Allegiant Travel CO
Form 10-K
February 22, 2016

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

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

For the fiscal year ended December 31, 2015

OR

o 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	20-4745737
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

1201 North Town Center Drive	
Las Vegas, Nevada	89144
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (702) 851-7300

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 Par Value	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

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

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 o No ý

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 ý No o

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. o

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of common equity held by non-affiliates of the registrant was approximately $2.4 billion computed by reference to the closing sale price of the common stock on the Nasdaq Global Select Market on June 30, 2015, the last trading day of the registrant's most recently completed second fiscal quarter.

The number of shares of the registrant's common stock outstanding as of the close of business on February 1, 2016 was 16,799,460.

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 21, 2016, 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 69.

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For the Year Ended December 31, 2015

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PART I

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this annual report on Form 10-K, and in the 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 information concerning our possible or assumed future results of operations, business strategies, fleet plan, financing plans, competitive position, industry environment, potential growth opportunities, future service to be provided and the effects of future regulation and 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 this annual report on Form 10-K and in our other periodic reports filed with the Securities and Exchange Commission at www.sec.gov. These risk factors include, without limitation, an accident involving or problems with our aircraft, our reliance on automation systems, volatility of fuel costs, labor issues and costs, the ability to obtain regulatory approvals as needed, the effect of economic conditions on leisure travel, debt covenants, terrorist attacks, risks inherent to airlines, demand for air services to our leisure destinations from the markets served by us, our dependence on our leisure destination markets, the competitive environment, our reliance on third parties who provide facilities or services to us, the possible loss of key personnel, economic and other conditions in markets in which we operate, aging aircraft and other governmental regulation, increases in maintenance costs and cyclical and seasonal fluctuations to our operating results.

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

Item 1. Business

Overview

We are a leisure travel company focused on providing travel services and products to residents of under-served cities in the United States. We were founded in 1997 and, in conjunction with our initial public offering in 2006, we incorporated in the state of Nevada. Our unique business model provides diversified revenue streams from various travel service and product offerings which distinguish us from other travel companies. We operate a low-cost passenger airline marketed to leisure travelers in under-served cities, allowing us to sell air transportation both on a stand-alone basis and bundled with the sale of air-related and third party services and products. In addition, we provide air transportation under fixed fee flying arrangements. Our developed route network, pricing philosophy, advertising, and product offerings 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 and products from us.

A brief description of the travel services and products we provide to our customers:

Scheduled service air transportation. We provide scheduled air transportation on limited-frequency nonstop flights predominantly between under-served cities and popular leisure destinations. As of February 1, 2016, our operating fleet consisted of 51 MD-80 aircraft, 26 A320 series aircraft, and five Boeing 757-200 aircraft providing service on 294 routes to 104 cities. Based on recent announcements, we expect service will expand to 322 routes and 111 cities by August 2016.

Air-related ancillary products and services. We provide unbundled air-related services and products in conjunction with air transportation for an additional cost to customers. These optional air-related services and products include a customer convenience fee, baggage fees, advance seat assignments, our own travel protection product, change fees, use of our call center for purchases, priority boarding, food and beverage purchases on board, and other air-related services.

Third party ancillary products and services. We offer third party travel products such as hotel rooms, ground transportation (rental cars and hotel shuttle products) and attractions (show tickets) for sale to our passengers.

Fixed fee contract air transportation. We provide air transportation through fixed fee agreements and charter service on a year-round and ad-hoc basis.

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Other revenue. We currently, and may choose to in the future, temporarily act as a lessor as an avenue to opportunistically acquire aircraft or engines. Upon the expiration of a lease, we would expect to operate the asset(s) ourselves.

Our principal executive offices are located at 1201 N. Town Center Drive, Las Vegas, Nevada 89144. Our telephone number is (702) 851-7300. Our website address is http://www.allegiant.com. We have not incorporated by reference into this annual report the information on our website and investors should not consider it to be a part of this document. Our website address is included in this document for reference only. Our annual report, quarterly reports, current reports and amendments to those reports are made available free of charge through the investor relations section on our website as soon as reasonably practicable after electronically filed with or furnished to the Securities and Exchange Commission ("SEC").

Unique Business Model

We have developed a unique business model that focuses on leisure travelers in small and medium-sized cities. The business model has evolved as our experienced management team has looked differently at the traditional way business has been conducted in the airline and travel industries. Our focus on the leisure customer allows us to eliminate the costly complexities burdening others in our industry in their goal to be all things to all customers, particularly most other airlines which target the business customer.

Traditional Airline Approach	Allegiant Approach
• Focus on business travelers	• Focus on leisure travelers
• Provide high frequency service from big cities	• Provide low frequency service from small and medium-sized cities
• Use smaller aircraft to provide connecting service from smaller markets through hubs	• Use larger jet aircraft to provide nonstop service from under-served cities direct to leisure destinations
• Bundled pricing	• Unbundled pricing of air-related services and products
• Sell through various intermediaries	• Sell only directly to travelers
• Offer flight connections	• No connecting flights offered
• Use code-share arrangements to increase passenger traffic	• Do not use code-share arrangements

We have established a route network with a national footprint, providing service on 294 routes between 87 under-served cities and 17 leisure destinations, and serving 41 states as of February 1, 2016. In most of these cities, we provide service to more than one of our leisure destinations. We currently provide service to the popular leisure destinations of Las Vegas, NV; Orlando, FL; Phoenix, AZ; Tampa/St. Petersburg, FL; Los Angeles, CA; Ft. Lauderdale, FL; Punta Gorda, FL; the San Francisco Bay Area, CA; Honolulu, HI; Palm Springs, CA; Austin, TX; New Orleans, LA; Jacksonville, FL; Savannah/Hilton Head, GA; and West Palm Beach, FL. We also provide service on a seasonal basis to San Diego, CA, and Myrtle Beach, SC, and will commence service to Baltimore/Washington, DC and Destin, FL in the spring of 2016.

The geographic diversity of our route network protects us from regional variations in the economy and helps insulate us from competitive actions, as it would be difficult for a competitor to materially impact our business by targeting one city or region. Our widespread route network also contributes to the continued growth of our customer base.

In developing a unique business model, our ancillary offerings, including the sale of third party products and services, have been a significant source of our total operating revenue growth. We have increased ancillary revenue per passenger from $5.87 in 2004 to $50.72 in 2015. We own and manage our own air reservation system, giving us the ability to modify our system to enhance product offerings based on specific needs, without being dependent on non-customized product upgrades from outside suppliers. We believe the control of our automation systems has allowed us to be innovators in the industry by providing our customers with a variety of different travel services and products.

We believe the following strengths from our unique business model allow us to maintain a competitive advantage in the markets we serve:

Leisure customers in under-served cities

We believe small and medium-sized cities represent a large, under-served, market, especially for leisure travel. Prior to the initiation of our service, leisure travelers from these markets had limited desirable options to reach leisure destinations because existing carriers are generally focused on connecting business customers through their hub-and-spoke networks. In 2014, we began serving selected medium-sized cities, to which major carriers have reduced service, creating a void for us to fill with limited or no direct nonstop competition on each route.

We believe our nonstop service, along with our low prices and leisure company relationships, make it attractive for leisure travelers to purchase our travel services and products. The size of the markets we serve, and our focus on the leisure customer, allow us to adequately serve our markets with less frequency, and to vary our air transportation capacity to match seasonal and day of the week demand patterns.

By focusing on under-served cities and routes, we believe we avoid the intense competition in high traffic domestic air corridors. In most of our small and medium-sized city markets, travelers previously faced high airfares and cumbersome connections or long drives to major airports in order to reach our leisure destinations. Based on published data from the U.S. Department of Transportation (“DOT”), we believe the initiation of our service stimulates demand because there is typically a substantial increase in traffic subsequent to new service beginning. Our market strategy is neither hostile to legacy carriers, whose historical focus has been connecting small cities to business markets with regional jets, nor to traditional low cost or ultra-low cost carriers generally focused on larger markets. Additionally, many major carriers have reduced service to medium-sized cities, which are not usually considered core hubs for these carriers.

Capacity management

Although the current low cost fuel environment has allowed us to increase flying during periods of lower demand, our core business model manages seat capacity by increased utilization of our aircraft during periods of high leisure demand and decreased utilization in low leisure demand periods. In 2015, during our peak demand period in March, we averaged 6.9 system block hours per aircraft per day while in September, our lowest month for demand, we averaged 4.2 system block hours per aircraft per day. Our management of seat capacity also includes changes in weekly frequency of certain markets based on identified peak and off-peak travel demand throughout the year. For example, the leisure destination of Palm Springs, CA, is more desirable for our customers from Bellingham, WA during winter months. Therefore, we seasonally decrease the frequency of our Bellingham-Palm Springs flights in the summer, and increase flights per week in the winter. Unlike other carriers which provide a fairly consistent number of flights every day of the week, we concentrate our flights on high demand leisure travel days and fly a smaller portion of our schedule on low demand days such as Tuesdays and Wednesdays.

