)**
- **HVAC System w/automated control system (BMS included)**
- **Trash Enclosure**
- **Required Elevator Security (this will need to be tied into the Access Control System and programmed as such by the tenant)**
- **Life Safety Systems (Fire Alarm and Sprinkler Systems per Clark County Building Code)**
- **Covered Parking Stalls**
- **Garbage Disposals in each Break Room**

II. TENANT'S WORK

Tenant shall construct the following improvements (the "Tenant Improvements") in accordance with the approved plans and all other applicable laws, which shall not be part of the "Turn Key", thus solely at Tenant's expense:

- **Outdoor Patio equipment (seating, appliance enclosure, appliances)**
- **Window coverings, where required (black-outs in Board Room)**
- **Video/audio equipment (Including Plasma TV / Monitors, Non-Wall Mounted Project Screens, Etc.)**
- **Usual office equipment and furniture (Including Power Poles, Copiers, Etc. as well as connection to such Items and equipment)**
- **External (to systems) Paging Speakers**
- **Data Cable Installation**
- **Voice Systems/Components Installation**
- **R/O System and Installation**
- **Break Room/Dispatch Appliances (Refrigerators, Microwave Ovens, Coffee Maker, Ice Maker, Freezer, Dishwasher)**
- **Vending Machines and other such equipment**
- **Airplane Chairs and other lobby furnishing (excluding the front desk millworking)**

- **Computer Systems including Racking (Note 24/A1.04)**
- **Security System, Cameras, and Monitoring**
- **Tenant Identification Signage (exterior and interior), code required signage is all that is provided (restroom signage)—all other signage is by tenant**
- **Raised Computer Floor Systems or Demountable Partitions (if any)**
- **Banners in the upper lobby area for display purposes. The construction will cover the mounting brackets, Tenant to provide the banners and associated copy on the banners.**
- **Any interior decorating items including artificial plantings at the two rear stair areas**
- **Access Control Systems Device installation, programming and maintenance will be the responsibility of the tenant for all spaces including Allegiant Air, Anexeon, and CommPartners. Breslin Builders will be provide conduit and j-box (with pull string) installation only.**
- **Flags for flag poles (3 total as requested)**
- **Loose shelving for janitor's room, file rooms, marketing storage, facilities storage, publications library, etc. not shown on the plans currently**
- **Specialty systems related to the aircraft communication requirements including aerial antennas**

Tenant shall install Tenant's trade fixtures, signs and other personal property ("Tenant's Property") in the Premises, all without interfering with any other work being done in the building or the Project. Tenant's Work, and the installation of Tenant's Property, shall be performed in compliance with all reasonable rules established by Landlord or Landlord's architect or contractors. Upon final completion of Tenant's Work, Tenant shall furnish Landlord with all certificates, permits and approvals relating to any work or installations done by Tenant that may be required by any governmental authority or insurance company. Landlord shall have no responsibility for any loss of or damage to any of Tenant's Property so installed or left on the Premises. Tenant's entry shall be subject to all of the provisions of the Lease, and at all times after such entry, Tenant shall maintain or cause to be maintained in effect insurance complying with the Lease.

Under no circumstances shall Tenant make any alterations or modifications to the exterior of the Premises or the Project, unless such alteration or modification was approved by Landlord in the approved plans. Tenant shall not make any roof penetrations without the prior written consent of Landlord. Unless otherwise agreed in writing by Landlord, any roof penetrations shall be made by Landlord's roofing contractor, and the cost thereof shall be reimbursed by Tenant. Any roof penetrations made by Tenant or its contractors shall be inspected and patched by Landlord's roofing contractor, and Tenant shall reimburse Landlord for the cost thereof. All of Tenant's Work shall be designed by a qualified, licensed architect and shall be performed under the supervision of such architect by financially sound and bondable contractors of good reputation, in accordance with Tenant's Plans as approved in writing by Landlord prior to commencement of Tenant's Work. All contractors performing Tenant's Work shall be subject to Landlord's prior approval, which approval shall not be unreasonably withheld conditioned or delayed. Tenant shall not use any contractor not approved in writing by Landlord. Landlord hereby approves Tenant's use of **BRESLIN BUILDERS** to perform the Tenant improvements. Notwithstanding the foregoing, Tenant and Tenant's Contractor shall nevertheless use Landlord's HVAC subcontractor due to the energy management system at the Project. In connection with giving its consent, Landlord may require that any contractor, or major subcontractors, provide payment and completion bonds in such amount and with sureties acceptable to Landlord. All work shall be performed in a good and workmanlike manner and shall be diligently prosecuted to completion, using new materials of good quality. If Tenant elects to use a contractor other than BRESLIN BUILDERS then Tenant shall notify Landlord at least three (3) business days prior to the

commencement of any portion of Tenant's Work and in either case Tenant agrees that Landlord may post, file and/or record a notice of non-responsibility or other notice required under applicable mechanics' lien laws. Upon completion of Tenant's Work, Tenant shall record in the office of the County Recorder of the County in which the Project is located a notice of completion or any other notice required or permitted by applicable mechanics' lien laws to commence the running of, or terminate, any period for the filing of liens or claims, and shall deliver to Landlord any certificate of occupancy or other equivalent evidence of completion of Tenant's Work in accordance with the requirements of applicable law. Tenant's Work shall be performed in compliance with all applicable laws, codes, rules and regulations of all governmental and quasi-governmental authorities with jurisdiction. All contractors performing any portion of Tenant's Work shall maintain insurance which meets the requirements of Landlord.

Tenant shall pay all costs and expenses (including permit fees and other governmental fees and exactions) due for, or purporting to be due for, all work, labor, services, materials, supplies or equipment furnished, or claimed to be furnished, to or for Tenant in connection with the performance of Tenant's Work, and Tenant shall keep the Premises and the Project free of all mechanics', materialmen's and other liens arising therefrom. Tenant may contest any such lien, but only if Tenant first procures and posts, records and/or files a bond or bonds issued by a financially sound, qualified corporate surety in conformance with the requirements of Landlord. Tenant shall pay and fully discharge any contested claim or lien within five (5) business days after entry of final judgment adverse to Tenant in any action to enforce or foreclose such lien. However, notwithstanding any such contest, Landlord shall have the right at any time to pay any lien imposed hereunder if in Landlord's reasonable judgment such payment is necessary to avoid the forfeiture, involuntary sale or loss of any interest of Landlord or any other tenant or owner in the Project, or any portion thereof. Tenant shall indemnify, defend, protect and hold Landlord harmless of and from any and all loss, cost, liability, damage, injury or expense (including attorneys' fees) arising out of or in connection with claims or liens for work, labor, services, materials, supplies or equipment furnished, or claimed to be furnished, to or for Tenant, in, upon or about the Premises or the Project. Notwithstanding the foregoing, Landlord shall provide Tenant with the Tenant Improvement Allowance described in Section 1.15 of the Lease (i.e., \$225,000) on the terms and conditions set forth below. If Tenant's cost of constructing the Tenant's Work exceeds the amount of the Tenant Improvement Allowance, then Tenant shall pay for all costs in excess of such Tenant Improvement Allowance. Landlord agrees and acknowledges that Tenant may use the Tenant Improvement Allowance for any costs reasonably related to the design, permitting and construction of the Tenant's Work (including any architectural and design fees, application and plan check fees, permit and approval fees and Tenant's Contractor fees), provided no portion of the Tenant Improvement Allowance shall be used for legal or accounting fees or for the purchase of furniture, removable art or other personal property without Landlord's written consent. Within thirty (30) days of receipt of an invoice from Tenant, Landlord shall distribute to Tenant the amount specified in such invoice (provided in no event shall Landlord be obligated to disburse to Tenant any amount in excess the total Tenant Improvement Allowance). Each invoice submitted by Tenant shall be accompanied by reasonable documentation showing that the expense was paid or incurred by Tenant in connection with a valid Tenant's Work cost and that said Tenant's Work was actually performed or materials installed at the Premises. Tenant understands that Landlord is under voucher control for distribution of the Tenant Improvement Allowance and its voucher control will not release funds to Tenant unless it confirms said work and/or materials invoiced by Tenant have actually been completed and/or installed at the Premises.

Tenant's contractors and subcontractors are required to check in with the Landlord's Property Manager for instructions and coordination prior to going on the site. All Tenant Contractors are to comply with Project rules and regulations as set forth by Landlord.

Tenant's Contractors will not be permitted to start work until they:

- Have all necessary building permits and have posted such permits on the wall in the Tenant's space.
- Furnish proper evidence of required insurance coverage.
- Sign for and take possession of keys to service doors of premises (if any) and acknowledge proper installation and operation of said service door.
- Furnish names and phone numbers (office and home) of contractor's supervisory personnel.
- Have a set of Landlord approved drawings in the space at all times.
- Acknowledge receipt of a copy of these Construction Rules.
- Furnish proper evidence that all fees and/or deposits required to commence work have been fully paid.

All contractors are required to furnish the Landlord's Property Manager with certificates showing evidence of the following insurance coverage prior to commencing any work.

The insurance shall: (i) be issued by insurance companies authorized to do business in the State of Nevada with a current financial rating of at least an A-Class XV or better as rated in the most recent edition of Best's Key Rating Guide; (ii) be issued as a primary policy; (iii) contain an endorsement requiring thirty (30) days written notice from the insurance company to Landlord before cancellation or material change and, (iv) shall be written with minimum coverage's and limits as required by law and the following:

- "All risk" builders' risk insurance in an amount equal to 100% of the replacement cost of the Improvements on a non-reporting, completed value basis, coverage against the perils or damage resulting from water damage;
- Owner's Protective Liability Insurance in an amount of not less than \$1,000,000 naming Landlord as a Named Insured;
- Unless otherwise waived, in writing, by Landlord, a performance bond from Tenant's general contractor in an amount equal to the contract sum or contract amount set forth in the construction contract between Tenant and its general contractor providing for the construction;
- Independent Contractors coverage; and
- All other insurance and is reasonably required by Landlord or as is customarily carried by contractors in the Las Vegas, Nevada area.

