

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Item 7A. Quantitative and Qualitative Disclosures about Market Risk](#)

[Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure](#)

**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, 2009

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

Common Stock, \$.001 par value per share

Name of Each Exchange on Which Registered

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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
(Do not check if a smaller reporting company)

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, 2009, was approximately \$605,000,000 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 March 1, 2010 was 19,909,655.

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 June 8, 2010, 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.



ALLEGIANT TRAVEL COMPANY
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2009

TABLE OF CONTENTS

<u>Item</u>		<u>Page</u>
<u>PART I</u>		
1	Business	1
1A	Risk Factors	15
1B	Unresolved Staff Comments	20
2	Properties	21
3	Legal Proceedings	22
4	Reserved	22
<u>PART II</u>		
5	Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	23
6	Selected Financial Data	26
7	Management's Discussion and Analysis of Financial Condition and Results of Operations	30
7A	Quantitative and Qualitative Disclosures about Market Risk	48
8	Financial Statements and Supplementary Data	49
9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	79
9A	Controls and Procedures	79
9B	Other Information	80
<u>PART III</u>		
10	Directors, Executive Officers, and Corporate Governance	80
11	Executive Compensation	80
12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	80
13	Certain Relationships and Related Transactions, and Director Independence	80
14	Principal Accountant's Fees and Services	80
<u>PART IV</u>		
15	Exhibits and Financial Statement Schedules	81
	Signatures	84

PART I

Item 1. Business

Business Overview

We are a leisure travel company focused on residents of small cities in the United States. 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 air-related charges and third party products. Air-related charges are generated through fees for use of our website to purchase tickets, checked bags, advance seat assignments, priority boarding and other services provided in conjunction with our scheduled air service. We also generate revenue from the sale of third party products such as hotel rooms, ground transportation (rental cars and hotel shuttle products) and attraction and show tickets. We recognize our ancillary revenue net of amounts paid to service providers, travel agent commissions and credit card processing fees.

Our strategy is to develop the leisure travel market in small cities by providing nonstop low fare scheduled service to leisure destinations at low prices. We currently provide service to Las Vegas, Nevada, Orlando, Florida, Phoenix, Arizona, Tampa/St. Petersburg, Florida, Los Angeles, California and Ft. Lauderdale, Florida. We also currently provide limited service to other leisure destinations of Punta Gorda, Florida, San Diego, California, Palm Springs, California and the San Francisco Bay Area, California, along with seasonal service to Myrtle Beach, South Carolina.

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

Traditional Airline Approach	Allegiant Approach
<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 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 15, 2010, we provide nonstop low fare scheduled air service from 57 small cities (including seasonal service) primarily to the leisure destinations of Las Vegas, Nevada, Orlando, Florida, Phoenix, Arizona, Tampa/St. Petersburg, Florida, Los Angeles, California and Ft. Lauderdale, Florida. Generally, when we enter a new market, there is no existing nonstop service to our leisure destinations. We believe this nonstop service, along with our low prices and premier leisure company relationships, makes it attractive for leisure travelers to purchase air travel and related services from us.

By focusing on 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 15, 2010, we are the only carrier providing nonstop service on all but eight of our 136 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 on 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 more 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 passenger was \$81.77 and \$104.25 in 2009 and 2008, respectively. Excluding the cost of fuel, our operating expense per passenger was \$50.80 for 2009 and \$50.83 for 2008.

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, 2010, our operating fleet consists of 46 MD-80 series aircraft and we have made commitments to acquire another 15 MD-80 aircraft we expect to be introduced into service by the end of 2011. MD-80 aircraft are substantially less expensive to acquire than A320 and B737 aircraft and have been highly reliable aircraft.
- *Highly Productive Workforce.* We believe we have one of the most productive workforces in the U.S. airline industry with approximately 34 full-time equivalent employees per operating aircraft as of February 1, 2010. 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. 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 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 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 86.3% of our scheduled service revenue during 2009. 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.

Strong Ancillary Revenues. We earn ancillary revenue in conjunction with the sale of scheduled air service which represents a significant percentage of our total operating revenue. Our ancillary revenues have grown from \$65.0 million in 2007, to \$114.6 million in 2008, and \$162.7 million in 2009, representing 18.0%, 22.7% and 29.2% of total operating revenues, respectively. 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 and \$33.07 in 2009. We believe ancillary revenue will continue to be a key component in our total average fare and we have proven during 2009 we can sustain high ancillary revenue per passenger levels in a difficult revenue environment.

Capacity Management. We actively manage our capacity in our routes to match the supply of seats to the demand existing in a given market, considering any seasonal shifts in demand that may exist. We believe our ability to quickly adjust capacity allows us to operate profitably throughout a changing environment. For example, 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 some of our long-haul flights and made substantial frequency variations in other markets. These adjustments enabled us to achieve profitability in each quarter of 2008 despite the large losses incurred in the industry. We believe we can adjust appropriately our capacity to achieve a desired level of profitability during 2010 if industry base airfare levels increase closer to historical amounts and fuel prices remain stable. In addition, we believe our low cost aircraft facilitate our ability to adjust service levels quickly and maintain profitability during difficult economic times.

Strong Financial Position. We have a strong financial position with significant cash balances. On December 31, 2009, we had \$231.5 million of unrestricted cash, cash equivalents and short-term investments. As of December 31, 2009, our total debt was \$45.8 million and our debt to total capitalization ratio was 13.6%. We also have a history of growing profitably, having generated net income in 25 of the last 28 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. and Andrew C. Levy, each of whom 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. Mr. Levy was a former manager of ValuJet where he quickly advanced into roles of increasing responsibility and later worked for an airline investment and advisory firm.

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, providing service to more leisure destinations and expanding our relationships with premier leisure companies.

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 15, 2010, 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 small city 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, Orlando, Phoenix, Tampa/St. Petersburg, Los Angeles and Ft. Lauderdale. These potential markets include Hawaii, several other popular vacation destinations in the U.S. (including the possible expansion of our current limited service to destinations such as Punta Gorda, Florida and San Diego, California), 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 further 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 2009, we generated revenue from the sale of more than 500,000 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. In 2010, we began an initiative to emphasize and focus on revenue growth from third party products. We believe our efforts to enhance

software capabilities and provide additional offerings, along with our loyal customer base could result in meaningful long-term revenue growth.

- *Leverage Direct Relationships With Our Customers.* Since approximately 86% (during 2006 through 2009) 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. 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 to enhance their travel experience.

Continue to Focus on Reducing Our Operating Costs. We intend to continue to focus on reducing our costs to remain one of the lowest cost airlines in the world, which we believe is instrumental to increasing 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 small city 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 our low 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 quickly adjust capacity to suit market, fuel or economic conditions, enter or exit markets and match the size and utilization of our fleet to limit unprofitable flying and increase profitability.

Routes and Schedules

Our current scheduled air service predominantly consists of limited frequency, nonstop flights into Las Vegas, Orlando, Phoenix, Tampa/St. Petersburg, Los Angeles and Ft. Lauderdale from small cities (including seasonal service) across the continental United States. As of February 15, 2010, we offered scheduled service from 57 small cities on 136 routes in 35 states. We believe our route network expansion has provided us geographic diversity with which provides protection from competitive influences in the markets we serve and continued growth in our customer base.

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 regularly adjust frequency in our markets as demand warrants.

In addition, we temporarily suspend flying some of our Florida and Phoenix, Arizona routes for varying periods (depending on the route) between the middle of August and the beginning of November as leisure demand to these destinations tends to be quite weak during this time. We schedule crew training, aircraft maintenance and additional charter flying to coincide with these periods. We also fly on a seasonal basis routes to Myrtle Beach, South Carolina during the summer months when demand is stronger.

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 or 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 in Tunica, Mississippi and two aircraft in Laughlin, Nevada. Tunica also utilizes one aircraft three days a week from our Florida scheduled service operations to support its fixed fee flying. We are a participant in the Civil Reserve Air Fleet ("CRAF") which allows 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. 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 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.

In March 2009, we completed an acquisition of the operating software we have used since our inception. This will provide us more control over our automation. We are focused on the development of our software and have made further hardware and database platform purchases to provide us with the necessary capacity to continue our growth. The hardware and database upgrades will allow for additional offerings of web based products. We believe our control over the development will enable us to provide our customers with products unique to us, will further differentiate us in the travel industry and will expand our customers' travel experience.

In 2010, we have begun a Company initiative to emphasize and focus on revenue growth from third party products. We do not anticipate significant short-term revenue growth. We believe our efforts to enhance software capabilities and provide additional product offerings, along with our loyal customer base could result in meaningful revenue growth.

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 new service.

We have a database of more than one million 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 has exceeded 85% in each of the last four years. 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 prior to our initiation of non-stop service. 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. 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 (Trip-Flex) at the time of purchase.

We try to maximize the overall revenue of our flights by watching inherent demand on a given route on any given day and managing the number of seats we offer for sale in these six "buckets". 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 is derived from third party products and air-related charges associated with the trip of our customer. Air-related charges include fees for using our reservation center or website to purchase air travel; checked bags and overweight bags; unlimited changes to reservations (our Trip-Flex product); seat selection; priority boarding; and several other aspects of air travel. Pricing of certain air-related charges such as our customer convenience fee and booking fee is based on an established fixed price. Other air-related charges such as baggage fees and priority boarding fees are adjusted market to market based on customer demand to seek to increase revenue potential.

Along with our air-related charges, the sale of third party products is the other component of our ancillary revenue. We offer our customers the opportunity to purchase hotels, rental cars, show tickets, night club packages and other attractions packaged with air travel. Our third party offerings are available to customers based on our agreements with various premier travel and leisure companies. As of February 1, 2010, we have agreements to offer rooms from approximately 330 hotels and tickets to over 40 attractions in our leisure destinations. In addition, we have an exclusive agreement with one rental car operator for the sale of rental cars packaged with air travel at all of our major leisure destinations and most of our other leisure destinations. Pricing of attractions, shows and tours are based on a net-pricing model. Each product can be adjusted market to market based on customer demand and take rate.

Competition

The airline industry is highly competitive. 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. In a few cases, other airlines have entered after we have developed a market.

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 MD-80 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 MD-80'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, 2010, the only domestic scheduled carrier operating out of the Orlando Sanford International Airport, the only scheduled carrier operating out of Phoenix-Mesa Gateway Airport in Phoenix, and one of only three carriers serving the St. Petersburg-Clearwater International Airport. Virtually all U.S. airlines serve Las Vegas, Orlando, Phoenix, Tampa/St. Petersburg, Los Angeles and Ft. Lauderdale and could become more competitive in the future.

As of February 1, 2010, we face direct competition on only eight of our 136 routes. We compete with AirTran on four routes into Orlando. We face competition with US Airways on one route to Las Vegas (Fresno); however, most of the flights US Airways operates in that market use smaller regional jet aircraft. We also compete with United Express turboprops in the Fresno to Las Vegas route and the Eugene to San Francisco Bay Area route. In addition, we compete with Horizon Air turboprops on one route to Los Angeles (Medford) and with Alaska Airlines on one route to Las Vegas (Bellingham).

Indirectly, we compete with Southwest, US Airways, AirTran, Delta and other carriers that provide nonstop service to our leisure destinations from airports near our small city markets. 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. Legacy carriers offering these segments with connecting flights and use of regional aircraft, tend to charge higher and restrictive fares. In addition, these alternatives to our direct flight service 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. 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 retain some of the best professionals available in the airline business. Full-time equivalent employees at February 1, 2010 consisted of 302 pilots, 359 flight attendants, 309 airport operations personnel, 231 mechanics, 118 reservation agents, and 218 management and other personnel. As of February 1, 2010, we employed 1,328 full-time and 406 part-time employees, which we consider to be 1,537 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.

In February 2010, we agreed with our in-house pilot association on a new compensation and benefits arrangement for our pilots. The terms of the arrangement will become effective in May 2010, will become amendable in November 2013 and include base pay scale variability based on profitability. The base pay scale is determined twice a year based on a rolling twelve month operating margin ranging up to and above 20%.

Aircraft and Fleet

Our operating fleet of 46 aircraft consists of 28 MD-83, four MD-87, eight MD-82 aircraft, and six MD-88 aircraft as of February 1, 2010. We generally utilize our 130-seat aircraft (MD-87) for our fixed fee flying and our 150-seat aircraft (MD-82/83/88) for our scheduled service. As of February 1, 2010, we own 40 of our aircraft—17 are owned free and clear, and 23 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 four aircraft under operating leases which expire through 2014.

In the fourth quarter of 2009, we entered into purchase agreements for 20 MD-80 series aircraft for delivery in the first three quarters of 2010. The aircraft include 15 MD-82/83 aircraft which we expect to place into service by the end of 2011. The remaining five aircraft are MD-87 aircraft which we expect to use as a source of spare engines and spare parts.

We believe conditions in the market for high quality used MD-80 class aircraft are favorable for buyers and believe there is ample availability of suitable aircraft to permit growth well beyond the aircraft recently contracted for. However, MD-80 series aircraft and Pratt & Whitney JT8D-200 series 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 our current aircraft fleet sooner than anticipated. From time to time, we consider the acquisition of a newer aircraft type to replace our existing fleet or to expand our operations. Before making any decision to acquire a newer aircraft type, we carefully evaluate its effect on our cost structure and the potential additional revenue to be generated.

In March 2010, we entered into a purchase contract for six Boeing 757 aircraft with delivery dates from 2010 to 2012. These aircraft will provide us the ability to serve longer haul markets, including the expectation to serve Hawaii after we receive regulatory approval for extended over water operations.

Our aircraft range from 14 to 24 years old with an average age of 20.4 years as of February 1, 2010. As of February 1, 2010, 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 47,000. 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. Scheduled line maintenance 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, Orlando (at both Orlando International Airport where we opened a base in February 2010 and Orlando Sanford International Airport), Phoenix, Tampa/St. Petersburg, Los Angeles, Ft. Lauderdale, Bellingham (Washington), Tunica (Mississippi), and Laughlin (Nevada) with the Laughlin and Tunica bases supporting our fixed fee flying services. In addition, we have announced we will establish a new operational aircraft base at Grand Rapids, Michigan, one of our small cities, in April 2010. 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. In December 2009, we entered into a contract with AAR Corp., one of the largest maintenance, repair and overhaul facilities, to perform airframe heavy maintenance checks through the end of 2015. We also utilize AAR Corp., along with Flight Star, another FAA approved airframe heavy maintenance vendor, 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 could materially affect our operating results and profitability. We do not currently use financial derivative products to hedge our exposure to jet 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 formed a wholly-owned subsidiary which 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 certificated 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, providing scheduled service to certain destinations may require governmental authorization. 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 promulgate rules and regulations and 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 rules, regulations and directives are normally issued with the opportunity to comment, however, they may 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, we may be required to conduct an environmental review of the effects projected from the addition of service at airports.

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, the EPA 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, the EPA, 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. We have been awarded several contracts since we obtained our approval in February 2009.

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 addresses are <http://www.allegiantair.com> and <http://www.allegianttravelcompany.com>. We have not incorporated by reference into this annual report the information on our websites and you should not consider it to be a part of this document. Our website addresses are 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").

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 their investment.

Risks Related to Allegiant

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, representing approximately 38% during 2009 and 51% during 2008. Although we experienced a reduction in the average cost per gallon to \$1.76 during 2009, down from \$2.98 during 2008, our average cost per gallon increased sequentially each quarter of 2009 and costs remain higher than long-term historical averages. The cost of fuel cannot be predicted with any degree of certainty and further fuel cost volatility could significantly affect our future results of operations. Significant increases in fuel costs have negatively affected our operating results in the past 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.

Current negative economic conditions may adversely affect travel from our small city markets to our leisure destinations.

The U.S. economy continues to be impacted by high unemployment and other factors which may reduce the wealth and tighten spending of consumers. Leisure travel is aligned with discretionary spending and it is uncertain to what extent these economic conditions will affect consumers and leisure travel. These conditions could impact demand for airline travel in our small city markets or to our leisure destinations.

Our reputation and financial results could be harmed in the event of an accident or new regulations affecting our aircraft or other MD-80 aircraft.

An accident or incident involving one of our aircraft, 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 MD-80 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 Federal Aviation Administration ("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 MD-80 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 MD-80 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. Any failure by us to handle our automation needs could negatively affect our Internet sales and customer service and result in increased costs.

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 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 credit card and other identifiable personal data. This data is increasingly subject to legislation and regulation 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 liability. 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 14 to 24 years old, with an average age of 20.4 years as of February 2010. 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. 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 bookings and 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, Orlando, Phoenix, Tampa/St. Petersburg, Los Angeles or Ft. Lauderdale 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., our president and chief financial officer, Andrew C. Levy, and a small number of management and operating personnel. We do not currently maintain key-man life insurance on Mr. Gallagher or Mr. Levy. 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. 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.

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. The cost of complying with the laws, rules and regulations in the future cannot be predicted and could significantly increase our costs of doing business.

Climate change legislation has been introduced in the U.S. Congress, including a proposal to require transportation fuel producers and importers to acquire allowances sufficient to offset the emissions resulting from combustion of their fuels. We cannot predict if this or any similar legislation will pass the Congress or, if passed and enacted into law, how it would specifically apply to the airline industry. In addition, the Administrator of the Environmental Protection Agency (EPA) recently issued an announcement concluding that current and projected concentrations of greenhouse gases in the atmosphere threaten the public health and welfare. Although legal challenges and legislative proposals are expected, the finding could ultimately result in EPA regulation of commercial aircraft emissions. These developments and any additional legislation or regulations addressing climate change are likely to increase the costs of doing business as an airline in the future and the increases could be material. Increased costs will adversely affect our profitability if we are unable to pass the costs on to our customers.

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. More recently, the FAA announced its intention to update its crewmember flight, duty and rest regulations based on fatigue science, with public comment on proposed rules expected to be invited in spring 2010. 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 air traffic congestion, weather conditions, increased security measures and 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 and en route, adverse weather conditions, increased security measures and 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

H1N1 virus (swine 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 or other travel advisories could dampen demand for our services even if not applicable to our markets. Resulting decreases in passenger volume would harm our load factors, could increase our cost per passenger and adversely affect our profitability.

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.

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

Aircraft

As of December 31, 2009, our total operating fleet consisted of 46 MD-80 aircraft. The following table summarizes our total fleet as of December 31, 2009:

<u>Aircraft Type</u>	<u>Leased</u>	<u>Owned(a)</u>	<u>Total</u>	<u>Seating Capacity (per aircraft)</u>	<u>Average Age in Years</u>
MD-88/82/83	4	38	42	150	20.3
MD-87	—	4	4	130	21.8
Total	4	42	46		20.4

(a) Aircraft owned includes two aircraft subject to capital leases.

As of December 31, 2009, we own 40 of our aircraft—17 are owned free and clear, and 23 are owned subject to financing scheduled to be fully paid over the next three years. An additional two aircraft are subject to capital leases under which we expect to take ownership within the next four years. We lease the remaining four aircraft under operating leases which expire through 2014. As of December 31, 2009, our entire fleet of 46 aircraft is in operating service.

Ground Facilities

We lease facilities at each of our leisure destinations and several of the other 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.

We have operational bases at airports at each of the major leisure destinations we serve and also at Bellingham International Airport, where we serve routes to Las Vegas, Phoenix, Los Angeles, and three other leisure destinations. We have established an operational base in Orlando International Airport in February 2010 in addition to our existing base at the Orlando Sanford International Airport. Routes into Orlando, Florida from ten of our small cities will be shifted from Orlando Sanford International Airport to Orlando International Airport by March 2010 utilizing this new operational base. In addition, we have announced we will establish a new operational base at Grand Rapids, Michigan in April 2010. We currently provide service from Grand Rapids to five of our major leisure destinations, with seasonal service to Myrtle Beach, South Carolina beginning when the operational base opens in April 2010.

We use leased facilities at our operational bases to perform line maintenance, overnight parking of aircraft, and other operations support. We lease additional space in cargo areas at the McCarran International Airport and Orlando Sanford International Airport for our main line maintenance

operations. We also lease additional warehouse space in Las Vegas for aircraft parts and supplies warehouse. The following table below details the airport locations we utilize as operational bases:

<u>Airport</u>	<u>Location</u>
McCarran International Airport	Las Vegas, Nevada
Orlando Sanford International Airport	Orlando, Florida
Orlando International Airport (base opened February 2010)	Orlando, Florida
Phoenix-Mesa Gateway Airport	Mesa, Arizona
Los Angeles International Airport	Los Angeles, California
St. Petersburg-Clearwater International Airport	St. Petersburg, Florida
Ft. Lauderdale-Hollywood International Airport	Ft. Lauderdale, Florida
Bellingham International Airport	Bellingham, Washington
Gerald R. Ford International Airport (base opening April 2010)	Grand Rapids, Michigan
Tunica Airport	Tunica, Mississippi
Laughlin Bullhead International Airport	Bullhead City, Nevada

The Phoenix-Mesa Gateway Airport completed an expansion of its existing terminal in 2009 using the proceeds of a \$3.0 million loan provided by us in 2008. Further expansion has begun, with construction on additional space in the terminal expected to be completed in the fourth quarter of 2010. With completion of this additional expansion project, we believe we will have access to sufficient gate space to accommodate several years of growth at this airport. The Bellingham International Airport is exploring the possibility of an expansion project which we also believe will allow for sufficient gate space for long-term growth. We believe we have sufficient access to gate space for current and future operations at all other airports we serve.

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. We also lease approximately 10,000 square feet of office space in a building adjacent to our corporate offices which is utilized for training and other corporate purposes. The corporate office lease has two five-year renewal options, but we have the right to terminate the lease after the seventh year 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 both leases, the landlord is a limited liability company in which certain of our officers and directors own significant interests as non-controlling members.

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. Reserved

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 is quoted on the Nasdaq Global Select Market. On March 1, 2010, the last sale price of our common stock was \$53.00 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>
2009		
1st Quarter	\$ 48.98	\$ 32.07
2nd Quarter	\$ 57.52	\$ 33.20
3rd Quarter	\$ 47.45	\$ 37.21
4th Quarter	\$ 48.99	\$ 34.88
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

As of February 1, 2010, there were approximately 216 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, stock appreciation rights ("SARs"), warrants or other rights to acquire equity securities under our equity compensation plans as of December 31, 2009:

	<u>Number of Securities to be Issued upon Exercise of Outstanding Options, SARs, Warrants and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options, SARs, 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)	745,000	\$ 32.07	1,628,742
Equity compensation plans not approved by security holders(b)	162,500	\$ 4.40	N/A
Total	907,500	\$ 27.12	1,628,742

- (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 42,076 shares of nonvested restricted stock as of December 31, 2009.
- (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

We have not declared or paid any dividends since our public offering in 2006. Future payments of cash dividends, if any, will depend on our financial condition, results of operations, cash from operations, business conditions, capital requirements and other factors deemed relevant to our Board of Directors.

Our Repurchases of Equity Securities

The following table reflects our repurchases of our common stock during the fourth quarter of 2009. 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 us. 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

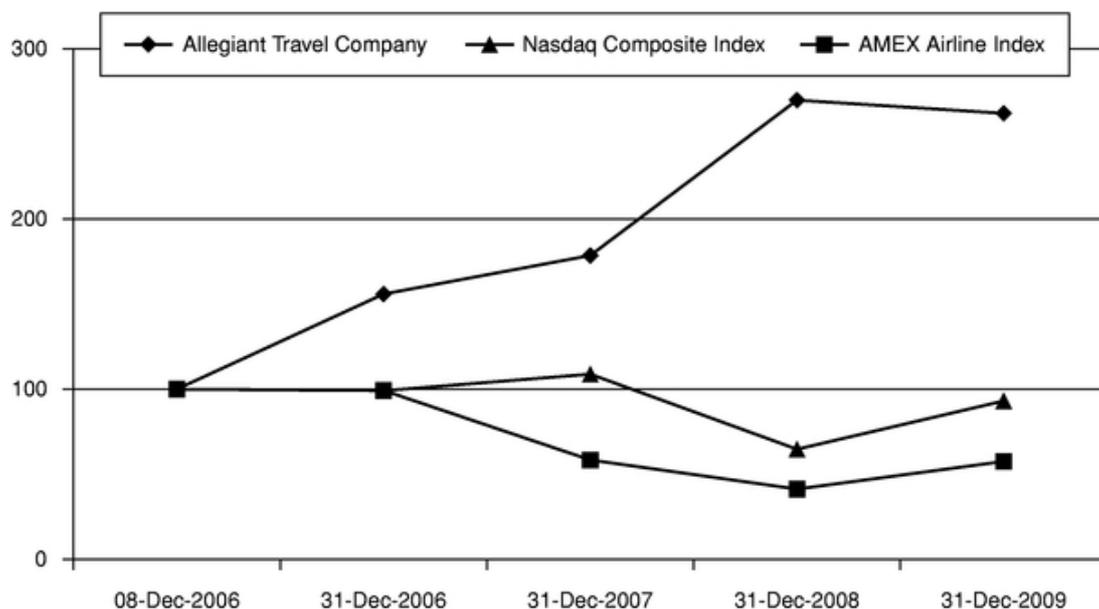
<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1)</u>
October 2009	1,495	\$ 38.90	None	\$ 10,593,057
November 2009	None	N/A	None	\$ 10,593,057
December 2009	20,989	\$ 41.60	None	\$ 10,593,057
Total	22,484	\$ 41.42	None	\$ 10,593,057

(1) Represents the remaining dollar value of open market purchases of the Company's common stock which was authorized by the Board of Directors under a share repurchase program. On January 29, 2010, the Board of Directors increased this remaining authority to \$25.0 million.

During 2009, our Board of Directors authorized up to \$35.0 million of stock repurchases in the market. During the first three quarters of 2009, we repurchased 637,902 shares for a total of \$24.4 million. We did not make any open market stock repurchases during the fourth quarter of 2009.

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 2009. 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, 2009, 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>	<u>12/31/09</u>
ALGT	\$ 100.00	\$ 155.89	\$ 178.56	\$ 269.83	\$ 262.06
Nasdaq Composite Index	\$ 100.00	\$ 99.09	\$ 108.82	\$ 64.70	\$ 93.10
AMEX Airline Index	\$ 100.00	\$ 99.23	\$ 58.39	\$ 41.30	\$ 57.54

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, 2009, 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. Certain presentation changes and reclassifications have been made to prior year consolidated financial information to conform to 2009 classifications. In particular, the consolidated statement of income data below reflects the separate presentation within operating revenue of the ancillary revenue categories of air-related charges and third party products.

	For the year ended December 31,				
	2009	2008	2007	2006	2005
(in thousands, except per share data)					
STATEMENT OF INCOME DATA:					
Operating revenue:					
Scheduled service revenue	\$ 346,222	\$ 330,969	\$ 258,943	\$ 178,349	\$ 90,664
Ancillary revenue:					
Air-related charges	143,001	95,490	48,333	19,950	6,655
Third party products	19,715	19,106	16,694	9,912	4,539
Total ancillary revenue	162,716	114,596	65,027	29,862	11,194
Fixed fee contract revenue	43,162	52,499	35,339	33,716	30,642
Other revenue	5,840	5,948	1,264	1,423	—
Total operating revenue	557,940	504,012	360,573	243,350	132,500
Operating expenses:					
Aircraft fuel	165,000	229,640	152,149	101,561	52,568
Salary and benefits	90,006	72,007	55,593	37,453	23,090
Station operations	53,993	43,476	33,724	24,866	14,090
Maintenance and repairs	52,938	41,465	25,764	19,482	9,022
Sales and marketing	16,458	14,361	12,803	9,293	5,625
Aircraft lease rentals	1,926	2,815	3,004	5,102	4,987
Depreciation and amortization	29,638	23,489	15,992	10,584	5,088
Other	25,728	20,911	17,484	12,456	9,529
Total operating expenses	435,687	448,164	316,513	220,797	123,999
Operating income	122,253	55,848	44,060	22,553	8,501
Other (income) expense:					
Loss (gain) on fuel derivatives, net	—	11	(2,613)	4,193	(612)
Loss (earnings) from unconsolidated affiliates, net	84	(96)	(457)	—	—
Other expense	—	—	63	—	—
Interest income	(2,474)	(4,730)	(9,161)	(2,973)	(1,225)
Interest expense	4,079	5,411	5,523	5,517	3,009
Total other (income) expense	1,689	596	(6,645)	6,737	1,172
Income before income taxes	120,564	55,252	50,705	15,816	7,329
Provision for income taxes:					
Recognition of net deferred tax liabilities upon C-corporation conversion	—	—	—	6,425	—
Tax provision, current year	44,233	19,845	19,196	651	37
Net income	\$ 76,331	\$ 35,407	\$ 31,509	\$ 8,740	\$ 7,292
Earnings per share:					
Basic	\$ 3.82	\$ 1.75	\$ 1.56	\$ 1.23	\$ 1.11
Diluted(1)	\$ 3.76	\$ 1.73	\$ 1.53	\$ 0.52	\$ 0.56

- (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 is not material.

	For the year ended December 31,				
	2009	2008	2007	2006	2005
	(dollars in thousands)				
OTHER FINANCIAL DATA:					
Operating income	\$ 122,253	\$ 55,848	\$ 44,060	\$ 22,553	\$ 8,501
Operating margin %	21.9%	11.1%	12.2%	9.3%	6.4%
Net cash provided by (used in):					
Operating activities	\$ 131,674	\$ 71,632	\$ 73,947	\$ 34,746	\$ 44,027
Investing activities	(97,213)	(100,505)	(68,927)	(1,607)	(47,706)
Financing activities	(41,375)	(18,243)	8,976	75,875	23,369

	As of December 31,				
	2009	2008	2007	2006	2005
	(in thousands)				
BALANCE SHEET DATA:					
Cash, cash equivalents and short-term investments	\$ 231,470	\$ 174,788	\$ 171,379	\$ 136,081	\$ 53,325
Total assets	499,639	423,976	405,425	305,726	170,083
Long-term debt (including capital leases)	45,807	64,725	72,146	72,765	59,747
Redeemable convertible preferred shares	—	—	—	—	39,540
Stockholders' equity	292,023	233,921	210,331	153,471	14,607

Operating statistics (unaudited):	For the year ended December 31,				
	2009	2008	2007	2006	2005
Total system statistics:					
Passengers	5,328,436	4,298,748	3,264,506	2,179,367	1,199,547
Revenue passenger miles (RPMs) (thousands)	4,762,410	3,863,497	3,140,927	2,251,341	1,295,633
Available seat miles (ASMs) (thousands)	5,449,363	4,442,463	3,865,337	2,871,071	1,674,376
Load factor	87.4%	87.0%	81.3%	78.4%	77.4%
Operating revenue per ASM (RASM)* (cents)	10.24	11.35	9.33	8.48	7.91
Operating expense per ASM (CASM) (cents)	8.00	10.09	8.19	7.69	7.41
Fuel expense per ASM (cents)	3.03	5.17	3.94	3.54	3.14
Operating CASM, excluding fuel (cents)	4.97	4.92	4.25	4.15	4.27
Operating expense per passenger	\$ 81.77	\$ 104.25	\$ 96.96	\$ 101.31	\$ 103.37
Fuel expense per passenger	\$ 30.97	\$ 53.42	\$ 46.61	\$ 46.60	\$ 43.82
Operating expense per passenger, excluding fuel	\$ 50.80	\$ 50.83	\$ 50.35	\$ 54.71	\$ 59.55
Departures	43,795	35,839	28,788	20,074	11,646
Block hours	98,760	81,390	68,488	50,584	29,472
Average stage length (miles)	836	836	906	966	977
Average number of operating aircraft during period	42.7	36.4	27.8	20.8	13.3
Total aircraft in service at end of period	46	38	32	24	17
Average departures per aircraft per day	2.81	2.69	2.83	2.64	2.39
Average block hours per aircraft per day	6.3	6.1	6.7	6.7	6.0
Full-time equivalent employees at end of period	1,569	1,348	1,180	846	596
Fuel gallons consumed (thousands)	93,521	76,972	66,035	47,984	28,172
Average fuel cost per gallon	\$ 1.76	\$ 2.98	\$ 2.30	\$ 2.12	\$ 1.87
Scheduled service statistics:					
Passengers	4,919,826	3,894,968	3,017,843	1,940,456	969,393
Revenue passenger miles (RPMs) (thousands)	4,477,119	3,495,956	2,844,358	1,996,559	1,029,625
Available seat miles (ASMs) (thousands)	4,950,954	3,886,696	3,423,783	2,474,285	1,294,064
Load factor	90.4%	89.9%	83.1%	80.7%	79.6%
Departures	37,115	29,548	25,088	16,634	8,388
Average passengers per departure	133	132	120	117	116
Block hours	87,939	70,239	60,607	43,391	22,465
Yield (cents)	7.73	9.47	9.10	8.93	8.81
Scheduled service revenue per ASM (cents)	6.99	8.51	7.56	7.21	7.01
Total ancillary revenue per ASM* (cents)	3.29	2.95	1.90	1.26	0.87
Total revenue per ASM (TRASM)* (cents)	10.28	11.46	9.46	8.47	7.87
Average fare—scheduled service	\$ 70.38	\$ 84.97	\$ 85.80	\$ 91.91	\$ 93.53
Average fare—ancillary	\$ 33.07	\$ 29.43	\$ 21.53	\$ 16.11	\$ 11.55
Average fare—total	\$ 103.45	\$ 114.40	\$ 107.33	\$ 108.02	\$ 105.07
Average stage length (miles)	891	882	923	1,006	1,045
Fuel gallons consumed (thousands)	83,047	66,291	57,772	40,879	21,362
Average fuel cost per gallon	\$ 1.90	\$ 3.22	\$ 2.40	\$ 2.22	\$ 1.96
Percent of sales through website during period	86.3%	86.4%	86.6%	85.9%	81.0%

* Various components of these measures do not have a direct correlation to ASMs. These figures are provided on a per ASM basis so as to facilitate comparisons with airlines reporting revenues on a per ASM basis.