Our strong ancillary revenue production, coupled with the ability to spread costs over a larger number of passengers, has allowed us to operate profitably throughout periods of high fuel prices and economic recession. We manage our capacity with a goal of being profitable on each route. Low aircraft ownership costs facilitate our ability to adjust service levels quickly, and maintain profitability during difficult economic times.

Low cost structure

We believe a low cost structure is essential to competitive success in the airline industry. Excluding a one-time impairment charge of $43.3 million taken in 2014, our operating expense per available seat mile ("CASM") decreased from 10.47¢ in 2014 to 8.45¢ in 2015. Excluding the cost of fuel and the above impairment charge, our operating CASM decreased from 6.13¢ in 2014 to 5.81¢ in 2015.

We continue to focus on maintaining low operating costs through the following tactics and strategies:

Cost-driven schedule. We design our flight schedule to concentrate our aircraft each night at our crew bases which allows us to better utilize personnel, airport facilities, aircraft, spare parts inventory, and other assets. We believe leisure travelers are generally less concerned about departure and arrival times than business travelers, so we are able to schedule flights at times that enable us to reduce costs while remaining desirable to our leisure customers.

Low aircraft ownership costs. We believe we properly balance low aircraft ownership costs (we have purchased all of our aircraft used) and operating costs to minimize our total costs. As of February 1, 2016, our operating fleet consists of 51 MD-80 series aircraft, 26 Airbus A320 series aircraft, and five Boeing 757-200 aircraft.

We continue to view the used Airbus A320 series aircraft market as being similar to the market we experienced when we began adding MD-80 aircraft to our fleet in 2001. We believe that future availability of used Airbus A320 series aircraft will be driven by high production rates of new current engine option aircraft, and re-fleeting strategies for new engine option ("NEO") narrow body aircraft by both air carriers and aircraft lessors. The addition of used Airbus A320 series aircraft has allowed us to maintain low aircraft ownership costs consistent with our business model. In this document, references to Airbus A320 series aircraft are intended to describe Airbus A319 and/or A320 aircraft.

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 marketing approach results in very low distribution costs. We do not sell our product through outside sales channels, thus avoiding the fees charged by travel web sites (Expedia, Orbitz or Travelocity) and traditional global distribution systems (“GDS”) (Sabre or Worldspan). Our customers can only purchase travel at our airport ticket counters or, for a fee, on our website or through our telephone reservation center. The purchase of travel through our website is the least expensive form of distribution for us and accounted for 95.1 percent of our scheduled service revenue during 2015.

Small and medium-sized city market airports. Our business model focuses on residents of small and medium-sized cities in the United States. Typically, the airports in these cities have lower operating costs than airports in larger cities. These lower costs are driven by less expensive passenger facilities, landing, and ground service charges. In addition to inexpensive airport costs, many of our airports provide marketing support which results in lower marketing costs.

Ancillary product offerings

We believe most leisure travelers are concerned primarily with purchasing air travel for the least expensive price. As such, we have unbundled the air transportation product by charging fees for services many U.S. airlines have historically bundled in their product offering. We offer a simple base product at an attractive low fare, which enables us to stimulate demand and generate incremental revenue as customers pay additional amounts only for conveniences they value. For example, we do not offer complimentary advance seat assignments; however, customers who value this product can purchase advance seat assignments for a small incremental cost. In addition, snacks and beverages are sold individually on the aircraft, allowing passengers to purchase only items they value.

Our third party product offerings give our customers the opportunity to purchase hotel rooms, rental cars, airport shuttle service, show tickets, and other attractions. Our third party offerings are available to customers based on our agreements with various travel and leisure companies. For example, we have an exclusive agreement with Enterprise Holdings Inc. for the sale of rental cars packaged with air travel, which made up over 50 percent of our third party products ancillary revenue in 2015. The pricing of each product and our margin can be adjusted based on customer demand because our customers purchase travel through our booking engine without any intermediaries.

Strong financial position

As of December 31, 2015, we had $397.4 million of unrestricted cash, cash equivalents and investment securities, and total debt of $641.7 million. As we have been able to consistently generate cash from operations due to our profitability, we believe we have more than adequate resources to invest in the growth of our fleet, information technology, infrastructure, and development, while meeting short-term obligations.

Training and development

We are committed to investing in the development of adaptive learning courses for our employees, with a current focus on our operating groups. This progressive approach to training focuses on concept mastery, recognizing that individuals learn at varying paces, through different styles, and is designed to ensure the trainee fully understands each module before moving on to more advanced training. We also expect program development to facilitate recurrent training and to contribute to cost savings in the future, and we are in the process of seeking approval from the Federal Aviation Administration for various aspects of this training program.

Routes and schedules

Our current scheduled air service (including seasonal service) predominantly consists of limited frequency, nonstop flights into Las Vegas, Orlando, Phoenix and other Florida and California destinations from under-served cities across the continental United States. Our scheduled service route network as of February 1, 2016 is summarized below:

Routes to Orlando	59
Routes to Las Vegas	50
Routes to Tampa/St. Petersburg	47
Routes to Phoenix	36
Routes to Punta Gorda	28
Routes to Los Angeles	22
Other routes	52
Total routes	294

Marketing and Distribution

Our website is our primary distribution method, and we also sell through our call center and at our airport ticket counters. This distribution mix creates significant cost savings and enables us to continue to build loyalty with our customers through increased interaction with them. We are also able to utilize customer email addresses in our database, which provides multiple cost effective opportunities to market products and services, including at the time of travel purchase, between purchase and travel, and after travel is complete. In addition, we market products and services to our customers during their flight. We believe the breadth of options we offer allows us to provide a “one-stop” shopping solution to enhance our customer's travel experience. More recently, we have run a national ad campaign in certain markets. In addition, when we enter new markets, we may advertise in local print publications, radio and/or television to introduce our new service to the community. These activities are sometimes supported by the local airport authority which has sought our initiation of service to the community.

We continue to enhance our automation, including the upgrade of our current distribution platform, and we have fully integrated all Internet traffic to our booking engine. We expect the continuous improvement to our website and other automation enhancements will create additional revenue opportunities by allowing us to capitalize on customer loyalty with additional product offerings.

Our low cost distribution strategy results in reduced expenses by avoiding the fees associated with the use of GDS distribution points. This distribution strategy also permits us to closely manage ancillary product offerings and pricing while developing and maintaining a direct relationship with our customers. We believe this continuous communication will result in substantial benefits over time. With our own automation system, we have the ability to continually change ancillary product offerings and pricing points, which allows us to find the optimal pricing levels for our various offerings. We believe this would be difficult and impractical to achieve through the use of the GDS.

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, fuel prices, industry capacity, and pricing actions taken by other airlines. The principal competitive factors in the airline industry are price, schedule, customer service, routes served, types of aircraft, safety record and reputation, code-sharing relationships, and frequent flyer programs.

Our competitors include legacy airlines, low cost carriers ("LCCs"), ultra-low cost carriers ("ULCC"), regional airlines, and new entrant airlines. Many of these airlines are larger, have significantly greater financial resources, are more well known, and have more established reputations than us. In a limited number of cases, following our entry into a market, competitors have chosen to add service, reduce their fares, or both. In a few cases, other airlines have entered after we have developed a market.

We believe our under-served city strategy has reduced the intensity of competition we might otherwise face. As of February 1, 2016, we are the only domestic scheduled carrier operating out of the Orlando Sanford International Airport, Phoenix-Mesa Gateway Airport, and Punta Gorda Airport. Although no other domestic scheduled carriers operate in these airports, most U.S. airlines serve the major airports for Orlando, Phoenix, and Ft. Myers. In addition, many U.S. airlines serve our other leisure destinations. As a result, there is potential for increased competition on our routes.

As of February 1, 2016, we face mainline competition on only 48 of our 294 routes. We compete with Southwest Airlines on 33 routes, Delta Airlines on eight routes, Frontier Airlines on six routes, American Airlines on five routes, Spirit Airlines on three routes, Hawaiian Airlines and JetBlue Airlines on two routes each, and Alaska Airlines and United Airlines on one route each. We will also experience additional competition on recently announced routes.

Indirectly, we compete with Southwest, American, Delta, and other carriers that provide nonstop service to our leisure destinations from airports near our markets. We also face indirect competition from legacy carriers offering hub-and-spoke connections to our markets, although these fares tend to be substantially higher, with much longer elapsed travel times. Several airlines also offer competitive one-stop service from the medium-sized cities we serve.

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

In our fixed fee operations, we compete with other scheduled airlines in addition to independent passenger charter airlines. 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.

Aircraft Fuel

Fuel has historically been 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 fuel price volatility.

In an effort to reduce our fuel costs, we have 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. By reason of these activities, we could potentially incur material liabilities, including possible environmental liabilities, to which we would not otherwise be subject.

Employees

As of December 31, 2015, we employed 2,846 full-time equivalent employees, which consisted of 2,674 full-time and 344 part-time employees. Full-time equivalent employees consisted of 625 pilots, 841 flight attendants, 176 airport operations personnel, 264 mechanics, 146 reservation agents, 72 flight dispatchers, and 722 management and other personnel.

Salary and benefits expense is our second largest expense, having represented approximately 26 percent of total operating expenses for 2015, 20 percent in 2014 and 19 percent in 2013.

We have two employee groups which elected union representation, consisting of approximately half of our total employees. We are in negotiations for collective bargaining agreements with the labor organizations representing these employee groups. As of February 2016, the flight attendant group is in the midst of an election to determine whether they will remain unionized.

Our relations with these labor organizations are governed by the Railway Labor Act ("RLA"). Under this act, if direct negotiations do not result in an agreement, either party may request the National Mediation Board ("NMB") to appoint a federal mediator. If no agreement is reached in these mediated discussions, the NMB may offer binding arbitration to the parties. If either party rejects binding arbitration, a “cooling off” period begins. At the end of this “cooling-off” period, the parties may engage in self-help, which among other events, could result in a strike from employees or for us to hire new employees to replace any striking workers. The table below identifies the status of these initial collective bargaining agreements:

Employee Group	Representative	Status of Agreement
Pilots	International Brotherhood of Teamsters, Airline Division	Elected representation in August 2012. In mediation phase of the negotiation process.
Flight Attendants	Transport Workers Union	Elected representation in December 2010. In mediation phase of the negotiation process. Election pending to determine whether they will remain unionized. Results of election will be known after February 25, 2016.

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In January 2015, the International Brotherhood of Teamsters ("IBT") asked the NMB to make a proffer of arbitration with respect to the pilot negotiations, which is a precursor to the parties being released into self-help. In response, we met with the NMB and expressed our position that the IBT’s request was unwarranted and an abuse of the NMB's processes, and that the parties should remain in negotiations. The NMB declined to grant the IBT's request and resumed mediated negotiations between the parties. Shortly thereafter, the IBT threatened to call a strike on the ground that Allegiant allegedly was in violation of the RLA's status quo obligations. We successfully requested the United States District Court for the District of Nevada to enjoin the strike. In late September 2015, the IBT renewed its request for a proffer with the NMB, which we, again, opposed. The NMB did not grant IBT’s request and instead ordered the parties back to negotiations.

If we are unable to reach a labor agreement with these employee groups, they may seek to institute work interruptions or stoppages. We have not previously experienced any work interruptions or stoppages from our non-unionized or unionized employee groups.

Aircraft Maintenance

We have a Federal Aviation Administration ("FAA") approved maintenance program, which is administered by our maintenance department headquartered in Las Vegas. Technicians employed by us have appropriate experience and hold required licenses issued by the FAA. We provide them with comprehensive training and maintain our aircraft in accordance with FAA regulations. The maintenance performed on our aircraft can be divided into three general categories: line maintenance, major maintenance, and component and engine overhaul and repair. Line maintenance is generally performed by our personnel. We contract with outside organizations to provide major maintenance and component and engine overhaul and repair. We have chosen not to invest in facilities or equipment to perform our own major 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. 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.

Community Involvement

We have worked with the Make-A-Wish Foundation since 2012 by flying "wish kids" and their families to their desired destinations, at no cost, and donating the proceeds from our in-flight Wingz Snack Pack program to the Foundation. In 2015, we flew approximately 1 million miles in connection with providing travel for granted wishes for these children and their families.

Insurance

We maintain insurance policies we believe are of types customary in the airline industry and as required by the DOT, and are in amounts we believe to be 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, directors and officers, 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 in all cases.

Through the 2003 Emergency Wartime Supplemental Appropriations Act (the “Wartime Act”), the federal government has previously provided war-risk insurance coverage to commercial carriers, including coverage for losses from terrorism, for passengers, third parties (ground damage), and the aircraft hull. However, since the government-provided supplemental coverage from the Wartime Act was set to expire on September 30, 2014, we proactively canceled our government provided war-risk insurance coverage prior to that date and purchased comparable coverage via the commercial insurance marketplace. Available commercial insurance in the future could be more expensive, could have material differences in coverage than is currently provided, and may not be adequate to protect us from risk of loss from future acts of terrorism.

Government Regulation

We are subject to federal, state and local laws affecting the airline industry and to extensive regulation by the DOT, the 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 promulgate regulations and to investigate and institute proceedings to enforce its regulations and related federal statutes, and may assess civil penalties, suspend or revoke operating authority, and seek criminal sanctions. The 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 DOT certificates of public convenience and necessity authorizing us to engage in 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). We also hold DOT authority to engage in 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 operation 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, our provision of scheduled service to certain destinations may require specific governmental authorization. The FAA has the authority to investigate all matters within its purview, to modify, suspend or revoke our authority to provide air transportation, to approve or disapprove the addition of aircraft to our operation specifications, 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 pre-scheduled inspections as well as 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 after an opportunity for public 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 Transportation Security Administration ("TSA") of the Department of Homeland Security. The TSA has enforcement powers similar to the 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.

Aviation Taxes and Fees. The authority of the federal government to collect most types of aviation taxes, which are used, in part, to finance the nation’s airport and air traffic control systems, and the authority of the FAA to expend those funds must be periodically reauthorized by the U.S. Congress. On September 30, 2015, Congress enacted the Airport and Airway Extension Act of 2015, which extended certain commercial aviation taxes (known generally as Federal Excise Taxes or "FET") through March 31, 2016. All carriers are required to collect these taxes from passengers and pass them through to the federal government.

In addition to FET, there are federal fees related to services provided by the TSA, and, in the case of international flights, the U.S. Customs and Border Protection ("CBP"), the U.S Immigration and Naturalization Service ("INS"), and the U.S. Department of Agriculture's Animal and Plant Health Inspection Service ("APHIS"). There are also FAA-approved Passenger Facility Charges ("PFCs") imposed by most of the airports we serve. Like FET, air carriers collect these fees from passengers and pass them through to the respective federal agency or airport authority. These fees do not need to be reauthorized, although their amounts may be revised periodically.

In 2016, Congress may consider reauthorization legislation that could increase the amount of FET and/or one or more of the other government fees identified above. By thus increasing the overall price charged to passengers, such action could lessen demand for air travel or force carriers, including us, to lower fares to maintain demand. Concurrently, Congress also may consider privatization of the U.S air traffic control ("ATC") system with user fee based funding. The effect of such action, if adopted as law, on our operating costs is unknown. Additionally, federal funding to airports and/or airport bond financing could be affected through future deficit reduction legislation, which could result in higher fees, rates, and charges at many of the airports we serve.

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 the 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 our 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 imposes restrictions on the number of flights or hours of operation that have a meaningful impact on our operations. It is possible one or more such airports may impose additional future restrictions with or without advance notice, which may impact our operations.

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 citizens 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/Chief Executive Officer ("CEO") and at least two-thirds of our board of directors and other managing officers are U.S. citizens, and that not more than 25 percent of our voting stock is 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 intend to 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 intend to continue to comply with those requirements.

Working conditions of cabin crewmembers while onboard aircraft are subject to regulation by the Occupational Safety and Health Administration ("OSHA") of the Department of Labor. To the extent we are subject to OSHA requirements, we intend to continue to comply with those requirements.

Our operations may become subject to additional federal requirements in the future under certain circumstances. During a period of past fuel scarcity, air carrier access to jet fuel was subject to allocation regulations promulgated by the Department of Energy. Changes to the federal excise tax and other government fees imposed on air transportation have been proposed and implemented from time to time and may result in an increased tax burden for airlines and their passengers.

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 the airports we serve. None of the airports in the cities in which we operate have slot control, gate availability, or curfews that pose meaningful limitations on our operations. However, some airports we serve 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, regulations, and licensing requirements of the foreign countries to, from and over which the international flights operate. Foreign laws, rules, regulations and licensing requirements 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 Laws and Regulations. Congress, the DOT, the FAA, the TSA, 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 TSA, 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. We are 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 participation, we are eligible to bid on and be awarded peacetime airlift contracts with the military.

Item 1A. Risk Factors

Readers 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

Our reputation and financial results could be harmed in the event of an accident or restrictions affecting aircraft in our fleet.

As of February 1, 2016, our operating fleet consists of 51 MD-80 series aircraft, 26 A320 series aircraft, and five Boeing 757-200 aircraft. All of our aircraft were acquired used and range from 10 to 30 years from their manufacture date at February 1, 2016.

An accident 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. Further, there is no assurance that the amount of insurance we carry would be sufficient to protect us from material loss. Because we are smaller than most airlines, an accident would likely adversely affect us to a greater degree than a larger, more established airline.

In-flight emergencies affecting our aircraft, and resulting media attention, could also contribute to a public perception regarding safety concerns and a loss of business.

The FAA could suspend or restrict the use of our aircraft in the event of actual or perceived mechanical problems or safety issues, whether involving our aircraft or another U.S. or foreign airline’s aircraft, while it conducts its own investigation. Our business could also be significantly harmed if the public avoids flying our aircraft due to an adverse perception of the aircraft we utilize because of safety concerns or other problems, whether real or perceived, or in the event of an accident involving these 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 air reservation system, telecommunication systems, our website, and other automated systems. Our continuing work on enhancing the capabilities of our automated systems could increase the risk of automation failures. Any failure by us to handle our automation needs could negatively affect our internet sales (on which we rely heavily) and customer service, and result in lost revenues and increased costs.

Our website and reservation system must be able to accommodate a high volume of traffic and deliver necessary functionality to support our operations. Our automated systems cannot be completely protected against events that are beyond our control, such as natural disasters, telecommunications failures, computer viruses, security breaches or hacking attacks. Although we have implemented security measures and have disaster recovery plans in place, we cannot assure investors that these measures are adequate to prevent disruptions. Substantial or repeated website, reservations system, or telecommunication system failures could decrease the attractiveness of our services. Any disruption to these systems could result in the loss of important data and revenue, increase in expenses, and harm to our business.

We receive, retain, and transmit certain personal information about our customers. Our on-line operations also rely on the secure transmission of this customer data. We use third-party systems, software, and tools in order to protect the customer data we obtain through the course of our business. Although we use these security measures to protect this customer information, a compromise of our physical or network security systems through a cyber-security attack would create the risk that our customers' personal information might be obtained by unauthorized persons. A compromise in our security systems could adversely affect our reputation, disrupt operations, and could also result in litigation or the imposition of penalties. In addition, it could be costly to remediate.

The way businesses handle customer data is increasingly subject to legislation and regulation typically intended to protect the privacy of customer data received, retained, and transmitted. We could be adversely affected if we fail to comply with existing rules or practices, or if legislation or regulations are expanded to require changes in our business practices. These privacy developments are difficult to anticipate and could adversely affect our business, financial condition, and results of operations.

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 31.3 percent, 39.6 percent and 45.8 percent during 2015, 2014 and 2013, respectively. Significant increases in fuel costs have negatively affected our operating results in the past, and future fuel cost volatility could materially affect our financial condition and results of operations.

Both the cost and availability of aircraft fuel are subject to many economic and political factors and events occurring throughout the world over which we have no control. Meteorological events may also result in short-term disruptions in the fuel supply. 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. Due to the effect of these events on the price and availability of aircraft fuel, our ability to control this cost is limited, and the price and future availability of fuel cannot be predicted with any degree of certainty. Due to the high percentage of our operating costs represented by fuel, a relatively small increase in the price of fuel could have a significantly negative impact on our operating costs. A fuel supply shortage or higher fuel prices could possibly result in reduction of our service during the period affected.

We have made a business decision not to purchase financial derivatives to hedge against increases in the cost of fuel. This decision may make our operating results more vulnerable to the impact of fuel price increases.

Increased labor costs could result from industry conditions and could be impacted by labor-related disruptions.

Labor costs constitute a significant percentage of our total operating costs and are our largest non-fuel cost. Industry demand for pilots and the supply of available pilots will impact our labor costs as we seek to retain our employees and compete against other airlines for qualified personnel.

Further, we have two employee groups (pilots and flight attendants) which have elected union representation. These groups represent approximately half of our employees. We are currently in negotiations for initial collective bargaining agreements with the unions representing each of these employee groups. However, negotiations with the flight attendants are currently on hold because they are in the midst of an election to determine whether or not they will continue to be unionized. Union contracts could also put pressure on our labor costs.

If we are unable to reach agreement on the terms of collective bargaining agreements in the future, or we experience wide-spread employee dissatisfaction, we could be subject to work slowdowns or stoppages. Any of these events could have an adverse effect on our operations and future results.

FAA limitations could impact our ability to grow in the future.

As with all airlines, the FAA must approve all aircraft and cities to be added to our operation specifications. In 2015, we received notice from our local FAA office indicating we were under heightened surveillance as a result of what they referred to as labor unrest. For a period of time, the FAA discontinued approvals of additional aircraft and cities. Although these restrictions are not in place at the current time, future limitations from the FAA could potentially hinder our growth.

Unfavorable economic conditions may adversely affect travel from our markets to our leisure destinations.

The airline industry is particularly sensitive to changes in economic conditions. Unfavorable U.S. economic conditions have historically driven changes in travel patterns and have resulted in reduced discretionary spending for leisure travel. Unfavorable economic conditions could impact demand for airline travel in our small and medium-sized cities to our leisure destinations. During difficult economic times, we may be unable to raise prices in response to fuel cost increases, labor, or other operating costs, which could adversely affect our results of operations and financial condition.

The indenture governing our senior unsecured notes contains various covenants limiting the discretion of our management in operating our business and could prevent us from capitalizing on business opportunities and taking some corporate actions.

The indenture governing our senior unsecured notes imposes significant operating and financial restrictions on us. These restrictions limit or restrict, among other things, our ability, and the ability of our restricted subsidiaries, to:

- incur additional indebtedness;
- incur liens;
- make restricted payments (including paying dividends on, redeeming, repurchasing, or retiring our capital stock);
- make investments; and
- consolidate, merge, or sell all or substantially all of our assets.

These covenants are subject to exceptions and qualifications which are described in the indenture we have filed with the Securities and Exchange Commission. At maturity, or in the event of an acceleration of payment obligations, we may be unable to pay our outstanding indebtedness with our cash and cash equivalents then on hand. In such event, we would be required to seek alternative sources of funding, which may not be available on commercially reasonable terms, terms as favorable as our current agreements, or at all. If we are unable to refinance our indebtedness or find alternative means of financing our operations, we may be required to take actions that are inconsistent with our current business practices or strategy.

Our maintenance costs may increase as our fleet ages.

In general, the cost to maintain aircraft increases as they age and exceeds the cost to maintain newer aircraft. FAA regulations, including the Aging Aircraft Airworthiness Directives, require additional and enhanced maintenance inspections for older aircraft. These regulations can directly impact the frequency of inspections 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 law changes, regulations, or airworthiness directives. We cannot assure investors our maintenance costs will not exceed our expectations.

We believe our aircraft are, and will continue to be, mechanically reliable. We cannot ensure 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.

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.

A substantial proportion of our scheduled flights have Las Vegas, Orlando, Phoenix, Tampa/St. Petersburg, Los Angeles, or Punta Gorda 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, or our other leisure destinations, 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 or natural disasters.

We rely on third parties to provide us with facilities and services that are integral to our business.

We have entered into agreements with third-party contractors to provide certain facilities and services required for our operations, such as aircraft maintenance, ground handling, baggage services, and ticket counter space. Our reliance on others to provide essential services on our behalf also gives us less control over costs and the efficiency, timeliness and quality of contract services.

We also rely on the owners of aircraft under contract, and on the lessees under aircraft leases, to be able to deliver, or redeliver, aircraft in accordance with the terms of executed agreements on a timely basis. Our planned initiation of service with these aircraft in future years could be adversely affected if the third parties fail to perform as contractually obligated.

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

Our business depends upon the efforts of our chief executive officer, Maurice J. Gallagher, Jr., and a small number of senior management and operating personnel. We do not currently maintain key-man life insurance on Mr. Gallagher or any other executives. 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.

Risks Associated with the Airline and Travel Industry

The airline industry is highly competitive and future competition in our under-served markets could harm our business.

The airline industry is highly competitive. The smaller 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 small city markets, we are the only provider of nonstop service to our leisure destinations. In 2014, we began service to medium-sized cities which we believe to be under-served for nonstop service to our leisure destinations. If other airlines begin to provide nonstop services to and from these markets, or otherwise target these markets, the increase in the amount of direct or indirect competition could cause us to reconsider service to affected markets and could harm our profitability.

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 laws and 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 that have required us to make significant expenditures. FAA requirements cover, among other things, retirement of older aircraft, fleet integration of newer aircraft, security measures, collision avoidance systems, airborne windshear avoidance systems, noise abatement, weight and payload limits, assumed average passenger weight, and increased inspection and maintenance procedures to be conducted on aging aircraft. The future cost of complying with these and other laws, rules and regulations, including new federal legislative and DOT regulatory requirements in the consumer-protection area, cannot be predicted and could significantly increase our costs of doing business.

FAA aging-aircraft regulations obligate aircraft design approval holders (typically the aircraft manufacturer or its successor) to establish a limit of validity ("LOV") of the engineering data that supports the aircraft’s structural maintenance program, demonstrate that widespread fatigue damage will not occur in aircraft of that type prior to reaching LOV, and establish or revise airworthiness limitations applicable to that aircraft type to include LOV. Once an LOV has been established for a given aircraft type, LOV-related maintenance actions must be incorporated into the operator’s maintenance program, and commercial operation of the aircraft beyond the LOV is prohibited unless an extended LOV is obtained for the aircraft. Based on the LOVs established for the aircraft types we operate, the number of flight cycles on our aircraft, and our annual usage of these aircraft, we do not believe the LOV rules will limit use of any of our aircraft before we retire them from our fleet in years to come. Nevertheless, it is not yet possible to predict the future cost of complying with aging aircraft requirements.

In recent years, the DOT has adopted revisions and expansions to a variety of its consumer protection regulations, including certain rules coming into effect in 2016. Additional new regulations may be proposed in 2016 as well. We are not able to predict the impact of any new consumer protection rules on our business, though we are monitoring the progress of potential rulings. We could be subject to fines or other enforcement actions if the DOT believes we are not in compliance with these or other rules or regulations or with the federal consumer protection laws administered by the DOT. Even if our practices were found to be in compliance with the DOT rules, we could incur substantial costs defending our practices.

In November 2013, the FAA proposed revisions to the method by which air carriers calculate and control aircraft weight-and-balance. The proposal is based on a continuing increase in the average weight of persons in the United States. If the revisions are adopted as proposed by the FAA, the ability of carriers to rely on average weights for this purpose will be complicated significantly, additional costs may result, and we may be required to carry less than full loads on certain flights.

In 2016, Congress may consider legislation that could increase the amount of Federal Excise Tax and/or one or more of the other government fees imposed on air travel. By increasing the overall price charged to passengers, any additional taxes or fees could lessen the demand for air travel or force carriers to lower fares to maintain demand. Congress also may consider privatization of the U.S. Air Traffic Control system with user fee based funding; the potential effect on our operating costs is unknown. Additionally, federal funding to airports and/or airport bond financing could be affected through future deficit reduction legislation, which could result in higher fees, rates, and charges at many of the airports we serve.

In the past, legislation to address climate change issues has been introduced in the U.S. Congress, including a proposal to require transportation fuel producers and importers to acquire market-based allowances to offset the emissions resulting from combustion of their fuels. We cannot predict whether this or any similar legislation will be introduced or pass the Congress or, if enacted into law, how it would apply to the airline industry. In addition, the EPA has concluded that current and projected concentrations of greenhouse gases in the atmosphere threaten public health and welfare. The EPA's finding could ultimately result in strict regulation of commercial aircraft emissions, as has taken effect for operations within the European Union under EU legislation. Binding international restrictions adopted under the auspices of the International Civil Aviation Organization (a specialized agency of the United Nations) may become effective within several years. These developments and any additional legislation or regulations addressing climate change are likely to increase our costs of doing business in the future and the increases could be material.

With respect to aging aircraft, aircraft weight-and-balance, consumer protection, climate change, taxation, and other matters affecting the airline industry, whether the source of new requirements is legislative or regulatory, increased costs will adversely affect our profitability if we are unable to pass the costs on to our customers or adjust our operations to offset the new costs.

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 canceled 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. Contagious illness and fear of contagion 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:

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fuel price volatility, and the effect of economic and geopolitical factors and worldwide oil supply and consumption on fuel availability
- 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 types we operate
- new regulatory pronouncements and changes in regulatory guidelines
- announcements concerning our business strategy
- general and industry-specific economic conditions
- changes in financial estimates or recommendations by securities analysts
- substantial sales of our common stock or other actions by investors with significant shareholdings
- additional issuances of our common stock
- labor work actions
- 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.

Our stock price could be adversely impacted if we are unable to continue to grow.

Network growth could become a challenge in the future as we continue to add more under-served cities to our network. If we are unable to continue to grow as rapidly as the market anticipates, our stock price could be negatively affected.

We may not be able to maintain or grow our ancillary revenues.

Our business strategy includes expanding our ancillary products and services. We cannot ensure that passengers will pay for additional ancillary products and services we offer in the future, or that they will continue to pay for the ancillary products and services we currently offer. Regulatory changes could also adversely affect our ancillary revenue opportunities. Failure to maintain our ancillary revenues could have a material adverse effect on our results of operations, financial condition and stock price. If we are unable to maintain and grow these revenues, we may be unable to execute our strategy to continue to offer low base fares in order to stimulate demand.

Other companies may have difficulty acquiring us, even if doing so would benefit our stockholders, due to provisions under our corporate charter and bylaws, 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 10 percent or more 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 and stockholders.

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 percent 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 percent). 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 percent 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.

Item 1B. Unresolved Staff Comments

Not Applicable.

Item 2. Properties

Aircraft

The following table summarizes our total in-service aircraft as of February 1, 2016:

Aircraft Type	Owned (1)	Seating Capacity (per aircraft)	Age range (years)	Average Age in Years
MD-83/88	51	166	20-30	26.0
Boeing 757-200	5	215	22-24	22.8
Airbus A319 (2)	10	156	10-12	11.0
Airbus A320	16	177	14-19	15.9
Total aircraft	82			

(1) Refer to Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 5 – Long-Term Debt for discussion of notes payable collateralized by our aircraft.

(2) Does not include 12 owned aircraft currently on lease to a European carrier until 2018 or one aircraft being prepared for revenue service as of the date indicated.

As of February 1, 2016, we have entered into forward purchase agreements for 11 Airbus A320 series aircraft for which we have not yet taken delivery. We expect delivery of seven aircraft in 2016 and the remaining four in the first half of 2017.

The below table includes the number of aircraft expected in service by the end of 2016:

MD-80	46
B757-200	5
A319	17
A320	16
Total	84

Ground Facilities

We lease facilities at the majority of our leisure destinations and several other airports we serve. Our leases for terminal passenger services facilities, which include ticket counter and gate space, and operations support areas, generally have a term ranging from month-to-month to several years, and may typically be terminated with a 30 to 90 day notice. We have also entered into use agreements at each of the airports we serve which 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 for many of the leisure destinations we serve, as well as Bellingham International Airport, Pittsburgh International Airport, Cincinnati/Northern Kentucky International Airport, and Asheville Regional Airport. Our operational bases in Myrtle Beach and Los Angeles are maintained on a seasonal basis.

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, Orlando Sanford International Airport and the Phoenix-Mesa Gateway Airport for our primary line maintenance operations. We also lease additional warehouse space in Las Vegas, Orlando Sanford, and Phoenix-Mesa for aircraft parts and supplies.

The following details the airport locations we utilize as operational bases as of February 1, 2016:

Airport	Location
Asheville Regional Airport	Fletcher, North Carolina
Bellingham International Airport	Bellingham, Washington
Cincinnati/Northern Kentucky International Airport	Hebron, Kentucky
Ft. Lauderdale-Hollywood International Airport	Ft. Lauderdale, Florida
Honolulu International Airport	Honolulu, Hawaii
Los Angeles International Airport	Los Angeles, California
McCarran International Airport	Las Vegas, Nevada
Myrtle Beach International Airport	Myrtle Beach, South Carolina
Oakland International Airport	Oakland, California
Orlando Sanford International Airport	Sanford, Florida
Phoenix-Mesa Gateway Airport	Mesa, Arizona
Pittsburgh International Airport	Pittsburgh, Pennsylvania
Punta Gorda Airport	Punta Gorda, Florida
St. Petersburg-Clearwater International Airport	St. Petersburg, Florida

We believe we have sufficient access to gate space for current and presently contemplated future operations at all airports we serve.

Our primary corporate offices are located in Las Vegas, where we own approximately 11 acres of property containing approximately 211,000 square feet of office space. To date, we occupy approximately 109,000 square feet and the remaining space will be used for growth and expansion as needed.

We also lease two other facilities in Las Vegas with approximately 10,000 and 87,000 square feet of space which are used for corporate and training purposes.

Item 3. Legal Proceedings

In November 2013, the International Brotherhood of Teamsters ("IBT") commenced an action in the United States District Court for the District of Nevada on behalf of Allegiant Air's pilots, claiming that we unilaterally changed existing work rules in violation of what it alleged was an obligation we had under the Railway Labor Act (RLA) to maintain the status quo during contract negotiations with IBT. The suit focused, in large part, on our implementation of a new flight duty crew scheduling system to comply with revised FAA pilot flight, duty, and rest regulations that became effective in January 2014. The court issued a preliminary injunction in July 2014 requiring us to make certain changes to our policies to be consistent with prior practices affecting the pilots. On appeal, the U.S. Court of Appeals for the Ninth Circuit issued a decision in June 2015 vacating the injunction on the grounds that we were not under any obligation to maintain the status quo during negotiations with the IBT. IBT has agreed to dismiss the underlying lawsuit in light of the appellate decision.

On March 30, 2015, concerned about rumors of a threatened strike by our pilots, we commenced an action in the United States District for the District of Nevada seeking to enjoin the pilots from striking, on the grounds that such an action would be unlawful under the RLA. The court granted our motion and enjoined the threatened strike. After IBT appealed that order, the appellate court issued its decision in the litigation described above, which removed the legal basis for IBT’s theory that it could lawfully strike. IBT thus withdrew its appeal in this matter, and we have agreed to dismiss the underlying lawsuit.

In January 2015, we filed a declaratory judgment action in the Nevada District Court in Clark County, Nevada, against Windmill Durango Office, LLC in connection with our exercise of the early termination option with respect to our ten year lease of our former Company headquarters. The lawsuit sought clarification as to the amount of unamortized costs owed to the landlord on lease termination, and whether the early termination option was properly exercised. Our chairman of the board and another director own a 30 percent and 11.4 percent interest in the landlord entity, respectively, but neither has ever had the right to direct or participate in the management of the company. In January 2016, the lawsuit was settled by our payment of $1.3 million to the landlord and agreement that the lease has been terminated.

We are subject to certain other 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. Mine Safety Disclosures

Not applicable.

PART II

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

Market for our common stock

Our common stock is quoted on the Nasdaq Global Select Market (symbol: ALGT). On February 1, 2016, the last sale price of our common stock was $166.65 per share. The following table sets forth the range of high and low sale prices for our common stock for the periods indicated.

Period	High	Low
2015		
1st Quarter	$199.20	$144.51
2nd Quarter	$191.40	$151.04
3rd Quarter	$238.13	$175.00
4th Quarter	$228.79	$166.59
2014		
1st Quarter	$112.44	$81.19
2nd Quarter	$124.61	$109.02
3rd Quarter	$128.55	$113.79
4th Quarter	$152.14	$104.52

As of February 1, 2016, there were 101 holders of record of our common stock. Because many of our shares are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of beneficial holders.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information regarding options, warrants and other rights to acquire equity securities under our equity compensation plans as of December 31, 2015:

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (b)
Equity compensation plans approved by security holders (c)	48,781	$ 86.65	1,145,540

(a) The shares shown as being issuable under equity compensation plans approved by our security holders excludes unvested restricted stock awards of 82,957 as all restricted stock awards are deemed to have been issued, and excludes all outstanding stock appreciation rights ("SARs") which are settled in cash.

(b) The shares shown as remaining available for future issuance under equity compensation plans is reduced by the number of outstanding cash-settled SARs. Although these cash-settled SARs will not result in the issuance of shares, the number of cash-settled SARs awarded reduces the number of shares available for other awards.

(c) There are no securities to be issued under any equity compensation plans not approved by our security holders.

Dividend Policy

In 2015, we commenced the payment of a regular quarterly dividend. The initial dividend was set at $0.25 per share per quarter which was increased to $0.30 per share per quarter in third quarter 2015. In December 2015, our Board of Directors also declared a special dividend of $1.65 per share, increasing the total dividends declared in 2015 to $2.75 per share. We paid dividends of $2.50 per share in 2014 and $2.25 per share in 2013. In addition to our regular cash dividends, our Board of

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Directors intends to periodically consider the payment of special cash dividends based on our results of operations, cash flow generation, liquidity, capital commitments, loan covenant compliance and other relevant factors.

The indenture governing our senior unsecured notes contains limitations on restricted payments, which includes stock repurchases and cash dividends. However, no limit applies if we maintain certain financial ratios. For the year ended December 31, 2015, we complied with such ratios and, as a result, we are not currently limited on the payment of cash dividends or stock repurchases. The calculation is to be made on a quarterly basis based on the trailing 12 months. There can be no assurance we will be able to maintain compliance with these financial ratios indefinitely in the future and, if not, our ability to pay cash dividends or repurchase stock may be limited.

Our Repurchases of Equity Securities

The following table reflects our repurchases of our common stock during the fourth quarter of 2015:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands)
October	37,400	$203.67	37,400	
November	None	N/A	None	
December	None	N/A	None	
Total	37,400	$203.67	37,400	$54,085

Stock Price Performance Graph

The following graph compares the cumulative total shareholder return on our common stock with the cumulative total return on the Nasdaq Composite Index and the AMEX Airline Index since December 31, 2010. The graph assumes that the value of the investment in our common stock and each index was $100 on December 31, 2010 and the reinvestment of all dividends. Stock price performance presented for the period from December 31, 2010 to December 31, 2015 is not necessarily indicative of future results.

	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
ALGT	$100.00	$109.85	$154.67	$224.29	$320.53	$361.66
Nasdaq Composite Index	$100.00	$98.20	$113.82	$157.44	$178.53	$188.75
AMEX Airline Index	$100.00	$68.99	$94.11	$148.34	$221.57	$184.99

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, has been derived from our consolidated financial statements. Readers should consider 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 2015 classifications.

	For the Year Ended December 31,				
FINANCIAL DATA (in thousands except per share amounts):	2015	2014	2013	2012	2011
Total operating revenue	$1,262,188	$1,137,046	$996,150	$908,719	$779,117
Total operating expenses	890,486	979,701	841,413	776,415	693,673
Operating income	371,702	157,345	154,737	132,304	85,444
Total other expense	24,983	20,214	8,057	7,657	5,930
Income before income taxes	346,719	137,131	146,680	124,647	79,514
Net income	220,330	86,303	91,779	78,414	49,398
Net loss attributable to noncontrolling interest	(44)	(386)	(494)	(183)	—
Net income attributable to Allegiant Travel Company	$220,374	$86,689	$92,273	$78,597	$49,398
Earnings per share to common stockholders (1):					
Basic	$12.97	$4.87	$4.85	$4.10	$2.59
Diluted	$12.94	$4.86	$4.82	$4.06	$2.57
Cash dividends declared per share	$2.75	$2.50	$2.25	$2.00	$—
Cash and cash equivalents	$87,112	$89,610	$97,711	$89,557	$150,740
Investment securities	310,335	327,207	289,415	263,169	168,786
Total assets (2)	1,351,662	1,235,080	927,917	796,480	704,658
Long-term debt (2)	567,609	536,189	236,574	152,566	148,154
Stockholders' equity	350,005	294,065	377,317	401,724	351,504
Operating margin %	29.4%	13.8%	15.5%	14.6%	11.0%
Cash provided by (used in):					
Operating activities	$365,367	$269,781	$196,888	$176,772	$129,911
Investing activities	(234,218)	(315,248)	(192,832)	(208,827)	(208,223)
Financing activities	(133,647)	37,366	4,098	(29,128)	115,759
Consolidated statements of income data excluding special charge (3):					
Operating income excluding special charge	$371,702	$200,625	$154,737	$132,304	$85,444
Net income excluding special charge	220,330	113,526	91,779	78,414	49,398

(1) Our unvested restricted stock awards are considered participating securities as they receive non-forfeitable rights to cash dividends at the same rate as common stock. The Basic and Diluted earnings per share for the periods presented reflect the two-class method mandated by accounting guidance for the calculation of earnings per share. The two-class method adjusts both the net income and shares used in the calculation. Application of the two-class method did not have a significant impact on the Basic or Diluted earnings per share for the periods presented.

(2) Historical amounts have been reclassified to align with current presentation. See Note 2 to the Consolidated Financial Statements - Summary of Significant Accounting Policies - Recent Accounting Pronouncements for further information.

(3)

Special charge is a non-cash impairment charge of $43.3 million taken on our six Boeing 757 aircraft, engines and related assets in the fourth quarter of 2014. Refer to Note 2 - Summary of Significant Accounting Policies - Measurement of Impairment of Long-Lived Assets for further discussion.

	For the Year Ended December 31,				
OPERATING DATA:	2015	2014	2013	2012	2011
Total system statistics:					
Passengers	9,500,611	8,154,357	7,241,063	6,987,324	6,175,808
Revenue passenger miles (RPMs) (thousands)	8,944,952	7,825,962	7,129,416	6,514,056	5,640,577
Available seat miles (ASMs) (thousands)	10,526,610	8,945,616	8,146,135	7,487,276	6,364,243
Load factor	85.0 %	87.5 %	87.5 %	87.0 %	88.6 %
Operating expense per ASM (CASM) (cents)	8.45	10.95	10.33	10.37	10.90
Fuel expense per ASM (cents)	2.64	4.34	4.73	5.05	5.20
Operating CASM, excluding fuel (cents)	5.81	6.61	5.60	5.32	5.70
ASMs per gallon of fuel	70.20	69.38	67.62	63.00	59.10
Departures	68,653	56,961	51,083	53,615	49,360
Block hours	160,431	135,572	125,449	124,610	113,691
Average stage length (miles)	900	918	933	872	858
Average number of operating aircraft during period	74.3	68.8	62.9	60.2	52.2
Average block hours per aircraft per day	5.9	5.4	5.5	5.7	6.0
Full-time equivalent employees at end of period	2,846	2,411	2,065	1,821	1,595
Fuel gallons consumed (thousands)	149,951	128,933	120,476	118,839	107,616
Average fuel cost per gallon	$1.86	$3.01	$3.20	$3.18	$3.07
Scheduled service statistics:					
Passengers	9,355,097	8,017,442	7,103,375	6,591,707	5,776,462
Revenue passenger miles (RPMs) (thousands)	8,821,908	7,711,696	7,015,108	6,220,320	5,314,976
Available seat miles (ASMs) (thousands)	10,236,075	8,693,631	7,892,896	6,954,408	5,797,753
Load factor	86.2 %	88.7 %	88.9 %	89.4 %	91.7 %
Departures	65,683	54,440	48,389	46,995	42,586
Block hours	155,403	131,210	120,620	113,671	101,980
Total scheduled service revenue per ASM (TRASM)* (cents)	11.82	12.66	12.37	12.33	12.50
Average fare - scheduled service	$78.63	$91.30	$91.69	$88.90	$89.15
Average fare - ancillary air-related charges	$46.43	$41.37	$40.52	$35.72	$31.18
Average fare - ancillary third party products	$4.29	$4.56	$5.21	$5.48	$5.18
Average fare - total	$129.35	$137.23	$137.42	$130.10	$125.51
Average stage length (miles)	915	934	952	918	901
Fuel gallons consumed (thousands)	145,654	125,173	116,370	109,257	96,999
Average fuel cost per gallon	$1.87	$3.05	$3.25	$3.37	$3.30
Percent of sales through website during period	95.1 %	93.8 %	92.0 %	90.1 %	88.8 %

* Various components of this measure 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 for 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.

“Block hours” represents the number of hours during which the aircraft is in revenue service, measured from the time of gate departure until the time of gate arrival at the destination.

“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.

“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.

“Total scheduled service revenue per ASM” or “TRASM” represents scheduled service revenue and total ancillary revenue divided by scheduled service available seat 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, 2015, 2014 and 2013. Also discussed is our financial position as of December 31, 2015 and 2014. Investors 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 “Disclosure Regarding Forward-Looking Statements” at the beginning of this annual report on Form 10-K for a discussion of the uncertainties, risks and assumptions associated with these statements.

YEAR IN REVIEW

Notable 2015 highlights:

- Total operating revenue increase of $125.1 million, or 11.0 percent;
- operating margin of 29.4 percent;
- increase in net income of $107.2 million over 2014, excluding the after tax effect of a one-time non-cash impairment charge of $43.3 million;
- $12.94 earnings per share (fully diluted);
- selling of 296 routes at December 31, 2015 versus 233 in 2014;
- addition of 13 Airbus A320 series aircraft into revenue service and signing of contracts which will increase the number of owned Airbus aircraft to 50;

- establishment of a quarterly cash dividend;
- return of $129.5 million to shareholders through stock repurchases, as well as $18.7 million paid as recurring cash dividends and $27.7 million special cash dividends paid in January 2016, bringing total 2015 dividends declared to $2.75 per share;
- signing of a seven year co-brand credit card agreement effective in 2016 and;
- signing of a four year charter agreement with Apple Vacations to provide travel to destinations including Cancun, Mexico and Punta Cana, Dominican Republic.

Overview

Our average number of aircraft in revenue service increased 8.0 percent compared to 2014. We also increased utilization by 9.3 percent to 5.9 hours per day during 2015, which allowed us to continue to increase scheduled service capacity and grow departures. We also retired two MD-80 aircraft and one Boeing 757-200 aircraft as part of our long-term fleet strategy.

Ancillary revenue optimization efforts, as well as an increase to our customer convenience fee, led to a 30.9 percent increase in ancillary air-related revenue and a 9.4 percent increase in total ancillary revenue per ASM in 2015 over 2014.

Favorable fuel prices and cost control allowed us to accelerate our growth and decrease unitized costs compared to 2014. Excluding a one-time impairment charge of $43.3 million taken in 2014, operating expense per available seat mile or "CASM" decreased 19.2 percent in 2015 from 2014, which was largely attributable to a drop in system average price per gallon.

Our strong liquidity position continues to provide us the ability to invest in the growth of our fleet while returning cash to shareholders. As of December 31, 2015, we have acquired 27 Airbus A320 series aircraft, eight of which remain unencumbered. In addition, we also own 12 Airbus A319 aircraft for future inclusion in our fleet, which are currently on lease to a European carrier.

AIRCRAFT

Operating Fleet

The following table sets forth the number and type of aircraft in service and operated by us as of the dates indicated:

	December 31, 2015	December 31, 2014	December 31, 2013
MD83/88	51	53	52
B757-200	5	6	6
A319 (1)	10	4	3
A320 (1)	14	7	5
Total	80	70	66

(1) Does not include aircraft acquired but not yet in revenue service or temporarily stored as of the date indicated.

As of February 22, 2016, we have entered into purchase agreements for 11 additional Airbus A320 series aircraft which we expect to be delivered in 2016 and 2017. We also have 12 Airbus A319 aircraft on lease to a European carrier until 2018, which we plan to subsequently add to our operating fleet.

We believe our current fleet count, coupled with the purchase and acquisition of additional used Airbus A320 series aircraft under contract, will meet our aircraft needs to support planned growth beyond 2017. Refer to Part I - Item 2-Properties for further detail. We continuously consider other aircraft acquisitions on an opportunistic basis.

NETWORK

We use profitability management tools to manage capacity and route expansion through optimization of our flight schedule to, among other things, better match demand in certain markets. We continually adjust our network through the addition of new markets and routes, adjusting the frequencies into existing markets, and exiting under-performing markets, as we seek to achieve and maintain profitability on each route we serve.

TRASM decreased to 11.82¢ in 2015 from 12.66¢ in 2014 due to our significant capacity growth in the current year. Our increased capacity growth was the result of a 37.3 percent increase year-over-year in off-peak flying (day of the week and seasonally), and new markets (those operating for less than one year) accounted for 11.6 percent of our total growth, both of which had a negative effect on unit revenue. However, our profitability increased year over year as our operating expense per passenger decreased by 22 percent compared to 2014.

Although the current fuel environment has enabled us to grow capacity substantially and increase off-peak flying, in the long-term, we continue to focus on operating a higher percentage of our flights during peak days of the week, adjusting as needed for seasonality. If fuel prices were to rise in the future, we would discontinue unprofitable off-peak flying. We believe this capacity optimization strategy will continue to contribute to the achievement of our profitability goals.

During 2015, we added service to four leisure destinations, commenced service on 69 new routes, and discontinued service on under-performing routes. Based on our currently published schedule through August 2016, we plan to increase total routes to 322, increase the number of leisure destinations served to 19, and increase the number of cities served to 92. The following table shows the number of leisure destinations and cities served as of the dates indicated (includes cities served seasonally):

	December 31, 2015	December 31, 2014	December 31, 2013
Leisure destinations	17	13	14
Under-served cities	88	83	86
Total cities	105	96	100
Total routes	296	233	226

TRENDS

Favorable fuel prices throughout 2015, and continuing into 2016, have allowed us to profitably increase capacity, including additional off-peak flying, and pursue further expansion into markets we have not previously serviced. Fuel costs, in the long-term, remain uncertain and cost volatility could materially affect our future operating expenses.

We retired one of our six Boeing 757 aircraft in fourth quarter 2015 and expect to retire the remaining five by the end of the 2017 winter holiday period. Although our MD-80 fleet remains part of our future fleet plan, we plan to systematically retire these aircraft as A320 series aircraft are placed in service and as our flight schedule needs permit. We continue to add service from medium-sized cities which are not usually considered core hubs for legacy carriers, and to which many major carriers have reduced service, creating a void for us to fill with limited or no direct nonstop competition. In general, we define medium-sized cities as those with origin and destination statistics between the 20th and 70th largest U.S. cities. Additionally, with our network expansion, our East Coast markets now represent more than 50 percent of our routes.

Although we believe our nonstop service and low prices make it attractive for leisure travelers to purchase our travel services and products, we may, in the future, experience increased competition following the entrance into these larger markets.

We have two employee groups which have voted for union representation: pilots and flight attendants. These employees make up approximately half of our total employee base. Any labor actions following an inability to reach collective bargaining agreements with these employee groups could materially impact our operations during the continuance of any such activity.

Our Operating Expenses

A brief description of the items included in our operating expense line items follows.

Aircraft fuel expense includes the cost of aircraft fuel, fuel taxes, into plane fees and airport fuel flowage, storage or through-put fees. Under our largest fixed fee contract, our customer reimburses us for fuel costs. These amounts are netted against our fuel 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, stock compensation expense related to equity grants, and employer payroll taxes.

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.

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 includes all advertising, promotional expenses, travel agent commissions and debit and credit card processing fees associated with the sale of scheduled service and air-related ancillary charges, net of credit card fee reimbursement charges collected from customers.

Aircraft lease rentals expense consists of the cost of leasing aircraft under operating leases with third parties as well as costs for sub-service contracted out.

Depreciation and amortization expense includes the depreciation of all fixed assets, including owned aircraft and engines.

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

RESULTS OF OPERATIONS

2015 compared to 2014

Operating Revenue

Scheduled service revenue. Scheduled service revenue for 2015 increased by $3.5 million compared with 2014. The increase was primarily driven by a 16.7 percent increase in the number of scheduled service passengers, which was impacted by a 2.5 percent decrease in load factor attributable to more off-peak flying. This, as well as additional flying into new markets (those operating for less than one year), has put pressure on our base fares and led to a 13.9 percent decrease in scheduled service average base fare. Our fares were also impacted by increased government mandated taxes which contributed to the decrease in per-passenger scheduled service revenue for 2015 compared to 2014, as we have not been able to pass on the entire increase to the customer without impacting demand.

Ancillary air-related revenue. Ancillary air-related revenue for 2015 increased $102.6 million, or 30.9 percent, compared with 2014, due mostly to the 16.7 percent increase in scheduled service passengers as well as continued revenue optimization efforts. In addition, an increase to our customer convenience fee, and effective yield management of other existing products, drove a 12.2 percent increase in average ancillary air-related fare per passenger.

Ancillary third party revenue. 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:

	For the Year Ended December 31,		Percentage	
(in thousands except room nights and rental car days)	2015	2014	Change	
Gross ancillary revenue - third party products	$132,441	$121,444	9.1	%

Cost of goods sold	(90,827)	(83,053)	9.4
Transaction costs (a)	(1,437)	(1,804)	(20.3)
Ancillary revenue - third party products	$40,177	$36,587	9.8
As percent of gross ancillary revenue - third party	30.3%	30.1%	0.2 pp
Hotel room nights	452,272	528,329	(14.4)%
Rental car days	1,204,982	916,640	31.5%

(a) Includes payment expenses and travel agency commissions.

Ancillary third party revenue increased $3.6 million in 2015 from 2014. This was due primarily to the 16.7 percent increase in scheduled service passengers which drove a 31.5 percent increase in rental car days sold, mostly serving our East Coast destinations. Hotel room night sales have slowed in the current year mostly due to our network shift away from Las Vegas (our largest hotel market) to East Coast cities where hotel room night sales are weaker. Additionally, weakness in the Canadian dollar has led to a decrease in Canadian passengers who have historically comprised a significant percentage of our hotel room night sales.

Fixed fee contract revenue. Fixed fee contract revenue for 2015 increased $2.3 million, or 13.5 percent, compared with 2014, due to additional charter activity in the current year.

Other revenue. Other revenue for 2015 increased $13.0 million compared with 2014, primarily from aircraft lease revenue related to the 12 Airbus A320 series aircraft acquired in June 2014, which remain on lease to a European carrier.

Operating Expenses

We primarily evaluate our expense management by comparing our costs per passenger and per available seat mile ("ASM") across different periods, which enables us to assess trends in each expense category. The following table presents operating expense per passenger for the indicated periods. The table also presents operating expense per passenger, excluding fuel, a statistic which 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.

	For the Year Ended December 31,		Percentage	
	2015	2014	Change	
Aircraft fuel	$29.30	$47.61	(38.5	)%
Salary and benefits	24.19	23.71	2.0	
Station operations	10.77	10.38	3.8	
Maintenance and repairs	9.74	10.64	(8.5	)
Sales and marketing	2.25	3.49	(35.5	)
Aircraft lease rentals	0.24	1.96	(87.8	)
Depreciation and amortization	10.33	10.23	1.0	
Other	6.91	6.81	1.5	
Special charge	—	5.32	NM	
Operating expense per passenger	$93.73	$120.15	(22.0	)%
Operating expense per passenger, excluding fuel	$64.43	$72.54	(11.2	)%

The following table presents unit costs on a per ASM basis, or CASM, for the indicated periods. As on a per-passenger basis, excluding fuel on a per ASM basis provides management and investors the ability to measure and monitor our cost performance absent fuel price volatility.

	For the Year Ended December 31,				Percentage	
	2015		2014		Change	
Aircraft fuel	2.64	¢	4.34	¢	(39.2	)%
Salary and benefits	2.18		2.16		0.9	
Station operations	0.97		0.95		2.1	
Maintenance and repairs	0.88		0.97		(9.3	)
Sales and marketing	0.20		0.32		(37.5	)
Aircraft lease rentals	0.02		0.18		(88.9	)
Depreciation and amortization	0.93		0.93		—	

Other	0.63		0.62		1.6	
Special charge	—		0.48		NM	
Operating expense per ASM (CASM)	8.45	¢	10.95	¢	(22.8	)%
CASM, excluding fuel	5.81	¢	6.61	¢	(12.1	)%

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Aircraft fuel expense. Aircraft fuel expense for 2015 decreased $109.8 million, or 28.3 percent, compared with 2014. The decrease was primarily the result of a 38.2 percent decrease in system average cost per gallon. This was offset by a 16.3 percent increase in system fuel gallons consumed. As we add additional Airbus aircraft, which are more fuel efficient than our MD-80 aircraft, we anticipate our fuel efficiency will continue to improve. Airbus aircraft flew 32.6 percent of scheduled service ASMs in 2015, compared to 21.1 percent in 2014.

Salary and benefits expense. Excluding a one-time expense of $7.3 million related to the departure of our former President and COO in September 2014, salary and benefits expense for 2015 increased $43.8 million, or 23.5 percent, compared with 2014. The increase is primarily attributable to an 18.0 percent increase in the number of full-time equivalent employees ("FTEs") needed to support an 8.0 percent increase in average number of aircraft in service. In addition, a year over year increase in profitability drove a $15.1 million increase in our bonus accrual, and our pilots entered a higher pay-band in May 2015. Salary and benefits expense on a per ASM basis was relatively flat year over year.

Station operations expense. Station operations expense for 2015 increased $17.6 million, or 20.8 percent on a 20.7 percent increase in scheduled service departures compared with the same period in 2014.

Maintenance and repairs expense. Maintenance and repairs expense for 2015 increased $5.8 million, or 6.7 percent compared with 2014. The increase is due mostly to an 8.0 percent increase in the average number of operating aircraft in service. Our total major maintenance events decreased by one when compared to 2014 due to the regular rotation of scheduled events for our MD-80 aircraft; additionally, the increase in average number of operating aircraft was related to Airbus A320 series aircraft, which have yet to experience major maintenance events.

Sales and marketing expense. Sales and marketing expense for 2015 decreased $7.1 million, or 25.1 percent, compared to 2014, primarily due to a reduction in credit card fees paid by us. We implemented a credit card fee reimbursement charge, at zero margin, in the fourth quarter 2014, which is applied as a reduction to this expense.

Aircraft lease rentals expense. Aircraft lease rentals expense decreased $13.6 million for 2015 compared with 2014, as our need for sub-service flights decreased in the current year. We do not currently lease any aircraft.

Depreciation and amortization expense. Depreciation and amortization expense for 2015 increased $14.7 million, or 17.6 percent, compared with 2014 due mainly to an 8.0 percent increase in average number of operating aircraft (all Airbus aircraft), and was flat on a per ASM basis. Our Airbus aircraft will continue to comprise a larger percentage of total depreciation expense as more are added to revenue service and as our MD-80 fleet nears full depreciation. Additionally, during the second quarter of 2014, we began depreciating 12 Airbus A320 series aircraft on lease to a European carrier, which are non-ASM producing aircraft.

Other expense. Other expense for 2015 increased by $10.1 million, or 18.1 percent, compared with 2014, due primarily to increased flight crew training needed to support our growing operating fleet, as well as expenses incurred to support improvement and development of our information technology initiatives.

Other (Income) Expense

Other expense for 2015 increased by $4.8 million compared with 2014, due to additional interest expense from higher borrowings, primarily driven by the issuance of $300.0 million of senior unsecured notes which did not occur until June 2014.

Income Tax Expense

Our effective income tax rate remained relatively flat at 36.5 percent for 2015 compared to 37.1 percent for 2014. While we expect our tax rate to be fairly consistent in the near term, it will 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 during interim periods may also affect our tax rates.

2014 compared to 2013

Operating Revenue

Scheduled service revenue. Scheduled service revenue for 2014 increased by $80.7 million, or 12.4 percent, compared with 2013. The increase was primarily driven by a 12.9 percent increase in scheduled service passengers, and a relatively flat average base fare year over year. Passenger growth was driven by a 12.5 percent increase in the number of scheduled service departures, as we increased the average number of aircraft in service by 9.4 percent from 2013.

Ancillary air-related revenue. