

Allegiant Travel CO
Form 10-K/A
March 17, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K /A
(Amendment No. 1)

(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, 2010

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

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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 Smaller reporting company
(Do not check if a smaller reporting company)

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

The aggregate market value of common equity held by non-affiliates of the registrant as of June 30, 2010, was approximately \$669,000,000 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, 2011 was 19,006,571.

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 14, 2011, and to be filed with the Commission subsequent to the date hereof, are incorporated by reference into Part III of this Report on Form 10-K.

EXHIBIT INDEX IS LOCATED ON PAGE 25

EXPLANATORY NOTE

Allegiant Travel Company is filing this Amendment No. 1 on Form 10-K/A (the "Amendment") to amend our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, originally filed with the Securities and Exchange Commission ("SEC") on March 11, 2011 (the "Original Filing") for the sole purpose of adding the conformed signatures of Ernst & Young, LLP to (A) each "Report of Independent Registered Public Accounting Firm" in Item 8; and (B) the "Consent of Independent Registered Public Accounting Firm" in Item 15, filed as Exhibit 23.1 to the Form 10-K, each of which was inadvertently omitted within our Form 10-K as originally filed. At the time of the March 11, 2011 filing of the Form 10-K with the Securities and Exchange Commission (the "SEC"), we were in possession of the audit opinions and consent, but the signature in typed form was inadvertently omitted from the electronic version filed with the SEC. For convenience and ease of reference, this amendment sets forth "Item 8 - Financial Statements and Supplementary Data" from the Form 10-K in its entirety with the applicable conformed signatures. Because this amendment only incorporates the signatures in typed form of Ernst & Young, LLP on each "Report of Independent Registered Public Accounting Firm" and on the "Consent of Independent Registered Public Accounting Firm", the date of such reports and consent remain as originally filed.

In connection with the filing of this Amendment and pursuant to the rules of the SEC, we are including with this Amendment certain new certifications by our principal executive officer and principal financial officer. Accordingly, Item 15 of Part IV has also been amended to reflect the filing of these new certifications.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing other than as expressly indicated in this Amendment. In this Amendment, unless the context indicates otherwise, the terms "Company," "we," "us," and "our" refer to Allegiant Travel Company. Other defined terms used in this Amendment but not defined herein shall have the meaning specified for such terms in the Original Filing.

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PART II

Item 8. Financial Statements and Supplementary Data

The following consolidated financial statements as of December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2010 are included below.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Allegiant Travel Company

We have audited the accompanying consolidated balance sheets of Allegiant Travel Company and subsidiaries (the "Company") as of December 31, 2010 and 2009, 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, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, 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, 2010, 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 11, 2011, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 11, 2011

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Allegiant Travel Company

We have audited Allegiant Travel Company and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's 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, 2010, 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, 2010 and 2009, 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, 2010 and our report dated March 11, 2011, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 11, 2011

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

	December 31, 2010	December 31, 2009
Current assets:		
Cash and cash equivalents	\$113,293	\$90,239
Restricted cash	21,287	17,841
Short-term investments	37,000	141,231
Accounts receivable, net	7,852	7,476
Expendable parts, supplies and fuel, net of allowance for obsolescence of \$170 and \$659		
at December 31, 2010 and December 31, 2009, respectively	13,383	10,673
Prepaid expenses	24,071	19,432
Deferred income taxes	-	269
Other current assets	2,517	2,712
Total current assets	219,403	289,873
Property and equipment, net	267,298	204,533
Investment in and advances to unconsolidated affiliates, net	1,983	1,353
Deposits and other assets	12,582	3,880
Total assets	\$501,266	\$499,639
Current liabilities:		
Current maturities of notes payable	\$16,532	\$21,297
Current maturities of capital lease obligations	-	2,041
Accounts payable	24,759	20,990
Accrued liabilities	23,679	23,699
Air traffic liability	101,397	90,554
Deferred income taxes	246	-
Total current liabilities	166,613	158,581
Long-term debt and other long-term liabilities:		
Notes payable, net of current maturities	11,604	21,027
Capital lease obligations, net of current maturities	-	1,442
Deferred income taxes	25,314	26,566
Total liabilities	203,531	207,616
Stockholders' equity:		
Common stock, par value \$.001, 100,000,000 shares authorized; 21,455,634 and 21,088,633 shares issued; 19,005,821 and 19,850,090 shares outstanding, as of December 31, 2010 and December 31, 2009, respectively	21	21
Treasury stock, at cost, 2,449,813 and 1,238,543 shares at December 31, 2010 and December 31, 2009, respectively	(95,913)	(42,149)
Additional paid in capital	180,704	171,887
Accumulated other comprehensive (loss) income	(9)	92
Retained earnings	212,932	162,172
Total stockholders' equity	297,735	292,023
Total liabilities and stockholders' equity	\$501,266	\$499,639