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 for our total system or in scheduled service divided by the total number of fuel gallons consumed in our total system or in scheduled service, as applicable.

"*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, 2009, 2008 and 2007. Also discussed is our financial position as of December 31, 2009 and 2008. 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

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 limited frequency nonstop scheduled service to leisure destinations. We provide service primarily to Las Vegas (Nevada), Orlando (Florida), Phoenix (Arizona), Tampa/St. Petersburg (Florida), Los Angeles (California) and Ft. Lauderdale (Florida), six of the most popular leisure destinations in the United States, along with limited service to other leisure destinations.

We fly charter ("fixed fee") services under long-term contracts (primarily for Harrah's Entertainment Inc.) and on an on-demand "ad-hoc" basis.

2009 Results

During 2009, we achieved a Company record 21.9% operating margin, to earn net income of \$76.3 million on operating revenues of \$557.9 million. We achieved these operating results despite a 17.2% decrease in scheduled service revenue per passenger year-over-year, and while significantly expanding our route network, with system departure growth of 22.2% and system available seat miles ("ASMs") growth of 22.7%. Our revenues increased year-over-year as our growth in passengers carried and an increase in ancillary revenue per passenger more than offset the effect of base fare reductions.

The U.S. economy continues to be impacted by the financial crisis which began in 2008. A significant reduction in air fares was felt by the airline industry as a result of the effects of these economic conditions on consumer spending and air travel demand. While our average base fare fell during 2009 as we reduced fares to stimulate air travel demand, our ancillary revenue per passenger grew 12.4%, compared to the prior year, from \$29.43 to \$33.07. Our efforts to stimulate air travel demand were successful as our scheduled service load factor for 2009 was 90.4%, and even improved on the 89.9% scheduled service load factor we achieved in 2008. We believe our ancillary revenue per passenger and our ability to maintain high load factors during this difficult revenue environment, especially during a period of substantial capacity growth, were key contributors to our financial results for 2009.

The reduction in crude oil prices in 2009 compared to their peak reached during the third quarter 2008 was also a major factor contributing to our increased profitability. Our average fuel cost per gallon decreased from \$2.98 in 2008 to \$1.76 in 2009 as fuel cost was highly volatile during these years. The average cost per gallon reached a record high of \$3.52 in the second quarter of 2008, before retracting to a low of \$1.47 in the first quarter of 2009, and increased through 2009 to \$2.07 in the fourth quarter of 2009. We believe we continue to be positioned to manage to profitability through periods of fuel cost volatility in the future. During 2009, our \$50.80 operating expense per passenger, excluding fuel, remained consistent with 2008 and 2007 levels of \$50.83 and \$50.35, respectively. We

maintained this operating expense per passenger, excluding fuel, despite higher maintenance and repairs expense during the year.

Fleet

During 2009, we placed eight aircraft into service which increased our operating fleet to 46 aircraft at December 31, 2009. Five of these aircraft were previously leased to a third party and were returned to us off lease during the year, two were under separate operating leases we entered into in February 2009 and the final one was purchased for cash in January 2009. The following table sets forth the number and type of aircraft in service and operated by us at the dates indicated:

	December 31, 2009			December 31, 2008			December 31, 2007		
	Own(a)	Lease	Total	Own(a)	Lease	Total	Own(a)	Lease	Total
MD82/83/88s	38	4	42	32	2	34	24	4	28
MD87s	4	0	4	4	0	4	4	0	4
Total	42	4	46	36	2	38	28	4	32

(a) Aircraft owned includes aircraft subject to capital leases as follows: December 31, 2009—2; December 31, 2008—2; December 31, 2007—5.

In the fourth quarter of 2009, we entered into purchase agreements for 20 MD-80 series aircraft for delivery in the first three quarters of 2010. The aircraft include 15 MD-82/83 aircraft which we expect to place into service by the end of 2011. The remaining five aircraft are MD-87 aircraft which we expect to use as a source of spare engines and spare parts. We believe these additional aircraft will provide for our planned growth through 2012 at a low fixed cost, and will also provide further flexibility to manage capacity in our route network.

Network

As of December 31, 2009, we offered scheduled service from 58 small cities on 136 routes primarily into our major leisure destinations. We expanded our route network during 2009 with a new major leisure destination, additional routes to our existing major leisure destinations and network changes involving leisure destinations served on a limited basis. In April 2009, we initiated service into our sixth major leisure destination, Los Angeles, with eleven routes being served as of December 31, 2009. During the first half of 2009, we initiated limited service to the new leisure destination of Punta Gorda, Florida and seasonal service to the new leisure destination of Myrtle Beach, South Carolina, with service on two routes to each of these new destinations. We also initiated service in June 2009 to the San Francisco Bay area from Eugene, Oregon, a route that consists of an existing small city and an existing leisure destination we serve on a limited basis. We believe the continued expansion of our route network has provided us geographic diversity with further protection from competitive influences

in the markets we serve and continued growth in our customer base. The following shows the number of destinations and small cities served as of the dates indicated:

	As of December 31,		
	2009	2008	2007
Major leisure destinations	6	5	5
Other leisure destinations	5	4	2
Small cities served	58	57	51
Total cities served	69	66	58
Routes to Las Vegas	40	39	37
Routes to Orlando	31	29	27
Routes to Phoenix	20	15	13
Routes to Tampa Bay/St. Petersburg	20	20	14
Routes to Los Angeles	11	0	0
Routes to Ft. Lauderdale	5	6	12
Other routes	9	4	2
Total routes	136	113	105

Trends and Uncertainties

During 2009, aircraft fuel expense declined 28.1% compared to 2008, but continues to represent a significant portion of our overall operating expenses. Although we experienced a reduction in fuel costs in 2009, average cost per gallon was \$1.47 in the first quarter in 2009, and increased sequentially each quarter throughout the year, finishing at \$2.07 for the fourth quarter of 2009. Fuel availability is subject to periods of market surplus and shortage and is affected by demand for heating oil, gasoline and other petroleum products. The cost of fuel cannot be predicted with any degree of certainty and further fuel cost volatility will most likely have a significant impact on our future results of operations.

In March 2009, Allegiant Information Systems, Inc., a newly formed wholly owned subsidiary, completed a merger with the organization which owned the exclusive rights to the travel applications of the software operating system we have used since our inception. The acquisition of the software through the merger has provided us more control over the development of our automation into the future. In addition, we have made further hardware and database platform purchases to provide us with the necessary capacity to continue our growth. The hardware and database upgrades are intended to facilitate additional offerings of web based products. We believe our control over the development will enable us to provide our customers with products unique to us, further differentiate us in the travel industry, and expand our customers' travel experience. In 2010 we have begun an initiative to emphasize and focus on revenue growth from third party products, but we do not anticipate significant short-term revenue growth. We believe our efforts to enhance software capabilities and provide additional product offerings, along with our loyal customer base, could result in meaningful long-term revenue growth in this area of our business.

In February 2010, we established an operational base at Orlando International Airport. Routes into Orlando, Florida from ten of our small cities will be shifted from Orlando Sanford International Airport to Orlando International Airport by March 2010. In addition, we announced we will establish a new operational base at Grand Rapids, Michigan in April 2010. The aircraft base in Grand Rapids will be our second small city base. We believe basing aircraft in a small city gives us cost effective scheduling options to facilitate service to destinations where bases are currently not in place. We currently serve routes from Grand Rapids to five of our major leisure destinations, with seasonal service to Myrtle Beach, South Carolina scheduled to begin in April 2010. Our seasonal service to

Myrtle Beach from two other small cities proved to be successful in 2009 and we have scheduled expansion of this service during 2010 as part of our capacity growth for the summer season.

As discussed above, we entered into agreements for the purchase of 20 MD-80 series aircraft for delivery in the first three quarters of 2010. We expect to place 15 of these aircraft into service by the end of 2011 and believe these aircraft will support our future growth plans. In addition, we will utilize five of these aircraft for spare engines and rotatable parts. We benefited from the current market conditions of MD-80 aircraft during 2009 with the purchase of ten aircraft we have used for spare engines and rotatable parts. We believe the use of engines and rotatable parts from acquired aircraft for part-out has provided us a cost effective way of servicing our operating fleet. In most situations, the use of spare engines and rotatable parts is less expensive than performing maintenance and repairs of existing rotatable parts.

In March 2010, we entered into a purchase contract for six Boeing 757 aircraft with delivery dates from 2010 to 2012. These aircraft will provide us the ability to serve longer haul markets, including the expectation to serve Hawaii after we receive regulatory approval for extended over water operations. We currently expect two of these aircraft to enter operating service in fourth quarter 2010 with the remaining four aircraft to be added to our operating fleet in 2011 and 2012.

As a result of the recent rise in jet fuel prices and the current weak revenue environment, we expect moderate growth for 2010. Our capacity growth will largely be attributable to new routes being added to our network, utilization of our new aircraft bases and an increase in seasonal flying. We believe this is our best approach to maintain profitability and, as we have in the past, we expect to continue to quickly adjust capacity up or down as appropriate to react to significant changes in industry fare levels and the economy.

Our Operating Revenue

Our operating revenue comprises of 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 city markets and our 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 other customers.
- *Ancillary revenue.* Our ancillary revenue is generated from air-related charges and third party products. Air-related revenue is generated through charges for use of our website to purchase tickets, checked bags, advance seat assignments, priority boarding and other services provided in conjunction with our scheduled air service. We also generate revenue from third party products through the sale of hotel rooms, ground transportation (rental cars and hotel shuttle products), attraction and show tickets and fees we receive from other merchants selling products through our website. 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.

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 the majority of our fixed fee contracts, amounts we receive to reimburse us for fuel costs are netted against fuel expense.

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, commissary expenses and other related services such as deicing of aircraft.

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 and air-related charges.

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 deposits 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 the loss on aircraft and other equipment disposals, 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.

RESULTS OF OPERATIONS

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenue	100.0%	100.0%	100.0%
Operating expenses:			
Aircraft fuel	29.6	45.6	42.2
Salary and benefits	16.1	14.3	15.4
Station operations	9.7	8.6	9.4
Maintenance and repairs	9.5	8.2	7.1
Sales and marketing	2.9	2.8	3.6
Aircraft lease rentals	0.3	0.6	0.8
Depreciation and amortization	5.3	4.7	4.4
Other	4.6	4.1	4.9
Total operating expenses	<u>78.1%</u>	<u>88.9%</u>	<u>87.8%</u>

2009 Compared to 2008

We recorded total operating revenue of \$557.9 million, income from operations of \$122.2 million and net income of \$76.3 million for 2009. By comparison, in 2008, we recorded total operating revenue of \$504.0 million, income from operations of \$55.8 million and net income of \$35.4 million. We achieved a 21.9% operating margin for 2009 with system growth in departures of 22.2% and ASMs of 22.7%, despite a reduction in scheduled service revenue of \$14.60 per passenger year-over-year.

Operating Revenue

Our operating revenue increased 10.7% to \$557.9 million in 2009 from \$504.0 million in 2008 primarily due to a 49.8% increase in ancillary revenue from air-related charges and a 4.6% increase in scheduled service revenue, partially offset by a 17.8% decrease in fixed fee contract revenue. The ancillary revenue from air-related charges and scheduled service revenue increases were primarily driven by a 26.3% increase in the number of scheduled service passengers.

System ASMs increased by 22.7%, as a result of, a 22.2% increase in system departures. Operating revenue per ASM ("RASM") decreased by 9.8% from 11.35 cents during 2008 to 10.24 cents during 2009. The decrease was mainly attributable to a 17.2% reduction in our scheduled service average base fare offset by an increase in ancillary revenue per passenger. We decreased scheduled service base fares to maintain load factor in the face of industry wide lower fares and adverse economic conditions.

Scheduled service revenue. Scheduled service revenue increased 4.6% to \$346.2 million for 2009, from \$331.0 million in 2008. The increase was a result of a 26.3% increase in the number of scheduled service passengers offset by a decrease in the scheduled service average base fare of \$14.60 from \$84.97 in 2008 to \$70.37 in 2009. Passenger growth was driven primarily as a result of a 25.6% increase in departures from 29,548 to 37,115 in 2009. Significant contributors to the departure growth were the addition of 1,699 departures attributable to our new service to Los Angeles not operated in 2008 and an increase of 1,637 departures from route expansion to our Phoenix market. We offered service into Phoenix on 20 routes at December 31, 2009 compared to 15 routes at December 31, 2008. Remaining departure growth is a result of increased frequency of flying to our other major leisure destinations and departures to new limited service destinations. Our route network consisted of 136 routes at December 31, 2009, an increase from 113 routes at December 31, 2008.

Ancillary revenue. Ancillary revenue increased 42.0% to \$162.7 million in 2009 up from \$114.6 million in 2008, driven by a 26.3% increase in scheduled service passengers and a 12.4% increase in ancillary revenue per scheduled passenger from \$29.43 to \$33.07. The following table details ancillary revenue per scheduled service passenger from air-related charges and third party products:

	Year Ended December 31,		% Change
	2009	2008	
Air-related charges	\$ 29.06	\$ 24.52	18.5%
Third party products	4.01	4.91	(18.3)%
Total ancillary revenue per scheduled service passenger	<u>\$ 33.07</u>	<u>\$ 29.43</u>	12.4%

On a per-passenger basis, 87.8% and 83.3%, of our total ancillary revenues consist of air-related charges for 2009 and 2008, respectively. The increase in air-related charges per-passenger was primarily attributable to higher baggage fees as we increased fees to comparable industry levels, an increase in our customer convenience fee, and the effect of a full year of our priority boarding product rolled out in October 2008. We increased our customer convenience fee from \$11.50 to \$13.50 in January 2009 and to \$14.00 in July 2009. Third party products declined on a per passenger basis (but increased

slightly in absolute terms) due to Las Vegas contributing a smaller percentage of our total passengers. Our third party products revenue per passenger for Las Vegas is higher than our other destinations due to large volume of hotel rooms we sell in Las Vegas.

The following table details the calculation of ancillary revenue from third party products. Third party products consist of revenue from the sale of hotel rooms, ground transportation (rental cars and hotel shuttle products), attraction and show tickets and fees we receive from other merchants selling products through our website:

(in thousands)	Year Ended December 31,		% Change
	2009	2008	
Gross ancillary revenue—third party	\$ 73,188	\$ 72,982	0.3%
Cost of goods sold	(50,014)	(50,143)	-0.3%
Transaction costs(a)	(3,459)	(3,733)	(7.3)%
Ancillary revenue—third party products	\$ 19,715	\$ 19,106	3.2%
As percent of gross ancillary revenue—third party	26.9%	26.2%	0.7pp

(a) Includes credit card fees and travel agency commissions

During 2009, we generated gross revenue of \$73.2 million from third party products, which resulted in net revenue of \$19.7 million. The majority of the gross revenue was generated from the sale of over 500,000 hotel room nights at our leisure destinations packaged to our customers with scheduled air service.

Fixed fee contract revenue. Fixed fee contract revenue decreased 17.8% to \$43.2 million during 2009 from \$52.5 million for 2008 as we had 9,636 block hours of fixed fee flying in 2009 compared to 10,181 in 2008. The decrease is primarily due to a decline in block hours flown under the Harrah's fixed fee agreement partially offset by a 21.5% increase in other fixed fee flying programs for 2009. Reduction in the Harrah's fixed fee revenues was also attributable to the impact of a new contract which went into effect January 1, 2009. Under the new Harrah's contract, Harrah's reimburses us for the entire amount of fuel costs incurred. The per-block hour rate we charge Harrah's is therefore reduced from the rate we charged under the previous Harrah's contracts under which we had been responsible for a portion of the fuel expenses. The Harrah's Reno program was closed in November 2009 with the Laughlin program expected to increase by similar amount of flying previously operated from Reno. New fixed fee flying for 2009 included agreements for the Cuban Family Charter Program, which began in June 2009, flying under an agreement with Beau Rivage Resorts, Inc., and fixed fee flying for the Department of Defense which began in April 2009. The Cuban Family Charter Program fixed fee flying was permanently ceased in October 2009 and the agreement with Beau Rivage Resorts, Inc. ended in December 2009.

Other revenue. We generated other revenue of \$5.8 million and \$5.9 million during 2009 and 2008, respectively. The revenue was primarily generated as a result of our April 2008 purchase of six MD-80 aircraft and three engines on lease to another airline. The six purchased aircraft have since been returned to us, with all of these aircraft having been placed in service as of December 31, 2009. With the return of all of these aircraft, we are not presently generating significant other revenue. 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 and we may in the future engage in similar leasing activities.

Operating Expenses

Despite a significant increase in departures, our operating expenses decreased by 2.8% to \$435.7 million in 2009 compared to \$448.2 million in 2008 as the reduction in fuel expense more than offset expense increases in other line items resulting from increased service and other factors.

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.

	<u>Year ended December 31,</u>		<u>Percentage</u>
	<u>2009</u>	<u>2008</u>	
Aircraft fuel	\$ 30.98	\$ 53.43	(42.0)%
Salaries and benefits	16.89	16.75	0.8
Station operations	10.13	10.11	0.2
Maintenance and repairs	9.93	9.65	2.9
Sales and marketing	3.09	3.34	(7.5)
Aircraft lease rentals	0.36	0.65	(44.6)
Depreciation and amortization	5.56	5.46	1.8
Other	4.83	4.86	(0.6)
Operating expense per passenger	\$ 81.77	\$ 104.25	(21.6)%
Operating expense per passenger, excluding fuel	\$ 50.80	\$ 50.83	(0.5)%

Our per-passenger costs decreased 21.6% primarily due to a 42.0% decrease in fuel expense per passenger as a result of a 24.0% increase in the number of system passengers and a 40.9% reduction in system average cost per gallon for 2009 compared to 2008.

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 changing utilization of our fleet which results in some of our expenses being more fixed as opposed to varying directly with 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
	2009	2008	
Aircraft fuel	3.04¢	5.17¢	(41.2)%
Salary and benefits	1.65	1.62	1.9
Station operations	0.99	0.98	1.0
Maintenance and repairs	0.97	0.93	4.3
Sales and marketing	0.30	0.32	(6.3)
Aircraft lease rentals	0.04	0.06	(33.3)
Depreciation and amortization	0.54	0.53	1.9
Other	0.47	0.48	(2.1)
Operating expense per ASM (CASM)	8.00¢	10.09¢	(20.7)%
CASM, excluding fuel	4.97¢	4.92¢	1.0%

Aircraft fuel expense. Despite our significant year-over-year expansion of service, aircraft fuel expense decreased 28.1% to \$165.0 million for 2009, down from \$229.6 million for 2008, driven by a 40.9% decrease in the system average cost per gallon to \$1.76 from \$2.98. System gallons consumed increased to 93.5 million from 77.0 million attributable to our 22.2% system departure growth.

Salary and benefits expense. Salary and benefits expense increased 25.0% to \$90.0 million for 2009 up from \$72.0 million for 2008 mainly as a result of a significant increase in accrued employee bonus expense and an increase in the number of full-time equivalent employees. The increase in accrued employee bonus expense was driven by the significant year-over-year increase in operating income. We employed approximately 1,569 full-time equivalent employees at December 31, 2009 compared to 1,348 at December 31, 2008, a 16.4% increase in line with our fleet growth from an average number of aircraft in service of 36.4 in 2008 to 42.7 in 2009. Excluding accrued employee bonus expense, stock compensation expense and other incentives, our salary and benefits expense per average full-time equivalent employee increased by only 2.8% year-over-year.

Station operations expense. Station operations expense increased 24.2% to \$54.0 million in 2009 compared to \$43.5 million in 2008 principally attributable to the impact of increased scheduled service departures of 25.6%. Our station operations expense on a per-departure basis increased by only 1.6% year-over-year.

Maintenance and repairs expense. Maintenance and repairs expense increased 27.7%, to \$52.9 million for 2009 up from \$41.5 million for 2008 as the average number of aircraft in service increased 17.3% from 36.4 in 2008 to 42.7 in 2009. The increase is primarily attributable to scheduled heavy aircraft maintenance checks performed and impact of the growth in our fleet on the repair of rotatable aircraft parts for 2009 compared to 2008, a non-recurring inventory adjustment related to low-value usage expendables during the first quarter of 2009, offset by a decrease in the engine maintenance expense from less expensive engine maintenance events. In comparison with the prior year, our scheduled heavy aircraft maintenance checks increased both in the number of events and average expense per event, with percentage increases of 47.6% and 28.0%, respectively. Our average maintenance and repairs expense per aircraft per month increased 8.9% from approximately \$95,000 in 2008 to approximately \$103,000 in 2009. The timing of maintenance events may cause our maintenance and repairs expense to vary significantly from period to period.

Sales and marketing expense. Sales and marketing expense increased 14.6% to \$16.5 million in 2009 compared to \$14.4 million in 2008 as a result of advertising expenses associated with entrance into

new markets including the new major leisure destination of Los Angeles which launched service in May 2009.

Aircraft lease rentals expense. Aircraft lease rentals expense decreased by 31.6% to \$1.9 million in 2009 down from \$2.8 million in 2008. In each of 2009 and 2008, we had four aircraft under operating lease agreements. In 2009, the average expense per aircraft was lower due to the purchase in 2008 of two aircraft under lease being replaced by two less expensive aircraft which we began leasing in 2009.

Depreciation and amortization expense. Depreciation and amortization expense increased to \$29.6 million for 2009 from \$23.5 million for 2008, an increase of 26.2%, as the number of aircraft owned (including those leased to a third party) or subject to capital lease, increased from 36 as of December 31, 2008 to 42 as of December 31, 2009. The increase was attributable to the impact of lowering the depreciable lives of our engines at the beginning of 2009 and additional depreciation related to non-aircraft equipment purchases during 2009.

Other expense. Other expense increased 23.0% to \$25.7 million for 2009 compared to \$20.9 million for 2008. The increase is due to an increase of \$2.7 million in losses attributable to dispositions of engines and a reduction in the value of engines we hold on consignment. Another contributing factor to the increase is from other expenses associated with our growth, such as rent for our Company headquarters and aircraft insurance.

Other (Income) Expense

Other (income) expense increased, from a net other expense of \$0.6 million for 2008, to a net other expense of \$1.7 million for 2009. The increased expense is primarily attributable to a reduction of interest income earned on cash balances in 2009 compared to the same period of 2008 partially offset by a reduction in interest expense due to lower debt balances.

Income Tax Expense

Our effective income tax rate was 36.7% for 2009 compared to 35.9% for 2008. The higher effective tax rate for 2009 was largely due to the geographic mix from our flying and the impact this had on the state income tax portion of the tax provision. 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.

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%.

ASMs increased by a more modest 14.9% as the increase in departures was offset by a 7.8% decline in average stage length. 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 as we had 10,181 block hours of fixed fee flying in 2008 compared to 7,069 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. Block hours for fixed fee flying under Harrah's contract increased 58.3%, from 4,862 hours during 2007 to 7,696 hours during 2008. 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. The following table details ancillary revenue per scheduled service passenger from air-related charges and third party products:

	Year Ended December 31,		% Change
	2008	2007	
Air-related charges	\$ 24.52	\$ 16.01	53.2%
Third party products	4.91	5.52	(11.1)%
Total ancillary revenue per scheduled service passenger	\$ 29.43	\$ 21.53	36.7%

The following table details the calculation of ancillary revenue from third party products.

(in thousands)	Year Ended December 31,		% Change
	2008	2007	
Gross ancillary revenue—third party	\$ 72,982	\$ 68,443	6.6%
Cost of goods sold	(50,143)	(47,926)	4.6%
Transaction costs(a)	(3,733)	(3,823)	(2.4)%
Ancillary revenue—third party products	\$ 19,106	\$ 16,694	14.4%
As percent of gross ancillary revenue—third party	26.2%	24.4%	1.8pp

(a) Includes credit card fees and travel agency commissions

During 2008, we generated gross revenue of \$73.0 million from third party products, which resulted in net revenue of \$19.1 million. The majority of the gross revenue was generated from the sale of over 400,000 hotel room nights at our leisure destinations packaged to our customers with scheduled air service.

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 2008. 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.

Operating Expenses

Our operating expenses increased by 41.6% to \$448.2 million in 2008 compared to \$316.5 million in 2007. The following table presents Operating expense per passenger for the indicated periods.

	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") and Operating CASM, excluding fuel, for the indicated periods.

	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. Beginning in 2008, we started taking significant steps to conserve fuel which includes 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

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.

LIQUIDITY AND CAPITAL RESOURCES

During 2009, our primary source of funds was cash generated by our operations. Our operating cash flows have allowed us to maintain a high level of liquidity while growing our fleet and meeting our short term obligations. Our future needs for capital are generally for the purchase of additional aircraft. To meet future capital needs, we expect to continue to use operating cash flows. As we have done in the past, we also would consider raising funds through debt financing if terms are acceptable. However, access to financing is not required for us to meet our future capital obligations.

In the fourth quarter of 2009, we entered into purchase agreements for 20 MD-80 series aircraft for delivery in the first three quarters of 2010. We anticipate funding the purchase of these aircraft with available cash assets.

Current Liquidity

Our total cash, including cash and cash equivalents, restricted cash and short-term investments, totaled \$249.3 million, \$190.8 million and \$186.8 million at December 31, 2009, 2008 and 2007, 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 2009 and 2008, our restricted cash balances increased by \$1.8 million and \$0.6 million, respectively, as a result of an increase in the number of letters of credit and higher amounts on 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 2009, our operating activities provided \$131.7 million of cash compared to \$71.6 million during 2008. The cash flows provided by operations for 2009 were primarily the result of \$76.3 million of net income and a \$21.6 million increase in air traffic liability, which results from passenger bookings for future travel. During 2008, net income was \$35.4 million and air traffic liability declined from the previous year. The cash flows provided from these items in 2009 were partially offset by \$9.9 million of cash used for the prepayment of hotel rooms.

Investing activities. Cash used in investing activities during 2009 was \$97.2 million compared to \$100.5 million used in 2008. Cash used in investing activities for both years reflected the purchase of MD-80 aircraft, expenditures required for the induction of owned aircraft to enter our operating fleet and the purchase of rotatable and other parts. During 2009, we spent \$31.7 million primarily for 11

aircraft, ten of which are to be used as a source of spare engines and parts. During 2008, we spent \$54.1 million primarily on 15 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. The six aircraft purchased free and clear were acquired in April 2008 while sub-leased to a third party. The aircraft were returned to us gradually over 2008 and 2009, with the majority of the induction costs related to these six aircraft incurred during 2009 when five aircraft entered our operating fleet. We also used cash in the purchase of available-for-sale investments, net of proceeds from sales and maturities, of \$64.1 million in 2009 compared to \$50.0 million in 2008.

Financing activities. We used \$41.4 million of cash in financing activities during 2009 compared to \$18.2 million used in 2008. Cash used in financing activities for 2009 consisted of \$25.9 million to make principal payments on our debt obligations and \$25.4 million to repurchase shares of our common stock. These outflows were partially offset by proceeds of \$7.0 million attributable to a loan agreement secured by two previously unencumbered aircraft. During 2008, we used \$16.7 million to repurchase shares of our common stock and \$29.8 million to retire capital lease obligations for five aircraft and make other debt principal payments. These uses of cash were partially offset by \$25.6 million obtained from the financing of ten aircraft.

Debt

Of the 42 aircraft (46 total aircraft in operating fleet) we own as of December 31, 2009, we had secured debt financing on 23 aircraft, capital lease financing on two aircraft, with the remaining 17 aircraft owned free and clear. During 2009, we received proceeds of \$7.0 million through the issuance of notes payable secured by two aircraft. We have remaining debt obligations of \$42.3 million in notes as of December 31, 2009. The outstanding notes are secured by 23 aircraft and are scheduled to mature between 2010 and 2014. 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, 2009 and the periods in which payments are due (in thousands):

	Total	Less than 1 year	1-3 years	3 to 5 years	More than 5 years
Long-term debt obligations(1)	\$ 46,013	\$ 23,576	\$ 21,606	\$ 831	\$ —
Capital lease obligations	3,700	2,220	1,480	—	—
Operating lease obligations(2)	27,760	4,974	11,696	5,043	6,047
Aircraft purchase obligations(3)	30,869	30,869	—	—	—
Total future payments on contractual obligations	\$ 108,342	\$ 61,639	\$ 34,782	\$ 5,874	\$ 6,047

- (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. In 2010 we expect to take ownership of two MD-80 aircraft under operating leases for which we exercised purchase options.
- (3) Aircraft purchase obligations include purchase agreements entered into during the fourth quarter of 2009 for 20 aircraft. We expect to place 15 of these aircraft into service by the end of 2011, with five aircraft to be used for spare engines and rotatable parts.

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, 2009, we operated four of our aircraft under operating lease agreements. The operating leases for two aircraft have terms extending through November 2012 and include the option to purchase in the fourth quarter of 2010, which we exercised in February 2010. The operating leases for the other two aircraft have terms extending through June 2014.

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 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 for transportation, but not yet used, as well as unexpired credits, are included in air traffic liability.

Various taxes and fees assessed on the sale of tickets to end customers are collected by us as an agent and remitted to taxing authorities. These taxes and fees have been presented on a net basis in our consolidated statements of income and recorded as a liability until remitted to the appropriate taxing authority.

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., Department of Defense ("DOD") and others. Fixed fee contract revenue is recognized when the transportation is provided.