Schedule 1 to Exhibit D

**Description of "Turn Key" Building Work
to be performed by Landlord
at Landlord's Expense**

TO BE ATTACHED ONCE COUNTY APPROVES FINAL ARCHITECT'S DRAWINGS/PLANS

EXHIBIT E

RENEWAL OPTIONS

If, immediately prior to the expiration of the initial term of this Lease, this Lease shall be in force and effect and provided that Tenant, not less than six (6) months prior to the expiration of such term, shall have given to Landlord written notice of Tenant's desire to renew this Lease, the giving of such notice by Tenant shall be effective to renew this Lease and extend the term hereof as to the Premises and, without the necessity for execution of any further instrument by either party, for an additional two (2) lease terms of five (5) years each (the "Renewal Term(s)") from and after the expiration of said initial term. If Tenant exercises such initial renewal option, the Tenant shall have the right to renew for another five (5) year period by giving notice six (6) months prior to the expiration of the initial Renewal Term. The giving of this second notice shall also be effective to renew the Lease and further extend the term without the necessity for execution of any further instruments by either party. The Renewal Term(s) shall be on the same covenants, agreements, terms, provisions and conditions as are contained herein for the initial term except Tenant shall have no further right to extend the term of this Lease after the second Renewal Term. Base Rent for each year during the entirety of such Renewal Term(s) on the premises shall, however, be at the "Renewal Rate" (as hereinafter defined).

The "Renewal Rate" for purposes of calculating Base Rent payable during such Renewal Term(s) shall be the amount equal to 95% of the then prevailing Fair Market Rent. In no event shall the total rent during any year of any Renewal Term(s) be less than the total rent paid during the prior preceding year. Landlord and Tenant will negotiate in good faith to agree on such lease rent.

Ninety (90) days preceding the date prescribed for exercise of any option to extend this Lease, Landlord agrees to furnish to Tenant the proposed Renewal Rate for the appropriate Renewal Term. Tenant's Notice period shall be shortened day for day for each day Landlord fails to provide Tenant its proposed Renewal Rate. Tenant shall approve or disapprove the Renewal Rate within 30 days after Tenant's receipt of Landlord's notice (Approval Period). If Tenant approves the Renewal Rate within the Approval Period (by notice to Landlord), the parties shall execute an agreement, in form reasonably satisfactory to both, modifying the Expiration Date, the Base Rent, the Monthly Installments of Base Rent and all other relevant matters. If Tenant fails to deliver the extension notice as required herein or fails to approve the Renewal Rate within the Approval Period (either by notice of disapproval or by failing to give any such notice), then this option shall be void, Tenant shall have no further option to extend the Term and the Term shall terminate as provided in this Lease; provided, however, if Tenant disapproves the Renewal Rate, Tenant can avoid termination of this option by giving Landlord notice (Appraisal Notice) within the Approval Period that Tenant elects to determine the Renewal Rate by appraisal. The appraisal shall be made as follows:

(a) The Appraisal Notice must contain the name of the appraiser appointed by Tenant to determine the Renewal Rate. Within 15 days after Landlord receipt of the Appraisal Notice, Landlord shall give Tenant notice of the name of the appraiser appointed by Landlord to determine the Renewal Rate. The two appraisers so appointed shall promptly appoint a third appraiser; if they fail to appoint such third appraiser within 15 days after they receive notice of their joint appointment, then either Landlord or Tenant, upon notice to the other, may request the assignment of a third appraiser by the then President of the local chapter of the American Institute of Real Estate Appraisers. All appraisers shall have at least 10 years experience and be familiar with commercial office rentals in buildings comparable to the Building in the area in which the Building is located.

(b) The three (3) appraisers shall jointly establish the Renewal Rate within 30 days after the appointment of the third appraiser and if they cannot agree, the average of the two (2) closest estimates will be accepted by the parties as the Market Rate, unless the average of all 3 estimates

equals one of the three (3) estimates, in which case such average estimate shall be accepted by the parties as the Renewal Rate.

(c) If Landlord fails to appoint an appraiser within the period permitted above, then the appraiser appointed by Tenant shall have the power to proceed as sole appraiser to establish the Renewal Rate.

(d) Landlord and Tenant shall each pay the fees of the appraiser appointed by it and one-half of the fees of the third appraiser and the general expenses of the appraisal except that Tenant may elect to reject the Renewal Rate, and if Tenant does so reject, then Tenant shall pay the fees of all three appraisers and the general expenses of the appraisal.

(e) After determination of the Renewal Rate, the parties shall execute an agreement, in form reasonably satisfactory to both, modifying the Expiration Date, the Base Rent, the Monthly Installments of Base Rent and all other relevant matters."

If at the time Tenant gives notice of its desire to renew this Lease for the Renewal Term(s), Landlord should allege that Tenant is not then entitled to exercise such renewal option by reason of any default in the performance of Tenant's obligations hereunder existing at such time, then Landlord must, within ten (10) days after receipt by Landlord of notice of Tenant's desire to renew and extend the term of this Lease, give Tenant written notice specifying the alleged default on the part of Tenant; and Tenant shall thereupon have thirty (30) days from the receipt of such notice from Landlord (plus such additional reasonable period of time as may be required with respect to those items, which, by their very nature, cannot be cured within such thirty [30] day period) within which to remedy such alleged default; and if Tenant shall have cured all such defaults within the said respective time periods allowed, then the previous existence of such default shall not constitute a reason for invalidating Tenant's notice to exercise its renewal option.

At any time after Tenant has exercised its option to extend this Lease for the Renewal Term(s), Landlord and Tenant, upon request of either, will sign and acknowledge a written memorandum evidencing such facts, setting out the date to which such Renewal Term(s) will extend, and the rental rates which will be applicable during such Renewal Term(s).

EXHIBIT F

RULES

1. Tenant shall not obstruct or interfere with the rights of other tenants of the Building/Project, or in any way injure or annoy such tenants or persons. Tenant will not conduct any activity, within the Premises, which will create excessive traffic or noise anywhere in the Building/Project.
2. Canvassing, soliciting and peddling in the Building/Project are prohibited, and Tenant shall cooperate to prevent such activities.
3. Tenant shall not bring or keep within the Building/Project any animal, motorcycle, or other type of vehicle except as required by law.
4. All office equipment and any other device of any electrical or mechanical nature shall be placed by Tenant in the Premises in settings approved by Landlord, so as to absorb or prevent any vibration, noise, or annoyance. Tenant shall not construct, maintain, use or operate within the Premises, or elsewhere in the Building/Project or outside of the Building/Project any equipment or machinery which produces music, sound or noise, which is audible beyond the Premises. Tenant shall not cause improper noises, vibrations or odors within the Building/Project.
5. Tenant shall not deposit any trash, refuse, cigarettes, or other substances of any kind within or out of the Building/Project, except in the refuse containers provided therefore. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of office Building/Project trash and garbage without being in violation of any law or ordinance governing such disposal. Tenant shall be charged the cost of removal for any items left by Tenant that cannot be so removed. All garbage and refuse disposal shall be made only through entryways and elevators provided for such purposes. Tenant shall not introduce into the Building/Project any substance which might add an undue burden to the cleaning or maintenance of the Premises or the Building/Project. Tenant shall exercise its best efforts to keep the sidewalks, entrances, passages, courts, lobby areas, garages or parking areas, elevators, escalators, stairways, vestibules, public corridors and halls in and about the Building/Project (hereinafter referred to as "Common Areas") clean and free from rubbish. No tenant shall cause any unnecessary labor by reason of such tenant's carelessness or indifference in the preservation of good order and cleanliness. Landlord shall not be responsible to any tenant for any loss of property on the Premises, however occurring, or for any damage done to the effects of any tenant by the cleaning service or any other employee or any other person.
6. Tenant shall use the Common Areas only as a means of ingress and egress, and Tenant shall permit no loitering by any persons upon Common Areas or elsewhere within the Building/Project. The Common Areas and roof of the Building/Project are not for the use of the general public, and Landlord shall in all cases retain the right to control or prevent access thereto by all persons whose presence, in the judgment of the Landlord, shall be prejudicial to the safety, character, reputation or interests of the Building/Project and its tenants. Tenant shall not enter or install equipment in the mechanical rooms, air conditioning rooms, electrical closets, janitorial closets, or similar areas or go upon the roof of the Building/Project without the prior written consent of Landlord. Except as provided in a tenant's Lease, no tenant shall install any radio or television antenna, loudspeaker, or other device on the roof or exterior walls of the Building/Project.
7. Without limitation upon any of the provisions of the Lease, Tenant shall not mark, paint, drill into, cut, string wires within, or in any way deface any part of the Building/Project, without the prior written consent of Landlord, and as Landlord may direct. Upon removal of any wall decorations or installments or floor coverings by Tenant, any damage to the walls or floors shall be repaired by Tenant at Tenant's sole cost and expense. Tenant shall not lay linoleum or similar floor coverings

so that the same shall come into direct contact with the floor of the Premises and, if linoleum or other similar floor covering is to be used, an interlining of builder's deadening felt shall be first affixed to the floor, by a paste or other materials soluble in water. The use of cement or other similar adhesive material is expressly prohibited. Floor distribution boxes for electric and telephone wires must remain accessible at all times.