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,		
	2010	2009	2008
OPERATING REVENUE:			
Scheduled service revenue	\$427,825	\$346,222	\$330,969
Ancillary revenue:			
Air-related charges	169,640	143,001	95,490
Third party products	24,366	19,715	19,106
Total ancillary revenue	194,006	162,716	114,596
Fixed fee contract revenue	40,576	43,162	52,499
Other revenue	1,234	5,840	5,948
Total operating revenue	663,641	557,940	504,012
OPERATING EXPENSES:			
Aircraft fuel	243,671	165,000	229,640
Salary and benefits	108,000	90,006	72,007
Station operations	62,620	53,993	43,476
Maintenance and repairs	60,579	52,938	41,465
Sales and marketing	17,062	16,458	14,361
Aircraft lease rentals	1,721	1,926	2,815
Depreciation and amortization	34,965	29,638	23,489
Other	30,367	25,728	20,911
Total operating expense	558,985	435,687	448,164
OPERATING INCOME	104,656	122,253	55,848
OTHER (INCOME) EXPENSE:			
Loss on fuel derivatives, net	-	-	11
(Earnings) loss from unconsolidated affiliates, net	(14)	84	(96)
Interest income	(1,184)	(2,474)	(4,730)
Interest expense	2,522	4,079	5,411
Total other (income) expense	1,324	1,689	596
INCOME BEFORE INCOME TAXES	103,332	120,564	55,252
PROVISION FOR INCOME TAXES	37,630	44,233	19,845
NET INCOME	\$65,702	\$76,331	\$35,407
Earnings per share to common stockholders:			
Basic	\$3.36	\$3.81	\$1.74
Diluted	\$3.32	\$3.76	\$1.72
Weighted average shares outstanding used in computing earnings per share to common stockholders:			
Basic	19,407	19,982	20,289
Diluted	19,658	20,278	20,477

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)

	Shares	Common Stock Par Value	APIC	Accumulated Other Comprehensive Income	Retained Earnings	Less: Treasury Shares	Total
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
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	-	-	-	-	-	(25,356)	(25,356)

and held as treasury
shares

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	21,089	\$ 21	\$ 171,887	\$ 92	\$ 162,172	\$ (42,149)	\$ 292,023

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	Retained	Less:	
	Shares	Par Value	APIC	Other Comprehensive Income	Earnings	Treasury Shares	Total
Balance at December 31, 2009	21,089	\$21	\$171,887	\$ 92	\$162,172	\$(42,149)	\$292,023
Stock compensation expense	-	-	4,437	-	-	-	4,437
Issuance of restricted stock	94	-	-	-	-	-	-
Exercises of stock options	119	-	3,157	-	-	-	3,157
Exercise of warrants	163	-	715	-	-	-	715
Tax benefit from stock option exercises		-	821	-	-	-	821
Cancellation of restricted stock	(8)	-	-	-	-	-	-
Reclassification of stock awards to liabilities		-	(313)	-	-	-	(313)
Shares repurchased by the Company and held as treasury shares		-	-	-	-	(53,764)	(53,764)
Cash dividends, \$0.75 per share		-	-	-	(14,942)	-	(14,942)
Comprehensive income:							-
Unrealized loss on short-term investments, net of tax		-	-	(101)	-	-	(101)
Net income		-	-	-	65,702	-	65,702
Total comprehensive income							65,601
Balance at December 31, 2010	21,456	\$21	\$180,704	\$ (9)	\$212,932	\$(95,913)	\$297,735

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,		
	2010	2009	2008
OPERATING ACTIVITIES:			
Net income	\$65,702	\$76,331	\$35,407
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	34,965	29,638	23,489
Loss on aircraft and other equipment disposals	2,878	4,898	2,184
Provision for obsolescence of expendable parts, supplies and fuel	(489)	120	165
Stock compensation expense	4,437	3,109	1,702
Deferred income taxes	(737)	6,768	5,908
Excess tax benefits from stock option exercises	(821)	(1,157)	(1,602)
Changes in certain assets and liabilities:			
Restricted cash	(3,446)	(1,809)	(611)
Accounts receivable	(376)	(1,901)	3,509
Income tax receivable	-	-	6,228
Expendable parts, supplies and fuel	(2,221)	(3,788)	(626)
Prepaid expenses	(17,231)	(10,171)	(1,993)
Other current assets	195	(1,067)	(93)
Accounts payable	4,590	4,686	(2,239)
Accrued liabilities	(333)	4,460	6,058
Air traffic liability	10,843	21,557	(5,854)
Net cash provided by operating activities	97,956	131,674	71,632
INVESTING ACTIVITIES:			
Purchase of short-term investments	(84,306)	(124,434)	(101,753)
Proceeds from maturities and sales of short-term investments	188,436	60,364	51,781
Purchase of property and equipment, including pre-delivery deposits	(98,499)	(31,663)	(54,119)
Proceeds from sale of property and equipment	483	-	1,065
Investment in unconsolidated affiliates, net	(630)	(642)	1,265
Decrease (increase) in deposits and other assets	1,298	(838)	1,256
Net cash provided by (used in) investing activities	6,782	(97,213)	(100,505)
FINANCING ACTIVITIES:			
Cash dividends paid to shareholders	(14,942)	-	-
Excess tax benefits from stock option exercises	821	1,157	1,602
Proceeds from exercise of stock options	3,157	1,742	1,040
Proceeds from exercise of warrants	715	-	-
Proceeds from the issuance of notes payable	14,000	7,000	25,625
Repurchase of common stock	(53,764)	(25,356)	(16,714)
Principal payments on notes payable	(28,188)	(24,015)	(17,331)
Principal payments on capital lease obligations	(3,483)	(1,903)	(12,465)
Net cash used in financing activities	(81,684)	(41,375)	(18,243)
Net change in cash and cash equivalents	23,054	(6,914)	(47,116)
	90,239	97,153	144,269

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 113,293	\$ 90,239	\$ 97,153
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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash Transactions:

Interest paid	\$ 2,496	\$ 4,292	\$ 4,975
Income taxes paid, net of refunds	\$ 36,986	\$ 36,952	\$ 4,623

Non-Cash Transactions:

Maintenance deposits applied against aircraft purchases	\$ 1,982	\$ -	\$ -
Common stock issued for software operating system	\$ -	\$ 1,648	\$ -
Notes payable issued for aircraft and equipment	\$ 14,000	\$ -	\$ 7,200

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, 2010, 2009 and 2008

(Dollars in thousands except share and per share amounts)

1. Organization and Business of Company

Allegiant Travel Company (the "Company") is a leisure travel company focused on providing travel services to residents of small, underserved cities in the United States. 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.

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 reclassifications have been made to the prior period's financial statements to conform to 2010 classifications. These reclassifications had no effect on the previously reported net income.

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, cash collateral against notes payable, escrowed funds under fixed fee flying contracts and cash collateral against letters of credit required by hotel properties for guaranteed room availability, airports and certain other parties.

Short-term Investments

The Company's investments in marketable debt and equity securities are classified as available-for-sale and are reported at fair market value with the net unrealized gain or (loss) reported as a component of accumulated comprehensive income in stockholders' equity. Short-term investments consisted of the following:

	As of December 31, 2010				As of December 31, 2009			
	Cost	Gains	(Losses)	Market Value	Cost	Gains	(Losses)	Market Value
Debt securities issued by states of the United States and political subdivisions of the states	\$32,140	\$2	\$(10)	\$32,132	\$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
Corporate debt securities	4,870	—	(2)	4,868	—	—	—	—
Total	\$37,010	\$2	\$(12)	\$37,000	\$141,076	\$176	\$(21)	\$141,231

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 no realized gains or losses for the years ended December 31, 2010 and 2009 and \$307 of realized gains for the year ended December 31, 2008.

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, 2010:

Maturities	Amount
Year 2011	\$35,695
Year 2012	1,305
Thereafter	—
Total	\$37,000

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.

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 capitalized software development costs of \$0.5 million and \$0.1 million during the years ended December 31, 2010 and 2009, respectively. The Company capitalized no software development costs during 2008. 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 20.5% 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. has a 50% interest in a joint venture agreement with OSI (an affiliate of the Orlando Sanford International Airport) to handle certain fuel operations for the Orlando Sanford International Airport. The joint venture, SFB Fueling LLC, 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 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 2010, 2009 or 2008.

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, 2010, 2009 or 2008.

Revenue Recognition

Scheduled service revenue consists of passenger revenue generated from 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 are 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 Caesars Entertainment Inc. (formerly 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 determined in accordance with accounting standards for revenue arrangements with multiple deliverables. The sale of third party products is recorded net of amounts paid or payable to wholesale providers, travel agent commissions and credit card processing fees in accordance with revenue reporting accounting standards.

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.

Maintenance and Repair Costs

Aircraft maintenance and repair costs. The Company accounts for aircraft maintenance activities under the direct expense method. Under this method, maintenance and repair costs for owned and leased aircraft, including major aircraft maintenance activities, 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. Accounting guidance 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. The Company had no maintenance deposits as of December 31, 2010 and \$1,982 as of December 31, 2009.

Advertising Costs

Advertising costs are charged to expense in the period incurred. Advertising expense was \$4,742, \$6,456 and \$4,849 for the years ended December 31, 2010, 2009 and 2008, respectively.

Earnings per Share

Basic and diluted earnings per share are computed pursuant to the two-class method. Under this method, the Company attributes net income to two classes, common stock and unvested restricted stock awards. Unvested restricted stock awards granted to employees under the Company's Long-Term Incentive Plan are considered participating securities as they receive non-forfeitable rights to cash dividends at the same rate as common stock.

Diluted net income per share is calculated using the more dilutive of two methods. Under both methods, the exercise of employee stock options, stock purchase warrants and stock appreciation rights ("SARs") are assumed using the treasury stock method. The assumption of vesting of restricted stock, however, differs:

1. Assume vesting of restricted stock using the treasury stock method.
2. Assume unvested restricted stock awards are not vested, and allocate earnings to common shares and unvested restricted stock awards using the two-class method.