Ancillary revenue consists of passenger revenue from air-related charges and third party products. Air-related charges include optional services provided to passengers such as the use of our website to purchase scheduled service transportation, advance seat assignments, priority boarding, unlimited changes to nonrefundable itineraries and other services. Revenues from air-related charges are recognized when the transportation is provided if the product is not deemed independent of the scheduled service. Revenues from change fees for charges imposed on passengers for making changes to nonrefundable itineraries are recognized as they occur. Ancillary revenue is also generated from third party products such as the sale of hotel rooms, rental cars, ticket attractions and other items. Revenues from the sale of third party products are recognized at the time the product is utilized, such as the time a purchased hotel room is occupied. The amount of revenues attributed to each element of a bundled sale involving air-related charges and third party products in addition to airfare is determined in accordance with accounting standards for revenue arrangements with multiple deliverables. The sale of ancillary revenue products is recorded net of amounts paid to wholesale

providers, travel agent commissions and credit card processing fees in accordance with revenue reporting accounting standards.

Effective October 1, 2009, we adopted an accounting convention for the recognition of revenue from our travel protection product (Trip-Flex) for unlimited changes to nonrefundable itineraries. The adoption of this accounting convention results in recognition of the related revenue at the time the transportation is provided, a change from the previously used accounting convention for the recognition of revenue at the time of purchase. We concluded for 2007, 2008 and the interim periods of 2009, that the difference between the application of these accounting conventions is not material to the results of operations, the applicable individual elements of our financial statements or our financial position.

Other revenue is generated from leased out aircraft and flight equipment and other miscellaneous sources. 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 for impairment. 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. We account 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. As a lessee, we may be required under provisions of our lease agreements to make payments to the lessor in advance of the performance of major maintenance activities. These payments of maintenance 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. Guidance on accounting for maintenance deposits requires these payments to be accounted for as an asset until reimbursed for incurred maintenance costs or until it is determined that any portion of the estimated total of the deposit is less than probable of being returned. In addition, payments of maintenance deposits that are not "substantially and contractually related to the maintenance of the leased asset" are expensed as incurred. Maintenance deposits totaled \$2.0 million and \$1.1 million as of December 31, 2009 and 2008, respectively. Under our existing aircraft lease agreements with purchase options, if we exercise the option to purchase the aircraft and there are excess maintenance deposit balances upon the exercise of the purchase option, any excess amounts are applied to the purchase price as an additional down payment.

Fuel Derivatives. In accordance with derivative instruments accounting standards, we have not historically qualified for hedge accounting. Therefore, we have accounted for unrealized changes in fair value of fuel derivative contracts in "Other (income) expense" of our consolidated statements of income. See Item 8—Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 10—Financial Instruments and Risk Management for more information on financial derivative instruments.

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, stock options and stock appreciation rights ("SARs") 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. For the years ended December 31, 2009, 2008 and 2007, we recorded \$3.1 million, \$1.7 million and \$1.0 million, respectively, of compensation expense in the consolidated statements of income related to stock options, SARs and restricted stock.

We recognize stock-based compensation expense over the requisite service period using a fair value approach. Determining the fair value requires judgment, and we use the Black-Scholes valuation model for equity instruments issued. Significant judgment is required to establish the assumptions to be used in the Black-Scholes valuation model. These assumptions are for the volatility of our common stock, estimated term over which our stock options and SARs will be outstanding, and interest rate to be applied. Expected volatilities are based on the historical volatilities from publicly traded airline companies of our peer group due to our lack of historical information. Expected term represents the weighted average time between the option's grant date and its exercise date. We used the simplified method from accounting guidance for companies with a limited trading history, to estimate the expected term on 2009 and 2008 award grants. We used our best estimate and comparisons to industry peers on 2007 award grants. 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.

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 stock-based compensation accounting standards, the fair value of the shares at the date of issuance was based on our initial offering price, and was expensed ratably over the three-year vesting period. The total compensation expense from this restricted share grant was \$18.00 per share for a total expense of \$1.8 million recognized over a three-year period. As of December 31, 2009, there are no unvested shares related to this grant. 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, future service to be provided and 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, increases in fuel prices, the effect of the economic downturn on leisure travel, 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

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, our ability to obtain regulatory approvals, increases in maintenance costs 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, 2009 and 2008 represented approximately 37.9% and 51.2% 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 2009 fuel consumption, a hypothetical ten percent increase in the average price per gallon of aircraft fuel would have increased fuel expense by approximately \$16.4 million for the year ended December 31, 2009. While we do not currently hedge fuel price risk, prior to 2008, we entered into forward contracts or other financial products to reduce our exposure to fuel price volatility. As of December 31, 2009, 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 \$90.2 million, and short term investments of \$141.2 million at December 31, 2009. 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, 2009 and 2008, would have affected interest income from cash and investments by \$0.2 million and \$0.5 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, 2009, 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, 2009 and 2008 and for each of the three years in the period ended December 31, 2009 are included below.

Reports of Independent Registered Public Accounting Firm	50
Consolidated Balance Sheets	52
Consolidated Statements of Income	53
Consolidated Statements of Stockholders' Equity and Comprehensive Income	54
Consolidated Statements of Cash Flows	56
Notes to Consolidated Financial Statements	58

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 (the "Company") as of December 31, 2009 and 2008, 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, 2009. 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 financial position of the Company as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, 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), the effectiveness of Allegiant Travel Company's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2010, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 8, 2010

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, 2009, 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. 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, 2009, 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, 2009 and 2008, and the related consolidated statements of income, stockholders' equity and consolidated income, and cash flows for each of the three years in the period ended December 31, 2009 and our report dated March 8, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 8, 2010

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

	December 31, 2009	December 31, 2008
Current assets:		
Cash and cash equivalents	\$ 90,239	\$ 97,153
Restricted cash	17,841	16,032
Short-term investments	141,231	77,635
Accounts receivable, net of allowance for doubtful accounts of \$— at December 31, 2009 and December 31, 2008	7,476	5,575
Expendable parts, supplies and fuel, net of allowance for obsolescence of \$659 and \$539 at December 31, 2009 and December 31, 2008, respectively	10,673	7,005
Prepaid expenses	19,432	9,261
Deferred income taxes	269	111
Other current assets	2,712	1,645
Total current assets	289,873	214,417
Property and equipment, net	204,533	205,751
Investment in and advances to unconsolidated affiliates, net	1,353	711
Deposits and other assets	3,880	3,097
Total assets	\$ 499,639	\$ 423,976
Current liabilities:		
Current maturities of notes payable	\$ 21,297	\$ 23,435
Current maturities of capital lease obligations	2,041	1,903
Accounts payable	20,990	17,461
Accrued liabilities	23,699	19,232
Air traffic liability	90,554	68,997
Total current liabilities	158,581	131,028
Long-term debt and other long-term liabilities:		
Notes payable, net of current maturities	21,027	35,904
Capital lease obligations, net of current maturities	1,442	3,483
Deferred income taxes	26,566	19,640
Total liabilities	207,616	190,055
Stockholders' equity:		
Common stock, par value \$.001, 100,000,000 shares authorized; 21,088,633 and 20,917,477 shares issued; 19,850,090 and 20,339,646 shares outstanding, as of December 31, 2009 and December 31, 2008, respectively	21	21
Treasury stock, at cost, 1,238,543 and 577,831 shares at December 31, 2009 and December 31, 2008, respectively	(42,149)	(16,713)
Additional paid in capital	171,887	164,206
Accumulated other comprehensive income	92	566
Retained earnings	162,172	85,841
Total stockholders' equity	292,023	233,921
Total liabilities and stockholders' equity	\$ 499,639	\$ 423,976

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,		
	2009	2008	2007
OPERATING REVENUE:			
Scheduled service revenue	\$ 346,222	\$ 330,969	\$ 258,943
Ancillary revenue:			
Air-related charges	143,001	95,490	48,333
Third party products	19,715	19,106	16,694
Total ancillary revenue	162,716	114,596	65,027
Fixed fee contract revenue	43,162	52,499	35,339
Other revenue	5,840	5,948	1,264
Total operating revenue	557,940	504,012	360,573
OPERATING EXPENSES:			
Aircraft fuel	165,000	229,640	152,149
Salary and benefits	90,006	72,007	55,593
Station operations	53,993	43,476	33,724
Maintenance and repairs	52,938	41,465	25,764
Sales and marketing	16,458	14,361	12,803
Aircraft lease rentals	1,926	2,815	3,004
Depreciation and amortization	29,638	23,489	15,992
Other	25,728	20,911	17,484
Total operating expense	435,687	448,164	316,513
OPERATING INCOME	122,253	55,848	44,060
OTHER (INCOME) EXPENSE:			
Loss (gain) on fuel derivatives, net	—	11	(2,613)
Loss (earnings) from unconsolidated affiliates, net	84	(96)	(457)
Other expense	—	—	63
Interest income	(2,474)	(4,730)	(9,161)
Interest expense	4,079	5,411	5,523
Total other (income) expense	1,689	596	(6,645)
INCOME BEFORE INCOME TAXES	120,564	55,252	50,705
PROVISION FOR INCOME TAXES	44,233	19,845	19,196
NET INCOME	\$ 76,331	\$ 35,407	\$ 31,509
Earnings Per Share:			
Basic	\$ 3.82	\$ 1.75	\$ 1.56
Diluted	\$ 3.76	\$ 1.73	\$ 1.53
Weighted average shares outstanding:			
Basic	19,982	20,289	20,243
Diluted	20,278	20,500	20,529

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			Accumulated Other Comprehensive Income	Deferred Compensation— Restricted Stock	Retained Earnings	Less: Treasury Shares	Total
	Shares	Par Value	APIC					
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
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, net of tax	—	—	—	553	—	—	—	553
Other	—	—	(1)	—	—	—	—	(1)
Net income	—	—	—	—	—	35,407	—	35,407
Total comprehensive income								35,959
Balance at December 31, 2008	20,917	21	164,206	566	—	85,841	(16,713)	233,921

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			Accumulated Other Comprehensive Income	Deferred Compensation— Restricted Stock	Retained Earnings	Less: Treasury Shares	Total
	Shares	Par Value	APIC					
Balance at December 31, 2008	20,917	21	164,206	566	—	85,841	(16,713)	233,921
Stock compensation expense	—	—	3,109	—	—	—	—	3,109
Issuance of restricted stock	33	—	—	—	—	—	—	—
Issuance of unregistered shares	42	—	1,648	—	—	—	—	1,648
Exercises of stock options	99	—	1,742	—	—	—	—	1,742
Tax benefit from stock option exercises	—	—	1,157	—	—	—	—	1,157
Cancellation of restricted stock	(2)	—	—	—	—	—	—	—
Other	—	—	25	—	—	—	(80)	(55)
Shares repurchased by the Company and held as treasury shares	—	—	—	—	—	—	(25,356)	(25,356)
Comprehensive income:								
Unrealized loss on short-term investments, net of tax	—	—	—	(474)	—	—	—	(474)
Net income	—	—	—	—	—	76,331	—	76,331
Total comprehensive income								75,857
Balance at December 31, 2009	<u>21,089</u>	<u>\$ 21</u>	<u>\$ 171,887</u>	<u>\$ 92</u>	<u>\$ —</u>	<u>\$ 162,172</u>	<u>\$ (42,149)</u>	<u>\$ 292,023</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,		
	2009	2008	2007
OPERATING ACTIVITIES:			
Net income	\$ 76,331	\$ 35,407	\$ 31,509
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	29,638	23,489	15,992
Loss on aircraft and other equipment disposals	4,898	2,184	540
Provision for obsolescence of expendable parts, supplies and fuel	120	165	318
Stock compensation expense	3,109	1,702	1,006
Deferred income taxes	6,768	5,908	7,309
Excess tax benefits from stock option exercises	(1,157)	(1,602)	(2,139)
Changes in certain assets and liabilities:			
Restricted cash	(1,809)	(611)	(4,212)
Accounts receivable	(1,901)	3,509	(3,334)
Income tax receivable	—	6,228	(6,228)
Receivable from related parties	—	—	1,414
Expendable parts, supplies and fuel	(3,788)	(626)	(3,115)
Prepaid expenses	(10,171)	(1,993)	(6,556)
Other current assets	(1,067)	(93)	2,911
Accounts payable	4,686	(2,239)	6,032
Accrued liabilities	4,460	6,058	2,926
Air traffic liability	21,557	(5,854)	29,574
Net cash provided by operating activities	<u>131,674</u>	<u>71,632</u>	<u>73,947</u>
INVESTING ACTIVITIES:			
Purchase of short-term investments	(124,434)	(101,753)	(27,110)
Proceeds from sale and maturities of short-term investments	60,364	51,781	5,788
Purchase of property and equipment	(31,663)	(54,119)	(42,132)
Proceeds from sale of property and equipment	—	1,065	570
Investment in unconsolidated affiliates, net	(642)	1,265	(1,976)
(Increase) decrease in lease and equipment deposits	(838)	1,256	(4,067)
Net cash used in investing activities	<u>(97,213)</u>	<u>(100,505)</u>	<u>(68,927)</u>
FINANCING ACTIVITIES:			
Proceeds from issuance of common stock, net	—	—	22,265
Proceeds from issuance of notes payable	7,000	25,625	—
Excess tax benefits from stock option exercises	1,157	1,602	2,139
Proceeds from exercise of stock options	1,742	1,040	764
Repurchase of common stock	(25,356)	(16,714)	(647)
Principal payments on notes payable	(24,015)	(17,331)	(9,961)
Principal payments on related party notes payable	—	—	(891)
Principal payments on capital lease obligations	(1,903)	(12,465)	(4,693)
Net cash (used in) provided by financing activities	<u>(41,375)</u>	<u>(18,243)</u>	<u>8,976</u>
Net change in cash and cash equivalents	(6,914)	(47,116)	13,996
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	97,153	144,269	130,273
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 90,239</u>	<u>\$ 97,153</u>	<u>\$ 144,269</u>

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

ALLEGIANT TRAVEL COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(in thousands)

	Year ended December 31,		
	2009	2008	2007
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash Transactions:			
Interest paid	\$ 4,292	\$ 4,975	\$ 3,709
Income taxes paid, net of refunds	\$ 36,952	\$ 4,623	\$ 16,685
Non-Cash Transactions:			
Note payable issued for aircraft and equipment	\$ —	\$ 7,200	\$ 7,200
Acquisition of aircraft under capital lease	\$ —	\$ —	\$ 7,726
Common stock issued for software operating system	\$ 1,648	\$ —	\$ —

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, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

1. Organization and Business of Company

Allegiant Travel Company is a leisure travel company focused on transporting travelers in small cities to leisure destinations such as Las Vegas, Nevada, Orlando, Florida, Phoenix, Arizona, Tampa/St. Petersburg, Florida, Los Angeles, California and Ft. Lauderdale, Florida. The Company operates a low-cost passenger airline marketed primarily to leisure travelers in small cities, allowing it to sell air travel both on a stand-alone basis and 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 and 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.

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 at the Orlando Sanford International Airport.

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 the Company's operations, which it continued to conduct through its operating subsidiaries.

Allegiant Information Systems, Inc. was formed in March 2009 and is a wholly owned subsidiary of Allegiant Travel Company. Allegiant Information Systems, Inc. was formed in conjunction with the

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

1. Organization and Business of Company (Continued)

merger with an organization that owned the exclusive rights to the travel applications of the software operating system the Company has used since its inception. Allegiant Information Systems, Inc. is responsible for the continued maintenance and development of the acquired software operating system.

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. Investments in affiliates in which ownership interest ranges from 20 to 50 percent and provides the Company the ability to exercise significant influence over operating and financial policies are accounted for under the equity method. All intercompany balances and transactions have been eliminated.

Certain presentation changes and reclassifications have been made to the prior year's financial statements to conform to 2009 classifications. These classifications had no effect on the previously reported net income. In particular, the Company's consolidated statements of income reflect additional detail presented within operating revenue of the ancillary revenue categories of air-related charges and third party products.

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

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

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

	As of December 31, 2009				As of December 31, 2008			
	Cost	Gross Unrealized		Market Value	Cost	Gross Unrealized		Market Value
		Gains	(Losses)			Gains	(Losses)	
Debt securities issued by states of the United States and political subdivisions of the states	\$ 76,599	\$ 44	\$ (21)	\$ 76,622	\$ —	\$ —	\$ —	\$ —
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	64,477	132	—	64,609	77,069	568	(2)	77,635
Total	\$ 141,076	\$ 176	\$ (21)	\$ 141,231	\$ 77,069	\$ 568	\$ (2)	\$ 77,635

The cost of marketable securities sold is determined by the specific identification method with any realized gains or losses reflected in income. The Company recognized \$307 of realized gains for the year ended December 31, 2008 and no realized gains or losses for the years ended December 31, 2009 and 2007.

The Company believes that the unrealized losses related to debt securities are not other-than-temporary. Debt securities in an unrealized loss position related primarily to investments in municipal bonds.

Short-term investments had the following maturities as of December 31, 2009:

Maturities	Amount
Year 2010	\$ 139,493
Years 2011 through 2014	1,583
Years 2015 through 2019	—
Thereafter	—
Total	\$ 141,076

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.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)**Software capitalization**

The Company capitalizes certain costs related to the development of internal use software during the application development stages of projects. The Company amortizes these costs using the straight-line method over the estimated useful life of three years. The Company began the capitalization of these certain costs during 2009. These costs have not been material during the period of these financial statements. Costs incurred during the preliminary and post-implementation stages of software development are expensed as incurred.

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 and engines	3-10 years
Rotable parts	7 years
Equipment and leasehold improvements	3-7 years

Aircraft and engines have an estimated average residual value of 17.3% 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 unconsolidated affiliates

The Company uses the equity method to account for AFH Inc.'s, a wholly-owned subsidiary, investment in a fuel joint venture. AFH, Inc. entered into a 50% interest in a joint venture agreement with OSI to handle certain fuel operations for the Orlando Sanford International Airport. The joint venture, SFB Fueling LLC, 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's proportionate allocation of net income or loss from this investment and an investment in an aviation services company are 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. These investments treated under the equity method are not material to the financial position or results of operations of the Company.

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

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

at the Company's average interest rate on long-term debt and ceases when the asset is ready for service. The Company had no capitalized interest during 2009, 2008 and 2007.

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, recent transactions involving sales of similar assets and, if necessary, estimates of future discounted cash flows. The Company had no impairment losses on long-lived assets used in operations for the years ended December 31, 2009, 2008 and 2007.

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 for transportation, but not yet used, as well as unexpired credits, are included in air traffic liability.

Various taxes and fees assessed on the sale of tickets to end customers are collected by the Company as an agent and remitted to taxing authorities. These taxes and fees have been presented on a net basis in the Company's consolidated statements of income and recorded as a liability until remitted to the appropriate taxing authority.

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., Department of Defense ("DOD") and others. Fixed fee contract revenue is recognized when the transportation is provided.

Ancillary revenue consists of passenger revenue from air-related charges and third party products. Air-related charges include optional services provided to passengers such as the use of its website to purchase scheduled service transportation, advance seat assignments, priority boarding, unlimited changes to nonrefundable itineraries and other services. Revenues from air-related charges are recognized when the transportation is provided if the product is not deemed independent of the scheduled service. Revenues from change fees for charges imposed on passengers for making changes to nonrefundable itineraries are recognized as they occur. Ancillary revenue is also generated from third party products such as the sale of hotel rooms, rental cars, ticket attractions and other items. Revenues from the sale of third party products are recognized at the time the product is utilized, such as the time a purchased hotel room is occupied. The amount of revenues attributed to each element of a bundled sale involving air-related charges and third party products in addition to airfare is

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

determined in accordance with accounting standards for revenue arrangements with multiple deliverables. The sale of third party products are recorded net of amounts paid to wholesale providers, travel agent commissions and credit card processing fees in accordance with revenue reporting accounting standards.

Effective October 1, 2009, the Company adopted an accounting convention for the recognition of revenue from its travel protection product (Trip-Flex) for unlimited changes to nonrefundable itineraries. The adoption of this accounting convention resulted in recognition of the related revenue at the time the transportation is provided, a change from the previously used accounting convention for the recognition of revenue at the time of purchase. The Company concluded for 2007, 2008 and the interim periods of 2009, that the difference between the application of these accounting conventions is not material to the results of operations, the applicable individual elements of the Company's financial statements or the financial position of the Company.

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

Financial Instruments

In accordance with derivative instruments accounting standards, the Company has not historically qualified for hedge accounting. Therefore, the Company has accounted for unrealized changes in fair value of fuel derivative contracts as a part of "Other (income) expense" in its consolidated statements of income. See Note 10—Financial Instruments and Risk Management for more information on financial derivative instruments.

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. As a lessee, the Company may be required under provisions of the Company's lease agreements to make payments to the lessor in advance of the performance of major maintenance activities. These payments of maintenance 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. Guidance on accounting for maintenance deposits requires these payments to be accounted for as an asset until reimbursed for incurred maintenance costs or until it is determined that any portion of the estimated total of the deposit is less than probable of being returned. In addition, payments of maintenance deposits that are not "substantially and contractually related to the maintenance of the leased asset" are expensed as incurred. Maintenance deposits totaled \$2.0 million and \$1.1 million as of December 31, 2009 and 2008, respectively. Under the Company's existing aircraft lease agreements with purchase options, 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.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)**Advertising Costs**

Advertising costs are charged to expense in the period incurred. Advertising expense was \$6,456, \$4,849 and \$4,948 for the years ended December 31, 2009, 2008 and 2007, respectively.

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,		
	2009	2008	2007
Numerator:			
Net income	\$ 76,331	\$ 35,407	\$ 31,509
Denominator:			
Weighted-average shares outstanding	19,982	20,289	20,243
Weighted-average effect of dilutive securities:			
Employee stock options	125	61	117
Stock purchase warrants	145	138	140
Restricted stock	14	12	29
Stock appreciation rights	12	—	—
Adjusted weighted-average shares outstanding, diluted	20,278	20,500	20,529
Net income per share, basic	\$ 3.82	\$ 1.75	\$ 1.56
Net income per share, diluted	\$ 3.76	\$ 1.73	\$ 1.53

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with accounting standards which require 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 stock appreciation rights ("SARs"), 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 vesting period of its equity awards are generally three years. 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 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

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

to be more likely than not. 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 set forth in uncertain tax position accounting standards. The accounting standards prescribe a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

Accounting standards for income taxes, utilize 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. Accounting for income taxes standards generally identify the term "more likely than not" to represent the likelihood of occurrence to be 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. Accounting for income taxes standards specifically prohibit 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, 2009, 2008 and 2007, 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.

Newly Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2009-01, "Generally Accepted Accounting Principles" (ASC Topic 105) which establishes the FASB Accounting Standards Codification (the "Codification") as the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("GAAP"). All existing accounting standards are superseded. All other accounting guidance not included in the Codification will be considered non-authoritative. The Codification also includes all relevant Securities and Exchange Commission ("SEC") guidance organized using the same topical structure in separate sections within the Codification. Following the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates ("ASU") which will serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

Codification. The Codification is not intended to change GAAP, but it will change the way GAAP is organized and presented. The Codification is effective for the Company's third quarter 2009 interim consolidated financial statements and the principal impact on the Company's consolidated financial statements is limited to having all future references to authoritative accounting literature referenced in accordance with the Codification. The Company uses a plain English approach in reference to accounting standards contained in the Codification. The Company has also included in certain disclosures the Codification cross-reference alongside the references to the standards issued and adopted prior to the adoption of the Codification.

In June 2009, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 167, "Amendments to FASB Interpretation No. 46(R)" (ASC Topic 810). The guidance is intended to improve financial reporting by providing additional guidance to companies involved with variable interest entities and by requiring additional disclosures about a company's involvement in variable interest entities. This guidance is effective for interim and annual periods ending after November 15, 2009. Adoption of the new accounting guidance has not had a material effect on the Company's consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets" (ASC Topic 860) which requires more information about transfers of financial assets in situations where companies have continuing exposure to the risk related to transferred financial assets. It eliminates the concept of a qualifying special purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosure. This guidance is effective for interim and annual periods ending after November 15, 2009. Adoption of the new accounting guidance has not had a material effect on the Company's consolidated financial statements.

In September 2009, the FASB ratified Emerging Issues Task Force Issue No. 08-01, "Revenue Arrangements with Multiple Deliverables" (EITF 08-1). EITF 08-1 updates the current guidance pertaining to multiple-element revenue arrangements included in ASC Topic 605 and changes the allocation methods used in determining how to account for multiple payment streams. It also results in the ability to separately account for more deliverables and potentially less revenue deferrals. The Company does not expect the new guidance to have a material impact on its consolidated financial statements.

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, "*Fair Value Measurements Disclosures*," which amends Subtopic 820-10 of the FASB Accounting Standards Codification to require new disclosures for fair value measurements and provides clarification for existing disclosure requirements. More specifically, this update will require (a) an entity to disclose separately the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for the transfers; and (b) information about purchases, sales, issuances and settlements to be presented separately (i.e. present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3 inputs). This update clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value, and require disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

and Level 3 inputs. Certain provisions with new disclosures and clarifications of existing disclosures of the guidance are effective for interim and reporting periods beginning after December 15, 2009. Certain provisions for new disclosures are effective for fiscal years beginning after December 15, 2010. The Company does not expect the adoption of the guidance to have a material impact on its consolidated financial statements.

3. Property and Equipment

At December 31, 2009, the Company's fleet consisted of 46 MD-80 aircraft with all aircraft in revenue service. The Company owns 42 of these aircraft, including two subject to capital leases, with the remaining four subject to operating lease agreements. At December 31, 2008, the Company's fleet consisted of 43 MD-80 series aircraft, 38 of which were in revenue service.

Property and equipment consist of the following:

	As of December 31,	
	2009	2008
Flight equipment	\$ 273,680	\$ 250,791
Ground property and equipment	15,573	11,381
Total property and equipment	289,253	262,172
Less accumulated depreciation and amortization	(84,720)	(56,421)
Property and equipment, net	\$ 204,533	\$ 205,751

Depreciation and amortization expense for the years ended December 31, 2009, 2008 and 2007 was \$29,638, \$23,489 and \$15,992, respectively.

4. Accrued Liabilities

Accrued liabilities consist of the following:

	As of December 31,	
	2009	2008
Aircraft lease rentals	\$ 593	\$ 48
Interest payable	99	163
Salaries, wages and benefits	12,891	7,849
Maintenance reserves	418	2,970
Taxes	4,141	4,411
Other accruals	5,557	3,791
Total accrued liabilities	\$ 23,699	\$ 19,232

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

5. Long-Term Debt

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

	As of December 31,	
	2009	2008
Notes payable, secured by aircraft, interest at 8%, due at varying dates through December 2010	\$ 3,212	\$ 10,803
Notes payable, secured by aircraft, interest at 8.5%, due November 2011	9,070	11,698
Notes payable, secured by aircraft, interest at 6%, due April 2012	10,969	15,234
Notes payable, secured by aircraft, interest at 6%, due at varying dates through February 2011	5,599	10,364
Notes payable, secured by aircraft, interest at 6.8%, due June 2011	4,242	6,697
Notes payable, secured by aircraft, interest at 8%, due June 2011	2,811	4,507
Notes payable, secured by aircraft, interest at 6.95%, due June 2014	6,409	—
Other notes payable	12	36
Capital lease obligations	3,483	5,386
Total long-term debt	45,807	64,725
Less current maturities	(23,338)	(25,338)
Long-term debt, net of current maturities	<u>\$ 22,469</u>	<u>\$ 39,387</u>

In June 2009, the Company borrowed \$7,000 under a loan agreement secured by two unencumbered aircraft. The notes payable issued under the loan agreement bear interest at 6.95% per annum and are payable in monthly installments through June 2014.

Maturities of long-term debt and capital lease obligations, as of December 31, 2009, for the next five years and thereafter, in aggregate, are: 2010—\$23,338; 2011—\$17,055; 2012—\$3,065; 2013—\$1,547; 2014—\$802 and none thereafter.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

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

As of December 31, 2009, the Company was party to two lease agreements for aircraft which are classified as capital leases under provisions contained in lease accounting standards. The amounts applicable to capital leases included in property and equipment were:

	As of December 31,	
	2009	2008
Aircraft	\$ 7,726	\$ 7,726
Less: Accumulated depreciation	(1,238)	(472)
Aircraft, net	<u>\$ 6,488</u>	<u>\$ 7,254</u>

Operating Leases

As of December 31, 2009, the Company was party to operating lease agreements for four aircraft, two with terms extending through November 2012 and two with terms extending through June 2014. The two operating lease agreements which extend through November 2012 include purchase options. The Company exercised the purchase options in February 2010 and expects to take ownership of the aircraft in November 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 the seventh year of the lease 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 number 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, 2009, 2008 and 2007 was \$8,204, \$7,373 and \$6,147, respectively.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

6. Capital and Operating Lease Obligations (Continued)

At December 31, 2009, 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:

	<u>Capital Leases</u>	<u>Operating Leases</u>
2010	2,220	4,974
2011	1,480	4,494
2012	—	4,180
2013	—	3,022
2014	—	2,623
Thereafter	—	8,467
Total	<u>3,700</u>	<u>\$ 27,760</u>
Less: amount representing interest	217	
Present value of future payments	<u>3,483</u>	
Less: current obligations	2,041	
Long-term obligations	<u>\$ 1,442</u>	

7. Fair Value Measurements

Fair value measurements accounting standards define fair value, establish a consistent framework for measuring fair value, and require disclosures for each major asset and liability category measured at fair value on either a recurring or a nonrecurring basis. 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. As a basis for considering such assumptions, a three-tier fair value hierarchy is established in accounting standards. The hierarchy 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 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, 2009, 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 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.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

7. Fair Value Measurements (Continued)

The table below presents the Company's assets measured at fair value on a recurring basis as of December 31, 2009 (in thousands):

Description	12/31/2009	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	\$ 85,091	\$ 17,951	\$ 67,140	\$ —
Short-term investments	141,231	—	141,231	—
Total assets	\$ 226,322	\$ 17,951	\$ 208,371	\$ —

8. Income Taxes

The Company is subject to income taxation in the United States and various state jurisdictions in which it operates. In accordance with income tax reporting accounting standards, the Company recognizes tax benefits or expense on the temporary differences between the financial reporting and tax bases of its assets and liabilities.

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

	Year Ended December 31,		
	2009	2008	2007
Current:			
Federal	\$ 35,905	\$ 13,326	\$ 10,903
State	1,613	606	1,150
Total current	37,518	13,932	12,053
Deferred:			
Federal	6,195	6,060	6,192
State	520	(147)	951
Total deferred	6,715	5,913	7,143
Total income tax provision	\$ 44,233	\$ 19,845	\$ 19,196

The Company recorded \$1,157, \$1,602 and \$2,139 as an increase to contributed capital for certain tax benefits from employee share-based compensation for the years ended December 31, 2009, 2008 and 2007, respectively.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

8. Income Taxes (Continued)

Reconciliations of the statutory income tax rate and the Company's effective tax rate for 2009, 2008, and 2007 are as follows:

	Year Ended December 31,		
	2009	2008	2007
Statutory federal rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	1.6%	0.7%	2.7%
Other	0.1%	0.2%	0.2%
Effective tax rate	<u>36.7%</u>	<u>35.9%</u>	<u>37.9%</u>

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

	At December 31, 2009		At December 31, 2008	
	Assets	Liabilities	Assets	Liabilities
Current:				
Accrued vacation	\$ 540	\$ —	\$ 517	\$ —
Prepaid expenses	—	(2,313)	—	(1,346)
State taxes	886	—	346	—
Accrued property taxes	452	—	393	—
Other	704	—	201	—
Total current	<u>2,582</u>	<u>(2,313)</u>	<u>1,457</u>	<u>(1,346)</u>
Noncurrent:				
Depreciation	—	(28,382)	—	(21,000)
Goodwill	1,049	—	1,149	—
Stock-based compensation expense	699	—	137	—
Other	68	—	74	—
Total noncurrent	<u>1,816</u>	<u>(28,382)</u>	<u>1,360</u>	<u>(21,000)</u>
Total	<u>\$ 4,398</u>	<u>\$ (30,695)</u>	<u>\$ 2,817</u>	<u>\$ (22,346)</u>

The Company paid corporate income taxes, net of refunds, of \$36,952, \$4,623 and \$16,685 in 2009, 2008 and 2007, respectively.