8. Tenant shall not use the washrooms, restrooms and plumbing fixtures of the Building/Project, and appurtenances thereto, for any other purpose than the purpose for which they were constructed, and Tenant shall not deposit any sweepings, rubbish, rags or other improper substances therein. Tenant shall not waste water in interfering or tampering with the faucets or otherwise. If Tenant's servants, employees, agents, contractors, jobbers, licensees, invitees, guests or visitors cause any damage to such washrooms, restrooms, plumbing fixtures or appurtenances, such damage shall be repaired at Tenant's expense, and Landlord shall not be responsible therefore.
9. Subject to applicable fire or other safety regulations, all doors opening onto Common Areas and all doors upon the perimeter of the Premises shall be kept closed and, during non-business hours, locked; except when in use for ingress or egress. If Tenant uses the Premises after regular business hours or on non-business days, Tenant shall lock any entrance doors to the Building/Project or to the Premises used by Tenant immediately after using such doors. Tenant shall cooperate with energy conservation by limiting use of lights to areas occupied during non-business hours.
10. Employees of Landlord shall not receive or carry messages for or to Tenant or any other person, nor contract with nor render free or paid services to Tenant or Tenant's servants, employees, contractors, jobbers, agents, invitees, licensees, guests or visitors. In the event that any of Landlord's employees perform any such services, such employees shall be deemed to be the agents of Tenant regardless of whether or how payment is arranged for such services, and Tenant hereby indemnifies and holds Landlord harmless from any and all liability in connection with any such services and any associated injury or damage to property or injure or death to persons resulting there from.
11. All keys to the exterior doors of the Premises shall be obtained by Tenant from Landlord, and Tenant shall pay to Landlord a reasonable deposit determined by Landlord from time to time for such keys. Tenant shall not make duplicate copies of such keys. Tenant shall, upon the termination of its tenancy, provide Landlord with the combinations to all combination locks on safes, safe cabinets and vaults and deliver to Landlord all keys to the Building/Project, the Premises and all interior doors, cabinets, and other key-controlled mechanisms therein, whether or not such keys were furnished to Tenant by Landlord. In the event of the loss of any key furnished to Tenant by Landlord, Tenant shall pay to Landlord the cost of replacing the same or of changing the lock or locks opened by such lost key if Landlord shall deem it necessary to make such a change. The work "key" as used herein shall refer to keys, keycards, and all such means of obtaining access through restricted access systems.
12. For purposes hereof, the terms "Landlord", "Tenant", "Building/Project" and "Premises" are defined as those terms in the Lease to which these Rules and Regulations are attached. The term "Building/Project" shall include the Premises, and any obligations of Tenant hereunder with regard to the Building/Project shall apply with equal force to the Premises and to other parts of the Building/Project.
13. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the agreements, covenants, conditions and provisions of any lease of the Premises in the Building/Project.

EXHIBIT G

GUARANTY

NONE

G-1

EXHIBIT H

SIGNAGE CRITERIA

GENERAL

Signs are not only effective as Tenant identification but are a source of interest, excitement and good advertising when designed with taste and in harmony with the design standards of the office complex. The sign regulations herein have been set up for the purpose of achieving the best possible effect for office identification and overall design, while allowing each tenant creativity within the limits of their leasehold. Experience has proven that all Tenants in the building benefit by the establishment of sign controls such as herein set forth.

I. APPROVALS

- A. The design and construction of Tenant's exterior sign MUST receive written approval by Landlord prior to fabrication and installation.

Landlord's approval shall be based on:

- 1) Conformity to the sign criteria established for the building, including fabrication and method of installation.
- 2) Harmony of the proposed sign with design standards of the building and co-tenants.

Landlord has the specific right to refuse approval of any sign, which does not conform to the specific criteria set forth herein.

- B. Unless Landlord and design consultant have both received the above described plans in the quantities set forth above, Landlord will not approve Tenant's exterior sign.

The sign drawings are to be prepared by a reputable Nevada licensed sign contractor. The sign drawings must indicate the following information:

- 1) A scaled storefront drawing reflecting the proposed sign design and all dimensions, as it relates to the storefront elevation of Tenant's premises.
- 2) A plot plan and elevation indicating location of Tenant's sign.

- C. All drawings marked "Disapproved" or "Approved as Noted" must be re-submitted as here and above set forth in Paragraph "B" with required corrections. Tenant or its sign contractor will not be permitted to commence installation of the exterior sign, unless the following conditions have occurred:

- 1) A stamped set of the final sign drawings reflecting Landlord's or Landlord's design consultant's approval are retained at Tenant's Premises at all times during the installation of design and for a period of thirty (30) days thereafter.
- 2) Tenant and/or Tenant's sign contractor shall obtain all necessary permits and approvals.

II. GENERAL SIGN CRITERIA AND RESTRICTIONS

- A. All Tenant signage shall be located only on the space and on the surface specially provided for same on the building exterior. No other signage is permitted on the exterior of the premises.
- B. Tenant is responsible to field verify that Tenant's proposed signage will fit attractively on Tenant's signband area prior to fabrication of signage.
- C. The face colors and type styles of all signs shall be subject to Landlord's approval.
- D. The Tenant shall pay for all signs, their installation (including final connection, transformers and all other labor and materials) and maintenance. Tenant's sign contractor must file, pay for and obtain any licenses, permits and variances as required for sign installation.

ADDENDUM NUMBER I TO LEASE AGREEMENT

This is an ADDENDUM NUMBER 1 TO LEASE AGREEMENT ("Addendum") dated _____, 2008 ("Lease") by and between WINDMILL DURANGO OFFICE II, LLC (hereinafter known as "Landlord") and ALLEGIANT AIR, LLC (hereinafter known as "Tenant"). If any provision(s) contained herein is (are) inconsistent with provision(s) contained in the main body or any other Exhibits of said Lease, then the provision(s) of this Addendum shall control.

Cooperation: Tenant agrees to cooperate with the other tenants in the Building at all times in order to attempt to save on common expenses and reduce the costs of Operating Expenses.

Options to Expand: Assuming Tenant is not in default beyond any applicable notice and cure period under the Lease, Landlord shall grant to Tenant a continuous Right of First Offer on any space that comes available in the Building during the Lease Term at the same terms and conditions of the Lease, including but not limited to Landlord's rights and options. In the event any such space becomes available, Landlord shall notify Tenant when the expansion space becomes available. Tenant shall be given two (2) weeks subsequent to Landlord's notice to commit to the additional space. The expansion space shall be at the then Fair Market Rent. Fair Market Rent shall be defined as a comparable building(s) within the West Las Vegas submarket, but in no event less than what Tenant is paying per square foot as Base Rent at that time. In the event Tenant exercises this option, such space shall become part of the Premises and shall be subject to all of the same terms and conditions of this Lease, except Base Rent. In the event Tenant elects not to take the space, Landlord may offer such space to third parties. Tenant understands and agrees that a similar right has been given to BSERV, INC. and Tenant agrees to cooperate with Landlord to allow BSERV, INC. to lease space at the Building as well in such an event.

Cabin Trainer: Landlord agrees that it will move Tenant's "cabin trainer" from Tenant's existing facility in Las Vegas, Nevada to a storage facility of Landlord's choosing. When ready to be installed, Landlord shall then move said cabin trainer from the storage facility and reinstall the same inside Tenant's Premises. Landlord shall not be held liable, and Tenant hereby releases Landlord, from any damage or theft of the cabin trainer while in Landlord's possession; such liability to be assumed solely by Tenant.

Anti Terrorism Compliance: Tenant represents and warrants that it is not an entity listed on the U.S. Treasury's Office of Foreign Assets Control Specially Designated Nationals list (as amended from time to time), that it is not an entity Landlord is prohibited to do business with under anti-terrorism laws, that It will not violate any anti-terrorism laws, and that it will not do any business with any entity that will violate anti-terrorism laws.

ALL OTHER TERMS:

Except as set forth above, all other terms and conditions, including rent, shall be as set forth in the Lease.

AGREED AND ACCEPTED:

LANDLORD:

TENANT:

WINDMILL DURANGO OFFICE II, LLC

ALLEGIANT AIR, LLC

WINDMILL DURANGO, LP
(Managing Member of WINDMILL

By: /s/ SCOTT SHELDON

DURANGO OFFICE II, LLC)

Scott Sheldon

IDC WINDMILL DURANGO, LLC
(General Partner of WINDMILL
DURANGO, LP)

(Print Name)

By: /s/ JEFF SUSA

Its: VP—Accounting

JEFF SUSA, Managing Member

QuickLinks

[Exhibit 10.18](#)

[OFFICE SPACE LEASE AGREEMENT](#)

[ARTICLE 1 BASIC LEASE PROVISIONS](#)

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[ADDENDUM NUMBER I TO LEASE AGREEMENT](#)

Confidential treatment has been requested for portions of this document. This copy of the document filed as an Exhibit omits the confidential information subject to the confidentiality request. Omissions are designated by the symbol [...***...]. A complete version of this document has been filed separately with the Securities and Exchange Commission.

AIR TRANSPORTATION CHARTER AGREEMENT

This **AIR TRANSPORTATION CHARTER AGREEMENT** ("Agreement") dated as of October 31, 2008, by and between **ALLEGiant AIR, LLC**, a Nevada limited liability company with principal offices at 8360 South Durango Drive, Las Vegas, Nevada 89113 ("Allegiant") and **Harrah's Operating Company, Inc** ("HOC") a Delaware Corporation, with principal offices at One Harrah's Court, Las Vegas, NV 89119. Allegiant and HOC shall each also be referred to as the "Party" or collectively as the "Parties".

RECITALS

WHEREAS, Allegiant in its capacity as a direct air carrier under Parts 207, 212 and 380 of the regulations of the United States Department of Transportation ("DOT"), 14 C.F.R. Parts 207, 212 and 380, desires to provide air transportation services to HOC to and from locations designated by HOC; and

WHEREAS, HOC in its capacity as a Public Charter Operator under Part 380 of the DOT regulations, 14 C.F.R. Part 380, has a need for air transportation services and desires to utilize air transportation services provided by Allegiant;

NOW THEREFORE, in consideration of the promises and covenants contained herein, the Parties hereto, intending to be legally bound hereby, do agree as follows:

1. AIRCRAFT

Allegiant shall provide the air transportation services using the Aircraft listed in Exhibit A (the "Aircraft") or equivalent aircraft.

2. SERVICES

2.1 In accordance with Section 6 of this Agreement, Allegiant shall provide air transportation services (the "Services") as more fully described in Exhibit A.

3. PRICE

In consideration for the Services provided by Allegiant under this Agreement, HOC agrees to pay Allegiant the rates listed in Exhibit A.

4. TERM

Unless terminated earlier in accordance with the terms of this Agreement, the term of this Agreement shall commence upon execution of this Agreement and shall remain in full force and effect thereafter until December 31, 2011 (the "Term"). Actual Services as described in Section 2 of this Agreement shall begin January 1, 2009.

5. REGULATORY APPROVALS AND DUTIES

5.1 Allegiant and HOC shall each hold all licenses, certificates, and permits, including without limitation all DOT, United States Federal Aviation Administration (the "FAA"), and the Mississippi Gaming Commission ("MGC") approvals, required to fulfill their respective obligations specified in or contemplated by the terms of this Agreement.

5.2 Pursuant to 14 C.F.R. Part 380 and other applicable regulations, Allegiant shall be responsible for its own compliance with DOT regulations, except as agreed to by the Parties in Section 5.4, and shall indemnify defend and hold harmless HOC from any fines, claims or penalties resulting from noncompliance with any governing laws, rules or regulations associated therewith.

5.3 Pursuant to 14 C.F.R. Part 380 and other applicable regulations, including the responsibility agreed to under Section 5.4, HOC shall be responsible for its compliance with DOT regulations, and shall defend and hold harmless Allegiant from any fines, claims or penalties resulting from noncompliance with any governing laws, rules or regulations associated therewith, including its noncompliance with Section 5.4.

5.4 HOC shall be responsible to submit all public charter filings as required to the DOT without delay and no later than ten (10) days after the Schedule is finalized pursuant to Section 6.1. HOC shall provide a DOT conformed copy, including a Public Charter Number, to Allegiant no later than ten (10) days prior to the first flight scheduled in the filing.

5.5 Allegiant through its gate agent shall collect the Tour Participation Agreements ("TPA"). HOC shall provide Allegiant with an adequate supply of TPAs to distribute and collect from the passengers. Allegiant shall deliver the executed TPA to HOC's authorized representatives upon arrival of each flight.

6. OPERATIONAL BLOCK TIMES / SCHEDULING

6.1 HOC agrees to provide Allegiant a flight schedule (the "Proposed Schedule") at least ninety (90) days before the date of the first flight and the Proposed Schedule period shall cover at least ninety (90) days. Allegiant shall have fifteen (15) days from receipt of the Proposed Schedule to consent to the flights contained therein. Allegiant's consent shall not be unreasonably withheld. Once Allegiant has consented to the proposed flight schedule, Allegiant shall develop block time estimates for each flight ("Operational Block Times" or "Block Hours") and these Operational Block Times shall be provided to HOC. (Operational Block Times are defined as the amount of time it takes from an aircraft's departure from the gate at the origin airport until the aircraft's arrival at the gate at the destination airport). The Parties shall then agree to the final schedule ("the Schedule") and Operational Block Times. Allegiant shall provide HOC the schedule, with flight times and baggage handlers for each flight, at least thirty (30) days prior to the operation of the flight.

6.2 Either Party may request a change to the schedule. Both Parties agree to use their commercially reasonable efforts to accommodate changes requested by the other Party. In the event changes are made by HOC to the Schedule with less than seven (7) days notice, HOC shall reimburse Allegiant for its out of pocket cost incurred as a result of accommodating HOC's requested schedule change. HOC shall have no obligation to Allegiant for changes to the Schedule initiated or made by Allegiant.

7. MINIMUM BLOCK HOUR GUARANTEE

7.1 HOC agrees to pay for a minimum number of Block Hours, as described in Exhibit A (the "Minimum Block Hour Guarantee"). Flights involved in positioning the Aircraft (ferry flights) shall count towards meeting the Minimum Block Hour Guarantee.

7.2 HOC shall pay Allegiant pursuant to Section 8.1, for Services to be operated pursuant to the Schedule. Within thirty (30) days of the completion of the quarter, Allegiant shall provide a report to HOC that lists the actual Block Hours operated by Allegiant for HOC. This report will be compared with the estimated Block Hours that were used to determine the appropriate advance payments made pursuant to Section 8.1. If the estimated Block Hours paid for by HOC is greater than the actual Block Hours operated by Allegiant, then Allegiant shall roll the difference into the payment for the next

quarter's estimated Block Hours and count as a reduction in the Minimum Block Hours Guaranteed during the next quarter. If the estimated Block Hours paid for by HOC is less than the actual Block Hours operated by Allegiant, then Allegiant shall invoice HOC for the difference. Payment shall be due within thirty (30) days of receipt of invoice.

7.3 Within ten days of the completion of each calendar quarter, Allegiant shall provide HOC with a report that lists the Services provided by flight during the subject quarter. If the Services provided fail to meet the Minimum Block Hour Guarantee, then Allegiant shall invoice HOC for the difference between the Block Hours for the Services provided and the Minimum Block Hour Guarantee. Allegiant agrees to use flight factors, such as direct flight paths and proximate fuel stops, to minimize Block Hours. HOC shall be excused from payment for actual Block Hours incurred as a result of delays caused by factors within Allegiant's control. HOC shall be excused from the Minimum Block Hour Guarantee during any quarter in which flights are cancelled due to force majeure events, as defined in Section 19, or factors within Allegiant's control (excluding weather).

8. PAYMENT TERMS

8.1 HOC shall pay Allegiant for the Services as follows:

(i) Initial Payment Date. Upon execution of this Agreement, HOC shall deposit an amount equal to the projected cost for Services and the Actual Fuel Expense, as defined in Section 10.1, to be provided under the Schedule between January 1, 2009 and January 16, 2009 shall be due December 15, 2008.

(ii) 1st Payment Date. HOC shall deposit no later than the 1st day of each month (the "1st Payment Date") an amount equal to the projected cost for Services and Actual Fuel Expense to be provided under the Schedule between the 16th day of the month through the end of that same month (the "1st Billing Period"). The projected cost shall be based on a rolling 6 month average of the per gallon price per gallon and be based on the scheduled flight hours for the time period being paid.

(iii) 2nd Payment Date. HOC will deposit by the 16th day of each month (the "2nd Payment Date"), an amount equal to the estimated cost for Services and Actual Fuel Expense to be provided under the Schedule between the 1st day through the 15th day of the following month (the "2nd Billing Period"). The projected cost shall be based on a rolling 6 month average of the per gallon price per gallon and be based on the scheduled flight hours for the time period being paid.

(iv) Each month a settlement for both services and Actual Fuel Expense shall be done no later than the 15th on the following month. The settlement shall compare billed services and fuel to actual services and fuel. A credit or charge shall be added or subtracted from the next payment for services and fuel made by the property.

All deposits shall be made by wire transfer to Allegiant's DOT approved escrow account listed in Exhibit C. Allegiant shall provide HOC a copy of the DOT letter approving the escrow account. The Parties agree that payment for each flight shall only be released from the DOT escrow upon completion of the flight (from the origin airport to the destination airport).

8.2 All reimbursable expenses, including but not limited to certain catering, liquor, and PFC charges (defined in Section 9.3), shall be invoiced in arrears monthly by Allegiant to HOC for payment by wire transfer to Allegiant's operating account listed in Exhibit D. Reimbursable expenses shall be invoiced each month and HOC shall remit payment within 15 days of receipt of invoice. In the event that HOC fails to pay within 18 days of receipt of invoice, HOC shall pay a late charge equal to 2% of the invoice amount. All invoices for reimbursable expenses shall list the expenses by flight wherever possible.

8.3 All payment terms are subject to the terms and conditions of Section 25 herein.

8.4 Allegiant represents and warrants that it will maintain the DOT escrow account at all times and notify HOC of any changes to the DOT escrow account.

8.5 In the event that HOC fails to make payment when due under Section 8.1, and such failure to make payment is not cured in accordance with Section 26.1, Allegiant shall after giving written notice to HOC have the right to cancel flights scheduled on the eleventh day proceeding that date and such right shall continue until Allegiant has received payment in full under Section 8.1. Any flights cancelled due to non-payment under Section 8.1 shall in no way limit or excuse HOC's obligation under the Minimum Block Hour Guarantee.

9. TAXES AND OTHER CHARGES

9.1 HOC shall be responsible for the collection and payment of any and all federal, state and local excise taxes (including federal segment fees) imposed upon the purchase of air transportation. HOC agrees to indemnify, defend and hold harmless Allegiant from and against any claims made, or penalties or fines imposed as a result of any act or omission relating to collection or payment of such taxes (including, but not limited to attorneys' fees, costs and expenses incurred in connection therewith) arising out of the performance of Services under this Agreement, unless arising from Allegiant's negligence, misconduct or false information.

9.2 Allegiant shall be responsible for the remittance of payment of any security charges (including the September 11th Security Fee) that are assessed on a per passenger basis. Notwithstanding the foregoing, HOC shall be responsible for the collection of these charges from its passengers and for transmittal of same to Allegiant, and for reimbursing outlays made by Allegiant for these charges. Allegiant shall invoice HOC pursuant to Section 8.2 above.

9.3 Allegiant shall be responsible for the remittance of payment of all passenger facility charges ("PFC") imposed by airports on HOC's passengers carried by Allegiant. Notwithstanding the foregoing, HOC shall be responsible for the collection of these charges from its passengers and for transmittal of same to Allegiant, and for reimbursing outlays made by Allegiant for these charges. Allegiant shall invoice HOC pursuant to Section 8.2 above.

9.4 HOC and Allegiant each warrant to the other that any commissions that are or will become due to any third party in connection with this Agreement or its performance hereunder shall be payable at that Party's sole expense.

10. FUEL

10.1 HOC shall be responsible for the cost of fuel for the operation of all flights under this Agreement. Included in fuel gallon price are the following: (i) supply of jet fuel purchased at market price at each station; (ii) delivery of fuel; (iii) into-plane fueling services; and (iv) any applicable taxes and fees (collectively hereinafter defined as "Actual Fuel Expense"). Estimated fuel expense shall be paid in advance in accordance with Section 8.1 of this Agreement and reconciled to Actual Fuel Expense on a monthly basis. HOC shall only be responsible for fuel purchased at each station at the market price and shall not pay fuel costs based on any Allegiant fuel hedging program.

10.2 Allegiant shall work in good faith to minimize fuel cost.

10.3 Each month during the term of this Agreement, Allegiant shall provide HOC with a written fuel usage report that summarizes the Actual Fuel Expense and the total number of gallons actually used in performance of the Services during the invoiced period. In accordance with the obligations outlined in Section 10.1 Allegiant shall be reimbursed for Actual Fuel Expense as outlined in Section 8.1 of this Agreement. Allegiant shall fully document the Actual Fuel Expense. Allegiant shall

retain all documents relating to its procurement of fuel for the Services including, but not limited to, actual contracts, receipts, invoices, and / or purchase orders (collectively referred to as "Fuel Procurement Documents"). HOC and its authorized agents shall have the right to inspect, review, and audit all Fuel Procurement Documents. Upon request, Allegiant shall forward true and correct copies of Fuel Procurement Documents to HOC. Allegiant shall be financially obligated to reimburse HOC for any overpayments of Actual Fuel Expense within 14 days of receiving notice of such overpayment from HOC.

11. STATIONS

11.1 Allegiant is responsible for station charges (as described in Exhibit A, Section 2). Allegiant shall not levy any surcharges against HOC nor request reimbursement for station of charges to or from any U.S. city. HOC agrees to work in good faith with Allegiant to minimize stations costs, including the review of feasible alternative airports identified by Allegiant.

11.2 In certain instances, HOC may desire to fly to or from a city in Canada or Mexico. In these cases HOC shall pay for the portion of station costs per round trip associated with those flights that are in excess of \$[...***...].

12. LIQUOR

12.1 Alcoholic beverages shall be available at a nominal cost to passengers on all flights. Allegiant shall purchase the alcoholic beverages [...***...].

12.2 Allegiant shall provide alcoholic beverages to certain passengers as designated by HOC at no cost to the passenger. These passengers shall present coupons to Allegiant personnel in exchange for free alcoholic beverages. Allegiant shall invoice HOC at its cost, pursuant to Section 8.2, the amount due for alcoholic beverages provided at no charge to passengers.

13. CATERING

The Price for Services provided by Allegiant includes catering as described in Exhibit A. Allegiant may be able to provide other catering alternatives and will attempt to do so at HOC's direction, but the expense incurred by Allegiant, if any, of additional catering shall be invoiced to and be borne solely by HOC. Allegiant shall invoice HOC pursuant to Section 8.2 for any additional catering expenses. If HOC supplies the catering at its sole expense, there shall be no reimbursement due to Allegiant.

14. PERFORMANCE STANDARDS

14.1 Allegiant agrees to perform the Services safely and professionally in accordance with the highest standards of the air transportation industry and in full compliance with all applicable federal, state and local laws and regulations.

14.2 Allegiant represents and warrants that it owns or leases the Aircraft at all times. Allegiant shall at all times have exclusive operational control of the Aircraft performing the Services. Allegiant represents and warrants that they are the direct air carrier, unless substitute aircraft is provided pursuant to Section 16. Allegiant shall be charged with responsibility for decisions with respect to the suitability of the Aircraft, weather conditions, flight conditions and any other decisions or issues relating to control and direction of the activities associated with the flight of the Aircraft. Under no circumstances shall HOC or anyone other than Allegiant have the right to countermand or issue any directive pertaining to the foregoing activities and issues.

14.3 At its own cost (with no right to reimbursement), Allegiant shall clean the interior of the Aircraft, including but not limited to, trash pickup, wipe down seats, seat back trays, and vacuuming prior to each flight departing from the base of operation and the exterior on an as-needed basis.

14.4 Each Allegiant pilot shall hold current and valid pilot licenses, be duly rated and qualified by the FAA, and be fully trained for operation of the Aircraft.

14.5 All cabin crew personnel shall be courteous to each passenger, maintain good grooming and hygiene standards, wear easily identifiable full uniform outfits that are professional in appearance in a manner similar to the standards of cabin crews for nationally recognized commercial passenger airlines, and shall not make any negative comments with respect to HOC, its affiliates or Allegiant.

14.6 Allegiant shall maintain in a current status all operating certificates, permits and licenses issued by all appropriate regulatory authorities and shall be in full compliance with applicable regulations, standards, agency directives and laws and shall indemnify and defend HOC, its managers, officers, directors, parents, employees, agents, affiliated companies and subsidiaries from and against any fines, penalties or claims resulting from noncompliance hereunder.

14.7 Upon request by HOC, Allegiant will make available for inspection all records, documents, and data concerning accidents, violations, passenger safety and welfare, licensing, and regulatory requirements. This documentation shall include, but not limited to, all certifications and licenses of pilots/copilots as required by the DOT, FAA, and other regulatory agencies. HOC shall be entitled to true and accurate copies of all documents referenced in this Section 14.8.

14.8 Allegiant agrees to meet the following operational performance metrics (the "Performance Metrics"): (1) on-time performance of [...***...]%, as measured by arrivals within 15 minutes of scheduled arrival time; and (2) completion factor of [...***...]%. Allegiant's performance shall be measured at the completion of every calendar quarter (January 1—March 31; April 1—June 30; July 1—September 30; and October 1—December 31). Within ten (10) days of the completion of each quarter, Allegiant shall provide HOC a report of its performance as measured by the Performance Metrics. Such report shall include FAA weather reports relied on by Allegiant to justify delays or cancellations caused by weather. If Allegiant is deficient in meeting the Performance Metrics during any one quarter, it shall have a [...***...] day period, commencing with the first day of the following month to improve its performance so as to meet or exceed the Performance Metrics measured during that [...***...]-day period. If Allegiant is unable to do so, HOC shall have the right to cancel this Agreement [...***...]. Flight cancellations or delays that are due to force majeure reasons (except for delays or cancellations under Section 27), weather conditions, air traffic control or other causes outside Allegiant's reasonable control or due to the request of HOC shall not be included in measuring performance against the Performance Metrics.

14.9 In the event that HOC causes a flight to be delayed and it results in Allegiant being unable to provide Services on that day or as scheduled the following day due to crew duty-time limitations and/or other Federal Aviation Regulations reasons, HOC will be liable to Allegiant for the reimbursement of costs incurred by Allegiant as a result of such delay. In the event a trip is cancelled due to the foregoing, the cancelled trip shall not be charged against Allegiant's Performance Metrics and HOC shall have no right of reimbursement for payment made pursuant to Section 8.1 for such cancelled flight. In the event, that a flight is cancelled by Allegiant due to a mechanical failure or the lack of qualified crew, the total cost for the flight including ferry legs shall be refunded to HOC.

14.10 Exhibit C shall govern the liability and treatment of passengers in the event of delays, cancelled flights or irregular operations.

14.11 Allegiant shall notify HOC at least thirty (30) days in advance of the identity, location and contact information for the ground handling agent that will be contracted by Allegiant at each airport that appears on the Schedule.

14.12 HOC shall send via facsimile to Allegiant's Dispatch Office, at least 48 hours before each flight is scheduled, a copy of the latest flight manifest. Any changes made to the manifest shall be communicated by HOC to Allegiant's Dispatch Office on a continuous basis up until the flight departure time.

15. SUBCONTRACTORS

15.1 Under no circumstances shall Allegiant subcontract its primary duties necessary to perform the Services, including but not limited to: (i) Subject to Section 16 of this Agreement, its exclusive operational control of the Aircraft performing the Services; (ii) its decisions with respect to Aircraft suitability, weather conditions, flight conditions as outlined in Section 14.2 of this Agreement; and (iii) its obligation to minimize fuel cost in accordance with Section 10.3 of this Agreement.

15.2 Allegiant shall be entitled to hire independent third party contractors to provide secondary support services, including but not limited to: (i) ground handling agents; (ii) ticket counter representatives; (iii) and service technicians used to fuel the Aircraft. In all circumstances where Allegiant elects to subcontract secondary support services the following shall apply: (i) Allegiant shall remain liable to HOC for performance of all terms, obligations, and provisions of this Agreement; (ii) the third party subcontractor must agree in writing to be bound by all requirements of this Agreement; and (iii) HOC shall have the right to require Allegiant terminate any third party subcontractors upon directive of the MGC and/or the NDCB, or failure to adhere to safety and/or performance standards.

16. MAINTENANCE / SUBSTITUTE AIRCRAFT

16.1 At its own cost (with no right of reimbursement), Allegiant shall at all times maintain the Aircraft in an airworthy condition in accordance with its FAA-approved maintenance program. Allegiant shall schedule its maintenance of the Aircraft so that it does not interfere with flights scheduled in accordance with Section 6 of this Agreement.

16.2 Subject to HOC's consent Allegiant may at its own expense (without right for reimbursement) retain a substitute aircraft to perform the Services. In all cases where HOC consent's to the use of substitute aircraft the following shall occur: (i) the owner of the substitute aircraft shall be required to comply with the requirements of this Agreement; (ii) the substitute aircraft must be substantially similar to the Aircraft described in Exhibit A of this Agreement with regard to size and type of aircraft; (iii) Allegiant and the owner of the substitute aircraft have each executed a Supplementary Agreement with HOC in the form attached hereto as Exhibit F; and (iv) the owner of the substitute aircraft shall submit an Insurance Certificate in compliance with the insurance requirements of Section 20 of this Agreement. .

In all cases where Allegiant cannot perform Services (not due to Force Majeure conditions as defined below) and fails to provide an acceptable substitute to perform the flight in question Allegiant shall pay HOC a full refund for the cost of such flight.

17. NO-SHOW PASSENGERS

Allegiant shall not be responsible or liable for the transportation of HOC's passengers who fail to report at the specified check-in point at the departure airport at least thirty (30) minutes prior to the scheduled departure time of a flight, or who are, through no fault of Allegiant, not aboard at the time of scheduled departure. Allegiant may depart as scheduled and shall in no way be responsible for or to such individual or HOC, and Allegiant shall be deemed to have completed its contractual obligation to HOC.

18. BAGGAGE AND HAZARDOUS MATERIALS

18.1 Allegiant shall provide required baggage identification tags and claim checks to be distributed to passengers.

18.2 Allegiant assumes liability only for passenger baggage actually received by a representative of Allegiant from the individual passenger at the departing airport. Limit of baggage liability shall be as prescribed by applicable DOT regulations (14 C.F.R. Part 254). As between HOC and Allegiant, HOC assumes all responsibility for baggage in possession of transfer companies engaged by HOC. HOC agrees that Allegiant is not liable for property not delivered to it and agrees to indemnify, defend and hold harmless Allegiant from any claims brought against it by third parties alleging loss or damage to such baggage.

18.3 UNDER NO CIRCUMSTANCE SHALL ALLEGIANT ACCEPT FOR TRANSPORTATION IN CHECKED OR HAND-CARRIED BAGGAGE, OR AS CARGO, NOR MAY ANY PASSENGER BRING ABOARD ALLEGIANT'S AIRCRAFT, ANY ARTICLE CONSTITUTING "HAZARDOUS MATERIAL", DEFINED AS ANY ARTICLE OR SUBSTANCE THE TRANSPORTATION OF WHICH BY AIR IS PROHIBITED, RESTRICTED OR OTHERWISE AFFECTED BY ANY RULE OR REGULATION OF THE DOT, INCLUDING THE RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION (the "RSPA") or successor administration, THE FAA, OR THE INTERNATIONAL CIVIL AVIATION ORGANIZATION (the "ICAO").

19. FORCE MAJEURE

Both Parties shall be excused from all performance and or payment obligations when the ability of either party to perform according to the terms of this Agreement has been impeded as a result of, or arising from, any of the following: governmental or airport laws, regulations, orders, war, acts of terrorism, acts of God, riots, civil disobedience; or national emergencies (hereinafter referred to as "Force Majeure conditions"). Any Force Majeure conditions shall be said to have impeded a Party's ability to perform when it has required that Party to cancel a scheduled charter flight. The Parties shall only be excused from their performance and/or payment obligations during the duration of the Force Majeure condition. Either Party shall promptly notify the other of any such conditions which may result in its inability to resume its obligations upon the cessation of the Force Majeure condition. Each Party shall make every effort to resume performance, at the earliest time that it is safe and prudent to do so. In any case where the Force Majeure conditions last longer than three (3) months either Party shall have the right to terminate its obligations under this Agreement, in all other cases the Parties shall have the right to cancel the specific flights scheduled to take place during the Force Majeure condition. Additionally, any flights cancelled due to a Force Majeure shall be deducted from the minimum block hour requirement at no cost to HOC.

20. INSURANCE AND INDEMNITY

20.1 During the Term of this Agreement it is expressly agreed that, ALLEGIANT shall at no expense to HOC maintain aircraft / aviation liability insurance ("Policy") with a reputable insurer approved by HOC. ALLEGIANT shall provide a Certificate of Insurance naming HOC and/or any subsidiary company (or subsidiaries of division thereof), and/or any other affiliated, allied or controlled entity of any of the foregoing that existed or may hereafter exist, and/or each of their officers, directors, trustees, employees and representatives as additional insureds.

20.2 The required insurance Policy shall include the following:

- (a) The Policy shall include aviation liability, passenger liability, public liability, and property damage liability, providing coverage for all claims resulting from use, and/or operation of the Aircraft including but not limited to claims of death or injury to persons or loss of or damage to property. The Policy shall have liability limits of \$500,000,000 for aircraft with a seating capacity of 125 passengers and / or \$750,000,000 for aircraft with a seating capacity of between 126 to 185 passengers.
- (b) The Policy shall include War Risk Liability coverage in an amount not less than \$50,000,000;

- (c) The Policy shall include Workers Compensation coverage at statutory limits;
- (d) The Policy shall include Personal Injury Liability coverage of at least \$25,000,000;
- (e) The Policy shall be placed on a worldwide basis;
- (f) The Policy shall not be subject to cancellation, material change or restriction, or reduction of coverage or limits except upon not less than sixty (60) days written notice to HOC. The insurer shall immediately notify HOC in the event of default in payment of any premium or installment;
- (g) The Policy shall be primary and not excess, subject to any co-insurance clause or contingent. The Policy shall not require contribution from any insurance purchased by HOC, its employees, officers and directors, its affiliates and subsidiaries;
- (h) The Policy shall include a Waiver of Subrogation clause in the HOC's favor;
- (i) The Policy's certificate shall list the specific aircraft utilized to provide Services agreed to herein by Allegiant to HOC. Additionally, it shall apply to any and all aircraft utilized under the terms of this agreement with HOC.

20.3 The Aircraft shall not be operated and HOC shall have no obligation (financial or otherwise) during the Term unless the insurance described in this Section 20 is in full force and effect, nor shall the Aircraft be operated in a location or any manner which would cause such insurance to be suspended, impaired or canceled, or its protection to be jeopardized. In the event of loss or destruction of, or damage to, the Aircraft during the Term, Allegiant shall cooperate in good faith, and promptly furnish such information, execute such documents, and do all such other acts and things, as may be reasonably necessary or appropriate to collect the proceeds provided under the Policy. Allegiant agrees that the above lease/hire or non-owned aircraft/arrangements with the same limits set forth above. Allegiant agrees to comply with additional insurance requirements as determined from time to time in writing by HOC.

20.4 Allegiant agrees to defend, indemnify and hold harmless HOC, its subsidiaries, partners, affiliated companies, officers, directors, agents and/or employees, from and against any and all claims, actions, damages, expenses (including attorneys' fees and costs associated with in house legal professionals), or liability therefore, in connection with any and all loss, theft, misappropriation and/or damage to property or equipment transported, including but not limited to baggage (and any other guest property which might be transported by Allegiant subject to the Airline baggage liability limit), personal injury and/or loss of life sustained by any third parties arising from or on account of any flights or related Services provided by Allegiant hereunder including without limitation any acts or omissions of Allegiant, its agents, employees or other representatives, including without limitation the owners and operators of substitute aircraft, of any of the obligations of Allegiant described herein or related hereto, without regard to cause or peril.

20.5 Allegiant shall agree to defend, indemnify, release, and hold harmless HOC, its parent and affiliated companies, their managers, agents, employees, officers, directors and subsidiaries from and against any and all claims, suits, damages, liabilities, fines, penalties, proceedings, orders, decrees, settlements, and judgments of any kind or nature by or in favor of anyone whomsoever and from and against any and all costs and expenses, including attorneys fees, resulting from or in connection with loss of life, bodily injury or damages to property arising directly or indirectly, out of or from or on account of the services provided by Allegiant pursuant to this Agreement, except when such claims, suits, damages, liabilities, fines, penalties, proceedings, orders, decrees, settlements, and judgments are due to the gross negligence or willful misconduct of the HOC. This indemnification shall be insured against by Allegiant and shall not be limited or restricted by any other provision of this Agreement including but not limited to the insurance requirements.

20.6 In all cases of indemnification required under the terms of this Agreement, the Indemnitee shall give the Indemnitor prompt written notice of any such claim, and provide the Indemnitor with the authority, information and assistance (at no out-of-pocket cost to such Indemnitee) that the Indemnitor deems necessary for the defense and settlement of the claim, provided that the failure of any indemnified party to give timely notice hereunder shall not affect rights to indemnification except to the extent that such failure prejudices the indemnitor's ability to direct the defense or settlement or otherwise damages the Indemnitor. Subject to the indemnitee's reasonable determination that its interest are prejudiced, the Indemnitor shall be entitled to direct the defense and settlement of any claim for which indemnification is sought under this Agreement.

20.7 Each provision of this Section 20 shall survive the termination or expiration of this Agreement.

21. LIABILITY

IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR INDIRECT DAMAGES, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

22. NOTICES

All notices required or permitted under this Agreement shall be in writing and shall become effective on the date of receipt and shall be hand delivered or faxed (with receipt confirmed simultaneously) or mailed by registered or certified first class mail, return receipt requested, addressed to:

Allegiant: Allegiant Air, LLC
8360 South Durango Drive
Las Vegas, Nevada 89113
Attn: Andrew Levy, CFO & Managing Director
Phone: (702) 851-7300
Fax: (702) 851-7310

with a copy to: Ellis, Funk et al
3490 Piedmont Rd, Suite 400
Atlanta, Georgia 30305
Attn: Rob Goldberg
Phone: (404) 233-2800
Fax: (404) 233-2188

HOC: Harrah's National Casino Marketing
13615 Old Highway 61 North
Robinsonville, MS 38664
Phone: (662) 357-6004
Fax: (662) 357-3430

And

Harrah's National Casino Marketing
2900 South Casino Drive
Laughlin, Nevada 89029
Phone: (702) 298-8588
Fax: (702) 298-8505

with a copy to: Corporate Counsel
Harrah's Law Department
365 Canal Street, Suite 900
New Orleans, LA 70130
Phone: (504) 533-6036
Fax: (504) 533-6107

Such addresses may be changed by written notice to the other party at any time.

23. INDEPENDENT CONTRACTOR, DIRECTION AND CONTROL

23.1 Allegiant is an independent contractor with respect to all Services performed hereunder, and under no circumstances shall Allegiant or its directors, officers, agents, affiliates, employees, or subcontractors, be deemed for any purpose to be the agent, servant, employee, "borrowed servants" or representative of HOC in the performance of all or any part of the work or Services performed hereunder. HOC hereby expressly foregoes and disclaims any contractual or other right to direct or control Allegiant or its employees, agents, independent contractors for any work or Services performed pursuant to this Agreement and is interested only in the results to be obtained.

23.2 No agency relationship is created or intended by this Agreement. Neither Party shall have the right nor authority to act on the other's behalf, represent the other in any manner, or bind the other to any agreement or undertaking.

24. CONFIDENTIALITY

24.1 Allegiant's employees, officers, agents, directors and subcontractors shall treat as confidential and proprietary and not disclose to others during or subsequent to the term of this Agreement, except as necessary to perform this Agreement, and then only on a confidential basis satisfactory to HOC, any information whether oral or written of any description whatsoever, including, but not limited to, any technical information or data regarding HOC or HOC's plans, programs, This Agreement and its terms and conditions, marketing, strategies, facilities, processes, products, costs, equipment, operations or customer lists which are designed or reasonably understood to be confidential or proprietary at the time divulged to Allegiant, its employees, officers, agents, directors or subcontractors in the performance of this Agreement. Additionally, Allegiant may not use any of the confidential or proprietary information for any purposes other than to fulfill its obligations under the terms of this Agreement, nor may Allegiant use any proprietary or confidential information for any of its own advertising, marketing, or other business purposes not connected with its obligations under this Agreement. Notwithstanding the foregoing, Allegiant may disclose this Agreement and other information in response to court ordered subpoenas and administrative orders to governmental agencies (FAA, DOT, GCB, SEC, and IRS) as reasonably required and only the term and projected revenue to be earned as a result of the Agreement to any financial institution in connection with financial services.

24.2 HOC's employees, officers, agents, directors and subcontractors shall treat as confidential and proprietary and not disclose to others during or subsequent to the term of this Agreement, except as necessary to perform this Agreement, and then only on a confidential basis satisfactory to Allegiant, any information whether oral or written of any description whatsoever, including any technical information or data regarding Allegiant or Allegiant's plans, programs, marketing, strategies, facilities, processes, products, costs, equipment, operations or customers which are designed or reasonably understood to be confidential or proprietary at the time divulged to HOC, its employees, officers, agents, directors or subcontractors in the performance of this Agreement. Notwithstanding the foregoing, HOC may disclose this Agreement and other information to governmental agencies (FAA, DOT, GCB, SEC, and IRS) as reasonably required and to any financial institution in connection with financial services.

25. GAMING REGULATORY REQUIREMENTS

25.1 Allegiant acknowledges that this Agreement is subject to the registration and other licensing, permitting or approval requirements imposed on Allegiant by the MGC and/or NGCB and, if applicable, any manufacturer, distributor or supplier of the goods to be delivered hereunder. Allegiant hereby agrees that HOC may conduct investigations of Allegiant, its owners and key employees regarding financial information and legal proceedings. In the event: (i) Allegiant fails to secure any MGC and/or NGCB required permits, licenses, and/or authorizations in a timely fashion; or (ii) any material information provided by Allegiant, its owners or key employees to HOC is false or omitted, HOC may immediately and unilaterally terminate this Agreement. Upon its unilateral termination for Allegiant's failure to comply with this Section 25.1 HOC shall have no obligation to Allegiant financial or otherwise.

25.2 Allegiant shall be solely responsible for securing all required registrations, permits, approvals and licenses from the MGC and NGCB or otherwise, and failure to obtain or maintain same shall be an event of material default under this Agreement. If (i) MGC and/or NGCB, at any time, require Allegiant or any related party to be found suitable and Allegiant receives an initial decision finding

Allegiant or related party unsuitable, or (ii) MGC and/or NGCB, at any time, disapprove or object to this Agreement in any way, revoke any approval or registration for the transaction or suspend any business activity between Allegiant and HOC, or (iii) MGC and/or NGCB deny, suspend or revoke any registration, license, permit or approval sought by or obtained by Allegiant or related party, or Allegiant or a related party is placed by MGC or NGCB on a restricted list or similar list that restricts HOC or its affiliated companies from transacting business with Allegiant or a related party, then HOC may, in its sole discretion and, in addition to any other remedy permitted hereunder and pursuant to law, unilaterally terminate this Agreement without liability to Allegiant or to any third party, whether or not Allegiant may pursue or is pursuing any rights to challenge any action or inaction of MGC or NGCB, in which case termination shall become effective on the date of written notice thereof to Allegiant. Allegiant acknowledges that this Agreement is subject to the continuing oversight and jurisdiction of MGC and NGCB and any orders, directives or mandates issued thereby to Allegiant or HOC relating to any terms of this Agreement, including the payment terms and, further, agrees to be bound by the terms of any such MGC or NGCB order, directives or mandates.

26. DEFAULT AND EARLY TERMINATION.

26.1 Except as otherwise set forth herein, in the event of a monetary default by HOC which is not cured within [...***...] of written notice thereof, Allegiant may terminate this Agreement. Except as otherwise set forth herein, in the event of a material default by Allegiant, which is not cured within [...***...] of written notice thereof, HOC may either terminate this Agreement or offset any monetary amounts owed by Allegiant in its subsequent payment under section 8.1 or 8.2.

26.2 The following events may justify immediate termination of this Agreement by the non-affected Party: (i) the making by either Party of any general assignments for the benefit of creditors; (ii) the filing by either Party of or a petition for the reorganization or arrangement under any laws relating to bankruptcy (unless, in the case of a petition filed against either Party, the same is dismissed within thirty (30) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of such Party's assets; (iv) the attachment, execution or other judicial seizure of substantially all of such Party's assets; or (v) either Party's convening of a meeting of any creditors or any class thereof for the purpose of effecting a moratorium upon or composition of such party's debts, or any class thereof.

26.3 In the event that either Party's authorization under the FAA and/or the DOT is revoked, cancelled or suspended, wholly or in part, the non-impaired Party may immediately terminate this Agreement by giving the impaired Party notice thereof.

26.4 Either Party shall have the right to terminate this Agreement, for any reason or no reason, at any time, with [...***...] written notice. Additionally, Horseshoe Tunica, Harrah's Reno and Harrah's Laughlin may each individually terminate their obligations under this Agreement, for any reason or no reason, at any time, with [...***...] written notice to Allegiant.

26.5 The rights of termination contained in this Section are in addition to any other remedies available to any of the Parties hereunder.

26.6 Unless otherwise indicated, any termination of the Agreement by either Party pursuant to Section 26 shall be without prejudice to the claims of either Party up to the date of termination. The rights and obligations of the Parties shall cease on the date of termination, except those obligations and debts arising prior to the date of termination, including but not limited to any amounts owed to Allegiant for Services provided, the insurance obligations under Section 20, and any amounts owed to HOC hereunder.

27. SERVICES FOR THIRD PARTIES

Allegiant agrees that HOC shall have priority use of the Aircraft. Allegiant reserves the right to utilize the Aircraft to provide air transportation services to third parties only if these services do not impact its ability to provide Services to HOC. In all cases, it is expressly agreed that Allegiant shall give HOC priority in the scheduling and operation of the Aircraft.

28. MISCELLANEOUS

28.1 If a litigated dispute should arise herein between Allegiant and HOC, the prevailing Party shall be entitled to receive from the non-prevailing Party, in addition to any other compensation or award, all reasonable attorney fees and all costs of suit or claim therein.

28.2 This Agreement and all Exhibits shall be governed by the laws of the State of Nevada. Venue shall solely lie in Clark County, Nevada, and the Parties hereto submit to such jurisdiction.

28.3 In the event that one or more of the provisions of this Agreement are held invalid, illegal, or unenforceable, the remaining provisions of this Agreement shall be unimpaired.

28.4 Neither Party will use for any commercial purpose customer/passenger names and addresses that are procured by the other Party. Allegiant will not directly or indirectly solicit HOC's passengers

28.5 This Agreement is entered into by HOC and Allegiant on their own behalf.

28.6 HOC shall, at any time from the date hereof through one (1) year after the termination of this Agreement, be entitled to an audit of Allegiant's records to determine Allegiant's compliance with the terms of this Agreement. HOC shall conduct any audit during normal business hours at the principal place of business of Allegiant or at another location designated by Allegiant. If it shall be determined as a result of such audit that there has been non-compliance with any provision of this Agreement, Allegiant shall have thirty (30) calendar days from the date HOC gives it written notice of its non-compliance to cure such non-compliance. In the event the non-compliance is a listed default that allows HOC a different and/or shorter remedy, HOC may utilize such remedy. In the event Allegiant fails to cure said non-compliance within said time frame, HOC may immediately terminate this Agreement. Should any non-compliance be found, Allegiant shall reimburse HOC for the cost of the audit or HOC may deduct the cost of the audit from any funds owed to Allegiant under invoices issued by Allegiant pursuant to Section 8.2 of this Agreement.

28.7 This Agreement, including its Exhibits attached hereto, constitute the entire agreement between Allegiant and the HOC relating to the subject matter hereof and supersedes all written or oral agreements and/or other writings with respect hereto the services provided herein and may be altered, amended or modified only by a written instrument signed by an authorized officer of each of the Parties to this Agreement.

28.8 Each of the persons signing this Agreement warrants that he/she is authorized and has authority to execute this Agreement on behalf of his/her respective Party.

28.9 This Agreement and all or any part of Allegiant's or HOC's rights hereunder may not be assigned, transferred or otherwise conveyed by either Party in whole or in part, except to a subsidiary, affiliated or parent company, without the prior written consent of the other Party. Notwithstanding the foregoing, HOC may sell or assign all or a portion of the passenger seats on any flight to third parties.

28.10 No term or condition of this Agreement shall be deemed waived by either Party unless the waiver is in writing and is executed by the Party alleged to be bound by the waiver. A waiver by either Party of a breach of any of the terms or conditions hereof will not constitute a waiver of any subsequent breach thereof or a waiver of any breach of any other term or condition.

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IN WITNESS WHEREOF, HOC and Allegiant, by and through their duly authorized representatives, have executed this instrument as of the date first written above.

Allegiant:
Signed the 31st day of October, 2008
for and on behalf of Allegiant Air, LLC

HOC:
Signed the 31st day of October, 2008
for and on behalf of HOC

by Andrew Levy

by Thomas M. Jenkin

its CFO/Managing Director

its Western Division President

Signature:

Signature:

STATE OF _____)

COUNTY OF _____) ss:
_____)

On this _____ day of _____, 2007, before me a Notary Public, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as _____ on behalf of _____, the limited liability company that executed it.

Notary Public

Notary Statement and/or Seal

STATE OF _____)

COUNTY OF _____) ss:
_____)

On this _____ day of _____, 2007, before me a Notary Public, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as _____ on behalf of _____, the limited liability company that executed it.

Notary Public

Notary Statement and/or Seal

Exhibit A

1. Aircraft

The Aircraft shall include the following:

- a. 1 MD-87 based at Tunica Municipal Airport in Tunica, Mississippi (UTA)
- b. 1 MD-87 at Reno/Tahoe International Airport in Reno, Nevada (RNO)
- c. 1 MD-87 based at Laughlin/Bullhead International Airport in Bullhead City, Arizona (IFP #1)
- d. 1 MD-83 available on Tuesdays, Wednesdays, and Saturdays at Laughlin/Bullhead International Airport in Bullhead City, Arizona (IFP #2)

2. Services

The Services shall include the following:

- a. Aircraft;
- b. Crews;
- c. Insurance;
- d. Maintenance;
- e. Stations (all services associated with customer processing and ground handling, including airport facilities, landing fees, and security screening charges);
- f. Deicing;
- g. Catering (soft drinks, juice, and dry snacks such as peanuts and pretzels).

Other services provided would be at an additional cost to HOC.

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3. Price for Services

The Price for Services provided under this Agreement shall be determined by the following matrix, which identified the rate per Actual Block Hour flown for each aircraft at the Average Fuel Price (Total Fuel Expense / Total Gallons Uplifted) for each month:

Average Fuel Price	UTA	RNO	IFP #1	IFP #2
\$4.00 or higher	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.95	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.90	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.85	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.80	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.75	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.70	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.65	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.60	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.55	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.50	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.45	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.40	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.35	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.30	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.25	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.20	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.15	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.10	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.05	[...***...]	[...***...]	[...***...]	[...***...]
\$ 3.00	[...***...]	[...***...]	[...***...]	[...***...]
\$ 2.95	[...***...]	[...***...]	[...***...]	[...***...]
\$ 2.90	[...***...]	[...***...]	[...***...]	[...***...]
\$ 2.85	[...***...]	[...***...]	[...***...]	[...***...]
\$ 2.80	[...***...]	[...***...]	[...***...]	[...***...]
\$ 2.75	[...***...]	[...***...]	[...***...]	[...***...]
\$ 2.70	[...***...]	[...***...]	[...***...]	[...***...]
\$ 2.65	[...***...]	[...***...]	[...***...]	[...***...]
\$ 2.60	[...***...]	[...***...]	[...***...]	[...***...]
\$ 2.55	[...***...]	[...***...]	[...***...]	[...***...]
\$ 2.50 or lower	[...***...]	[...***...]	[...***...]	[...***...]

Block Hour rate for each level shall be estimated by rounding to the closest level. i.e. UTA service shall be [...***...] per hour when fuel is \$2.50 to \$2.525 and [...***...] when fuel is \$2.526 to \$2.575.

Additional Charges:

- a. [...***...] per fuel stop
- b. [...***...] per aircraft overnight away from Base

4. Reimbursable Expenses

These include, but are not limited to catering (Section 13), liquor (Section 12), and PFCs (Section 9.3), and shall be reimbursed at Allegiant's cost.

5. Minimum Block Hour Guarantee:

a. UTA

- i. [...***...] Block Hours for January 1 - March 31 (the "1st Quarter")
- ii. [...***...] Block Hours for April 1 - June 30 (the "2nd Quarter")
- iii. [...***...] Block Hours for July 1 - September 30 (the "3rd Quarter")
- iv. [...***...] Block Hours for October 1 - December 31 (the "4th Quarter")

b. RNO

- i. [...***...] Block Hours for January 1 - March 31 (the "1st Quarter")
- ii. [...***...] Block Hours for April 1 - June 30 (the "2nd Quarter")
- iii. [...***...] Block Hours for July 1 - September 30 (the "3rd Quarter")
- iv. [...***...] Block Hours for October 1 - December 31 (the "4th Quarter")

c. IFP #1

- i. [...***...] Block Hours for January 1 - March 31 (the "1st Quarter")
- ii. [...***...] Block Hours for April 1 - June 30 (the "2nd Quarter")
- iii. [...***...] Block Hours for July 1 - September 30 (the "3rd Quarter")
- iv. [...***...] Block Hours for October 1 - December 31 (the "4th Quarter")

d. IFP #2—No Minimum Block Hour Guarantee

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Exhibit B

A. Delayed Flights

Provided passenger boarding of the aircraft has not then commenced, the following amenities shall be furnished to passengers delayed three (3) hours or more:

1. Meals

- a. 3 to 6 Hour Delay: one meal
- b. 6 to 8 Hour Delay: a second meal
- c. 8 to 12 Hour Delay: a third meal
- d. 12+ Delay: a fourth meal
- e. Meal shall include delivery of food to passengers in the gate area or monetary allowances per passenger shall not exceed \$7 for breakfast or snack, \$10 for lunch, \$15 for dinner.

2. Hotel Accommodations and Ground Transportation

a. Eligible passengers (as determined in accordance with "b" below) shall be provided hotel accommodations only to the extent (a) the period of delay has exceeded five (5) hours after the scheduled departure time; (b) the delay has extended or will be extended beyond 2100 hours (9:00 PM) local time; and (c) there is no reasonable expectation that departure will occur within four (4) hours thereafter; provided, that clause "b" shall not apply in the case of flights having a scheduled departure time later than 2100 hours local time. Hotel accommodations shall be standard category (e.g. Days Inn, Comfort Inn) unless no such accommodations are available, in which case the most economical accommodations in the next higher category shall apply.

b. Passengers residing within a 50-mile radius of the airport at which a delay occurs shall not be provided hotel accommodations. In lieu thereof, such passengers shall receive the value of ground transfer from the airport to their place of residence and return, via taxicab, airport van/minibus/limo service, or standard category rental car, whichever is most economical. To the extent any such passengers have driven to the airport and prefer to use their own transportation, such passengers may elect to do so and be reimbursed for parking charges incurred since arrival at the airport plus mileage to their place of residence and return at the rate of 20 cents per mile.

c. If the delay occurs in a location where HOC has a hotel property, all guests will be housed at HOC hotel, or a hotel within a ten mile radius of HOC's hotel, subject to availability.

3. Costs

a. If the delay is caused by Force Majeure reasons, weather conditions, air traffic control delays, or other causes outside Allegiant's reasonable control, the costs shall be borne solely by HOC. Any costs incurred by Allegiant in such a situation shall be invoiced and reimbursed by HOC pursuant to Section 8.2.

b. If the delay is caused by any other reason than those listed in 3(a) above, then the costs shall be borne solely by Allegiant, provided that any stay at HOC's hotel shall be at cost.

B. Cancelled Flights

- 1. If a flight is cancelled due to Force Majeure reasons, weather conditions, air traffic control, or other causes outside Allegiant's reasonable control, Allegiant shall use its best efforts to assist HOC in making alternative travel arrangements for HOC's passengers. Allegiant shall invoice and be reimbursed by HOC for any costs incurred by Allegiant in making such arrangements.

2. If a flight is cancelled due reasons other than those listed in B 1 above, Allegiant shall be fully and solely responsible to make necessary alternative transportation arrangements. If no such arrangements are made and the passengers are unable to make their trip, then Allegiant shall reimburse payments made to it by HOC in advance for that particular flight (or flights, in the event that the cancelled flight is for the first or outbound segment).

C. Irregular Operations

1. If a flight lands at an alternative airport and is unable to continue to its scheduled destination due to Force Majeure reasons, weather conditions, air traffic control delays, or other causes outside Allegiant's reasonable control, Allegiant shall use its best efforts to make alternative transportation arrangements for HOC's passengers. Allegiant shall invoice to and be reimbursed by HOC for any costs incurred by Allegiant in making such arrangements.
2. If a flight lands at an alternative airport and is unable to continue to its scheduled destination due to reasons other than those listed in C 1 above, Allegiant shall be fully and solely responsible to make necessary alternative transportation arrangements and it shall bear all associated costs.

D. Substitute Aircraft

Any substitute aircraft used for any charter flight must be equal or superior, in terms of interior passenger cabin volume, seating capacity, baggage capacity, and cruising speed, to the make and model of aircraft specified in Exhibit A, Paragraph 1, and shall be provided without additional charge to HOC. Allegiant shall not under any circumstances utilize any of the following aircraft without the prior written approval of HOC, which approval may be withheld by HOC and is complete, absolute and unreviewable:

- a. Any aircraft, the type certificate for which was originally issued more than thirty (30) years prior to the date of this Agreement
- b. Any single-engine aircraft
- c. Any piston-engine aircraft
- d. Any DC-2, 3, 4 or 6
- e. Lockheed Lodestar
- f. Lockheed Jet Stars
- g. Lockheed Electra
- h. DC-2,3,4, or 6
- i. Lockheed Constellation
- j. Beech 18 Series
- k. Fairfield F-27
- l. Mitsubishi MU2
- m. BAC III
- n. Lear 23, 24 or 25

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QuickLinks

[Exhibit 10.19](#)

[AIR TRANSPORTATION CHARTER AGREEMENT
RECITALS](#)

[Exhibit A](#)

[Exhibit B](#)

List of Subsidiaries

Allegiant Air, LLC, a Nevada limited liability company

Allegiant Vacations, LLC, a Nevada limited liability company

AFH, Inc., a Nevada corporation

SFB Fueling, LLC, a Delaware limited liability company 50% owned by AFH, Inc.

QuickLinks

[Exhibit 21.1](#)

[List of Subsidiaries](#)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-141227 and Form S-3 No. 333-153282) of Allegiant Travel Company and subsidiaries and in the related Prospectus of our reports dated February 27, 2009, with respect to the consolidated financial statements of Allegiant Travel Company and subsidiaries, and the effectiveness of internal control over financial reporting of Allegiant Travel Company and subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2008.

/s/ Ernst & Young LLP

Las Vegas, Nevada

February 27, 2009

QuickLinks

[Exhibit 23.1](#)

[Consent of Independent Registered Public Accounting Firm](#)

Certifications

I, Maurice J. Gallagher, Jr., President and Principal Executive Officer of Allegiant Travel Company, certify that:

1. I have reviewed this annual report on Form 10-K of Allegiant Travel Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2009

/s/ MAURICE J. GALLAGHER, JR.

Title: *President and Principal Executive Officer*

QuickLinks

[Exhibit 31.1](#)

[Certifications](#)

Certifications

I, Andrew C. Levy, Chief Financial Officer and Principal Financial Officer of Allegiant Travel Company, certify that:

1. I have reviewed this annual report on Form 10-K of Allegiant Travel Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2009

/s/ ANDREW C. LEVY

Title: *Chief Financial Officer and
Principal Financial Officer*

QuickLinks

[Exhibit 31.2](#)

[Certifications](#)

**CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Allegiant Travel Company, a Nevada corporation (the "Company") on Form 10-K for the period ending December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Maurice J. Gallagher, Jr., Chief Executive Officer of the Company, and Andrew C. Levy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 3, 2009

/s/ MAURICE J. GALLAGHER, JR.

Name: Maurice J. Gallagher, Jr.
Title: *President and Principal Executive Officer*

Dated: March 3, 2009

/s/ ANDREW C. LEVY

Name: Andrew C. Levy
Title: *Chief Financial Officer and
Principal Financial Officer*

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-K and shall not be considered filed as part of the Form 10-K.

QuickLinks

[Exhibit 32](#)

[CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)