For the years ended December 31, 2010 and 2008, the second method above which assumes unvested awards are not vested was used in the computation because it was more dilutive than the first method above which assumes vesting of awards using the treasury stock method. Both methods resulted in the same diluted net income per share for the year ended December 31, 2009. The following table sets forth the computation of net income per share on a basic and diluted basis for the periods indicated (shares in table below in thousands):

	Year Ended December 31,		
	2010	2009	2008
Basic:			
Net income	\$65,702	\$76,331	\$35,407
Less: Net income allocated to participating securities	(402)	(101)	(91)
Net income attributable to common stock	\$65,300	\$76,230	\$35,316
Net income per share, basic	\$3.36	\$3.81	\$1.74
Weighted-average shares outstanding	19,407	19,982	20,289
Diluted:			
Net income	\$65,702	\$76,331	\$76,331
Less: Net income allocated to participating securities	(398)	(99)	(90)
Net income attributable to common stock	\$65,304	\$76,232	\$76,241
Net income per share, diluted	\$3.32	\$3.76	\$3.72
Weighted-average shares outstanding	19,407	19,982	20,289
Dilutive effect of stock options, stock purchase warrants, restricted stock and stock appreciation rights	305	296	199
Adjusted weighted-average shares outstanding under treasury stock method	19,712	20,278	20,488
Participating securities excluded under two-class method	(54)	N/A	(11)
Adjusted weighted-average shares outstanding under two-class method	19,658	N/A	20,477

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 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 the Company's equity awards is generally three years. The Company's stock-based employee compensation plan is more fully discussed in Note 13—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 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, 2010, 2009 and 2008, the Company recognized no amounts for interest or penalties related to unrecognized tax benefits.

Newly Issued Accounting Pronouncements

In September 2009, the Financial Accounting Standards Board (“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. This accounting standard is effective for new revenue arrangements entered into by the Company after January 1, 2011. The Company has evaluated the accounting guidance and does not expect 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 requires (a) an entity to disclose separately the amounts of significant transfers in and out of Level 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 requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. In 2010, the Company adopted those additional disclosure requirements which became effective for interim and annual reporting periods beginning after December 15, 2009. Certain provisions, which contain disclosures regarding information about purchases, sales, issuances and settlements in the Level 3 reconciliation, will be effective for the Company beginning in the quarter ending March 31, 2011.

3. Property and Equipment

At December 31, 2010, the Company’s fleet consisted of 52 MD-80 series aircraft in revenue service, and eight MD-80 aircraft and two Boeing 757-200 aircraft to be placed into revenue service in the future. The Company owns 60 of these aircraft —43 owned free and clear, and 17 owned subject to financing scheduled to be fully paid over the next four years. The Company leases two aircraft under operating leases which expire on or before June 2014. Refer to Note 16—“Subsequent Events” for discussion of the pledge of all of the Company’s MD-80 aircraft to secure payment in connection with the borrowings under a senior secured term loan facility. At December 31, 2009, the Company’s fleet consisted of 46 MD-80 aircraft with all aircraft in revenue service. The Company owned 42 of these aircraft, including two subject to capital leases, with the remaining four subject to operating lease agreements.

Property and equipment consist of the following:

As of December 31, 2010	As of December 31, 2009
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Flight equipment	\$364,075	\$273,680
Ground property and equipment	20,712	15,573
Total property and equipment	384,787	289,253
Less accumulated depreciation and amortization	(117,489)	(84,720)
Property and equipment, net	\$267,298	\$204,533

Depreciation and amortization expense for the years ended December 31, 2010, 2009 and 2008 was \$34,965, \$29,638 and \$23,489, respectively.

4. Accrued Liabilities

Accrued liabilities consist of the following:

	As of December 31, 2010	As of December 31, 2009
Aircraft lease rentals	\$260	\$593
Interest payable	104	99
Salaries, wages and benefits	11,590	12,891
Maintenance reserves	-	418
Taxes	4,688	4,141
Other accruals	7,036	5,557
Total accrued liabilities	\$23,679	\$23,699

5. Long-Term Debt

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

	As of December 31, 2010	As of December 31, 2009
Notes payable, secured by aircraft, interest at 6.26%, due August 2014	\$13,224	\$-
Notes payable, secured by aircraft, interest at 6.95%, due June 2014	-	6,409
Notes payable, secured by aircraft, interest at 6%, due April 2012	6,437	10,969
Notes payable, secured by aircraft, interest at 8.5%, due November 2011	6,209	9,070
Notes payable, secured by aircraft, interest at 6.8%, due June 2011	1,616	4,242
Notes payable, secured by aircraft, interest at 8%, due June 2011	-	2,811
Notes payable, secured by aircraft, interest at 6%, due at varying dates through February 2011	650	5,599
Notes payable, secured by aircraft, interest at 8%, due at varying dates through December 2010	-	3,212
Other notes payable	-	12
Capital lease obligations	-	3,483
Total long-term debt	28,136	45,807
Less current maturities	(16,532)	(23,338)
Long-term debt, net of current maturities	\$11,604	\$22,469

Maturities of long-term debt, as of December 31, 2010, for the next five years and thereafter, in aggregate, are: 2011 - \$16,532; 2012 - \$5,058; 2013 - \$3,659; 2014 - \$2,887 and none thereafter.