For the year ended December 31, 2009, 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 from the application of accounting standards for uncertain tax positions. 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 interest or penalties accrued at December 31, 2009.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

8. Income Taxes (Continued)

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

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 received \$1,414 from its members for the year ended 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 Directors and one other former 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 former 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.

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 37.9%, 51.2% and 48.1% of the Company's operating expenses for the years ended December 31, 2009, 2008 and 2007, respectively.

Prior to 2008, the Company entered into financial derivative contracts to manage a portion of its risk to fuel price volatility. 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, 2009.

The Company's fuel hedging program and the financial derivative instruments purchased pursuant to this program did not qualify for hedge accounting under authoritative guidance. Therefore, changes in the fair value of such derivative contracts, which amounted to a loss of \$11 for the year ended December 31, 2008 and a gain of \$2,613 in the year ended December 31, 2007, were recorded as a "Loss (gain) on fuel derivatives, net" within other (income) expense in the accompanying consolidated

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

10. Financial Instruments and Risk Management (Continued)

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. There were no losses or gains from the change in fair value on derivative contracts during 2009.

Debt

The Company's debt with a carrying value of \$42,324 and \$59,339 as of December 31, 2009 and 2008, 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 \$908, \$748 and \$542 for the years ended December 31, 2009, 2008 and 2007, respectively.

Stock-based employee compensation

In 2006, the Board of Directors adopted, and the stockholders approved, a Long-Term Incentive Plan (the "2006 Plan") and reserved 3,000,000 shares of common stock for the Company to grant stock options, restricted stock, SARs and other stock-based awards to certain officers, directors, employees, and consultants of the Company. The 2006 Plan is administered by the Company's compensation committee of the Board of Directors. 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 outstanding stock 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 continue to be governed by their existing terms, unless the compensation committee elects to extend one or more features of the 2006 Plan to those options. The shares of common stock reserved for issuance of stock-based awards under the 2006 Plan include the 500,000 shares that were transferred from the Share Option Program.

For the years ended December 31, 2009, 2008 and 2007, the Company recorded \$3,109, \$1,702 and \$1,006, respectively, of compensation expense in the consolidated statements of income related to stock options, SARs and restricted stock. As of December 31, 2009, there was \$4,896 of unrecognized compensation cost related to nonvested stock options and SARs, net of estimated forfeitures of 2.0%.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

11. Employee Benefit Plans (Continued)

As of December 31, 2009 there was \$1,232 of unrecognized compensation cost, net of estimated forfeitures of 5.0%, related to nonvested restricted stock. The cost is expected to be recognized over a weighted-average period of 2.88 years for both nonvested stock options and SARs and nonvested restricted stock.

Stock options and SARs

The fair value of stock options and SARs granted was estimated as of the grant date using the Black-Scholes option-pricing model with assumptions noted in the table below. 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. Expected term represents the weighted average time between the option's grant date and its exercise date. The Company used the simplified method from accounting guidance for companies with a limited trading history, to estimate the expected term on 2009 and 2008 award grants. The Company used its best estimate and comparisons to industry peers on 2007 award grants. 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. The contractual term of the Company's stock option and SAR awards granted, range from five to ten years.

	2009	2008	2007
Weighted-average volatility	42.34%	32.79%	32.80%
Expected term (in years)	3.5	3.5	5
Risk-free interest rate	1.33%	2.56%	4.30%
Expected dividends	—	—	—

A summary of option activity under the 2006 Plan as of December 31, 2009, 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, 2009	451,001	\$ 22.88		
Granted	416,500	\$ 38.38		
Exercised	(98,501)	\$ 17.68		
Forfeited	(24,000)	\$ 23.40		
Outstanding at December 31, 2009	745,000	\$ 32.07	4.31	\$ 11,251,790
Fully vested and expected to vest at December 31, 2009	731,600	\$ 32.08	4.31	\$ 11,039,844
Exercisable at December 31, 2009	95,500	\$ 26.83	5.36	\$ 1,942,365

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

11. Employee Benefit Plans (Continued)

The weighted average fair value of options granted during the years ended December 31, 2009, 2008, and 2007 was \$12.44, \$5.80 and \$13.52, respectively. During the years ended December 31, 2009, 2008 and 2007, the total intrinsic value of options exercised was \$2,917, \$4,330 and \$5,763, respectively. Cash received from option exercises for the years ended December 31, 2009, 2008 and 2007, was \$1,742, \$1,040 and \$764, respectively. The actual tax benefit realized for the tax deductions from these option exercises totaled \$1,067, \$1,568 and \$2,145, respectively.

Restricted stock awards

A summary of the status of the Company's nonvested restricted stock grants during the year ended December 31, 2009 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2009	49,261	\$ 22.45
Granted	32,926	\$ 38.31
Vested	(38,390)	\$ 21.02
Forfeited	(1,721)	\$ 24.07
Nonvested at December 31, 2009	<u>42,076</u>	<u>\$ 36.09</u>

The weighted average grant date fair value of restricted stock grants during the years ended December 31, 2009, 2008 and 2007 was \$38.31, \$22.43 and \$30.91, respectively. The total fair value of restricted stock vested during the year ended December 31, 2009, 2008 and 2007, was \$1,605, \$1,382 and \$959, respectively. The actual tax benefit realized from the tax deductions from the restricted stock vested totaled \$587, \$500 and \$357, respectively.

12. Stockholders' Equity

In May 2005, in connection with an issuance of preferred shares prior to our initial public offering of common shares, a 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. These warrants are exercisable through May 5, 2010. As of December 31, 2009, all 162,500 warrants were outstanding.

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 2009, the Company's 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 replaced a similar program the Board of Directors authorized in January 2008 which expired. In July 2009, the Board of Directors authorized the Company to purchase up to an additional \$10,000 of the Company's common stock under the Company's existing repurchase program. As a result, a total of \$35,000 was authorized for stock repurchases under the authority granted in 2009. During 2009, the Company repurchased 637,902 shares under the program at an average cost of

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

12. Stockholders' Equity (Continued)

\$38.26 per share for a total expenditure of \$24,407. During 2008, under the expired program, the Company repurchased 553,700 shares through open market purchases at an average cost of \$28.55 per share for a total expenditure of \$15,809.

In March 2009, Allegiant Information Systems, Inc., a wholly owned subsidiary of the Company, completed a plan of merger with an organization that owned the exclusive rights to the travel applications of the software operating system the Company has used since its inception. In consideration for the acquisition, the Company issued 41,450 shares of its unregistered common stock.

In May 2009, the Company completed a secondary offering for the sale of shares from certain existing stockholders. The Company did not sell any shares in this underwritten offering.

13. Quarterly Financial Data (Unaudited)

Quarterly results of operations for the years ended December 31, 2009 and 2008 are summarized below.

	March 31	June 30	September 30	December 31
2009				
Operating revenues	\$ 142,119	\$ 147,987	\$ 133,105	\$ 134,729
Operating income	44,478	37,784	21,940	18,051
Net income	28,162	23,852	13,776	10,541
Earnings per share				
Basic	1.39	1.19	0.69	0.53
Diluted	1.37	1.17	0.68	0.52
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

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.

14. Commitments and Contingencies

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.

ALLEGIANT TRAVEL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007

(Dollars in thousands except share and per share amounts)

14. Commitments and Contingencies (Continued)

The Company entered into purchase agreements for 20 MD-80 aircraft during the fourth quarter of 2009. The Company expects to place 15 of the aircraft into service by the end of 2011, with five aircraft to be used for spare engines and rotatable parts. The contractual obligations under these purchase agreements total \$30,869 to be paid during 2010 upon delivery of the aircraft.

15. Subsequent Events

As of December 31, 2009, the remaining authority under the existing repurchase program to acquire the Company's common stock through open market purchases was \$10,593. On January 29, 2010, the Board of Directors increased this remaining authority to \$25,000.

In February 2010, the Company exercised purchase options on two MD-80 aircraft under operating lease through November 2012. The Company expects to take ownership of the aircraft in November 2010.

In March 2010, the Company entered into a purchase contract for six Boeing 757 aircraft with delivery dates from 2010 to 2012. These aircraft will provide the Company the ability to serve longer haul markets, including the expectation to serve Hawaii after the Company receives regulatory approval for extended over water operations. The Company currently expects two of these aircraft to enter operating service in fourth quarter 2010 with the remaining four aircraft to be added to the Company's operating fleet in 2011 and 2012. The Company expects to spend approximately \$75,000 to \$90,000 on the acquisition of these aircraft which consists of the purchase price and induction costs to prepare the aircraft for service.

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, 2009. 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, 2009, 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, 2009, 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 June 8, 2010, 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 June 8, 2010, 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 June 8, 2010, 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 June 8, 2010, 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 June 8, 2010, 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	50
Consolidated Balance Sheets	52
Consolidated Statements of Income	53
Consolidated Statements of Stockholders' Equity and Comprehensive Income	54
Consolidated Statements of Cash Flows	56
Notes to Consolidated Financial Statements	58
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.

Exhibit Number	Description
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 for the quarter ended September 30, 2009, filed with the Commission on November 9, 2009).
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, as amended on July 19, 2009.(1) (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, filed with the Commission on November 9, 2009.)
10.3	Form of Stock Option Agreement used for officers of the Company.(1) (Incorporated by reference to Exhibit 10.3 to the Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Commission on March 3, 2009).
10.4	Form of Restricted Stock Agreement used for Directors of the Company.(1) (Incorporated by reference to Exhibit 10.4 to the Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Commission on March 3, 2009).
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*	Memorandum of Understanding between Allegiant Air, LLC and Sanford Airport Authority dated March 4, 2005.
10.9*	Maintenance General Terms Agreement dated March 2006 between Allegiant Air, LLC and American Airlines, Inc.(2)
10.10	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).
10.11	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).
10.12	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).
10.13	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 for the quarter ended June 30, 2008, filed with the Commission on August 8, 2008)
10.14	Amendment to Lease dated as of June 23, 2008 between Windmill Durango Office, LLC and Allegiant Air, LLC. (Incorporated by reference to Exhibit 10.17 to the Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Commission on March 3, 2009.)
10.15	Lease dated June 23, 2008 between Windmill Durango Office II, LLC and Allegiant Air, LLC. (Incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Commission on March 3, 2009.)

<u>Exhibit Number</u>	<u>Description</u>
10.16	Air Transportation Charter Agreement dated as of October 31, 2008 between Harrah's Operating Company, Inc. and Allegiant Air, LLC.(2) (Incorporated by reference to Exhibit 10.19 to the Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Commission on March 3, 2009.)
10.17	Agreement and Plan of Merger dated as of March 15, 2009, by and among the Company, Allegiant Information Systems, Inc., RPW Consolidated Information Systems Incorporated and Robert P. Wilson, III. (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 filed with the Commission on May 4, 2009.)
10.18	Perpetual Software License Agreement dated as of March 15, 2009, among CMS Solutions, Inc., RPW Consolidated Information Systems Incorporated and Mitchell Allee. (Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 filed with the Commission on May 4, 2009.)
10.19	Addendum to Lease between Windmill Durango Office II, LLC and Allegiant Air, LLC signed on June 17, 2009. (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 filed with the Commission on August 7, 2009.)
10.20	Amendment No. 1 to Air Transportation Charter Agreement dated April 30, 2009, between Allegiant Air, LLC and Harrah's Operating Company, Inc. (3)
10.21	Amendment No. 2 to Air Transportation Agreement Charter Agreement dated November 6, 2009 between Allegiant Air, LLC and Harrah's Operating Company, Inc.(3)
10.22	Employment Agreement dated as of October 16, 2009, between the Company and Andrew C. Levy.(1)
10.23	Restricted Stock Agreement dated October 16, 2009 between the Company and Andrew C. Levy.(1)
10.24	Stock Appreciation Rights Agreement dated October 16, 2009, between the Company and Andrew C. Levy.(1)
10.25	Aircraft Sale and Purchase Agreement dated as of December 30, 2009 between the Company and Scandinavian Airlines System, Denmark—Norway —Sweden.(3)
21.1	List of Subsidiaries
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>
10.20	Amendment No. 1 to Air Transportation Charter Agreement dated April 30, 2009, between Allegiant Air, LLC and Harrah's Operating Company, Inc.(1)
10.21	Amendment No. 2 to Air Transportation Agreement Charter Agreement dated November 6, 2009 between Allegiant Air, LLC and Harrah's Operating Company, Inc.(1)
10.22	Employment Agreement dated as of October 16, 2009, between the Company and Andrew C. Levy.(2)
10.23	Restricted Stock Agreement dated October 16, 2009 between the Company and Andrew C. Levy.(2)
10.24	Stock Appreciation Rights Agreement dated October 16, 2009, between the Company and Andrew C. Levy.(2)
10.25	Aircraft Sale and Purchase Agreement dated as of December 30, 2009 between the Company and Scandinavian Airlines System, Denmark—Norway—Sweden.(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.
- (2) 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.

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.

AMENDMENT NO. 1 TO AIR TRANSPORTATION CHARTER AGREEMENT

This **Amendment No. 1 to Air Transportation Charter Agreement** ("Amendment") is made as of the 30th day of April, 2009, 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.**, a Delaware corporation with principal offices at One Harrah's Court, Las Vegas, Nevada 89119 ("Charterer") (Allegiant and Charterer shall each also be referred to as a "Party" or collectively as the "Parties").

WHEREAS, Allegiant and Charterer are parties to that certain Air Transportation Charter Agreement executed on October 31, 2008 (the "Agreement"), and

WHEREAS, Allegiant and Charterer have agreed that it is in the interest of both Parties to enter into an amendment to the Agreement, and

WHEREAS, Allegiant and Charterer have agreed to amend the Agreement pursuant to Section 28.7 thereof;

THEREFORE, in consideration of the promises, covenants, and provisions below and the recitals above, Allegiant and Charterer hereby amend the Agreement as follows:

1. Pursuant to the Agreement, Allegiant bases one MD-87 aircraft at Reno/Tahoe International Airport, Reno, Nevada ("RNO") for the operation of charter flights to and from RNO as set forth in the Agreement. This Amendment affects only the RNO-based aircraft (the "RNO Aircraft"); all operations of aircraft based at other locations continue to be subject to the terms and conditions of the Agreement without reference to this Amendment.

2. Notwithstanding anything to the contrary in the Agreement, in the case of all flights that (i) operate to or from RNO or are positioning flights (also known as ferry flights) associated with the operation of such flights, (ii) utilize the RNO Aircraft, and (iii) operate after June 30, 2009 but before January 1, 2010, the following shall apply:

(a) The Price for Services shall be fixed at [...***...] per Actual Block Hour flown and shall not be subject to adjustment based upon the price of fuel; and

(b) Harrah's shall pay Allegiant for all Actual Block Hours flown, provided that in the event the Actual Block Hours flown in any calendar month are less than the minimum number of hours specified below, Harrah's shall pay Allegiant for the number of hours specified below for that month:

July 2009:	[...***...]
August 2009:	[...***...]
September 2009:	[...***...]
October 2009:	[...***...]
November 2009:	[...***...]
December 2009:	[...***...]

3. This Amendment applies only to flights meeting all of the conditions (i, ii and iii) specified in Paragraph 2 above.

4. Harrah's agrees that in the event it proposes any amendment or modification to the Agreement for effect on or after January 1, 2010, Harrah's will furnish such proposal to Allegiant no later than August 3, 2009. The Parties agree that any negotiation of such proposal shall be accomplished during August 2009 and that to the extent agreement on the proposal or any counterproposal is reached, the resulting amendment shall be executed no later than September 1, 2009; failing which, the Agreement, as amended by this Amendment No. 1, shall be unaffected by the proposal or any counterproposal.

5. Except as set forth in this Amendment, the terms and conditions of the Agreement shall remain in full force and effect at all times. Capitalized terms that appear in this Amendment and that are defined in the Agreement have same meaning in both documents.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 1 to Air Transportation Charter Agreement as of the day and year first written above.

ALLEGiant AIR, LLC

HARRAH'S OPERATING COMPANY, INC.

By _____

By _____

Title: _____

Title: _____

QuickLinks

[Exhibit 10.20](#)

[AMENDMENT NO. 1 TO AIR TRANSPORTATION CHARTER 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.*

AMENDMENT NO. 2 TO AIR TRANSPORTATION CHARTER AGREEMENT

This **Amendment No. 2 to Air Transportation Charter Agreement** ("Amendment") is made as of the 6th day of November, 2009, 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.**, a Delaware corporation with principal offices at One Harrah's Court, Las Vegas, Nevada 89119 ("Charterer") (Allegiant and Charterer shall each also be referred to as a "Party" or collectively as the "Parties").

WHEREAS, Allegiant and Charterer are parties to that certain Air Transportation Charter Agreement executed on October 31, 2008, as amended by Amendment No. 1 thereto (collectively, the "Agreement"), and

WHEREAS, Allegiant and Charterer have agreed that it is in the interest of both Parties to further amend the Agreement, and

WHEREAS, Allegiant and Charterer have agreed to amend the Agreement pursuant to Section 28.7 thereof;

THEREFORE, in consideration of the promises, covenants, and provisions below and the recitals above, Allegiant and Charterer hereby amend the Agreement as follows:

1. Pursuant to the Agreement, Allegiant currently bases one MD-87 aircraft at Reno/Tahoe International Airport, Reno, Nevada ("RNO") for the operation of charter flights to and from RNO as set forth in the Agreement. Effective January 1, 2010, the base of operations of the above aircraft (the "RNO Aircraft") shall be changed to Laughlin/Bullhead City International Airport, Bullhead City, Arizona ("IFP"), resulting in two IFP-based aircraft for the remaining portion of the Term of the Agreement. Charterer shall be free to continue scheduling flights serving RNO subsequent to December 31, 2009, provided that such flights shall be subject to such away-from-base charges as are set forth in the Agreement.

2. Pursuant to the Agreement, Charterer has guaranteed to Allegiant that effective January 1, 2010, Charterer shall make payment to Allegiant for at least [...***...] Block Hours of use of the RNO Aircraft per calendar quarter, even if Actual Block Hours flown during the quarter are less than [...***...]. The change in the base of operations of the RNO Aircraft to IFP shall not relieve Charterer of its Minimum Block Hour Guarantee as to that or any other aircraft, subject to Paragraph 3 below.

3. Pursuant to the Agreement and this Amendment, Charterer has guaranteed to Allegiant that effective January 1, 2010, Charterer shall make payment to Allegiant for a total of at least [...***...] Block Hours of use of the two IFP-based aircraft, collectively, per calendar quarter, even if Actual Block Hours flown during the quarter are less than [...***...]. The parties agree that Actual Block Hours flown by these two aircraft, all of which shall be credited toward satisfaction of the quarterly combined [...***...] guarantee, may occur in any combination that is operationally feasible. By way of illustration, [...***...] Actual Block Hours flown on each IFP-based aircraft would satisfy the guarantee, as would [...***...] Actual Block Hours on one aircraft and [...***...] on the other, as would any other operationally feasible combination totaling at least [...***...] hours.

4. The cost of repositioning the RNO Aircraft from its current base to IFP shall be borne by Charterer.

5. Pursuant to the Agreement, Allegiant operates flights for Charterer serving Tunica, Mississippi (UTA) utilizing an MD-87 aircraft based at UTA (the "UTA Aircraft"). In addition to, and not in replacement of, the service provided with the UTA Aircraft, Allegiant shall provide supplementary UTA service to Charterer throughout calendar year 2010 utilizing one or more of Allegiant's Florida-based 150-seat MD-83 aircraft or 130-seat MD-87 aircraft, as specified below (collectively, the "Florida Aircraft"). All operations of the Florida Aircraft for Charterer will be governed by the provisions of the Agreement applicable to UTA service, subject to the following:

a. Ordinarily, an MD-83 aircraft shall be utilized as the Florida Aircraft. However, on the following dates during the first quarter of 2010, an MD-87 aircraft shall be utilized unless Charterer's desired flight schedule for a given date permits use of an MD-83 on that date: February 1, 8 and 12; March 1, 5, 15, 17, 22, 24 and 26. Irrespective of whether an MD-83 or MD-87 is utilized, the Block Hour rate for the Florida Aircraft shall be the same as is applicable to the UTA Aircraft for the respective date of operation.

b. The Florida Aircraft will be available to operate for Charterer on Mondays, Wednesdays and Fridays only, commencing on each date at 1:00 PM Eastern time at the aircraft's Florida base of Orlando-Sanford (SFB), St. Petersburg/Clearwater (PIE) or Fort Lauderdale (FLL), which may vary depending on the specific aircraft assigned by Allegiant for operations on a given date.

c. One the following dates in the month of April, the Florida Aircraft (MD-83) will not be available to Harrah's at 13:00 local time but will instead be available at 14:30 local time: April 5, 7, 19, 28, 30

d. For the first, second and third calendar quarters of 2010, Charterer hereby provides a Minimum Block Hour Guarantee of [...***...] hours per quarter applicable to the Florida Aircraft, in the aggregate. For the fourth calendar quarter of 2010, Charterer hereby provides a Minimum Block Hour Guarantee of [...***...] hours applicable to the Florida Aircraft, in the aggregate.

e. For the avoidance of doubt, Actual Block Hours operated by the Florida Aircraft shall include all ferry and live hours, including ferry flights to and from the aircraft's base (SFB, PIE or FLL, as the case may be).

6. Irrespective of the number of Actual Block Hours flown on the Florida Aircraft, the Minimum Block Hour Guarantee applicable to the UTA Aircraft shall continue to apply as set forth in the Agreement.

7. Except as set forth in this Amendment, the terms and conditions of the Agreement shall remain in full force and effect at all times; provided, that from and after January 1, 2010, the provisions of Amendment No. 1 shall be of no further force or effect. Capitalized terms that appear in this Amendment and that are defined in the Agreement have the same meaning in both documents.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 2 to Air Transportation Charter Agreement as of the day and year first written above.

ALLEGIANT AIR, LLC

HARRAH'S OPERATING COMPANY, INC.

By

By

Title:

Title:

QuickLinks

[Exhibit 10.21](#)

[AMENDMENT NO. 2 TO AIR TRANSPORTATION CHARTER AGREEMENT](#)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 16th day of October, 2009 by and between ANDREW C. LEVY (hereinafter "Employee"), whose address is 8360 S. Durango Drive, Las Vegas, Nevada 89113, and ALLEGIANT TRAVEL COMPANY, a Nevada corporation (hereinafter "the Company"), whose address is 8360 S. Durango Drive, Las Vegas, Nevada 89113.

WITNESSETH

WHEREAS, the Company desires to employ Employee as its president and chief financial officer, and Employee desires to be so employed pursuant to and in accordance with the terms and conditions hereinafter set forth; and

NOW, THEREFORE, for and in consideration of the above premises, the terms and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by Employee and the Company, it is hereby agreed as follows:

1. *Employment.* The Company hereby employs Employee and Employee hereby accepts employment by the Company upon all of the terms and conditions as are hereinafter set forth. Terms of employment with the Company are also governed by the Company's employment policies in effect from time to time. The Company shall provide a copy of such employment policies to Employee upon request. In the event of any conflict between the terms of this Agreement and the generally applicable employment policies, the terms of this Agreement shall prevail.

2. *Scope of Services.*

A. Employee shall be employed by the Company as the president and chief financial officer of the Company and its operating subsidiaries. Employee shall report to the Company's Chief Executive Officer ("CEO") and Board of Directors ("Board"). Employee's duties shall include those indicated above and such other duties assigned to him by the CEO or the Board from time to time.

Employee's services are mutually agreed to be unique personal services. Employee acknowledges that the Company is relying upon Employee's experience, expertise and other qualifications in entering into this Agreement. Employee shall not assign or delegate any right, obligation or duty hereunder to any other person or entity without the express written consent of the Company.

B. During Employee's period of service hereunder, Employee agrees to perform such services not inconsistent with Employee's position as shall from time to time be assigned to Employee by the Company's CEO or Board. During the term of this Agreement, except for disability, illness and vacation periods, Employee shall devote Employee's full productive time, attention and energies to the positions of president and chief financial officer of the Company and its operating subsidiaries.

C. Employee's expenditure of reasonable amounts of time in connection with outside activities, not competitive with the business of the Company, such as outside directorships or charitable activities, shall not be considered in contravention of this Agreement so long as such activities do not interfere with his performance of this Agreement. Further, it is understood and agreed by the parties hereto that Employee is entitled to engage in passive and personal investment activities not interfering with his performance of this Agreement.

3. *Limitations of Duties.* Employee shall not, without consent first being given by the Company, which consent may be general authority from the Company:

- A. Take part in activities detrimental to the best interests of the Company, including rendering any services to any other firm or entity which conflict or interfere with the performance of Employee's duties hereunder.
- B. Exceed any limitations on his authority that may be established by the Board.
- C. Enter into any contract, oral or written, in the name of, for or on behalf of the Company other than in the ordinary course of business.
- D. Use any money belonging to the Company or pledge its credit other than in the ordinary course of business.
- E. Commit or suffer to be committed any act whereby the Company's property may be subject to attachment or seizure.
- F. Cause the Company to become a guarantor, surety or endorser or give any note for the benefit of any other person whomsoever.

Upon a breach of any provision under this Item 3, the Company shall have the right to terminate this Agreement for cause as set forth in Item 6E hereof and to pursue any other remedies available to the Company as a result of such breach.

Employee shall indemnify and hold the Company harmless from and against any and all damages, actions, causes of action, claims and other liabilities, contingent or otherwise, directed toward the Company by others as a result of Employee's violation of any of the provisions of this Item 3.

4. *Compensation.*

A. *Base Compensation.* As base compensation ("Base Salary") for providing services hereunder, Employee shall be paid Two Hundred Seventy-five Thousand Dollars (\$275,000) per annum to be paid monthly or in more frequent installments as may be agreed upon by the Company and Employee. The salary payable to Employee shall be inclusive of any fees received by Employee as an officer of the Company or any other company or corporate body in which Employee holds an office as a nominee or representative of the Company.

B. *Annual Bonus.* Employee shall be entitled to participate in the Company's annual bonus program (if any) as in effect from time to time and subject to meeting any requirements established for participation in the bonus program and may also be granted a discretionary bonus in such amount as may be determined by the Board in its sole discretion.

C. *Stock Appreciation Rights.* Upon the effective date of this Agreement, Employee will be granted stock appreciation rights (the "2009 SAR's") with respect to 75,000 shares of the common stock of the Company under the Company's 2006 Long-Term Incentive Plan. The strike price for the 2009 SAR's will be the closing price of the Company's common stock on the Nasdaq Global Select Market as of the date of this Agreement. The 2009 SAR's will settle in shares of common stock of the Company in accordance with the terms of the Stock Appreciation Rights Grant Agreement to be entered into between the Company and Employee to evidence this grant. The 2009 SAR's will vest in three (3) equal annual installments commencing on the first anniversary of the date of grant and all of the 2009 SAR's, to the extent not earlier exercised, shall expire on the earlier of one hundred eighty (180) days after termination of employment for any reason whatsoever or on the fifth (5th) anniversary of the date of grant. In the event a Change of Control transaction is consummated as a result of a definitive agreement entered into by the Company prior to October 16, 2010, vesting of the 2009 SAR's shall be accelerated to the extent of a percentage equal to the number of full months between the date of this grant and the date of execution of the definitive agreement for the Change of Control transaction divided by 12. By way of amplification, the terms of the preceding sentence shall apply if a definitive agreement for a Change of Control transaction is entered into prior to October 16, 2010 and if the Change of Control transaction contemplated by such definitive agreement is ultimately closed, whether or not closed prior to October 16, 2010. By way of example, if the definitive agreement for a Change of Control transaction is entered into as of April 30, 2010, six (6) full months shall have passed since the grant date and Employee shall be $\frac{6}{12}$ (or 50%) vested in the 2009 SAR's. Upon any other Change of Control, any unvested 2009 SAR's, to the extent not previously forfeited, shall automatically vest.

D. *Restricted Stock.* Upon the effective date of this Agreement, Employee will be granted 27,926 shares of restricted stock (the "2009 Restricted Stock") under the Company's 2006 Long-Term Incentive Plan. The restricted stock will vest in three (3) equal annual installments commencing on the first anniversary of the date of grant. In the event a Change of Control transaction is consummated as a result of a definitive agreement entered into by the Company prior to October 16, 2010, vesting of the 2009 Restricted Stock shall be accelerated to the extent of a percentage equal to the number of full months between the date of this grant and the date of execution of the definitive agreement for the Change of Control transaction divided by 12. For purposes of this calculation, the same principles set forth in paragraph C above shall apply. Upon any other Change of Control, any unvested 2009 Restricted Stock shall automatically vest.

E. *Participation in Future Equity Grants.* Employee shall be considered for participation in equity awards to senior management which may be granted by the Board in the future.

F. *Fringe Benefits.* The Company shall provide Employee health and dental insurance for Employee and his family and such vacation time, sick leave and other fringe benefits, including but not limited to participation in any pension, 401(k) and employee benefit plans that may be maintained by the Company from time to time as are made generally available to other management employees of the Company in accordance with Company policies. The Company reserves the right to change the benefits available under its benefit plans at any time or times.

G. *Review of Compensation.* Employee's compensation package shall be subject to review each year based on Employee's performance, achievement of company goals, industry norms for executive compensation, and such other factors as the Company may determine to be appropriate.

H. *Change of Control Benefits.* In the event Employee's employment with Company shall cease within two (2) years after a "Change of Control" (as defined below) as a result of termination by the Company without "Cause" (as defined in Item 6C) or termination by Employee with "Good Reason" (as defined in Item 6D), the Company shall pay to Employee severance pay in an aggregate amount equal to twelve (12) months of the total amount of Base Salary, to be paid by the Company to Employee in a lump sum within one month of the date of termination of employment. In addition, any and all outstanding stock options, restricted stock grants and stock appreciation rights (other than the 2009 SAR's and the 2009 Restricted Stock which are governed by Paragraph C and D above) held by Employee at the time shall become immediately vested.

I. *Definition of Change of Control.* For all purposes of this Agreement, a "Change of Control" shall be deemed to have occurred if at any time after the date this Agreement is signed: (i) by any method, transaction or series of related transactions, more than 50% of the outstanding shares of Company or beneficial ownership thereof are acquired within a period of one year by a person or group (as defined in Section 13(d) of the Securities Exchange Act of 1934) other than the members of Company's Board, those persons who were more than 5% owners of the Company prior to the date of this Agreement, employees of the Company and any of their immediate family members and affiliates; (ii) there is a merger or consolidation of the Company in which the Company is not the continuing or surviving entity or in which the stockholders of the Company immediately before such transaction do not own in the aggregate at least 50% of the outstanding voting shares of the continuing or surviving entity immediately after such transaction; (iii) there is a merger or consolidation of the Company pursuant to which the Company's shares are converted into cash, securities or other property; or (iv) the Company sells, leases or exchanges all or substantially all of its assets or the Company's stockholders approve the liquidation or dissolution of the Company.

J. *Positive Space Travel.* In recognition of Employee's service in a senior management role for the Company since the initiation of the Company's current business plan, the following benefit is provided. Until such time as Employee's youngest child has attained age twenty-one (21), Employee shall be entitled to passes for air travel on the flights of the Company (and any successor-in-interest to the Company) for Employee, his wife and children (up to age 21) on a positive space basis at no cost to Employee.

K. *Expense Reimbursement.* In addition, the Company shall reimburse Employee for any expenses incurred by Employee in connection with the business of the Company, as approved by the Company. These expenses may include expenses for travel, business promotion, association memberships, and any other expenses as may be approved by the CEO or Board from time to time. The Company shall reimburse Employee for such out-of-pocket expenses by the tenth (10th) day of the month following the month in which such expenses were incurred (and appropriate documentation thereof has been provided to the Company). The Company may issue to Employee a company credit card. In such event, Employee agrees to use such card only for the expenses reimbursable under this paragraph. Employee agrees to keep the card securely. In the event of loss or theft, the issuing authority and the Company shall be informed immediately. The card shall be returned to the Company forthwith on the termination of Employee's employment for any reason whatsoever.

L. *Deductions.* Deductions shall be made from Employee's salary for social security, Medicare, federal and state withholding taxes, and any other such taxes as may from time to time be required by governmental authority.

5. *Term.* The initial term of this Agreement shall commence as of the date hereof (the "Effective Date") and shall continue until December 31, 2012. The term shall automatically be extended from year to year thereafter unless either party notifies the other of its desire not to extend the term of this Agreement as provided in Item 6.

6. *Termination:*

A. This Agreement shall be terminated upon Employee's death or upon a physician certified disability which permanently or indefinitely renders Employee unable to perform his usual duties on behalf of the Company.

B. Employee may, without "Good Reason" (as defined in paragraph D below), terminate this Agreement by giving to the Company sixty (60) days written notice and such termination shall be effective on the date specified by Employee but in no event earlier than the sixtieth (60th) day following the date of such notice. In such event, Employee shall continue to render his services up to the Termination Date (as hereinafter defined) if so requested by the Company. For all purposes of this Agreement, it shall be deemed that Employee terminated this Agreement without cause if this Agreement expires at the end of the initial or any extended term of this Agreement as a result of a notice from Employee not to extend the term of this Agreement.

C. The Company may, without "Cause" (as defined in paragraph E below), terminate this Agreement at any time by giving to Employee written notice and such termination shall be effective on the date specified by the Company. At the option of the Company, Employee shall immediately cease performing his duties hereunder upon receipt of the notice. For all purposes of this Agreement, it shall be deemed that the Company terminated this Agreement without cause if this Agreement expires at the end of the initial or any extended term of this Agreement as a result of a notice from the Company not to extend the term of this Agreement. If terminated without Cause pursuant to this paragraph C, Employee shall continue to receive his full base salary and related fringe benefits for twelve (12) months following Employee's termination and all outstanding stock options, restricted stock grants and stock appreciation rights held by Employee at the time shall become immediately vested except that none of these benefits shall apply in the event of termination without Cause after a Change in Control, in which event, the provisions of Item 4C, 4D and 4H shall apply.

D. Employee may terminate this Agreement immediately for "Good Reason". For purposes of this Agreement, Good Reason shall be defined as (i) failure of the Company to make any payment or provide any benefit to Employee hereunder, which failure is not cured within thirty (30) days after the Company's receipt of written notice of such default, or (ii) a material diminution of Employee's duties and responsibilities or his title without Employee's consent; provided, however, that a material diminution of duties shall not be deemed to have occurred if the Board determines to employ another chief financial officer in Employee's place, but Employee continues to serve as President, (iii) the imposition of a requirement on Employee to report to a new CEO or to another officer unless approved by Employee, or (iv) the principal location at which Employee is to perform his duties is relocated to a place more than fifty (50) miles from Las Vegas, Nevada. Any termination under this paragraph D shall take effect immediately upon the Company's receipt of written notice from Employee after the expiration of any applicable cure period. If Employee terminates this Agreement for "Good Reason" pursuant to this paragraph D, Employee shall continue to receive his full base salary and related fringe benefits for twelve (12) months following Employee's termination and all outstanding stock options, restricted stock grants and stock appreciation rights held by Employee at the time shall become immediately vested except that none of these benefits shall apply in the event of termination of employment by Employee for Good Reason after a Change of Control, in which event, the provisions of Item 4C, 4D and 4H shall apply.

E. The Company may terminate this Agreement immediately for "Cause". For purposes of this Agreement, "Cause" shall be defined as any of the following: (i) Employee shall commit a felony or other act involving moral turpitude, which other act is materially detrimental to the Company; (ii) Employee shall knowingly commit any act of prohibited conduct as set forth in Item 3 of this Agreement; (iii) Employee shall commit any act, specifically including but not limited to drug or alcohol abuse, which act is materially harmful to the Company, or which in the reasonable opinion of the Company's Board brings the Company into disrepute; (iv) Employee shall commit any act of fraud, dishonesty, theft or misappropriation, whether or not related to his activities on behalf of the Company, including providing false reports or accounts to the Company or deliberately making false statements about the Company, its services, employees, customers or suppliers; (v) intentional or repeated material neglect of Employee's duties; (vi) breach by Employee of any other material provision of this Agreement; (vii) Employee shall become the subject of a bankruptcy proceeding or otherwise make an arrangement or composition with creditors generally; (viii) Employee shall engage in anti-social behavior (such as fighting, indecency, harassment, sexual or racial harassment or discrimination, intimidation of others, physical violence or assault) during the course of performing duties for the Company or against another employee outside of work; (ix) Employee shall have possession of illegal drugs at the Company's workplace; or (x) Employee shall perform duties in a negligent or dangerous manner which causes or is likely to cause material loss or injury. This Agreement may not be terminated by the Company under subclause (v), (vi) or (x) of this Item unless and until the Company has provided Employee with written notice of such violative conduct and Employee has failed to cure (or fails to commence and thereafter diligently pursue the cure) such act within thirty (30) days after Employee's receipt of such written notice; provided, however, that no right to cure shall be available for a second or subsequent violation of the same provision within any twelve (12) month period. Any termination under this paragraph E shall take effect immediately upon Employee's receipt of written notice from the Company or expiration of any applicable cure period, whichever is later. The failure of the Company to terminate this Agreement for cause as a result of any of the foregoing at any one or more times shall not affect the Company's ability to terminate this Agreement for cause as a result of the subsequent occurrence of any act giving rise to "cause" hereunder, provided that Employee is still provided with a notice to cure if applicable in accordance with the above.

F. Upon termination, Employee shall have no obligation to provide any additional services, and except as expressly provided above, the Company shall only be obligated pay to Employee the portion of any amounts due as of the termination date, together with all unreimbursed out-of-pocket expenses incurred by Employee.

G. *Termination of Employee's Obligations.* Employee's obligations under Item 7 of this Agreement shall survive the expiration of the term of this Agreement without renewal and termination of Employee's employment as provided in such Item.

H. *Resignation of Positions upon Termination.* On the termination of this Agreement for any reason whatsoever, Employee shall at the request of the Company immediately resign (without prejudice to any claims which Employee may have against the Company arising out of this Agreement or the termination thereof) from all and any offices which Employee may hold as an officer or member of the Board of the Company and from all other appointments or offices which Employee holds as a nominee or representative of the Company and if Employee should fail to do so, the Company is hereby irrevocably authorized to appoint another person in Employee's name and on Employee's behalf to sign any documents or do any thing necessary or requisite to effect such resignation(s) and/or transfers.

I. *Termination Date.* For all purposes of this Agreement the "Termination Date" shall refer to the effective date of termination as set forth above.

7. *Restrictive Covenants.* As a material inducement to the Company's employment of Employee, the provisions of this Item 7 shall apply.

A. For purposes of this Item, the following terms and provisions shall have the following meanings:

(i) "Prohibited Time Period" shall mean the period beginning on the date of execution hereof and ending on the date that is twelve (12) months after the termination of employment for any reason whatsoever of Employee.

(ii) "Prohibited Business" shall mean the business of providing charter or scheduled airline service.

(iii) "Prohibited Geographic Area" shall mean the conduct of the Prohibited Business to or from markets in the states of California, Nevada, Florida or Arizona.

(iv) "Prohibited Capacity" shall mean service in the capacity of an executive or board member or in such other management position or as a significant equity owner, in all of which capacities Employee acknowledges that he has served and will serve the Company and its subsidiaries during the course of his employment for the Company.

(v) "Prohibited Party" shall mean all travel partners of the Company who (a) have contracted for regular chartered air service with the Company during the one (1) year period prior to the date of termination of employment, or (b) have been solicited as potential travel partners of the Company at a meeting held at any time during the one (1) year period prior to the date of termination of employment of Employee.

(vi) "Prohibited Employee" means any employee, independent contractor or consultant of the Company who worked for the Company at any time within six (6) months prior to the termination of employment of Employee.

(vii) The "Western United States" includes the states of Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming.

B. Employee agrees that during the Prohibited Time Period, he shall not, for any reason, without the prior written consent of the Company, on his own behalf or in the service or on behalf of others, serve in a Prohibited Capacity in the Prohibited Business in the Prohibited Geographic Area; provided, however, that this restriction shall not preclude Employee from working (in any capacity) for an airline that provided airline service to or from the Western United States or to or from Florida prior to 1990 so long as the airline is not headquartered within the Western United States.

C. Employee covenants and agrees that during the Prohibited Time Period, he shall not, for any reason, directly or indirectly (whether as officer, director, consultant, employee, representative, agent, partner, owner, stockholder or otherwise), (i) solicit charter air services from, or market charter air services to, any Prohibited Party, or (ii) enter into a transaction with such Prohibited Party as a result of which the Prohibited Party does, or is likely to, reduce the amount of business between the Prohibited Party and the Company.

D. Employee agrees that during the Prohibited Time Period, he shall not, for any reason, without the prior written consent of the Company, on his own behalf or in the service or on behalf of others, hire any Prohibited Employee or request or induce any Prohibited Employee to terminate that person's employment or relationship with the Company or to accept employment with any other person.

E. The parties agree that: (i) the covenants and agreements of Employee contained in this Item are reasonably necessary to protect the interests of the Company in whose favor said covenants and agreements are imposed in light of the nature of the Company's business and the professional involvement of Employee in such business; (ii) the restrictions imposed by this Item are not greater than are necessary for the protection of the Company in light of the substantial harm that the Company will suffer should Employee breach any of the provisions of said covenants or agreements; (iii) the covenants and agreements of Employee contained in this Item have been independently negotiated between the parties and served as a material inducement for the Company to enter into this Agreement; (iv) the period and geographical area of restriction referred to in this Item are fair and reasonably required for the protection of the Company; and (v) the nature, kind and character of the activities Employee is prohibited to engage in are reasonable and necessary to protect the Company in that the Company will rely on Employee for those important aspects of its business.

F. Employee acknowledges that a material breach by Employee of any part of this Item will result in irreparable and continuing damage to the Company and any material breach or threatened breach of the covenants provided in this Item shall be subject to specific performance by temporary as well as permanent injunction or any other equitable remedies of any court of competent jurisdiction.

G. The covenants and agreements on the part of Employee contained in this Item shall be construed as agreements independent of any other agreement between Employee and the Company. The existence of any claim or cause of action of Employee against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of each of such covenants and agreements or otherwise affect the remedies to which the Company is entitled hereunder.

H. If the provisions of this Item 7 should ever be adjudicated to exceed the time, geographic or other limitations permitted by applicable law in any jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic or other limitation permitted by applicable law.

I. Nothing contained in this Item shall restrict Employee from being a not more than 1% stockholder (but not an officer, director, employee, consultant or advisor) of any corporation that directly or indirectly competes with the Company provided the stock of such competing corporation is publicly held and listed on a national stock exchange.

8. *Confidential Information.*

A. During the period beginning on the execution date of this Agreement and ending on the third (3rd) anniversary of any termination or expiration of this Agreement, Employee agrees that he shall not, except in pursuit of the Company's business or with the prior written consent of the Company, for his own benefit or for the benefit of any other person or entity:

(i) directly or indirectly disclose, reveal, report, duplicate or transfer any Confidential Information to any other person or entity outside of the Company;

(ii) directly or indirectly aid, encourage, direct or allow any other person or entity outside of the Company to gain possession of or access to Confidential Information;

(iii) directly or indirectly copy or reproduce Confidential Information, except as required as part of Employee's duties; or

(iv) directly or indirectly use, sell or exploit any Confidential Information or aid, encourage, direct or allow any other person or entity to use, sell or exploit any Confidential Information.

This covenant shall not apply to any Confidential Information now or hereafter voluntarily disseminated by the Company to the public, or which otherwise has become part of the public domain through means other than a breach of Employee's duty of confidentiality hereunder. "Confidential Information", for purposes of this Agreement, shall mean information of the Company that constitutes a trade secret or confidential information under Nevada law and shall include, but not be limited to, all relevant information (whether or not reduced to writing and in any and all stages of development), concerning the Company and its services, plans, business practices, methods of operation, financial information, names or lists of names of employees, contractors, suppliers and customers, employee compensation and benefits, other personal employee information, interpretations, surveys, forecasts, marketing plans, development plans, notes, reports, market analyses, specialized software and databases and other information related to suppliers and customers that could be used as a competitive advantage by competitors if revealed or disclosed to such competitors or to persons or entities revealing or disclosing same to such competitors; together with any and all extracts, summaries and photo, electronic or other copies or reproductions, in whole or in part, stored in whatever medium. Employee acknowledges that the Confidential Information is secret, confidential and proprietary to the Company and has been or will be disclosed to and/or obtained by Employee in confidence and trust for the sole purpose of using the same for the sole benefit of the Company.

B. Employee hereby acknowledges and agrees that (i) the Company has expended considerable and substantial time, effort and capital resources to develop the Confidential Information, (ii) the Confidential Information is innovative and must receive confidential treatment to protect the Company's competitive position in the market and the Company's proprietary interest therein from irreparable damage, (iii) Employee, by virtue of his relationship with the Company, has had and will have access to the Confidential Information, and (iv) the Confidential Information and all physical embodiments or other repositories of the same shall be and at all times remain the sole and exclusive property of the Company.

C. Since irreparable harm will otherwise result to the Company in the event of a breach or threatened breach by Employee of the provisions of Item 8A, the Company shall be entitled to an injunction restraining Employee from disclosing, in whole or in part, any Confidential Information, or from rendering any services to any person, firm, company, association or other entity to whom such Confidential Information, in whole or in part, has been disclosed or is threatened to be disclosed.

9. *Company Property.*

A. Employee acknowledges that all recorded information, including without limitation all notes, memoranda, records, laboratory reports, documents, papers, computer disks, tapes or other storage media and all other papers and documents whatsoever which may have been prepared by Employee or have come into Employee's possession or control in the course of employment with the Company (the "Documents") and other materials owned or used by the Company shall at all times remain the sole property of the Company.

B. Employee agrees to promptly, upon request of the Company and in any event upon the termination of Employee's employment with the Company for any reason whatsoever, forthwith return to the Company all property whatsoever belonging to the Company including, without limitation, any laptop computer belonging to the Company, security passes, credit cards and all copies of the Documents which have come into Employee's possession or control in the course of employment with the Company and Employee shall not be entitled to and shall not retain any copies thereof.

10. *Professional Responsibility.*

A. Employee agrees that he will provide in connection with the performance of all services under this Agreement the skill and diligence normally provided by competent professionals in the performance of services similar to that contemplated by this Agreement.

B. Both parties acknowledge and agree that a fiduciary and confidential relationship has commenced and will continue to exist between them and that said relationship will continue during the term of this Agreement.

C. Employee represents that he has no conflicts of interest in rendering his professional services to the Company.

D. Employee shall not during the course of his employment (except as a representative or nominee of the Company or otherwise with the prior consent in writing of the Board) be directly or indirectly engaged, concerned or interested in any other business which: (i) is wholly or partly in competition with any business carried on by the Company by itself or in partnership, common ownership or as a joint venture with any third party; or (ii) is a supplier to or customer of the Company, provided that Employee may own not more than one percent (1%) of the issued shares of any company which is publicly held and listed on a national stock exchange or on the Nasdaq Stock Market.

E. Subject to any regulations from time to time issued by the Company, Employee shall not receive or obtain directly or indirectly any discount, rebate, commission or other inducement in respect of any sale or purchase of any goods or services effected or other business transacted (whether or not by Employee) by or on behalf of the Company and if Employee (or any firm or company in which Employee is directly or indirectly engaged, concerned or interested) shall obtain any such discount, rebate, commission or inducement, Employee shall account to the Company for the amount received by Employee or the amount received by such firm or company.

F. As an inducement to the Company to enter into this Agreement, Employee represents and warrants that: (i) he is not a party to any other agreement or obligation for personal services; (ii) there exist no impediments or restraints, contractual or otherwise, on Employee's power, right or ability to enter into this Agreement and to perform his duties and obligations hereunder; (iii) the performance of his obligations under this Agreement do not and will not violate or conflict with any agreement relating to confidentiality, non-competition or exclusive employment to which Employee is or was subject; and (iv) Employee has not been involved in any legal proceedings that would be required to be disclosed in response to Item 401(f) of Regulation S-K promulgated under the Securities Act of 1933, as amended. As an inducement to Employee to enter into this Agreement, the Company represents and warrants that there exist no impediments or restraints, contractual or otherwise, on the Company's power, right or ability to enter into this Agreement and to perform its duties and obligations hereunder.

11. *Privacy Waivers.*

A. The Company reserves the right to stop and search any employee or property of any employee when entering or leaving the Company's premises.

B. The Company reserves the right to monitor at any time telephone calls, electronic communications and information transmitted on Company networks or on computer equipment which is owned by the Company or on computers on Company premises that are used for Company business.

12. *Notice.* All notices required or sent hereunder shall be sent by personal delivery, overnight priority mail via a nationally recognized overnight delivery company, or by certified mail, return receipt requested to the address of the party entitled to receive the notice as set forth above. Notices sent in accordance with this paragraph shall be deemed received upon personal delivery, one (1) business day after delivery to a nationally recognized overnight delivery company or five (5) days after mailed, as aforesaid.

13. *Breach by the Company.* If there is a dispute regarding the payment of any sum by the Company hereunder, the Company shall not be deemed to have failed to have made a payment hereunder if pending the resolution of such dispute, the Company pays the amount in dispute into court or into an escrow account at the Company's bank or with the Company's counsel.

14. *Remedies Not Exclusive.* The rights, remedies and benefits herein expressly specified are cumulative and not exclusive of any rights, remedies or benefits which any party may otherwise have.

15. *Invalid Provisions.* The invalidity of any one or more of the clauses or words contained in this Agreement shall not affect the reasonable enforceability of the remaining provisions of this Agreement, all of which are inserted herein conditionally upon being valid in law; and in the event that one or more of the words or clauses contained herein shall be invalid, this instrument shall be construed as if such invalid words or clauses had not been inserted or, alternatively, said words or clauses shall be reasonably limited to the extent that the applicable court interpreting the provisions of this Agreement considers to be reasonable.

16. *Binding Effect.* This Agreement, as it relates to restrictions applicable to Employee, is a personal contract and the rights and interests of Employee hereunder may not be sold, transferred, assigned, pledged or hypothecated. However, this Agreement shall inure to the benefit of and be binding upon Company and its successors and assigns including, without limitation, any corporation or other entity into which Company is merged or which acquires all or substantially all of the outstanding ownership interests or assets of Company.

17. *Jurisdiction.* Each of the undersigned further agrees that any action or proceeding brought or initiated in respect of this Agreement may be brought or initiated in the United States District Court for the State of Nevada or in any District Court located in Clark County, Nevada, and each of the undersigned consents to the exercise of personal jurisdiction and the placement of venue in any of such courts, or in any jurisdiction allowed by law, in any such action or proceeding and further consents that service of process may be effected in any such action or proceeding in the manner provided in Section 14.065 of the Nevada Revised Statutes or in such other manner as may be permitted by law. Each of the undersigned further agrees that no such action shall be brought against any party hereunder except in one of the courts above named.

18. *Attorney's Fees.* In the event an action is taken by either party to enforce this Agreement or resolve a dispute in connection herewith, the prevailing party shall be entitled to recover the costs incurred with the prosecution and defense of such action, including reasonable attorney's fees.

19. *Miscellaneous.* This Agreement shall be construed under and governed by the laws of the State of Nevada other than its conflicts of laws principles. This Agreement contains the complete understanding of the parties with respect to the subject matter of this Agreement and supersedes that certain Employment Agreement dated as of July 31, 2006, between the parties and all other prior agreements, understandings and negotiations relating to the same subject matter. This Agreement may only be modified by a written instrument signed by each of the parties hereto. No provisions of this Agreement will be interpreted in favor of, or against, any of the parties hereto by reason of the extent to which any such party or its counsel participated in the drafting thereof or by reason of the extent to which any such provision is inconsistent with any prior draft hereof or thereof. Failure to require strict compliance with any term or provision of this Agreement shall not constitute a waiver of a party's right to insist upon strict compliance with each and every provision of this Agreement. No waiver of any terms and conditions of this Agreement shall be deemed to be a waiver of any subsequent breach of that or any other term of condition. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and same instrument. The provisions of Item 3 (the last paragraph), 4J, 6H, 7, 8, 9 and 12 through 19 shall survive the termination of this Agreement and Employee's employment with the Company. This Agreement may be executed by any party by delivery of a facsimile signature, which signature shall have the same force as an original signature. Any party which delivers a facsimile signature shall promptly thereafter deliver an originally executed signature to the other party; provided, however, that the failure to deliver an original signature page shall not affect the validity of any signature delivered by facsimile. The paragraph headings contained in this Agreement are for reference only and shall not be deemed to impart substantive meaning to any provision of this Agreement. Each party has had the opportunity to be represented by counsel of its choice in negotiating this Agreement. This Agreement shall therefore be deemed to have been negotiated and prepared at the joint request and direction of the parties, at arm's length, with the advice and participation of counsel, and shall be interpreted in accordance with its terms and without favor to any party.

IN WITNESS WHEREOF, this Agreement has been signed, sealed and delivered as of the date and year first above written.

EMPLOYEE:

ANDREW C. LEVY

COMPANY:

ALLEGIANT TRAVEL COMPANY

By: _____

Title: _____

QuickLinks

[Exhibit 10.22](#)

[EMPLOYMENT AGREEMENT](#)

**ALLEGIANT TRAVEL COMPANY
RESTRICTED STOCK
AGREEMENT**

This Restricted Stock Agreement (the "Agreement") is made as of the 16th day of October, 2009 ("Date of Grant") between Allegiant Travel Company, a Nevada corporation (the "Company") and ANDREW C. LEVY ("Grantee").

1. *RESTRICTED STOCK AWARDS.*

- A. The Company hereby grants to Grantee a total of Twenty-Seven Thousand Nine Hundred Twenty-Six (27,926) 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 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 employment with 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:

- A. On October 16, 2010, the Restrictions will expire with respect to one-third ($\frac{1}{3}$) of the Restricted Stock of the Grantee not forfeited prior to that date;
 - B. On October 16, 2011, the Restrictions will expire with respect to an additional one-third ($\frac{1}{3}$) of the Restricted Stock of the Grantee not forfeited prior to that date; and
-

C. On October 16, 2012, the Restrictions will expire with respect to the balance of the Restricted Stock of the Grantee not forfeited prior to that date.

Notwithstanding anything herein to the contrary, the following special vesting rules shall apply:

(i) All Restricted Stock of the 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.

(ii) All Restricted Stock of the Grantee shall become fully vested upon the termination of Grantee's employment by the Company without "Cause" or the termination of Grantee's employment with the Company by Employee for "Good Reason" ("Cause" and "Good Reason" as defined in that certain Employment Agreement between the Company and Grantee as of even date hereof).

(iii) In the event a Change of Control transaction is consummated as a result of a definitive agreement entered into by the Company prior to October 16, 2010, vesting of the Restricted Stock shall be accelerated to the extent of a percentage equal to the number of full months between the date of this grant and the date of execution of the definitive agreement for the Change of Control transaction divided by 12. By way of amplification, the terms of the preceding sentence shall apply if a definitive agreement for a Change of Control transaction is entered into prior to October 16, 2010 and if the Change of Control transaction contemplated by such definitive agreement is ultimately closed, whether or not closed prior to October 16, 2010. By way of example, if the definitive agreement for a Change of Control transaction is entered into as of April 30, 2010, six (6) full months shall have passed since the grant date and Employee shall be $\frac{6}{12}$ (or 50%) vested in the Restricted Stock granted hereunder. Upon any other Change of Control, any unvested Restricted Stock, to the extent not previously forfeited, shall automatically vest.

(iv) For purposes of subparagraph (iii) above, a "Change of Control" shall be deemed to have occurred if at any time after the date this Agreement is signed: (w) by any method, transaction or series of related transactions, more than 50% of the outstanding shares of Company or beneficial ownership thereof are acquired within a period of one year by a person or group (as defined in Section 13(d) of the Securities Exchange Act of 1934) other than the members of Company's Board of Directors, those persons who were more than 5% owners of the Company prior to the date of this Agreement, employees of the Company and any of their immediate family members and affiliates; (x) there is a merger or consolidation of the Company in which the Company is not the continuing or surviving entity or in which the stockholders of the Company immediately before such transaction do not own in the aggregate at least 50% of the outstanding voting shares of the continuing or surviving entity immediately after such transaction; (y) there is a merger or consolidation of the Company pursuant to which the Company's shares are converted into cash, securities or other property; or (z) the Company sells, leases or exchanges all or substantially all of its assets or the Company's stockholders approve the liquidation or dissolution of 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 or her 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 October 16, 2009, 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 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 in the employ of the Company and does not interfere with the right of the Company to terminate Grantee's employment at any time.

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 or her 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 or her 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.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

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.

Name: ANDREW C. LEVY

Address: 508 Royalton Drive
Las Vegas, Nevada 89144

QuickLinks

[Exhibit 10.23](#)

[ALLEGIANT TRAVEL COMPANY RESTRICTED STOCK AGREEMENT](#)

ALLEGIANT TRAVEL COMPANY
STOCK APPRECIATE RIGHTS AGREEMENT

THIS STOCK APPRECIATION RIGHTS AGREEMENT (the "Agreement") is made and entered into as of October 16, 2009 (the "Effective Date"), between ALLEGIANT TRAVEL COMPANY, a Nevada corporation (the "Company") and Andrew C. Levy (the "Participant").

THE PARTIES AGREE AS FOLLOWS:

1. Long Term Incentive Plan. The exercise of the Stock Appreciation Rights granted under this Agreement shall be subject to the terms, conditions and restrictions of the Allegiant Travel Company 2006 Long-Term Incentive Plan (the "Plan"). A copy of the Plan is available to Participant 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 Stock Appreciation Rights. The Company hereby grants to Participant pursuant to the Plan stock appreciation rights (the "SARs") with respect to seventy-five thousand (75,000) shares (the "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. The SARs consist of the right to receive, upon exercise of the SAR (or any portion thereof) a number of shares of Common Stock equal to (x) the number of SARs being exercised multiplied by the excess of the Fair Market Value (as defined in the Plan) of the Common Stock on the date upon which the Participant exercises the SAR (or any portion thereof) over the Exercise Price, with the result divided by (y) the Fair Market Value of the Common Stock on the date of such exercise. The SARs shall not be settled in cash or in any property other than shares of Common Stock in the Company.

3. Exercise Price. The exercise price (the "Exercise Price") for the SARs covered by this Agreement shall be \$38.65 per share.

4. Adjustment of SARs. The Committee shall adjust the number of Shares subject to the SARs and the Exercise Price of the SARs in certain circumstances in accordance with the provisions of Item 11 of the Plan.

5. Exercise of SARs.

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

Vesting Schedule

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

All SARs of the Participant shall become fully vested upon the termination of the Participant's employment by the Company without "Cause" or the termination of the Participant's employment with the Company by Employee for "Good Reason" ("Cause" and "Good Reason" as defined in that certain Employment Agreement between the Company and the Participant as of even date hereof).

In the event a Change of Control transaction is consummated as a result of a definitive agreement entered into by the Company prior to October 16, 2010, vesting of the SARs shall be accelerated to the extent of a percentage equal to the number of full months between the date of this grant and the date of execution of the definitive agreement for the Change of Control transaction divided by 12. By way of amplification, the terms of the preceding sentence shall apply if a definitive agreement for a Change of Control transaction is entered into prior to October 16, 2010 and if the Change of Control transaction contemplated by such definitive agreement is ultimately closed, whether or not closed prior to October 16, 2010. By way of example, if the definitive agreement for a Change of Control transaction is entered into as of April 30, 2010, six (6) full months shall have passed since the grant date and Employee shall be $\frac{6}{12}$ (or 50%) vested in the SARs granted hereunder. Upon any other Change of Control, any unvested SARs, to the extent not previously forfeited, shall automatically vest.

B. *Partial Exercise.* Subject to the terms of the Plan, the SARs (to the extent vested as provided in Paragraph 5A above) may be exercised in whole or in part.

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

D. *Nonassignability of SARs.* The SARs shall not be assignable or transferable by the Participant 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 Participant, the SARs shall be exercisable only by the Participant. Any attempt to assign, pledge, transfer, hypothecate or otherwise dispose of the SARs, and any levy of execution, attachment or similar process on the SARs, shall be null and void.

E. *Termination of Employment other than as a Result of Death or Disability.* If Participant ceases to be an Employee other than as a result of Participant's death or disability (as defined in Paragraph F below), then the SARs shall be exercisable only to the extent exercisable (*i.e.*, vested) on the date of termination of employment or to the extent the SARs become exercisable on the date of termination as provided in Paragraph 5A above. In such event, the vested SARs must be exercised on or before the date that is one hundred eighty (180) days after the effective date of termination of employment. To the extent any portion of the SARs is not exercisable (*i.e.*, not vested after consideration of any acceleration of vesting pursuant to Paragraph 5A above) on the date of termination of employment, such nonvested portion of the SARs shall terminate on the date of termination of employment. To the extent any portion of the SARs is not exercised on or before the date that is one hundred eighty (180) days after the date of termination of employment, such portion of the SARs 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 Participant or shall interfere or restrict in any way the rights of the Company to discharge Participant 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 Participant while in the employ of the Company, the personal representative of the Participant (in the event of Participant's death) or the Participant (in the event of Participant's disability) may, subject to the provisions hereof and before the earlier of the SARs' expiration date or the expiration of one (1) year after the date of such death or disability, exercise the SARs granted to the Participant to the same extent the Participant might have exercised such SARs on the date of Participant's death or disability (*i.e.*, to the extent then vested), but not further or otherwise. To the extent any portion of the SARs is not exercisable at the date of the death or disability of the Participant (*i.e.*, to the extent not then vested), such nonvested portion of the SARs shall terminate on the date of death or disability. To the extent any portion of the SARs is not exercised within the time period provided, such portion of the SARs shall terminate as of the date of expiration of such time period. For purposes of this Paragraph F, the Participant shall be considered to be subject to a disability when the Participant 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 Participant performed services for the Company.

G. *Period to Exercise SARs.* The SARs granted hereunder may, prior to their expiration or termination, be exercised from time to time, in whole or in part, up to the total number of Shares with respect to which they shall have then become exercisable. The SARs granted hereunder may become exercisable in installments as determined by the Committee; provided, however, that if the SARs is exercisable in more than one installment, and if the employment of the Participant is terminated, then the SARs (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 SARs 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 exercise of any portion or all of the SARs, the Company will issue to Participant shares of Common Stock based on the Fair Market Value of the Common Stock on the date of exercise as provided in Item 2 above; provided, however, that no stock certificate shall be issued to the Participant pursuant to the exercise of any SARs granted herein, in whole or in part, unless and until either: (i) the Shares have been registered in accordance with the rules of the SEC, or (ii) Participant signs an Investment Letter in a form provided by the Company. No fractional Shares shall be issued upon the exercise of the SARs in whole or in part. The number of Shares issuable shall be rounded to the nearest whole number (with one-half share being rounded up to the next higher whole number).

6. *Restriction on Issuance of Shares; Participant'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 SARs unless and until 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.

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

PARTICIPANT:

ALLEGIANT TRAVEL COMPANY

(SEAL) By:

ANDREW C. LEVY

Its:

Address: 508 Royalton Drive
Las Vegas, Nevada 89144

QuickLinks

[Exhibit 10.24](#)

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

*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.*

AIRCRAFT SALE AND PURCHASE AGREEMENT

Dated as of December 30, 2009

BETWEEN

**SCANDINAVIAN AIRLINES SYSTEM
DENMARK—NORWAY—SWEDEN**
as Seller

and

ALLEGIANT TRAVEL COMPANY
as Buyer

EIGHTEEN (18) MCDONNELL DOUGLAS MD-80 SERIES AIRCRAFT
bearing Manufacturer's Serial Numbers 49381, 49385, 49420, 49421,
49424, 49436, 49437, 49438, 49608, 49610, 49612, 49614, 49615,
53008, 53275, 53347, 53348, and 53366

FAFINSKI MARK & JOHNSON, P.A.
Flagship Corporate Center
775 Prairie Center Drive, Suite 400
Eden Prairie, MN 55344

TABLE OF CONTENTS

ARTICLE 1: DEFINITIONS	1
ARTICLE 2: AGREEMENT TO SELL AND PURCHASE	4
ARTICLE 3: PURCHASE PRICE AND TAXES	4
3.1 Purchase Price	4
3.2 Engine Cycle Adjustment	4
3.3 Tax Liabilities	5
3.4 Gross-Up	5
3.5 No Adjustments	5
ARTICLE 4: PAYMENT	5
4.1 Payment of Purchase Price	5
4.2 Seller's Bank Account	5
ARTICLE 5: DELIVERY AND ACCEPTANCE	5
5.1 Scheduled Delivery Date	5
5.2 Pre-Delivery Maintenance	5
5.3 Delivery Location	6
5.4 Delivery Condition of Aircraft	6
5.5 Engine Borescope Inspections	6
5.6 Full Take-Off Power Engine Run-Ups	6
5.7 Aircraft Inspections	6
5.8 Ferry Flights	8
5.9 MTOW Upgrades	9
5.10 Engine Model Conversions	9
5.11 Aircraft Documentation Review Period	10
5.12 Acceptance of Aircraft	11
5.13 Post-Delivery Costs	11
5.14 Aircraft or Engine Swap	11
5.15 Seller Return Items	12
ARTICLE 6: CONDITIONS PRECEDENT	12
6.1 Conditions Precedent to Obligations of Buyer	12
6.2 Conditions Precedent to Obligations of Seller	12

ARTICLE 7: REPRESENTATIONS, WARRANTIES AND COVENANTS	13
7.1 Representations, Warranties and Covenants of Seller	13
7.2 Representations, Warranties and Covenants of Buyer	14
ARTICLE 8: EXCLUSION OF LIABILITY	14
8.1 "As Is, Where Is"	15
8.2 Waiver of Warranty of Description	15
8.3 Buyer Waiver	16
8.4 Conclusive Proof	16
8.5 No Seller Liability for Losses	16
8.6 No Liability to Repair or Replace	16
8.7 No Waiver	16
8.8 Seller's Obligations Survive Delivery	16
ARTICLE 9: INDEMNIFICATION	16
9.1 Indemnification by Buyer	16
9.2 Indemnification by Seller	17
ARTICLE 10: INSURANCE AND RISK OF LOSS	17
10.1 Minimum Coverage	17
10.2 Contents of Policies	17
10.3 Part-Out Aircraft	17
10.4 Certificates of Insurance	18
10.5 Risk of Loss after Delivery	18
ARTICLE 11: THIRD PARTY WARRANTIES	18
ARTICLE 12: EVENTS OF DEFAULT AND REMEDIES	18
12.1 Events of Default	18
12.2 Remedies	19
ARTICLE 13: TERMINATION	19
ARTICLE 14: NOTICES	20
ARTICLE 15: MISCELLANEOUS	20
15.1 Confidentiality	20
15.2 Rights of Parties	21
15.3 Brokers	21
15.4 Further Assurances	21
15.5 Use of Word "including"	21

15.6	Headings	21
15.7	Invalidity of any Provision	21
15.8	Time is of the Essence	21
15.9	Amendments in Writing	21
15.10	Counterparts	21
15.11	Delivery of Documents by Fax	22
15.12	Non-Waiver	22
15.13	Entire Agreement	22
15.14	Binding Effect	22
15.15	Transaction Costs and Expenses	22
15.16	Assignment	22
15.17	Survival of Representations, Warranties and Covenants	23
15.18	Governing Law	23
15.19	Consent to Jurisdiction	23
EXHIBIT A: DESCRIPTION OF AIRCRAFT		
EXHIBIT B: FINANCIAL PROVISIONS		
EXHIBIT C: DELIVERY CONDITIONS		
EXHIBIT D: FORM OF TECHNICAL ACCEPTANCE CERTIFICATE		
EXHIBIT E: FORM OF AIRCRAFT DELIVERY RECEIPT		
EXHIBIT F: FORM OF WARRANTY BILL OF SALE		
EXHIBIT G: AIRCRAFT DOCUMENTATION		
EXHIBIT H: TEST FLIGHT PROCEDURES		
EXHIBIT I: SEATING CONFIGURATION		
EXHIBIT J: SELLER RETURN ITEMS		

AIRCRAFT SALE AND PURCHASE AGREEMENT

This AIRCRAFT SALE AND PURCHASE AGREEMENT dated as of the 30th day of December, 2009, is between SCANDINAVIAN AIRLINES SYSTEM, DENMARK—NORWAY—SWEDEN, a consortium duly organized and existing under the laws of Denmark, Norway and Sweden ("**Seller**"), and ALLEGIANT TRAVEL COMPANY, a Nevada corporation ("**Buyer**").

WITNESSETH:

WHEREAS, Seller owns the Aircraft that are the subject matter of this Agreement; and

WHEREAS, Buyer desires to purchase the Aircraft from Seller, and Seller is willing to sell the Aircraft to Buyer, on the terms and subject to the conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants of the parties set forth herein, and for other good and valuable consideration the adequacy and receipt of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1: DEFINITIONS

The following terms shall have the following respective meanings for all purposes of this Agreement:

"**Agreement**" means this Aircraft Sale and Purchase Agreement.

"**Aircraft**" means, individually or collectively, as the case may be, those certain eighteen (18) McDonnell Douglas MD-80 Series aircraft, bearing manufacturer's serial numbers 49381, 49385, 49420, 49421, 49424, 49436, 49437, 49438, 49608, 49610, 49612, 49614, 49615, 53008, 53275, 53347, 53348, and 53366, as more particularly described in *Exhibit A* hereto, including their respective airframes, the Engines, and all parts, components, appliances, accessories, instruments, furnishings, alterations and other items of equipment installed in or attached to such Aircraft at Delivery or removed therefrom, so long as title to such removed item(s) is vested in Seller, and includes, where the context permits, the Aircraft Documentation, but excluding their respective Seller Return Items.

"**Aircraft Delivery Receipt**" means with respect to each Aircraft an Aircraft Delivery Receipt substantially in the form attached hereto as *Exhibit B*.

"**Aircraft Documentation**" means with respect to each Aircraft all log books, manuals, data and inspection, modification, maintenance and overhaul records (including historical records) required by EASA and available to and in the possession of the Seller, including, but not limited to, the aircraft documentation set forth in Part I to *Exhibit G* hereto.

"**Airworthiness Directives**" or "**ADs**" means all airworthiness directives of the FAA.

"**Applicable Law**" means, without limitation, all applicable laws, treaties, international agreements, decisions and orders of any court, arbitration or governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority.

"**APU**" mean an auxiliary power unit.

"**Base Price**" means with respect to each Aircraft the amount relating to such Aircraft as set forth in *Exhibit B*, such amount being the sum of the Airframe Price, Engine #1 Price, and Engine #2 Price as each is set forth with respect to such Aircraft in *Exhibit B*.

"**Bills of Sale**" means, collectively, the Warranty Bill of Sale and the FAA Bills of Sale with respect to each Aircraft.

"**Business Day**" means a day other than a Saturday or Sunday on which the banks in the U.S. and Sweden are open for the transaction of business of the type required by this Agreement.

"**Buyer Indemnitees**" means Buyer and Buyer's officers, directors, shareholders, employees, affiliated companies, successors, and permitted assignees.

"**Cape Town Convention**" means, together, the official English text of each of the Convention on International Interests in Mobile Equipment and the Protocol thereto on Matters Specific to Aircraft Equipment each as opened for signature on 16 November 2001 at Cape Town, South Africa.

"**Certificate of Insurance**" has the meaning set forth in Section 10.4 hereof.

"**Default Interest**" means interest calculated at a per annum rate (based on a three hundred sixty (360) day year) which is equal to six percent (6%) plus the Prime Rate in effect on the date on which the amount was originally due through the date the amount actually is received at Seller's Bank Account. Default Interest will accrue on a day-to-day basis and be compounded monthly.

"**Delivery**" means the conveyance of the Aircraft by Seller to Buyer in accordance with the terms of this Agreement.

"**Delivery Binder**" shall mean with respect to each Aircraft a binder provided by Seller that shall include copies of all aircraft documentation set forth in Part I of *Exhibit G* hereto.

"**Delivery Condition**" has the meaning set forth in Section 5.4 hereof.

"**Delivery Date**" means the date that Delivery occurs hereunder.

"**Delivery Location**" has the meaning set forth in Section 5.3 hereof.

"**Dollar**" or "\$" means the lawful currency of the United States of America.

"**Effective Date**" means the date of this Agreement.

"**Engine**" or "**Engines**" means, individually or collectively, as the case may be, those certain Pratt & Whitney JT8D Series engines (including all components, equipment and parts installed thereon or removed therefrom) whose engine manufacturer's serial numbers are set out in *Exhibit A* hereto.

"**Engine Conversion Fee**" has the meaning set forth in Section 5.10 hereof.

"**Engine Conversion Kit**" has the meaning set forth in Section 5.10 hereof.

"**European Inspection**" has the meaning set forth in Section 5.7(a) hereof.

"**Event of Default**" has the meaning set forth in Section 12.1 hereof.

"**Event of Loss**" means (i) the hijacking, theft, or requisition of an Aircraft, including title to such Aircraft, or the seizure, arrest, detention or confiscation of an Aircraft by any Person or government or by Persons acting or purporting to act on behalf of any government, unless in any case such Aircraft is released within thirty (30) days, and (ii) the actual or constructive total loss, destruction, damage beyond economic repair, or permanent unfitness for the normal use of an Aircraft for any reason whatsoever.

"**Excusable Delay**" means any failure of or delay by Seller in the delivery of an Aircraft for the period that such failure or delay is due to any force majeure condition, acts of nature, war, insurrection or riots, fire, explosion or serious accident, governmental priorities or allocation, strike or labor dispute, inability to obtain Aircraft materials, accessories, equipment, or parts from the vendors, or any other cause which, in each case, is beyond Seller's control.

"**Expenses**" has the meaning set forth in Section 9.1 hereof.

"**FAA**" means the Federal Aviation Administration of the Department of Transportation of the United States of America, or any successor thereto under the Laws of the United States of America.

"**FAA Bills of Sale**" means two duly-executed originals of an FAA Form 8050-2 aircraft bill of sale suitable for filing and recording with the FAA relating to an Aircraft hereunder.

"**Ferry Flight**" has the meaning set forth in Section 5.8 hereof.

"**Initial Delivery Binder**" shall mean with respect to each Aircraft a CD-ROM provided by Seller that shall include copies of all aircraft documentation set forth in Part II to *Exhibit G* hereto.

"**In-Service Aircraft**" means, individually or collectively, as the case may be, those certain Aircraft designated as "In-Service Aircraft" in *Exhibit A*.

"**International Registry**" means the International Registry of Mobile Assets organized pursuant to the Cape Town Convention.

"**Law**" means any of the following: (a) any statute, decree, constitution, regulation, order or any directive of any government entity, (b) any treaty, pact, compact or other agreement to which any government entity is a signatory or party, and (c) any judicial or administrative interpretation or application of any of the foregoing.

"**Manufacturer**" means Douglas Aircraft Company, a division of McDonnell Douglas Corporation, which was merged into The Boeing Company.

"**Material Damage**" has the meaning set forth in Section 13(b) hereof.

"**MTOW Fee**" has the meaning set forth in Section 5.9 hereof.

"**MTOW Kit**" has the meaning set forth in Section 5.9 hereof.

"**Part-Out Aircraft**" means, individually or collectively, as the case may be, those certain Aircraft designated as "Part-Out Aircraft" in *Exhibit A*.

"**PDM**" has the meaning set forth in Section 5.2 hereof.

"**Person**" means any individual, firm, partnership, joint venture, trust, corporation, government entity, committee, department, authority or any body, incorporated or unincorporated, whether having distinct legal personality or not.

"**Prime Rate**" means the rate of interest from time to time announced by the Bank of New York in New York as its prime commercial lending rate.

"**Purchase Price**" has the meaning set forth in Section 3.1 hereof.

"**Records Inspection Period**" has the meaning set forth in Section 5.11 hereof.

"**Records Premium**" means the amount set forth in *Exhibit B* hereof relating to each In-Service Aircraft.

"**Scheduled Delivery Date**" has the meaning set forth in Section 5.1 hereof.

"**Seller Indemnitees**" means Seller its officers, directors, shareholders, employees, affiliated companies, successors, and permitted assignees.

"**Seller's Bank Account**" has the meaning set forth in Section 4.3 hereof.

"**Seller Return Items**" means those items owned by Seller as set forth in *Exhibit J*.

"**Taxes**" means all taxes, duties, levies, imposts, withholdings, or fees of any kind which may be assessed or levied against a party by any Taxing Jurisdiction as a result of the sale, transfer or delivery of the Aircraft to Buyer or the registration, ownership, possession, control, operation, use or

importation of the Aircraft by Buyer, including without limitation, all sales, use, retailer, transfer, income, value added, or other excise taxes, or any tax that results from the gross negligence or willful misconduct of the Buyer or any of its constituent members or an affiliate thereof or the inaccuracy or breach of any representation, warranty or covenant of the Buyer contained in this Agreement; provided, however, that "Taxes" shall not include (A) any taxes, duties, levies, imposts, withholdings or fees of any kind which may be assessed or levied against any Seller Indemnitee by any Scandinavian (Sweden, Denmark or Norway) or Spanish Taxing Jurisdiction as a result of (i) the sale, transfer or delivery of the Aircraft from Seller to Buyer, or (ii) the deregistration or ownership of the Aircraft prior to Delivery, or (iii) exportation of the Aircraft, in all cases assessed or levied by such Scandinavian or Spanish Taxing Jurisdiction, (B) any taxes, duties, levies, imposts, withholdings or fees of any kind which may be assessed or levied relating to any sale, transfer or delivery of the Aircraft prior to Delivery and sale of the Aircraft to Buyer, (C) any tax that results from the gross negligence or willful misconduct of the Seller or any of its constituent members or an affiliate thereof or the inaccuracy or breach of any representation, warranty or covenant of the Seller contained in this Agreement, or (D) any taxes, duties or impositions based on, or imposed with reference to, the income of the Seller or any Seller Indemnitee.

"**Taxing Jurisdiction**" means any federal, state, county, local, airport, district, foreign, or other governmental authority or agency that imposes Taxes.

"**Test Flight**" has the meaning set forth in Section 5.7(c) hereof.

"**U.S.**" means the United States of America.

"**U.S. Inspection**" has the meaning set forth in Section 5.7(b) hereof.

"**Warranty Bill of Sale**" means the warranty bill of sale relating to an Aircraft in the form of *Exhibit F* hereto.

ARTICLE 2: AGREEMENT TO SELL AND PURCHASE

Subject to Article 6 hereof, Seller agrees to sell and deliver the Aircraft to Buyer, and Buyer agrees to purchase and accept delivery of the Aircraft from Seller, in accordance with and subject to the terms and conditions set forth in this Agreement.

ARTICLE 3: PURCHASE PRICE AND TAXES

- 3.1 **Purchase Price.** The purchase price for each Aircraft to be paid by Buyer to Seller is set forth in *Exhibit B* hereto, which may be reduced pursuant to Section 3.2, and subject to the provisions of Section 5.11 below (the "**Purchase Price**").
- 3.2 **Engine Cycle Adjustment.** If the total cycles of an Engine at Delivery is greater than the total cycles of such Engine as set forth in *Exhibit A* hereto, then the Purchase Price or Base Price (as applicable) of such Aircraft shall be decreased by an amount equal to [...****...] multiplied by the difference between the total cycles at Delivery and the total cycles of such Engine as set forth in *Exhibit A* hereto.

*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.*

- 3.3 **Tax Liabilities.** The Purchase Price and all other payments to be made by Buyer to Seller under this Agreement are exclusive of all Taxes. Buyer hereby agrees to promptly pay, and indemnify each Seller Indemnitee against, any and all Taxes. Notwithstanding the foregoing, if a claim is made against Seller for Taxes with respect to which Buyer is liable for a payment or indemnity under this Agreement, Seller will promptly give Buyer notice in writing of such claim provided, however, that Seller's failure to give notice will not relieve Buyer of its obligations hereunder unless such failure materially impairs or precludes Buyer's ability to contest the claim. So long as (i) a contest of such Taxes does not involve any substantial danger of the sale, forfeiture or loss of the Aircraft or any interest therein, (ii) if Seller so requests, Buyer has provided Seller with an opinion of independent tax counsel that a reasonable basis exists for contesting such claim and (iii) an adequate bond has been posted, then Seller at Buyer's written request will in good faith, with due diligence and at Buyer's expense, contest (or permit Buyer to contest in the name of Buyer or Seller) the validity, applicability or amount of such Taxes. Seller will provide Buyer with such information as Buyer may reasonably request to enable independent counsel to issue an opinion and to enable Buyer to contest such Taxes in Buyer's or Seller's name.
- 3.4 **Gross-Up.** The amount of any payment to be made by Buyer to Seller hereunder, including, without limitation, payments in respect of the Purchase Price, will be made free and clear of all set-offs, withholdings, counterclaims, Taxes, fees and duties.
- 3.5 **No Adjustments.** Except as described in this Agreement or otherwise agreed between Seller and Buyer in writing, no adjustments will be made to any amount owing hereunder based on the maintenance status or condition of the Aircraft based on any other fact, circumstance or situation whatsoever, whether contemplated or unforeseeable.

ARTICLE 4: *PAYMENT*

- 4.1 **Payment of Purchase Price.** Not less than one (1) Business Day prior to the Delivery Date of an Aircraft hereunder, Buyer shall pay, in readily available cash, the full amount of the Base Price for such Aircraft, subject to Section 3.2 hereof.
- 4.2 **Seller's Bank Account.** The Purchase Price and other payments due from Buyer to Seller under this Agreement will be paid by wire transfer of immediately available U.S. Dollar funds to the following bank account, or to such other bank account as Seller may from time to time designate by written notice ("**Seller's Bank Account**"):

[...***...]

ARTICLE 5: *DELIVERY AND ACCEPTANCE*

- 5.1 **Scheduled Delivery Date.** The Scheduled Delivery Date for an Aircraft hereunder shall be the date set forth in *Exhibit A* relating to such Aircraft, or such other date as may be mutually agreed between Buyer and Seller (each a "**Scheduled Delivery Date**").
- 5.2 **Pre-Delivery Maintenance.** Seller shall, at one (1) week intervals during the pre-delivery maintenance (the "**PDM**") of an Aircraft hereunder, provide Buyer with formal Ferry Flight and delivery date forecasts and updates, as well as information on the scope of the PDM being completed.

*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.*

- 5.3 **Delivery Location.** The Delivery Location for each Aircraft shall be Kingman, Arizona, or such other location within the continental U.S. as may be mutually agreed between Buyer and Seller (each a "**Delivery Location**"). Buyer shall notify Seller of the Delivery Location of an Aircraft hereunder at least thirty (30) days in advance of the Scheduled Delivery Date relating to such Aircraft, provided, however, that should the Scheduled Delivery Date of an Aircraft be less than thirty (30) days from the Effective Date of this Agreement, then Buyer shall notify the Seller of the Delivery Location for all such Aircraft no later than the Effective Date of the Agreement.
- 5.4 **Delivery Condition of Aircraft.** At the time of the European Inspection (as defined below), the Seller shall tender each Aircraft to Buyer in the condition set forth in *Exhibit C* ("**Delivery Condition**"), and, at Delivery, each Aircraft shall be delivered to Buyer by Seller in an "AS IS, WHERE IS" condition, subject to the "agreed action" to be taken with respect to any discrepancies noted in the Technical Acceptance Certificate and the Aircraft Delivery Receipt and as otherwise set forth in Sections 5.7(d) and 5.11.
- 5.5 **Engine Borescope Inspections.** At or prior to the commencement of the European Inspection relating to each Aircraft, and with at least five (5) Business Days prior notice to Buyer, Seller shall, at Seller's cost and expense, perform a full hot and cold section video borescope inspection of each Engine relating to such Aircraft in accordance with the Engine manufacturer's maintenance manuals. Buyer's representative may be present for such inspection. Following such borescope inspection, Seller shall (i) document the borescope inspection results in a separate written protocol listing each discrepancy found during such borescope inspection which exceeds maintenance manual limits and provide such protocol to Buyer, with such protocol to be signed by a representative of both Seller and Buyer, and (ii) provide a copy of such video borescope to the Buyer's representative.
- 5.6 **Full Take-Off Power Engine Run-Ups.** At or prior to the commencement of the European Inspection relating to each Aircraft, and with at least five (5) Business Days prior notice to Buyer, Seller shall accomplish, at Seller's cost and expense, a full take-off power Engine run-up (each an "**EMP Run-Up**"). Buyer's representative may be present during the EMP Run-Up and Seller shall document the EMP Run-Up in a separate written protocol listing each discrepancy found during any such EMP Run-Up which exceeds maintenance manual limits (if any) and provide such protocol to Buyer, with such protocol to be signed by a representative of both Seller and Buyer.
- 5.7 **Aircraft Inspections.**
- (a) **European Inspection of the Aircraft.** Buyer's initial inspection of an Aircraft (the "**European Inspection**") shall be completed no later than (i) ten (10) Business Days following Seller's tender of such Aircraft to the Buyer for Buyer's commencement of the European Inspection relating to such Aircraft, or (ii) fifteen (15) Business Days prior to the Scheduled Delivery Date relating to such Aircraft (whichever date is later), and will include, but not be limited to, a physical inspection of the Aircraft and an initial inspection of the Aircraft Documentation and such other inspections reasonably necessary to determine whether or not such Aircraft meets the Delivery Condition. Seller shall give Buyer at least five (5) Business Days prior notice of Seller's tender of an Aircraft to the Buyer for Buyer's commencement of the European Inspection relating to such Aircraft. Buyer may waive the physical inspection and satisfy the European Inspection by a review of the Aircraft Documentation as set forth above, provided that in such case the Seller shall have no responsibility or obligation with respect to any finding that the Buyer could have made during such physical inspection. Buyer's European Inspection shall, when completed, be confirmed in writing by Buyer to Seller by Buyer's execution and delivery to Seller of a Technical Acceptance Certificate relating to such Aircraft and any discrepancies found during the European Inspection and the agreed course of action with respect to any such discrepancies shall be listed in Annex 1 to such Technical Acceptance

Certificate with such Annex 1 to be signed by a representative of both the Seller and Buyer. As it relates to Part-Out Aircraft only, Buyer's acceptance of the condition of the Aircraft Documentation relating to any Part-Out Aircraft shall be based solely on a review of the aircraft documentation set forth in Section B010, Section F, Section G, and Section I of Part I to *Exhibit G* hereto relating to any such Part-Out Aircraft. In the event the Buyer fails to provide its acceptance or rejection of an Aircraft no later than (i) ten (10) Business Days following Seller's tender of such Aircraft to the Buyer for Buyer's commencement of the European Inspection relating to such Aircraft, or (ii) fifteen (15) Business Days prior to the Scheduled Delivery Date relating to such Aircraft (whichever date is later), the Buyer shall be deemed to have rejected the technical condition of such Aircraft and this Agreement as it relates solely to such rejected Aircraft shall automatically terminate with respect to such rejected Aircraft, whereupon Seller shall promptly return any amounts received from the Buyer relating to such Aircraft (subject to Sections 5.9 and 5.10 below) and thereafter the parties shall have no further obligations or liabilities hereunder with respect to such rejected Aircraft only. The European Inspection relating to an Aircraft shall be conducted, at the option of the Seller, at Oslo, Norway, Stockholm, Sweden, or Palma de Majorca, Spain, or such other location as Buyer and Seller may mutually agree. Buyer shall defend, hold harmless and indemnify the Seller Indemnitees with respect to any claim arising from the injury to or death of Buyer's representatives in conjunction with any inspection of an Aircraft pursuant to Sections 5.7(a) and (b) hereof.

- (b) **U.S. Inspection of the Aircraft.** Immediately upon the arrival of an Aircraft at the Delivery Location following the respective Ferry Flight, Buyer shall be permitted to inspect such Aircraft, such U.S. Inspection (hereinafter defined) to last no longer than two (2) Business Days. Such inspection shall be limited to a physical "walk around" inspection of such Aircraft, an inspection of the Aircraft's logbook (which shall contain, *inter alia*, Ferry Flight discrepancies, if any), and a front-end video borescope inspection of the Engines, in each case, to verify (i) that no damage has occurred to the Aircraft, (ii) that the Aircraft is in a similar condition as when the Buyer executed and delivered the Technical Acceptance Certificate relating to such Aircraft save for the rectification of any discrepancies in Annex 1 to the Technical Acceptance Certificate relating to such Aircraft and reasonable wear and tear relating to the Ferry Flight of such Aircraft, and (iii) that the Aircraft meets the Delivery Condition based on a review of the Test Flight protocol to be provided to Buyer pursuant to Section 5.7(c) below (the "**U.S. Inspection**"). The front-end video borescope inspection shall be performed by Buyer at Buyer's sole cost and expense and Buyer shall provide a copy of such video borescope inspection to Seller upon the conclusion of such borescope inspection. Seller may have representatives present at such U.S. Inspection. Buyer's U.S. Inspection shall, when completed, be confirmed in writing by Buyer to Seller by Buyer's execution and delivery to Seller of an Aircraft Delivery Receipt relating to such Aircraft and any discrepancies (i) remaining to be rectified from the Technical Acceptance Certificate, (ii) found during Buyer's review of the Test Flight protocol (as set forth in Section 5.7(c) below) and the Aircraft Logbook, and (iii) found during the U.S. Inspection shall be listed in Annex 1 to such Aircraft Delivery Receipt with such Annex 1 to be signed by a representative of both the Seller and Buyer. Buyer acknowledges that in accepting such Aircraft, Buyer is relying on its own inspection and knowledge of the Aircraft in determining whether the Aircraft meets the requirements of this Agreement.
- (c) **Test Flight.** Prior to Delivery of an Aircraft hereunder, Seller shall cause a test flight to be performed in accordance with Seller's test flight procedures as set forth in *Exhibit H* hereto (the "**Test Flight**"). Such Test Flight shall be conducted during the Ferry Flight relating to such Aircraft. Seller shall document the Test Flight in a separate written protocol where discrepancies (if any) are identified in writing to Buyer.

(d) **Notification and Corrective Action.**

- (i) **European Inspection Discrepancies.** Subject always to Section 5.14 hereof, any discrepancy noted by Buyer and Seller in accordance with Sections 5.5, 5.6, or 5.7(a) shall be corrected and repaired by Seller (at Seller's cost and expense) prior to the Ferry Flight relating to such Aircraft. In the event that any discrepancy noted by Buyer and the Seller in an Annex 1 to the Technical Acceptance Certificate relating to an Aircraft is not rectified prior to the Ferry Flight, then such discrepancy and agreed action shall be set forth in Annex 1 to the Aircraft Delivery Receipt relating to such Aircraft at its respective Delivery and any such discrepancies shall be corrected and repaired by Buyer after Delivery with Seller reimbursing Buyer for its direct costs (including transportation, removal, and installation) relating to any such correction or repairs. Notwithstanding the foregoing, in the event that the estimated mutually agreed cost of any such repairs or other work needed to rectify all such discrepancies for an Aircraft discovered during the European Inspection that do not relate to Engines, landing gear, or APU exceeds the amount of [...***...] in the aggregate, Seller may terminate this Agreement prior to the Ferry Flight with respect to only such affected Aircraft upon giving written notice thereof to Buyer whereupon Seller shall promptly return any amounts received from the Buyer relating to such Aircraft (subject to Sections 5.9 and 5.10 below) and thereafter the parties shall have no further obligations or liabilities hereunder with respect to such Aircraft only.
- (ii) **U.S. Inspection Discrepancies.** Subject always to Section 5.14 hereof, any discrepancy noted by Buyer and Seller in accordance with Sections 5.7(b) or 5.7(c) shall be corrected and repaired by Buyer with Seller reimbursing Buyer for its direct costs (including transportation, removal, and installation) relating to any such corrections or repairs. Notwithstanding the foregoing, in the event that the estimated mutually agreed cost of any such repairs or other work needed to rectify all such discrepancies for an Aircraft discovered during the U.S. Inspection exceeds the amount of [...***...] in the aggregate, Seller may terminate this Agreement prior to Delivery with respect to only such affected Aircraft upon giving written notice thereof to Buyer whereupon Seller shall promptly return any amounts received from the Buyer relating to such Aircraft (subject to Sections 5.9 and 5.10 below) and thereafter the parties shall have no further obligations or liabilities hereunder with respect to such Aircraft only.

5.8 **Ferry Flights.** Following the execution and delivery of the Technical Acceptance Certificate of an Aircraft, the Seller shall, at its sole cost, risk, and expense, ferry such Aircraft to the Delivery Location relating to such Aircraft (each a "**Ferry Flight**"). The Seller shall use its best efforts to conduct the Ferry Flight relating to an Aircraft as soon as possible following Buyer's execution of and delivery to Seller of the Technical Acceptance Certificate relating to such Aircraft save for reasonable time required for Seller to rectify any discrepancies to be rectified prior to the Ferry Flight as noted in Annex 1 to such Technical Acceptance Certificate.

*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.*

- 5.9 **MTOW Upgrades.** Prior to Delivery of an Aircraft, at the election of Buyer with written notice of such election to Seller, Seller shall purchase for Buyer a kit from the Manufacturer to increase the maximum take-off weight of such Aircraft to one hundred sixty thousand (160,000) pounds (making such Aircraft a MD-83 model) (each a "**MTOW Kit**"). Buyer shall, on the date of any such notice to Seller of an election to purchase a MTOW Kit hereunder, pay to Seller the amount of [...***...] for such MTOW Kit and shall promptly reimburse Seller the actual cost of such MTOW Kit in excess of [...***...] upon receipt of an invoice from Seller with reasonable supporting documentation from the Manufacturer relating to any such MTOW Kit (the "**MTOW Fee**"). In the event Seller is able to purchase a MTOW Kit from the Manufacturer for less than the amount of [...***...], Seller shall promptly refund to the Buyer at Delivery the difference between the amount of [...***...] paid by Buyer to Seller for such MTOW Kit and the actual cost paid by Seller to the Manufacturer for such MTOW Kit. Seller, as soon as reasonably practicable, will cause delivery of any such MTOW Kits to the Buyer (at such location as Buyer shall direct) and Buyer shall, at Buyer's sole cost and expense, be responsible for the installation of such MTOW Kits on the Aircraft. Except in the case of a termination relating to a breach by the Seller of its obligations under this Agreement or an Event of Loss, in the event this Agreement is terminated as it relates to an Aircraft which Buyer has provided a MTOW Fee to Seller, Buyer shall bear the cost and risk of cancellation of the MTOW Kit. Seller shall use commercially reasonable efforts to assist Buyer in (i) transferring an ordered MTOW Kit to another Aircraft or aircraft in Buyer's fleet, or (ii) obtaining a refund from the Manufacturer of such MTOW Kit relating to any such MTOW Kits ordered for an Aircraft no longer subject to the terms and conditions of this Agreement.
- 5.10 **Engine Model Conversions.** At least fifteen (15) Business Days prior to the Scheduled Delivery Date of an Aircraft hereunder, at the election of Buyer with written notice of such election to Seller, Seller shall purchase for buyer a conversion kit from Pratt & Whitney to convert any Engine being delivered with such Aircraft from a model JT8D-217C to a model JT8D-219 (each an "**Engine Conversion Kit**"). Buyer shall, on the date of any such notice to Seller of an election to purchase an Engine Conversion Kit hereunder, pay to Seller the amount of [...***...] relating to any such Engine Conversion Kit (the "**Engine Conversion Fee**"). Seller, at Seller's sole cost and expense, shall be responsible for the installation of such Engine Conversion Kits on any such Engine prior to the Ferry Flight relating to any such Engine. Except in the case of a termination relating to a breach by the Seller of its obligations under this Agreement or an Event of Loss, in the event this Agreement is terminated as it relates to an Engine which Buyer has provided an Engine Conversion Fee to Seller, Seller shall bear the cost and risk of cancellation of the Engine Conversion Kit. Seller shall use commercially reasonable efforts to assist Buyer in (i) transferring an ordered Engine Conversion Kit to another Engine or engine in Buyer's fleet, or (ii) obtaining a refund from Pratt & Whitney relating to any such Engine Conversion Kits ordered for an Engine no longer subject to the terms and conditions of this 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.*

5.11 **Aircraft Documentation Review Period.** On or prior to the commencement of the European Inspection of an Aircraft, Seller shall provide Buyer with an Initial Delivery Binder relating to such Aircraft. Prior to the Buyer's execution and delivery of a Technical Acceptance Certificate relating to an Aircraft, Seller shall provide Buyer with an updated Delivery Binder relating to such Aircraft. Seller and Buyer acknowledge that upon Delivery of an Aircraft hereunder, its respective Aircraft Documentation will be located at the location of the European Inspection relating to such Aircraft. Following Delivery of an Aircraft hereunder, Buyer shall be responsible to ship the respective Aircraft Documentation relating to such Aircraft to a location within the continental U.S. within twenty-one (21) days of the Delivery of such Aircraft, provided, however, that Seller shall warehouse the Aircraft Documentation during such twenty-one (21) day period and reimburse Buyer for one half of the reasonable cost and expense of any such shipping to a location in the continental U.S., excluding any costs to insure the Aircraft Documentation during shipping. Buyer shall be permitted to perform an inspection of the Aircraft Documentation relating to In-Service Aircraft for a period up to seventy-five (75) days following Buyer's receipt of such Aircraft Documentation at a location in the continental U.S. relating to any such In-Service Aircraft (the "**Records Inspection Period**"). Buyer shall provide Seller with written notice of any defects or discrepancies with the condition of the Aircraft Documentation that prohibit the Buyer from placing such In-Service Aircraft on Buyer's air operator certificate so long as such defect or discrepancy relates to an EASA documentation requirement for compliance and is not otherwise specifically set forth in the Delivery Conditions of Exhibit C (the "**Records Discrepancies**"). Upon the earlier of (i) the date of Buyer's acceptance of the Aircraft Documentation relating to an In-Service Aircraft during the Records Inspection Period, (ii) the date upon which Seller has rectified all Records Discrepancies, (iii) subject to the parties agreement to the cost of any rectification of any Records Discrepancies, the date upon which Seller has notified Buyer of its decision to offset the cost of rectifying any such Records Discrepancies as provided below, or (iv) subject to the Buyer not identifying any Records Discrepancies or Buyer failing to provide notice of its acceptance or rejection of such Aircraft Documentation, the date the Records Inspection Period expires, Buyer shall pay to Seller the Records Premium (or the balance thereof, after offset, if applicable) relating to any such In-Service Aircraft. Notwithstanding the foregoing sentence, if Seller fails to rectify any such Records Discrepancies relating to the Aircraft Documentation of an In-Service Aircraft within thirty (30) days following the expiration of the Buyer's Records Inspection Period, then Seller shall, at Seller's sole option, upon notice to Buyer, either (i) forfeit the Records Premium relating to such In-Service Aircraft, or (ii) offset the mutually agreed cost to rectify any such Records Discrepancies from the Records Premium. If Seller fails to rectify (within the aforementioned thirty (30) days) the Records Discrepancies relating to the Aircraft Documentation of an In-Service Aircraft and then fails, within the thirty (30) additional days thereafter, to provide notice to Buyer of Seller's election to either forfeit the Records Premium relating to such In-Service Aircraft, or to offset the mutually agreed cost to rectify any such Records Discrepancies from the Records Premium, Seller shall be deemed to have forfeited the Records Premium relating to such In-Service Aircraft. In the event that Seller and Buyer disagree as to whether a defect or discrepancy is a Records Discrepancy or the actual cost to rectify a Records Discrepancy, the Seller and Buyer agree to negotiate in good faith to resolve such matter to the reasonable satisfaction of both the Seller and Buyer. Should Seller and Buyer fail to agree on a resolution after such negotiations have continued for a period of thirty (30) days, then such dispute shall be settled by arbitration in the State of New York, in accordance with the Rules of the International Chamber of Commerce. The language of the arbitration shall be English and the location of arbitration proceedings shall be New York, New York. The arbitration shall be conducted by a panel of three arbitrators, one appointed by each of the Seller and Buyer. The third arbitrator shall be appointed by the two other arbitrators. If one party names an arbitrator and the other party fails to do so within three (3) Business Days of the one party naming an arbitrator, the arbitrator so appointed shall act as the sole arbitrator. If the two party-appointed

arbitrators do not appoint a third arbitrator within ten (10) days after the date the last of the two arbitrators is appointed, the third arbitrator shall be appointed by the International Chamber of Commerce. The third arbitrator selected by the arbitrators appointed by the parties hereto must (i) have such knowledge and practical experience in business and commercial matters relating to aviation that he is capable of evaluating on a practical as well as theoretical level the issues involved in the proceedings, and (ii) agree to serve for a per day fee which is reasonable in amount (such cost to be split equally by the parties hereto). Each party is responsible for the cost and expense of its own appointed arbitrator. Such arbitrators shall render a decision within thirty (30) days. In the event the Buyer fails to provide its acceptance or rejection of the Aircraft Documentation relating to any In-Service Aircraft that has been delivered hereunder by the expiration of the Records Inspection Period, Buyer shall be deemed to have accepted the condition of such Aircraft Documentation in their "as is" condition and Buyer shall immediately pay to Seller the Records Premium relating to such In-Service Aircraft. For the avoidance of doubt, Aircraft Documentation relating to a Part-Out Aircraft is not subject to a Records Inspection Period and will be deemed accepted "as is" on the Delivery Date by Buyer.

5.12 **Acceptance of Aircraft.** On the Delivery Date relating to each Aircraft, Buyer shall:

- (a) execute and deliver to Seller the Aircraft Delivery Receipt relating to such Aircraft;
- (b) pay to Seller the Base Price relating to such Aircraft in accordance with Article 4 hereof; and
- (c) accept the conveyance of the Aircraft.

Simultaneously with Delivery of an Aircraft hereunder, Seller shall execute and deliver to Buyer the Bills of Sale, risk of loss and operational control with respect to the Aircraft shall pass to Buyer, and Seller shall effect deregistration of the Aircraft from the relevant registry with notice thereof sent to the FAA.

5.13 **Post-Delivery Costs.** Upon Delivery, all costs, charges, fees, levies and expenses (navigation, landing and similar fees included) associated with the transfer of title to and use, possession, control and operation of the Aircraft after Delivery will be for Buyer's account. For the avoidance of doubt, the parties' respective responsibilities for taxes and Taxes are set forth in Article 3 and the definition of Taxes.

5.14 **Aircraft or Engine Swap.** Seller shall have the right in its sole discretion to (i) exchange the Scheduled Delivery Date of an Aircraft for an Aircraft scheduled to be delivered later to Buyer in order to ensure that Seller delivers the Aircraft to the Buyer in a timely manner, and (ii) swap the delivery of an Engine for another Engine hereunder or another engine owned by Seller. In the event the Seller has elected to swap an engine owned by Seller for an Engine hereunder, the Seller and Buyer shall negotiate in good faith a revised purchase price relating to such replacement Engine using the same methodology the parties utilized to set forth the purchase price for each Engine hereunder in *Exhibit A*. For the avoidance of doubt the provisions of Section 3.2 shall apply to the replacement Engine or engine based upon the current "total cycles" information relating to such replacement Engine agreed between the parties. In the event the Seller elects to swap an Aircraft or Engine pursuant to this Section 5.14, Seller agrees to provide Buyer with an inspection period (for an inspection period no greater than ten (10) Business Days relating to a replacement Aircraft and seven (7) Business Days relating to a replacement Engine or engine from Seller making such replaced Aircraft, Engine, or other engine owned by Seller available to Buyer for such inspection) relating to such replaced Aircraft, Engine, or other engine owned by Seller and Buyer's obligation to provide a Technical Acceptance Certificate and Delivery Certificate to Seller relating to any such replaced Aircraft, Engine, or other engine owned by Seller shall be extended accordingly.

- 5.15. **Seller Return Items.** Promptly following Delivery of an Aircraft, Buyer shall ship all Seller Return Items aboard such Aircraft to Seller (with Seller reimbursing Buyer for the actual cost of such shipping) to a location in Sweden as Seller shall direct.

ARTICLE 6: *CONDITIONS PRECEDENT*

6.1 **Conditions Precedent to Obligations of Buyer.**

- (a) Buyer's obligation to purchase and accept delivery of each Aircraft from Seller shall be subject to the satisfaction of each of the following conditions:
- i. **Agreement.** Seller shall have executed and delivered this Agreement to Buyer.
 - ii. **No Event of Loss.** No Event of Loss has occurred with respect to the Aircraft.
 - iii. **No Liens.** Buyer shall have received an FAA and International Registry lien and title memo from McAfee & Taft wherein it is confirmed that no liens or encumbrances shall be registered or recorded against such Aircraft at such registries, provided that Buyer orders the lien and title memo described above sufficiently in advance of the Scheduled Delivery Date to ensure that it is prepared prior to that date.
 - iv. **PUE Authority of FAA Counsel.** Seller shall have appointed McAfee & Taft as its "Professional User Entity" with authorization to consent, on behalf of Seller, to the registration of the "contract of sale" (this Agreement) with the International Registry upon Delivery.
 - v. **Positioning of Bills of Sale.** Seller shall have pre-positioned with McAfee & Taft the originally executed, but undated Bills of Sale for dating, release and filing with the FAA (at Seller's direction) upon Delivery.
 - vi. **Spanish Registered Aircraft Documents.** With respect to a Spanish registered Aircraft only, if requested by Buyer, Seller shall have pre-positioned with McAfee & Taft (1) an originally-executed, but undated bill of sale required to place title to the Aircraft in the name of the Seller prior to Delivery, and/or (2) an originally executed disclaimer by the current lessee whereby it disclaims all present right, title, and interest in the Aircraft, each for dating, release and filing with the FAA (at Seller's direction) upon Delivery.
 - vii. **Satisfactory Test Flight and U.S. Inspection.** Buyer shall be satisfied with the results of the U.S. Inspection and Test Flight, all in accordance with the terms and conditions of this Agreement.
- (b) The obligations of Buyer under this Agreement are subject to the further condition precedent that the representations and warranties of Seller under Section 7.1 hereof are true and correct as of the Delivery Date of each Aircraft.
- (c) The conditions specified in this Section 6.1 are for the sole benefit of Buyer and may be waived, in whole or in part by Buyer.

6.2 **Conditions Precedent to Obligations of Seller.**

- (a) Seller's obligation to sell and deliver each Aircraft and related Bills of Sale to Buyer shall be subject to the satisfaction of each of the following conditions:
- i. **Agreement.** Buyer shall have executed and delivered this Agreement to Seller.
 - ii. **Receipt of Base Price.** Buyer shall have paid, and Seller's Bank Account shall have received in full, the Base Price, as contemplated in Article 4 hereof and any MTOW Fees

or Engine Conversion Fees relating to such Aircraft shall have been paid pursuant to Sections 5.9 and 5.10.

- iii. **Technical Acceptance Certificate.** Buyer shall have executed and delivered to Seller a Technical Acceptance Certificate.
 - iv. **Aircraft Delivery Receipt.** Buyer shall have executed and delivered to Seller the Aircraft Delivery Receipt.
 - v. **Tax Exemption Certificates.** Should Delivery of an Aircraft occur while such Aircraft is located within the State of Arizona, United States of America, Seller shall have received from Buyer an original duly completed and executed Arizona Department of Revenue, Transaction Privilege Tax Exemption Certificate (Arizona Form 5000), or should Delivery occur while an Aircraft is located outside the State of Arizona, United States of America, Seller shall have received from Buyer such other exemption certificate or documentation as Seller may reasonably request to evidence exemption from the imposition of Taxes based upon the Delivery Location of the Aircraft.
 - vi. **Insurance Certificate.** Buyer shall have delivered to Seller the Certificate of Insurance in accordance with Article 10 hereof.
- (b) The obligations of Seller under this Agreement are subject to the further condition precedent that the representations and warranties of Buyer under Section 7.2 hereof are true and correct as of the Delivery Date of each Aircraft.
 - (c) The conditions specified in this Section 6.2 are for the sole benefit of Seller and may be waived, in whole or in part by Seller.

ARTICLE 7: REPRESENTATIONS, WARRANTIES AND COVENANTS

7.1 **Representations, Warranties and Covenants of Seller.** Seller hereby represents and warrants as of the Effective Date and the Delivery Date relating to each Aircraft and hereby covenants as follows:

- (a) **Title.** Seller is, or shall at Delivery be, the legal and beneficial owner of each Aircraft and the execution and delivery of the Bills of Sale relating to an Aircraft shall convey to Buyer all right, title and interest in and to such Aircraft, free of any and all liens, claims, encumbrances or rights of others.
- (b) **Status.** Seller is a consortium duly organized and validly existing under the Laws of Denmark, Norway and Sweden, possessing perpetual existence as a legal entity, with the capacity to sue and be sued in its own name, and with full power and legal right to carry on its business as currently conducted.
- (c) **Authority and Non-Conflict.** The execution, delivery, and performance by Seller of this Agreement have been duly authorized by all necessary action on behalf of Seller and do not conflict with or result in any breach of any of the terms or constitute a default under any document, instrument, or agreement to which Seller is a party.
- (d) **Legal Validity.** This Agreement and, upon the execution and delivery thereof, the Bills of Sale relating to each Aircraft hereunder have been duly executed and delivered by Seller and constitute the legal, valid, and binding obligations of Seller enforceable against Seller in accordance with their respective terms.
- (e) **Consents.** All authorizations, approvals, consents, licenses, exemptions, filings, registrations, notarizations and other matters official or otherwise applicable to Seller which are required or advisable in connection with the entry into, performance, validity and enforceability of this

Agreement, delivery of each Aircraft hereunder or any of the transactions contemplated hereby shall be obtained by Seller prior to the date upon which they are required or it is advisable that they be obtained.

- (f) **Actions.** No action, suit or proceeding to which Seller is a party is pending or, to the knowledge of Seller, threatened before any court, arbitrator or administrative or other governmental body that may restrain, enjoin or question this Agreement, the consummation of the transaction, the performance of obligations, or enjoyment of rights and benefits contemplated herein, or that is otherwise related hereto or thereto.

7.2 **Representations, Warranties and Covenants of Buyer.** Buyer hereby represents and warrants as of the Effective Date and the Delivery Date relating to each Aircraft and hereby covenants as follows:

- (a) **Status.** Buyer is a corporation, duly organized and validly existing under the Laws of the State of Nevada, possessing perpetual existence as a legal entity, with the capacity to sue and be sued in its own name, and with full power and legal right to carry on its business as currently conducted.
- (b) **Authority and Non-Conflict.** The execution, delivery, and performance by Buyer of this Agreement have been duly authorized by all necessary action on behalf of Buyer and do not conflict with or result in any breach of any of the terms or constitute a default under any document, instrument, or agreement to which Buyer is a party.
- (c) **Legal Validity.** This Agreement and, upon the execution and delivery thereof, each Aircraft Delivery Receipt, has been duly executed and delivered by Seller and constitutes the legal, valid, and binding obligations of Buyer enforceable against Buyer in accordance with their respective terms.
- (d) **Consents.** All authorizations, approvals, consents, licenses, exemptions, filings, registrations, notarizations and other matters official or otherwise applicable to Buyer which are required or advisable in connection with the entry into, performance, validity and enforceability of this Agreement, delivery of each Aircraft hereunder or any of the transactions contemplated hereby shall be obtained by Buyer prior to the date upon which they are required or it is advisable that they be obtained.
- (e) **Actions.** No action, suit or proceeding to which Buyer is a party is pending or, to the knowledge of Buyer, threatened before any court, arbitrator or administrative or other governmental body that may restrain, enjoin or question this Agreement, the consummation of the transaction, the performance of obligations, or enjoyment of rights and benefits contemplated herein, or that is otherwise related hereto or thereto.
- (f) **Broker.** No broker or finder has been involved, either directly or indirectly, with this transaction on behalf of Buyer or any affiliate of Buyer.
- (g) **U.S. Embargo Exemptions.** Buyer shall provide reasonably satisfactory evidence to Seller that all necessary exemptions have been obtained with respect to U.S. embargo rules, if such U.S. embargo rules are applicable to Buyer or Buyer's end-user, if any, of any Aircraft.

ARTICLE 8: *EXCLUSION OF LIABILITY*

SELLER HAS COMMITTED TO BUYER THAT ON THE RESPECTIVE DELIVERY DATE EACH AIRCRAFT WILL BE IN THE CONDITION REQUIRED BY ARTICLE 5. SUCH COMMITMENT OR COVENANT ON THE PART OF SELLER EXPIRES AND BECOMES NULL AND THE DISCLAIMERS SET FORTH IN THIS ARTICLE 8 APPLY UPON BUYER'S ACCEPTANCE OF EACH AIRCRAFT AND EXECUTION OF THE AIRCRAFT DELIVERY

RECEIPT RELATING TO SUCH AIRCRAFT. AFTER SUCH TIME, THEN AS BETWEEN BUYER AND SELLER:

8.1 **"As Is, Where Is"**. BUYER AGREES THAT IT IS PURCHASING EACH AIRCRAFT "AS IS, WHERE IS". BUYER UNCONDITIONALLY ACKNOWLEDGES AND AGREES THAT NEITHER SELLER NOR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES OR REPRESENTATIVES HAVE MADE OR WILL BE DEEMED TO HAVE MADE ANY TERM, CONDITION, REPRESENTATION, WARRANTY OR COVENANT EXPRESS OR IMPLIED (WHETHER STATUTORY OR OTHERWISE) AS TO (a) THE CAPACITY, AGE, AIRWORTHINESS, VALUE, QUALITY, DURABILITY, CONFORMITY TO THE PROVISIONS OF THIS AGREEMENT, DESCRIPTION, CONDITION (WHETHER OF THE AIRCRAFT, ANY ENGINE, ANY PART THEREOF OR THE AIRCRAFT DOCUMENTATION), DESIGN, WORKMANSHIP, MATERIALS, MANUFACTURE, CONSTRUCTION, OPERATION, DESCRIPTION, STATE, MERCHANTABILITY, PERFORMANCE, FITNESS FOR ANY PARTICULAR USE OR PURPOSE (INCLUDING THE ABILITY TO OPERATE THE AIRCRAFT OR USE THE AIRCRAFT DOCUMENTATION IN ANY OR ALL JURISDICTIONS) OR SUITABILITY OF THE AIRCRAFT OR ANY PART THEREOF, OR THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, KNOWN OR UNKNOWN, APPARENT OR CONCEALED, EXTERIOR OR INTERIOR, (b) THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK, COPYRIGHT OR OTHER INTELLECTUAL PROPERTY RIGHTS, (c) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE, OR (d) ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT OR ANY PART THEREOF, ALL OF WHICH ARE HEREBY EXPRESSLY EXCLUDED AND EXTINGUISHED. SELLER AND BUYER HEREBY ACKNOWLEDGE THAT SELLER'S EXPRESS REPRESENTATION AND WARRANTY OF TITLE IS EXCLUDED FROM THE FOREGOING.

8.2 **Waiver of Warranty of Description**. IN CONSIDERATION OF (a) BUYER'S RIGHTS HEREUNDER TO INSPECT THE AIRCRAFT AND (b) SELLER'S ASSIGNMENT TO BUYER OF ANY EXISTING AND ASSIGNABLE WARRANTIES OF MANUFACTURER AND THE ENGINE MANUFACTURER, BUYER HEREBY AGREES THAT ITS ACCEPTANCE OF THE AIRCRAFT AT DELIVERY AND ITS EXECUTION AND DELIVERY OF THE RESPECTIVE AIRCRAFT DELIVERY RECEIPT CONSTITUTE BUYER'S WAIVER OF THE WARRANTY OF DESCRIPTION, ANY CLAIMS BUYER MAY HAVE AGAINST SELLER BASED UPON THE FAILURE OF THE AIRCRAFT TO CONFORM WITH SUCH DESCRIPTION AND ANY AND ALL RIGHTS IT MAY HAVE TO ANY REMEDIES PROVIDED PURSUANT TO THE GOVERNING LAW SPECIFIED IN SECTION 15.18. EVEN IF AT ANY TIME THE FAILURE OF THE AIRCRAFT TO CONFORM TO SUCH DESCRIPTION SUBSTANTIALLY IMPAIRS THE VALUE AND UTILITY OF THE AIRCRAFT AND EITHER (i) BUYER ACCEPTED THE AIRCRAFT BASED ON A REASONABLE ASSUMPTION THAT THE NONCONFORMITY WOULD BE CURED AND IT WAS NOT SEASONABLY CURED, OR (ii) BUYER ACCEPTED THE AIRCRAFT WITHOUT DISCOVERING THE NONCONFORMITY BUT BUYER'S ACCEPTANCE OF THE AIRCRAFT WAS REASONABLY INDUCED EITHER BY SELLER'S ASSURANCES OR BY THE DIFFICULTY OF DISCOVERING ANY DEFECT PRIOR TO ACCEPTANCE, BUYER AGREES NOT TO LOOK TO SELLER FOR DAMAGES OR RELIEF ARISING OUT OF THE FAILURE OF THE AIRCRAFT TO CONFORM TO SUCH DESCRIPTION.

- 8.3 **Buyer Waiver.** Buyer hereby waives as between itself and Seller and agrees not to seek to establish or enforce any rights and remedies, express or implied (whether statutory or otherwise) against Seller or the Aircraft relating to any of the matters mentioned in the above Sections 8.1 and 8.2 and the purchase thereof by Buyer from Seller.
- 8.4 **Conclusive Proof.** DELIVERY BY BUYER TO SELLER OF THE AIRCRAFT DELIVERY RECEIPT RELATING TO EACH AIRCRAFT WILL BE CONCLUSIVE PROOF AS BETWEEN BUYER AND SELLER THAT BUYER'S TECHNICAL EXPERTS HAVE EXAMINED AND INVESTIGATED SUCH AIRCRAFT AND ENGINES AND (a) EACH IS AIRWORTHY AND IN GOOD WORKING ORDER AND REPAIR AND (b) SUCH AIRCRAFT AND ENGINES AND THE AIRCRAFT DOCUMENTATION ARE WITHOUT DEFECT (WHETHER OR NOT DISCOVERABLE AT DELIVERY) AND IN EVERY WAY SATISFACTORY TO BUYER.
- 8.5 **No Seller Liability for Losses.** Buyer agrees that Seller will not be liable to Buyer, any or any other Person, whether in contract or tort and however arising, for any cost, loss or damage (special, incidental, consequential or otherwise) such as lost revenues, lost profits or loss of prospective economic advantage, arising out of the condition of any Aircraft, whether or not due in whole or in part to an act or omission or the active or passive negligence of Seller.
- 8.6 **No Liability to Repair or Replace.** Except as otherwise expressly provided in this Agreement, Seller will not be liable for any expense in repairing or replacing any item of the Aircraft or be liable to supply another aircraft or any item in lieu of the Aircraft or any Part thereof if the same is lost, confiscated, damaged, destroyed or otherwise rendered unfit for use.
- 8.7 **No Waiver.** Nothing in this Article 8 or elsewhere in this Agreement will be deemed to be a waiver by Buyer of any rights it may have against (i) the Manufacturer or the Engine manufacturer or (ii) Seller with respect to breach by Seller of its express representation and warranty of title hereunder.
- 8.8 **Seller's Obligations Survive Delivery.** Seller and Buyer agree that Delivery of an Aircraft and the execution and delivery of an Aircraft Delivery Receipt for an Aircraft shall not modify or eliminate Seller's obligations with respect to such Aircraft pursuant to Sections 5.7(d) and 5.11 of this Agreement.

ARTICLE 9: INDEMNIFICATION

- 9.1 **Indemnification by Buyer.** Buyer shall release, indemnify, reimburse, defend and hold harmless all Seller Indemnitees on demand, from and against any and all claims, damages (whether direct, indirect, incidental, special or consequential), losses, charges, fees, liabilities, obligations, demands, suits, judgments, actions and other legal proceedings (whether civil or criminal), penalties, fines, sanctions, and any reasonable costs, expenses and attorneys' fees (collectively, "**Expenses**") imposed on the Seller Indemnitees or asserted against, or suffered or incurred by Seller Indemnitees, which in any way may result from, arise out of, or are in any manner related to a breach of any agreement, representation or warranty by Buyer under this Agreement, and for any injury to or death of any Person, and for any loss of, damage to, or destruction of any property whatsoever, in any manner, arising out of the possession, delivery, non-delivery, ownership, condition, maintenance, lease, disposition, operation or use of an Aircraft following, and including the Delivery Date relating to such Aircraft.

It being expressly understood and agreed that the indemnity provided for in this Section 9.1 will not extend to (a) Expenses which have resulted from the willful misconduct of such Seller Indemnitee; or (b) Expenses which are attributable to acts or events which occur prior to the Delivery Date relating to each Aircraft, but in such case only to the extent not attributable to acts

or omissions of Buyer. The parties agree that indemnification for taxes and impositions is covered in Article 3 and the definition of "Taxes".

9.2 **Indemnification by Seller.** Seller shall release, indemnify, reimburse, defend and hold harmless all Buyer Indemnitees on demand, from and against any and all Expenses imposed on the Buyer Indemnitees or asserted against, or suffered or incurred by Buyer Indemnitees, which in any way may result from, arise out of, or are in any manner related to a breach of any representation or warranty by Seller under this Agreement, and for any injury to or death of any Person, and for any loss of, damage to, or destruction of any property whatsoever, in any manner, arising out of the possession, delivery, non-delivery, ownership, condition, maintenance, disposition, operation or use of an Aircraft prior to, but not including, the Delivery Date relating to such Aircraft.

It being expressly understood and agreed that the indemnity provided for in this Section 9.2 will not extend to (a) Expenses which have resulted from the willful misconduct of such Buyer Indemnitee; or (b) Expenses which are attributable to acts or events which occur on or after the Delivery Date, but in such case only to the extent not attributable to acts or omissions of Seller.

ARTICLE 10: INSURANCE AND RISK OF LOSS

10.1 **Minimum Coverage.** For a period of two (2) years commencing on the respective Delivery Date for each Aircraft, Buyer shall, at its sole expense, maintain (or shall cause the maintenance of) with a broker reasonably acceptable to Seller and underwritten by internationally recognized insurers within the aviation marketplace, (i) aviation legal liability insurance, being aircraft third party, passenger, baggage, cargo and mail and General third party legal liability insurance covering the Seller Indemnitees as additional insureds for a combined single limit in an amount of not less than [...***...] (or such higher amount as Buyer or the relevant operator of the Aircraft may carry on any other aircraft in its fleet or may from time to time be required by any applicable authority in any jurisdiction in which an Aircraft is flown) and (ii) products legal liability insurance (or "completed operations liability insurance") in an amount, and subject to limits, standard policy terms, conditions and exclusions reasonably satisfactory to Seller (and consistent with prior transactions between Seller and Allegiant Air, LLC) and covering the Seller Indemnitees as additional insureds.

10.2 **Contents of Policies.** All insurance coverages under Section 10.1 hereof shall be endorsed: (i) to name all Seller Indemnitees as additional insureds thereunder; (ii) to expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured and shall waive, any right of subrogation of the insurers against each additional insured; (iii) to expressly provide that, in respect of the respective interests of each additional insured in such policies, the insurance shall not be invalidated by any action or inaction of Buyer, the named insured (the Aircraft operator, if any), or any other third party and shall insure the respective interests of the additional insureds, as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Buyer, the named insured (the Aircraft operator, if any), or any other third party; (iv) to expressly provide that such insurance shall be primary without any right of contribution from any other insurance which is carried by any additional insured; (v) to expressly waive any right of the insurers to set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect to any policies, endorsements or coverages described herein and which relate to any liability of any additional insured; and (vi) to expressly cover the contractual liability to each of the additional insureds assumed by Buyer in this Article 10.

*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.*

- 10.3 **Part-Out Aircraft.** The obligations of the Buyer in this Article 10 as they relate to any Part-Out Aircraft only shall be relieved upon Seller's receipt of a copy of a notice of cancellation of registration from the FAA relating to any such Part-Out Aircraft. If Buyer determines, after Delivery of any In-Service Aircraft, to part-out such In-Service Aircraft, Buyer shall be relieved of its obligations under this Article 10 by complying with the first sentence hereof as if such In-Service Aircraft had originally been a Part-Out Aircraft hereunder.
- 10.4 **Certificate of Insurance.** Buyer shall provide Seller with a certificate of insurance on or prior to the Delivery Date of an Aircraft hereunder, and upon Seller's request at any time (but not more than once per year) prior to the date two (2) years after the Delivery Date of any such Aircraft.
- 10.5 **Risk of Loss after Delivery.** Risk of loss of each Aircraft hereunder shall pass from Seller to Buyer upon the respective Delivery Date of each Aircraft.

ARTICLE 11: *THIRD PARTY WARRANTIES*

To the extent that any warranties from manufacturers, service providers, or suppliers are still in effect, and to the extent that such rights are assignable and are not extinguished as a result of this Agreement, such warranties and all rights thereunder shall without further action be irrevocably assigned to Buyer (or Buyer's permitted assignee under Section 15.16, if applicable) effective as of the Delivery Date relating to an Aircraft hereunder. Seller agrees to provide reasonable cooperation and assistance to Buyer in making claims and inquiries under any such assigned warranties, with Buyer to promptly reimburse Seller on demand for (i) Seller's internal costs without mark-up, (but to the extent such claims and inquiries also affect Seller's fleet, Buyer shall not be obligated to reimburse Seller for its internal costs) and (ii) Seller's out-of-pocket expenses related to Seller's provision of such cooperation and assistance.

ARTICLE 12: *EVENTS OF DEFAULT AND REMEDIES*

- 12.1 **Events of Default.** Each of the following events shall constitute an "*Event of Default*" (whether any such event shall be voluntary or involuntary or come about or be affected by operation of Law or pursuant to or in compliance with any applicable judgment, decree, order, rule or regulation):
- (a) Buyer shall fail to pay in full any amounts due and owing on the due date specified in this Agreement for a period of five (5) days after written notice of such failure is given by Seller to Buyer, provided, however, only one (1) Business Day after written notice of such failure is given by Seller to Buyer relating to the payment of any amount of Base Price;
 - (b) Buyer shall fail to perform or observe any material covenant, warranty, condition or agreement to be performed or observed by it under the terms of this Agreement, including, but not limited to, Buyer's obligations pursuant to Article 10, and such failure shall continue un-remedied for a period of twenty (20) days after written notice of such failure is given by Seller to Buyer;
 - (c) Any representation or warranty made by Buyer in this Agreement or in any document or certificate furnished in connection herewith by Buyer proves to be untrue in any material respect;
 - (d) Buyer is adjudicated bankrupt or insolvent or enters into any composition or other arrangement for the benefit of its creditors generally;
 - (e) any proceedings, resolutions, filings or other steps are instituted with respect to Buyer relating to the bankruptcy, liquidation, reorganization or protection from creditors of Buyer or a substantial part of Buyer's property (if instituted by Buyer, the same will be an immediate Event of Default, if instituted by another Person, the same will be an Event of Default if not dismissed, remedied or relinquished within sixty (60) days); or

- (f) any order, judgment or decree is entered by any court of competent jurisdiction appointing a receiver, trustee or liquidator of Buyer or a substantial part of its property, or if a substantial part of Buyer's property is to be sequestered. (if instituted by or done with the consent of Buyer, the same will be an immediate Event of Default, if instituted by another Person, the same will be an Event of Default if not dismissed, remedied or relinquished within sixty (60) days).

12.2 Remedies.

- (a) Upon the occurrence of an Event of Default, Seller [...***...], exercise any other right or remedy available to it under any Applicable Law and may proceed by appropriate court action to enforce the terms of this Agreement or to recover damages for the breach of this Agreement by Buyer, including, but not limited to, the right to [...***...] take any other action to which an owner of property is entitled, in each case free and clear of any rights of Buyer. No remedy referred to in this Section 12.2(a) is intended to be exclusive, and each such remedy shall be cumulative and in addition to any other remedy referred to above or otherwise available to Seller at law or in equity. The complete or partial exercise by Seller of any one or more of such remedies shall not preclude the simultaneous or later exercise by Seller of any other remedies.
- (b) Notwithstanding the above Section 12.2(a), upon the occurrence of an Event of Default as described in the above Section 12.1, Seller's sole and exclusive remedy shall be [...***...].
- (c) No express or implied waiver by Seller of any Event of Default shall in any way constitute a waiver of any future or subsequent Event of Default. To the extent permitted by Applicable Law, Buyer waives any rights now or hereafter conferred by Applicable Law that might require Seller to sell, lease or otherwise use any remaining Aircraft or any part of such Aircraft in mitigation of Seller's damages as set forth in this Article 12 or that might otherwise limit or modify any of Seller's rights or remedies under this Article 12. No notice to or demand on Buyer in any case shall entitle Buyer to any other or further notice or demand in the similar or other circumstances, or constitute a waiver of the right of Seller to any other or further action in any circumstances without notice or demand.

ARTICLE 13: TERMINATION

In addition to Seller's termination rights set forth in Article 12 hereof, this Agreement may also be terminated by Seller with respect to an Aircraft upon the occurrence of any of the following:

- (a) In the event an Aircraft suffers an Event of Loss prior to the Delivery Date, then upon written notice thereof from either party hereto to the other party hereto, this Agreement shall terminate as it relates solely to such Aircraft suffering such Event of Loss and any and all sums previously paid to Seller by the Buyer relating to such Aircraft shall be paid back to the Buyer and Seller shall bear the cost and risk of cancellation of any MTOW Kit and Engine Conversion Kit relating to such Aircraft.
- (b) In the event that, after the European Inspection and prior to delivery of an Aircraft, the Aircraft is materially damaged (which is any damage or partial destruction which materially affects the operation or utility of such Aircraft or would require a "major repair" as that term is used in Title 14 of the Code of Federal Regulations Section 1.1 ("**Material Damage**"), Seller shall, at Seller's option, (i) have the right to repair such Aircraft at Seller's expense and re-tender such Aircraft for Delivery to Buyer for U.S. Inspection at the Delivery Location, or (ii) have the right to terminate its obligation to sell such Aircraft and any and all sums previously paid to Seller by the Buyer relating to such damaged Aircraft shall be paid back to the Buyer (subject to Sections 5.9 and 5.10).

*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.*

ARTICLE 14: NOTICES

All communications and notices hereunder shall be in writing and in English. Notices will be delivered in person or sent by fax, letter (mailed airmail, certified and return receipt requested), or by expedited delivery addressed to the parties as set forth below:

If to Buyer: Allegiant Travel Company

8360 S. Durango Drive
Las Vegas, NV 89113 U.S.A.

Attention: Jude Bricker

Telephone: (702) 851-7300

Facsimile: (702) 851-7301

With copies to: Donna M. Schmidt, Esq.

405 South Roosevelt
Wichita, KS 67218 U.S.A.

Telephone: (316) 683-5500

Facsimile: (316) 651-5013

If to Seller: Scandinavian Airlines System

Frösundaviks Allé 1 Solna
SE-195 87 Stockholm Sweden

Attention: Jan-Olof Johansson
Dept. Code STOUJ

Telephone: (46) 8-797-28-11

Facsimile: (46) 8-85-58-76

With copies to: Fafinski Mark & Johnson, P.A.

Flagship Corporate Center
775 Prairie Center Drive, Suite 400
Minneapolis, MN 55344 U.S.A.

Attention: Robert R. Fafinski, Jr., Esq.

Telephone: (952) 995-9500

Facsimile: (952) 995-9577

ARTICLE 15: MISCELLANEOUS

- 15.1 **Confidentiality.** This Agreement and all non-public information obtained by either party about the other are confidential and are between Buyer and Seller only and will not be disclosed by a party to third parties (other than to such party's auditors, insurers or legal advisors, or as required in connection with any filings as may be required or deemed advisable or necessary or as may be necessary to enforcement) without the prior written consent of the other party. If disclosure is required as a result of Applicable Law or in response to a request to disclose information under the terms of a subpoena, order, civil investigation, demand or similar legal process issued by a court or governmental body which a party is legally compelled to disclose, Buyer and Seller shall cooperate with one another to obtain confidential treatment as to the commercial terms and other provisions of this Agreement. Notwithstanding anything to the contrary set forth herein or in any other agreement to which the parties hereto are parties or by which they are bound, the obligations of confidentiality contained herein and therein, as they relate to this Agreement, shall

not apply to the U.S. federal tax structure or U.S. federal tax treatment of this Agreement, and each party hereto (and any employee, representative, or agent of any party hereto) may disclose to any and all persons, without limitation of any kind, the U.S. federal tax structure and U.S. federal tax treatment of this Agreement. The preceding sentence is intended to cause this Agreement to be treated as not having been offered under conditions of confidentiality for purposes of Section 1.6011-4(b)(3) (or any successor provision) of the Treasury Regulations promulgated under Section 6011 of the Internal Revenue Code of 1986, as amended, and shall be construed in a manner consistent with such purpose. In addition, each party hereto acknowledges that it has no proprietary or exclusive rights to the U.S. federal tax structure of this Agreement or any U.S. federal tax matter or U.S. federal tax idea related to this Agreement.

- 15.2 **Rights of Parties.** The rights of the parties hereunder are cumulative, not exclusive, may be exercised as often as each party considers appropriate and are in addition to its rights under Law. The rights of one party against the other party are not capable of being waived or amended except by an express waiver or amendment in writing. Any failure to exercise or any delay in exercising any of such rights will not operate as a waiver or amendment of that or any other such right any defective or partial exercise of any such rights will not preclude any other or further exercise of that or any other such right and no act or course of conduct or negotiation on a party's part or on its behalf will in any way preclude such party from exercising any such right or constitute a suspension or any amendment of any such right.
- 15.3 **Brokers.** Each party shall advise the other in the event it engages an agent, broker or other third party representative and each party agrees to indemnify and hold the other harmless from and against any and all claims, suits, damages, costs and expenses (including, but not limited to reasonable attorneys' fees) asserted by any agent, broker or other third party for any commission or compensation of any nature whatsoever based upon the sale or purchase of any of the Aircraft, if such claim, damage, cost or expense arises out of any action or alleged action by the indemnifying party, its employees or agents. Buyer has been advised that Skyworks Leasing, LLC is the broker for Seller in this transaction.
- 15.4 **Further Assurances.** Each party agrees from time to time to do and perform such other and further acts and execute and deliver any and all such other instruments as may be required by Law, reasonably requested by the auditors of the other party or requested by the other party to establish, maintain or protect the rights and remedies of the requesting party or to carry out and effect the intent and purpose of this Agreement.
- 15.5 **Use of Word "including."** The term "*including*" is used herein without limitation.
- 15.6 **Headings.** All article and section headings and captions are purely for convenience and will not affect the interpretation of this Agreement. Any reference to a specific article, paragraph or section will be interpreted as a reference to such article, paragraph or section of this Agreement.
- 15.7 **Invalidity of any Provision.** If any of the provisions of this Agreement become invalid, illegal or unenforceable in any respect under any Law, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired.
- 15.8 **Time is of the Essence.** Time is of the essence in the performance of all obligations of the parties under this Agreement and, consequently, all time limitations set forth in the provisions of this Agreement will be strictly observed.
- 15.9 **Amendments in Writing.** The provisions of this Agreement may only be amended or modified by a writing executed by Buyer and Seller.
- 15.10 **Counterparts.** This Agreement may be executed in any number of identical counterparts, each of which will be deemed to be an original, and all of which together will be deemed to be one and

the same instrument when each party has signed and delivered one such counterpart to the other party.

- 15.11 **Delivery of Documents by Fax.** Delivery of an executed counterpart of this Agreement or of any other documents in connection with this Agreement by fax will be deemed as effective as delivery of an originally executed counterpart. Any party delivering an executed counterpart of this Agreement or other document by fax will also deliver an originally executed counterpart, but the failure of any party to deliver an originally executed counterpart of this Agreement or such other document will not affect the validity or effectiveness of this Agreement or such other document.
- 15.12 **Non-Waiver.** The rights of the parties under this Agreement are cumulative, not exclusive, may be exercised as often as appropriate and are in addition to its rights under Law. The rights of the parties in relation to the Aircraft shall not, as against or in favor of the parties, be capable of being waived or varied other than by an express waiver or variation in writing; and in particular any failure to exercise or any delay in exercising any of such rights shall not operate as a waiver or variation of that or any other such right; any defective or partial exercise of any of such rights shall not preclude any other or further exercise of that or any other such right; and no act or course of conduct or negotiation on its part or on its behalf shall in any way preclude it from exercising any such right or constitute a suspension or any variation of any such right.
- 15.13 **Entire Agreement.** This Agreement constitutes the entire agreement between the parties in relation to the sale of the Aircraft by Seller to Buyer and the purchase of the Aircraft by Buyer from Seller, and supersedes all previous proposals, agreements and other written and oral communications in relation hereto. The parties acknowledge that there have been no representations, warranties, promises, guarantees or agreements, express or implied, except as set forth herein.
- 15.14 **Binding Effect.** This Agreement shall inure to the benefit of and be binding upon each of the parties hereto and their respective successors and permitted assigns.
- 15.15 **Transaction Costs and Expenses.** Documentation will be prepared by counsel for Seller. Whether or not the transactions contemplated hereby are consummated, each of Seller and Buyer shall bear and be responsible for its own costs and expenses incurred in connection with the negotiation, preparation, execution and delivery of this Agreement, and any other agreements, documents and instruments relating hereto, and neither Seller nor Buyer shall have any right of reimbursement or indemnity for such costs and expenses as against each other. Notwithstanding the foregoing, Buyer and Seller shall equally share the costs and expenses of FAA counsel related to the transactions contemplated by this Agreement, except that Buyer shall bear the cost of preparation of the lien and title memo described in Section 6.1(a)(iii). Except as aforementioned, neither party shall be authorized to obligate the other party or to incur costs on behalf of the other party. In the event of any dispute between the parties arising from or related to this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and cost of litigation including any appeals.
- 15.16 **Assignment.** Neither Buyer nor Seller may assign any of its rights or delegate any of its obligations hereunder without the prior written consent of the other party; provided, however, at the time of delivery and sale of an Aircraft to Buyer, Buyer shall have the right to assign to an affiliate of Buyer (a "*permitted assignee*") the Buyer's right to purchase the Aircraft and be named "buyer" in the Bills of Sale; provided, however, that any such assignment in no way relieves Buyer of any of its obligations under this Agreement. Buyer shall give Seller reasonable advance notice of exercise of such right.

- 15.17 **Survival of Representations, Warranties and Covenants.** The representations, warranties and covenants herein of each party hereto shall survive the execution and delivery of, and the consummation of the transactions contemplated by, this Agreement.
- 15.18 **Governing Law.** This Agreement and each of the Bills of Sale are governed by and shall be construed in accordance with the Laws of the State of New York, United States of America, applicable to contracts made and to be performed entirely within such state without regard for conflict of law principles (other than the provisions of Section 5-1401 of the General Obligations Law of the State of New York).
- 15.19 **Consent to Jurisdiction.**
- (a) The parties hereby irrevocably submit to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York and any New York state court sitting in the County of New York, New York. Nothing herein will prevent either party from bringing suit in any other appropriate jurisdiction.
 - (b) The parties hereby consent to the service of process (a) out of any of the courts referred to above, (b) by mailing copies of the summons and complaint to the person to be served by air mail, certified or registered mail to the address set forth in Article 14, postage prepaid, return receipt requested or (c) in accordance with the Hague Convention, if applicable.
 - (c) If any legal action or other proceeding is brought in connection with or arises out of any provisions in this Agreement, the prevailing party will be entitled to recover reasonable attorneys' fees and other costs incurred in such action or proceedings. The prevailing party will also, to the extent permissible by Law, be entitled to receive pre- and post-judgment Default Interest.
 - (d) BUYER AND SELLER HEREBY IRREVOCABLY WAIVE ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT BROUGHT IN ANY OF THE COURTS REFERRED TO IN THIS SECTION 15.19, AND HEREBY FURTHER IRREVOCABLY WAIVE ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

* * * *

[Signature Page Follows]

EXHIBIT A

DESCRIPTION OF AIRCRAFT

IN-SERVICE AIRCRAFT

Aircraft Model	Serial Number	Registration	Scheduled Delivery Date	Engine #1 Serial Number	Engine #1 Total Cycles	Engine #2 Serial Number	Engine #2 Total Cycles
MD-82	53347	SE-DMD	29 Jan 2010	708159	40,603	716746	36,314
MD-82	49615	SE-DID	12 Feb 2010	725743	32,022	725991	31,199
MD-82	49385	SE-DFT	26 Feb 2010	696447	46,236	718028	35,996
MD-82	53366	SE-DME	12 Mar 2010	726874	28,965	696357	30,933
MD-82	49424	SE-DFX	26 Mar 2010	725429	30,319	725725	29,555
MD-82	53275	OY-KHR	09 Apr 2010	725781	30,606	718574	34,827
MD-82	49436	OY-KHC	23 Apr 2010	726844	28,663	718504	34,492
MD-82	49381	OY-KGZ	07 May 2010	696441	49,865	725929	29,302
MD-82	53008	SE-DIY	21 May 2010	725541	32,988	696384	47,592
MD-81	49420	OY-KGY	04 Jun 2010	716709	37,875	716714	37,429
MD-82	49438	SE-DFY	18 Jun 2010	718421	34,592	708158	42,515
MD-82	49437	SE-DMI	02 Jul 2010	718493	31,528	725908	31,523
MD-82	49421	SE-DFU	16 Jul 2010	718524	33,719	725533	31,632

PART-OUT AIRCRAFT

Aircraft Model	Serial Number	Registration	Scheduled Delivery Date	Engine #1 Serial Number	Engine #1 Total Cycles	Engine #2 Serial Number	Engine #2 Total Cycles
MD-87	49610	EC-JSU	Jan 2010*	716766	39,444	726987	22,213
MD-87	49612	EC-JRR	Jan 2010*	726917	23,208	716723	39,362
MD-87	53348	EC-JTK	Feb 2010*	718211	30,222	718107	33,580
MD-87	49614	EC-KAZ	Feb 2010*	725757	31,409	708172	41,790
MD-87	49608	EC-KET	Feb 2010*	728255	16,074	725410	32,511

* The Scheduled Delivery Date is pending the final return date from Spanair under the lease. The target is to deliver all MD-87 Aircraft to Buyer as soon as practicably possible during the month of January and February 2010.

EXHIBIT B

FINANCIAL PROVISIONS

IN-SERVICE AIRCRAFT

[...***...]

PART-OUT AIRCRAFT

[...***...]

*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.*

EXHIBIT C

DELIVERY CONDITIONS

At Delivery, each Aircraft shall comply with the following delivery conditions:

[...***...]

5. All Aircraft Documentation shall be in the English language.

[...***...]

15. The Aircraft shall be delivered in a seating configuration in accordance with *Exhibit I*.

16. The Aircraft will be delivered with one (1) ship-set of life vests with appropriate documentation.

[...***...]

19. The Aircraft shall be delivered cleaned with the interior (including cabin and windows) and exterior in a condition to meet commercial airline standards.

20. The Aircraft Accident and Non-Incident Statement will show that [...***...] no incident has occurred during the life of the Aircraft.

*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.*

EXHIBIT D

FORM OF TECHNICAL ACCEPTANCE CERTIFICATE

Allegiant Travel Company ("**Buyer**"), does hereby represent, acknowledge, warrant, and agree as follows:

- 1. Buyer and Scandinavian Airlines System, Denmark—Norway—Sweden ("**Seller**") have entered into an Aircraft Sale and Purchase Agreement, dated as of the 30th day of December, 2009 (the "**Agreement**") relating to the following:

That certain McDonnell Douglas DC-9-[] (MD-[]) aircraft, bearing manufacturer's serial number [], together with two (2) Pratt & Whitney JT8D-[] engines, bearing manufacturer's serial numbers [] and [], and all avionics, appliances, components, parts, instruments, appurtenances, accessories, furnishings or other equipment of whatever nature incorporated therein, installed thereon or attached thereto (all of the foregoing, collectively the "**Aircraft**"), and the Aircraft Documentation related to the Aircraft.

- 2. Words used herein with capital letters and not otherwise defined will have the meanings set forth in the Agreement.
- 3. The Aircraft has been duly inspected by Buyer's authorized technical representatives and Buyer hereby irrevocably accepts the technical condition of the Aircraft on the date set forth below to Buyer's full satisfaction and the Aircraft is complete and in good working order and condition pursuant to the terms and provisions of the Agreement, subject to the provisions of Sections 5.7(b), 5.7(c), 5.7(d), 5.11 of the Agreement, and subject to those certain Discrepancy Items set forth in Annex 1 attached hereto.

IN WITNESS WHEREOF, this Technical Acceptance Certificate has been executed and delivered this [] day of [], 20[].

ALLEGIANT TRAVEL COMPANY

By: _____

Print: _____

Title: _____



TO

TECHNICAL ACCEPTANCE CERTIFICATE

LIST OF DISCREPANCY ITEMS

<u>ITEM</u>	<u>DISCREPANCY</u>	<u>AGREED ACTION</u>
1. [to be inserted, if any]		

Agreed and accepted by:

ALLEGIANT TRAVEL COMPANY

SCANDINAVIAN AIRLINES SYSTEM
DENMARK—NORWAY—SWEDEN

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____



EXHIBIT E

FORM OF AIRCRAFT DELIVERY RECEIPT

As of this [] day of [], 20[], Allegiant Travel Company ("**Buyer**") accepts delivery at [] of the aircraft described below pursuant to the terms of that certain Aircraft Sale and Purchase Agreement, dated as of the 30th day of December, 2009 (the "**Agreement**") between Buyer and Scandinavian Airlines System, Denmark—Norway—Sweden ("**Seller**"):

That certain McDonnell Douglas DC-9-[] (MD-[]) aircraft, bearing manufacturer's serial number [], together with two (2) Pratt & Whitney JT8D-[] engines, bearing manufacturer's serial numbers [] and [], and all avionics, appliances, components, parts, instruments, appurtenances, accessories, furnishings or other equipment of whatever nature incorporated therein, installed thereon or attached thereto (all of the foregoing, collectively the "**Aircraft**"), and the Aircraft Documentation (as defined in the Agreement) related to the Aircraft.

Subject to the provisions of Section 5.11 of the Agreement, Buyer has inspected the Aircraft and the Aircraft Documentation, and Buyer hereby unconditionally and irrevocably acknowledges and agrees (i) that the Aircraft is in the condition required by the Agreement, (ii) that Seller has satisfied, or Buyer has waived, each of the conditions precedent set forth under Section 6.1 of the Agreement, and (iii) that the Aircraft is hereby accepted by Buyer on the terms set forth in the Agreement, subject to those certain Discrepancy Items set forth in Annex 1 attached hereto and the terms of Sections 5.7(d) and 5.11 of the Agreement.

Buyer further certifies that the representations, warranties and covenants of Buyer contained in Section 7.2 of the Agreement are true and accurate as of the date of this Aircraft Delivery Receipt.

ALLEGIANT TRAVEL COMPANY

By: _____

Print: _____

Title: _____

TO

AIRCRAFT DELIVERY RECEIPT

LIST OF DISCREPANCY ITEMS

<u>ITEM</u>	<u>DISCREPANCY</u>	<u>AGREED ACTION</u>
1. [to be inserted, if any]		

Agreed and accepted by:

ALLEGIANT TRAVEL COMPANY

SCANDINAVIAN AIRLINES SYSTEM
DENMARK—NORWAY—SWEDEN

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT F

FORM OF WARRANTY BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS:

THAT, SCANDINAVIAN AIRLINES SYSTEM, DENMARK—NORWAY—SWEDEN ("**Seller**"), is the lawful owner holding all legal and beneficial title and all right, title and interest in and to the following:

That certain McDonnell Douglas DC-9-[] (MD-[]) aircraft, bearing manufacturer's serial number [], together with two (2) Pratt & Whitney JT8D-[] engines, bearing manufacturer's serial numbers [] and [], and all avionics, appliances, components, parts, instruments, appurtenances, accessories, furnishings or other equipment of whatever nature incorporated therein, installed thereon or attached thereto (all of the foregoing, collectively the "**Aircraft**"), and the Aircraft Documentation (as defined in the Aircraft Sale and Purchase Agreement, dated as of the 30th day of December, 2009, between Seller and Buyer (as defined below) (the "**Agreement**")) related to the Aircraft.

THAT, for the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Seller does as of the date provided below, grant, convey, transfer, deliver and set over all of Seller's right, title and interest in and to the Aircraft and the Aircraft Documentation unto **ALLEGIANT TRAVEL COMPANY ("**Buyer**")** and unto its successors and assigns forever.

THAT, Seller hereby warrants that there is hereby conveyed to Buyer on the date hereof, all right, title and interest in and to the Aircraft, free of any and all liens, claims, encumbrances or rights of others, other than liens, claims or encumbrances created by or through Buyer, and Seller will warrant, defend, indemnify and hold harmless Buyer forever against all claims and demands whatsoever which are contrary to its representations of title herein.

SELLER HAS NOT MADE, NOR SHALL BE DEEMED TO MAKE OR HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE DESIGN, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR USE OF THE AIRCRAFT REFERRED TO HEREIN, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, AS TO THE ABSENCE OF OBLIGATION BASED ON STRICT LIABILITY IN TORT, OR ANY REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO SUCH AIRCRAFT.

This Warranty Bill of Sale shall in all respects be governed by, and construed in accordance with, the Laws (as defined in the Agreement) of the State of New York, including all matters of construction, validity and performance.

IN WITNESS WHEREOF, Seller has caused this Warranty Bill of Sale to be executed and delivered by its duly authorized signatory as of this [] day of [], 20[].

SCANDINAVIAN AIRLINES SYSTEM
DENMARK—NORWAY—SWEDEN

By:

Print:

Title:

EXHIBIT G

AIRCRAFT DOCUMENTATION

Part I—Aircraft Documentation

A. Certificates

- A001 Certificate of Airworthiness
- A002 Certificate of Registration
- A003 C of A for Export
- A004 C of A (Export) from state of Manufacture, Aircraft and Engines
- A005 Type Certificate Aircraft and Engines
- A006 Certificate of Environmental Quality—Noise
- A007 Radio Station License

B. Aircraft Maintenance Status Summaries

- B001 Certified Maintenance check status, current & history
- B002 Certified Time in Service (Hours & Cycles), current & history
- B003 Certified status of Airworthiness Directives
- B004 Certified status of Service Bulletins
- B005 Certified status of Major Modifications
- B006 Certified inventory of Hard Time Components (Fitted listing).
- B007 Certified inventory of OC/CM Components (Fitted listing).
- B008 Certified status of STC's
- B009 List of Deferred Maintenance Items
- B010 Aircraft Accident & Non-Incident Statement
- B011 Last Flight Data Recorder Read-Out

C. Aircraft Maintenance Records—all delivered unsorted

- C001 Aircraft Log Books (last 2 years)
- C002 Last complete cycle of Maintenance Checks
- C003 AD Dirty Finger Print Certification
- C004 Modifications—Dirty Finger Print certification
- C005 Structural Repairs—Dirty Finger Print certification
- C006 Last Weighing Report
- C007 Last Test Flight Report
- C008 Dent and Buckle Chart

D. Configuration Status

- D001 Approved and certified LOPA
- D002 Loose Equipment Inventory

E. Aircraft Historical Records

- E001 Manufacturer's AD Report
- E002 Manufacturer's Inspection Report, Initial Equipment list
- E003 Manufacturer's repair/alteration report
- E004 Manufacturer's SB Report
- E005 Weighing report

F. Engine Records

- F001 Certified Statement of Status of Each Engine
 - F002 AD Compliance Report
 - F003 Manufacturer's Modifications & SB Status
 - F004 In-house Modifications (if applicable)
 - F005 Certified listing of CLLP
 - F006 Certified listing of installed tracked units
 - F007 Last engine-/module- Shop Visit Reports
-

- F008 Condition Monitoring Report
- F009 Record of Installations/Removals
- F010 Last Borescope Report
- F011 Last Test Cell Run Report
- F012 Last On-Wing Ground Run
- F013 Certified Engine Accident/Incident Statement
- F014 Approved Release to Service Certification for installed rotables
- F015 Complete CLLP Traceability back to birth

G. APU

- G001 Certified Statement on Status of APU
- G002 Certified SB Compliance Report/AD Status Report.
- G003 Approved Release to Service Certification for installed units
- G004 APU Log Book
- G005 Last APU Shop Visit Report & Reason for Removal
- G006 Statement of APU Hours to Aircraft Flying Hours
- G007 APU Borescope Report
- G008 Last Test Cell Run

H. Component Records

- H001 Approved Release to Service Certification for Hard Time Components
- H002 Approved Release to Service Certification for OC/CM Components

I. Landing Gears

- I001 Approved Release to Service Certification for major assemblies on each Gear
- I002 Certified list of CLLP for each Gear
- I003 Certified status of accumulated Cycles since new for each CLLP
- I004 Last Shop Visit Report (OH)

J. Manuals

- J001 FAA approved Airplane Flight Manual (AFM)

K. Other

- K001 Description of SAS maintenance program including the assignment of each MRB Task Card to a block check.

Part II—Initial Delivery Binder

A. Certificates

- A001 Certificate of Airworthiness
- A002 Certificate of Registration
- A003 C of A for Export from state of manufacture, Aircraft and Engines
- A004 Certificate of Environmental Quality—Noise
- A005 Radio Station License
- A006 Type Certificate, Aircraft and Engines

B. Aircraft Maintenance Status Summaries

- B001 Status list Maintenance checks, current & history (one cycle)
 - B002 Status list Time in Service (Hours & Cycles), current and history
 - B003 Status list Airworthiness Directives
 - B004 Status list Service Bulletins
 - B005 Status EO's
 - B006 Status list Major Modifications
 - B007 Status list STC's
 - B008 List of installed Avionics Equipment
 - B009 Status list Hard Time Components
 - B010 Status list OC/CM Components
 - B011 Status CLLP's
-

- B012 List of Deferred Maintenance Items
- B013 Aircraft Accident & Incident Statement
- B014 Last Flight Data Recorder read-out
- B015 Status list SID

C. Aircraft Maintenance Records

- C001 Last Weighing Report
- C002 Last Test Flight Report
- C003 Dent, Buckle and Repair Chart

D. Configuration Status

- D001 Approved / Certified LOPA
- D002 Loose Equipment Inventory List

E. Aircraft Manufacturer Historical Records

- E001 Manufacturer's Airworthiness Directives Report
- E002 Manufacturer's SB report

F. Engines Status

- F001 Current Time in Service (H & C) since new and since last shop visit
- F002 Release to Service Certificate, EASA Form 1 or FAA 8130-3
- F003 Status list Airworthiness Directives from S/V (others under B003)
- F004 Status list Service Bulletins from S/V (others under B004)
- F005 Status list EO's from S/V (others under B005)
- F006 Certified list of CLLP's
- F007 List of installed tracked units (under B008 and B009)
- F008 Condition monitoring report

G. APU Status

- G001 Current Time in Service (H & C) since new and since last shop visit
- G002 Release to Service Certificate, EASA Form 1 or FAA 8130-3
- G003 Statement of APU Hours to Aircraft Hours ratio
- G004 Last APU Shop Visit Report & Reason for Removal

H. Component Records

None

I. Landing Gears

- I001 Release to Service Certificate, EASA Form 1 or FAA 8130-3
- I002 List of CLLP (same as B010)
- I003 Status of CCLP current Cycles since new and since last overhaul
- I004 Last Shop Visit Report (OH)

J. Manuals

- J001 FAA Approved AFM, Title Page only.

K. Other

- K001 RVSM compliance (Included in Air Operator Certificate)
List of Oils, Grease and Fluids.
-

EXHIBIT H

TEST FLIGHT PROCEDURES

[...***...]

*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.*

EXHIBIT I

SEATING CONFIGURATION

[...***...]

*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.*

EXHIBIT J

SELLER RETURN ITEMS

The following must be **removed** from each Aircraft following the Ferry Flight:

[...***...]

*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.*

QuickLinks

[Exhibit 10.25](#)

[TABLE OF CONTENTS](#)

[AIRCRAFT SALE AND PURCHASE AGREEMENT](#)

[W I T N E S S E T H](#)

[EXHIBIT A DESCRIPTION OF AIRCRAFT](#)

[EXHIBIT B FINANCIAL PROVISIONS](#)

[EXHIBIT C DELIVERY CONDITIONS](#)

[EXHIBIT D FORM OF TECHNICAL ACCEPTANCE CERTIFICATE](#)

[EXHIBIT E FORM OF AIRCRAFT DELIVERY RECEIPT](#)

[EXHIBIT F FORM OF WARRANTY BILL OF SALE](#)

[EXHIBIT G](#)

[AIRCRAFT DOCUMENTATION](#)

[EXHIBIT H TEST FLIGHT PROCEDURES](#)

[EXHIBIT I SEATING CONFIGURATION](#)

[EXHIBIT J SELLER RETURN ITEMS](#)

List of Subsidiaries

Allegiant Air, LLC, a Nevada limited liability company

Allegiant Vacations, LLC, a Nevada limited liability company

AFH, Inc., a Nevada corporation

Allegiant Information Systems, Inc., a Nevada corporation

SFB Fueling, LLC, a Delaware limited liability company 50% owned by AFH, Inc.

Sunrise Asset Management LLC, a Nevada limited liability company

QuickLinks

[Exhibit 21.1](#)

[List of Subsidiaries](#)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-141227, Form S-3 No. 333-153282, and Form S-3ASR No. 333-161966) of Allegiant Travel Company and subsidiaries and in the related Prospectus of our reports dated March 8, 2010, 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, 2009.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 8, 2010

QuickLinks

[Exhibit 23.1](#)

[Consent of Independent Registered Public Accounting Firm](#)

Certifications

I, Maurice J. Gallagher, Jr., 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 8, 2010

/s/ MAURICE J. GALLAGHER, JR.

Title: *Principal Executive Officer*

QuickLinks

[Exhibit 31.1](#)

[Certifications](#)

Certifications

I, Andrew C. Levy, 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 8, 2010

/s/ ANDREW C. LEVY

Title: *President 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, 2009, 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 8, 2010

/s/ MAURICE J. GALLAGHER, JR.

Name: Maurice J. Gallagher, Jr.
Title: *Principal Executive Officer*

Dated: March 8, 2010

/s/ ANDREW C. LEVY

Name: Andrew C. Levy
Title: *President 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](#)