In August 2010, the Company borrowed \$14,000 under a loan agreement secured by two previously unencumbered Boeing 757-200 aircraft. The notes payable issued under the loan agreement bear interest at 6.26% per annum and are payable in monthly installments through August 2014. The Company applied a portion of the proceeds to make payment on existing debt obligations of \$7,219 secured by four MD-80 aircraft due in June 2011 and June 2014. In accordance with the loan agreement, collateral is held on deposit until certain terms are met.

In September 2010, the Company exercised early purchase options on two aircraft subject to capital leases and retired the outstanding capital lease obligations for these aircraft.

6. Leases

The Company leases aircraft and other assets, including office facilities, airport and terminal facilities and office equipment with terms extending through 2019.

As of December 31, 2010, the Company was party to operating lease agreements for two aircraft with terms extending through June 2014. In February 2010, the Company exercised purchase options on two aircraft under operating leases and took ownership of the aircraft in October 2010.

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 for aircraft and non-aircraft operating leases for the years ended December 31, 2010, 2009 and 2008 was \$8,742, \$8,204 and \$7,373, respectively.

At December 31, 2010, scheduled future minimum lease payments under operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

	Operating Leases
2011	\$4,709
2012	4,470
2013	4,166
2014	2,900
2015	2,696
Thereafter	6,048
Total	\$24,989

During 2010, the Company purchased two aircraft under lease agreements which were classified as capital leases under lease accounting standards. As a result, the Company has no remaining aircraft under capital lease as of December 31, 2010. The amounts applicable to these two aircraft under capital leases included in property and equipment were as follows:

	As of December 31,	
	2010	2009
Aircraft	\$—	\$7,726
Less: Accumulated depreciation	—	(1,238)
Aircraft, net	\$—	\$6,488

7. Stockholders' Equity

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.

On April 26, 2010, the Company's Board of Directors declared a one-time cash dividend of \$0.75 per share on its outstanding common stock payable to stockholders of record on May 14, 2010. On June 1, 2010, the Company paid cash dividends of \$14,942 to these stockholders.

On May 3, 2010, 162,500 shares of our common stock were issued through the exercise of warrants. These warrants were issued to a placement agent in connection with the private placement of equity in 2005. The Company received \$715 in proceeds from the exercise of these warrants.

The Company is authorized by the Board of Directors to acquire the Company's stock through open market purchases under its share repurchase program. During 2010, the Board of Directors increased authority in January by an additional \$25,000, in July by an additional \$25,000 and in September by an additional \$50,000. During 2010, the Company repurchased 1,206,689 shares through open market purchases at an average cost of \$44.40 per share for a total expenditure of \$53,574. During 2009, the Company repurchased 637,902 shares at an average cost of \$38.26 per share for a total expenditure of \$24,407. As of December 31, 2010, the Company had \$46,426 of unused stock repurchase authority remaining under the plan.

8. Comprehensive Income

The components of comprehensive income included the following:

	Year Ended December 31,	
	2010	2009
Net income	\$65,702	\$76,331
Other comprehensive income (loss):		
Unrealized loss on short-term investments, net of tax	(101)	(474)
Total comprehensive income	\$65,601	\$75,857

9. 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, 2010, 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.

Assets measured at fair value on a recurring basis at December 31, 2010 and December 31, 2009 were as follows (in thousands):

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Description	Fair Value Measurements at Reporting Date Using			
	December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents				
Money market funds	\$4,390	\$4,390	\$-	\$-
Municipal debt securities	100,127	-	100,127	-
Total cash equivalents	104,517	4,390	100,127	-
Short-term investments				
Corporate debt securities	4,868	-	4,868	-
Municipal debt securities	32,132	-	32,132	-
Total short-term investments	37,000	-	37,000	-
Total assets	\$141,517	\$4,390	\$137,127	\$-

Description	Fair Value Measurements at Reporting Date Using			
	December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents				
Money market funds	\$17,951	\$17,951	\$-	\$-
Municipal debt securities	67,140	-	67,140	-
Total cash equivalents	85,091	17,951	67,140	-
Short-term investments				
Municipal debt securities	76,622	-	76,622	-
Government debt securities	64,609	-	64,609	-
Total short-term investments	141,231	-	141,231	-
Total assets	\$226,322	\$17,951	\$208,371	\$-

10. 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:

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	Year Ended December 31,		
	2010	2009	2008
Current:			
Federal	32,082	35,905	13,326
State	2,607	1,613	606
Total Current	34,689	37,518	13,932
Deferred:			
Federal	3,030	6,195	6,060
State	(89)	520	(147)
Total Deferred	2,941	6,715	5,913
Total Income Tax Provision	37,630	44,233	19,845

The Company recorded \$821, \$1,157 and \$1,602 as an increase to additional paid in capital for certain tax benefits from employee stock-based compensation for the years ended December 31, 2010, 2009 and 2008, respectively.

Reconciliations of the statutory income tax rate and the Company's effective tax rate for 2010, 2009, and 2008 are as follows:

	Year Ended December 31,					
	2010		2009		2008	
Federal statutory rate	35.0	%	35.0	%	35.0	%
State income taxes, net of federal income tax benefit	1.2	%	1.6	%	0.7	%
Other	0.2	%	0.1	%	0.2	%
Effective tax rate	36.4	%	36.7	%	35.9	%

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

	As of December 31, 2010		As of December 31, 2009	
	Assets	Liabilities	Assets	Liabilities
Current				
Accrued Vacation	\$688	\$-	\$540	\$-
Prepaid expenses	-	(2,718)	-	(2,313)
State taxes	691	-	886	-
Accrued property taxes	386	-	452	-
Other	707	-	704	-
Total current	2,472	(2,718)	2,582	(2,313)
Noncurrent:				
Depreciation	-	(27,964)	-	(28,382)
Goodwill	931	-	1,049	-
Stock-based compensation expense	1,642	-	699	-
Other	77	0	68	-
Total noncurrent	2,650	(27,964)	1,816	(28,382)
Total	\$5,122	\$(30,682)	\$4,398	\$(30,695)

The Company paid income taxes, net of refunds, of \$36,986, \$36,952 and \$4,623 in 2010, 2009 and 2008, respectively.

Effective January 1, 2007, the Company adopted the accounting standards for uncertain tax positions. Accounting standards for income taxes utilize a two-step approach for evaluating tax positions. A tax position is recognized if it is more likely than not to be sustained upon examination and measured as the largest amount of benefit that is more likely than not (greater than 50%) to be realized upon settlement.

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.

A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

	As of December 31,	
	2010	2009
Beginning Balance	\$-	\$-
Increases for tax positions of prior years	3,277	
Increases for tax positions of current year	342	
Decreases for tax positions of prior years	-	
Settlements	-	
Decreases for lapses in statute of limitations	-	
Ending Balance	\$3,619	\$-

For the years ended December 31, 2010 and 2009, the Company has recognized a liability for uncertain tax positions of \$3,619 and \$0, respectively. The Company’s unrecognized tax benefits relate to timing differences. The Company estimates that the unrecognized tax benefit will decrease by \$0 – \$3,619 within the next twelve months. As of December 31, 2010 and 2009, no amount of the uncertain tax benefit, if recognized, would impact the effective tax rate.

The Company’s policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. During the years ended December 31, 2010 and 2009, the Company recognized no interest and penalties.

The Company files income tax returns in the U.S. federal jurisdiction as well as multiple state jurisdictions. The Company is not currently under examination by the IRS. Various federal, state and local tax returns remain open to examination. The Company believes that any potential assessment would be immaterial.

11. Related Party Transactions

The building in which the Company maintains its headquarters is leased from 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. 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. In June 2008, the Company entered into a lease agreement for additional office space to be used as its training facility which is located in a building adjacent to 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. Under the terms of this agreement, the Company made rent payments of \$2,361, \$2,016, and \$974 in 2010, 2009, and 2008, respectively.

12. Financial Instruments and Risk Management

The Company's debt with a carrying value of \$28,136 and \$42,324 as of December 31, 2010 and 2009, 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.

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

13. 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 90% of their eligible annual compensation with the Company matching up to 5% of eligible employee wages. The Company recognized expense under this plan of \$1,650, \$908 and \$748 for the years ended December 31, 2010, 2009 and 2008, 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 predecessor company’s 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 500,000 shares that were transferred from the Share Option Program.

For the years ended December 31, 2010, 2009 and 2008, the Company recorded \$4,437, \$3,109 and \$1,702, respectively, of compensation expense in the consolidated statements of income related to stock options, SARs and restricted stock. As of December 31, 2010, there was \$2,140 of unrecognized compensation cost related to nonvested stock options and SARs, net of estimated forfeitures of 2.0%. As of December 31, 2010, there was \$3,602 of unrecognized compensation cost, net of estimated forfeitures of 5.0%, related to nonvested restricted stock. The cost related to nonvested stock options and SARs is expected to be recognized over a weighted-average period of 1.88 years. The cost related to nonvested restricted stock is expected to be recognized over a weighted-average period of 2.38 years.

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. No stock options or SARs were granted during 2010.

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

Expected volatilities for the awards issued in 2009 and 2008 were 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 award’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 of the 2009 and 2008 award grants. The risk-free interest rate for periods equal to the expected term of the award

is based on a blended historical rate using Federal Reserve rates for U.S. Treasury securities. The contractual terms of the Company's stock option and SAR awards granted range from five to ten years.

A summary of option and SARs activity under the 2006 Plan as of December 31, 2010, and changes during the year then ended is presented below:

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	Options and SARs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2010	745,000	\$32.07		
Granted	—	\$—		
Exercised	(118,834)	\$26.14		
Forfeited	(57,333)	\$32.39		
Outstanding at December 31, 2010	568,833	\$33.18	3.49	\$9,135,458
Fully vested and expected to vest at December 31, 2010	558,956	\$33.20	3.49	\$8,965,660
Exercisable at December 31, 2010	235,502	\$31.90	3.88	\$4,083,605

No options or SARs were granted during the year ended December 31, 2010. The weighted average fair value per share of awards granted during the years ended December 31, 2009 and 2008 was \$12.44 and \$5.80, respectively. During the years ended December 31, 2009 and 2008, the total intrinsic value of options exercised was \$2,917 and \$4,330, respectively. Cash received from option exercises for the years ended December 31, 2010, 2009 and 2008, was \$3,157, \$1,742 and \$1,040, respectively. The actual tax benefit realized for the tax deductions from these option exercises totaled \$1,081, \$1,067 and \$1,568, respectively.

Restricted stock awards

A summary of the status of the Company's nonvested restricted stock grants during the year ended December 31, 2010 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2010	42,076	\$36.09
Granted	94,000	\$52.44
Vested	(21,473)	\$34.55
Forfeited	(8,333)	\$52.96
Nonvested at December 31, 2010	106,270	\$49.60

The weighted average grant date fair value per share of restricted stock grants during the years ended December 31, 2010, 2009 and 2008 was \$52.44, \$38.31 and \$22.43, respectively. The total fair value of restricted stock vested during the year ended December 31, 2010, 2009 and 2008, was \$899, \$1,605 and \$1,382, respectively. The actual tax benefit realized from the tax deductions from the restricted stock vested totaled \$327, \$587 and \$500, respectively.

14. Selected Quarterly Financial Data (Unaudited)

Quarterly results of operations for the years ended December 31, 2010 and 2009 are summarized below.

	March 31	June 30	September 30	December 31
2010				
Operating revenues	\$169,637	\$168,350	\$163,621	\$162,033
Operating income	36,245	28,081	19,480	20,850
Net income	22,600	17,562	13,159	12,381

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Earnings per share to common stockholders				
Basic	1.14	0.89	0.68	0.65
Diluted	1.12	0.87	0.67	0.64
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 to common stockholders				
Basic	1.39	1.19	0.69	0.53
Diluted	1.37	1.17	0.68	0.52

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

15. Commitments and Contingencies

The 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.

The Company entered into purchase agreements for 20 MD-80 aircraft during the fourth quarter of 2009. As of December 31, 2010, the Company had placed seven of these aircraft into revenue service. The Company expects to place eight of the remaining aircraft into revenue service to support growth through 2013. As of December 31, 2010, the remaining contractual obligations under these purchase agreements totaled \$5,427. In January and February 2011, the Company made payment of \$4,127 on aircraft purchase obligations under these purchase agreements for MD-80 aircraft. As of March 1, 2011, the Company took possession of all the MD-80 aircraft under purchase agreements with the remaining obligations of \$1,300 to be paid later in 2011 in accordance with the terms of these agreements.

In March 2010, the Company entered into a purchase contract for six Boeing 757-200 aircraft with delivery dates in 2010 and 2011. The Company expects these aircraft to be added to the Company's operating fleet in 2011 and 2012. As of December 31, 2010, the remaining contractual obligations under the purchase agreement was \$39,100. In February 2011, the Company made payment for one Boeing 757-200 aircraft under the existing purchase agreement. As a result of this purchase, the remaining obligations under this purchase contract is \$29,325, to be paid upon delivery of the remaining aircraft during 2011. In conjunction with taking ownership of the aircraft, the Company leased out the aircraft to a third party. The lease term commenced with delivery of the aircraft to the third party at the time payment was made by the Company. The Company intends to take possession of the aircraft at the end of the lease term in the summer of 2012.

16. Subsequent Events

In March 2011, the Company borrowed \$7,000 under a loan agreement secured by one Boeing 757-200 aircraft purchased in February 2011. The note payable issued under the loan agreement bears interest at 6.28% per annum and is payable in monthly installments through March 2015. The Company's contractual obligations for principal payments and scheduled interest payments attributable to the issued note payable are \$1,487 in 2011, \$1,982 in 2012, \$1,982 in 2013, \$1,982 in 2014 and \$496 in 2015.

On March 10, 2011, the Company borrowed \$125,000 under a senior secured term loan facility (the "Term Loan"). The Term Loan matures on March 10, 2017 and bears interest based on the London Interbank Offered Rate ("LIBOR") or prime rate with interest payable quarterly or more frequently until maturity. The Term Loan is secured by all property and assets of the Company with certain exceptions. The Term Loan contains a maximum leverage covenant for the Company. Affirmative and negative covenants also relate to maximum annual capital expenditures and limitations on indebtedness, liens, sale and leaseback transactions, guarantees, mergers and acquisitions, asset sales, restricted payments, transactions with affiliates and investments. In addition to quarterly principal payments equal to 0.25% of the initial loan, the Term Loan also provides for mandatory and optional prepayment provisions. The Company's contractual obligations for principal payments on the Term Loan are \$938 in 2011, \$1,250 in 2012, \$1,250 in 2013, \$1,250 in 2014, \$1,250 in 2015 and \$119,062 thereafter. In connection with the borrowing under the Term Loan, the Company made early payment in February 2011 of all existing debt obligations secured by its MD-80 aircraft. These payments consisted of \$6,101 in debt obligations secured by eight aircraft due in April 2012, \$6,253 in

debt obligations secured by three aircraft due in November 2011, \$1,398 in debt obligations secured by two aircraft due in June 2011 and \$329 in debt obligations secured by four aircraft due in February 2011. Proceeds from the Term Loan will also be used for the funding of future capital expenditure programs and general corporate purposes.

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	2
Consolidated Balance Sheets	4
Consolidated Statements of Income	5
Consolidated Statements of Stockholders' Equity and Comprehensive Income	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9
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.

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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*	Form of Indemnification Agreement.
10.6*	Airport Operating Permit between Allegiant Air, Inc. and Clark County Department of Aviation dated April 14, 2003.
10.7*	Memorandum of Understanding between Allegiant Air, LLC and Sanford Airport Authority dated March 4, 2005.
10.8	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).
10.9	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).
10.10	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).
10.11	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)
10.12	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.)
10.13	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.)
10.14	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.)
10.15	

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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.)

- 10.16 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.)
- 10.17 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.)

Exhibit Number	Description
10.18	Amendment No. 1 to Air Transportation Charter Agreement dated April 30, 2009, between Allegiant Air, LLC and Harrah's Operating Company, Inc.(3) (Incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Commission on March 9, 2010.)
10.19	Amendment No. 2 to Air Transportation Agreement Charter Agreement dated November 6, 2009 between Allegiant Air, LLC and Harrah's Operating Company, Inc.(3) (Incorporated by reference to Exhibit 10.21 to the Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Commission on March 9, 2010.)
10.20	Employment Agreement dated as of October 16, 2009, between the Company and Andrew C. Levy.(1) (Incorporated by reference to Exhibit 10.22 to the Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Commission on March 9, 2010.)
10.21	Restricted Stock Agreement dated October 16, 2009 between the Company and Andrew C. Levy.(1) (Incorporated by reference to Exhibit 10.23 to the Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Commission on March 9, 2010.)
10.22	Stock Appreciation Rights Agreement dated October 16, 2009, between the Company and Andrew C. Levy.(1) (Incorporated by reference to Exhibit 10.24 to the Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Commission on March 9, 2010.)
10.23	Aircraft Sale and Purchase Agreement dated as of December 30, 2009 between the Company and Scandinavian Airlines System, Denmark—Norway—Sweden.(3) (Incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Commission on March 9, 2010.)
10.24	Aircraft Sale Agreement dated as of March 3, 2010 between Sunrise Asset Management, LLC and AerCap Partners I Limited and Wells Fargo Bank Northeast (owner trustee under the MSN 26963 and 26964 Trust Agreements) (2) (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, filed with the Commission on May 7, 2010.)
10.25	Amendment No. 3 to Air Transportation Charter Agreement dated April 26, 2010, between Allegiant Air, LLC and Harrah's Operating Company, Inc. (3) (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed with the Commission on August 9, 2010.)
10.26	Agreement dated October 15, 2009 and Amendment dated June 1, 2010 between the Company and entities known collectively as Harrah's. (3) (Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed with the Commission on August 9, 2010.)
21.1	List of Subsidiaries
23.1	Consent of Ernst & Young LLP.
24.1	Powers of Attorney (on signature page of Original Filing)
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.

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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.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Las Vegas, State of Nevada on March 17, 2011.

Allegiant Travel Company

By: /s/ SCOTT SHELDON
SCOTT SHELDON
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Amendment No. 1 to Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Maurice J. Gallagher, Jr. Maurice J. Gallagher, Jr.	Chief Executive Officer and Director (Principal Executive Officer)	March 17, 2011
/s/ SCOTT SHELDON Scott Sheldon	Chief Financial Officer (Principal Financial Officer)	March 17, 2011
* Gary Ellmer	Director	March 17, 2011
* Montie Brewer	Director	March 17, 2011
* Timothy P. Flynn	Director	March 17, 2011
* Charles W. Pollard	Director	March 17, 2011
John Redmond	Director	March , 2011

*By: /s/ Scott Sheldon
Scott Sheldon, Attorney in Fact

The following exhibits are filed as part of this report.

Exhibit Number	Description
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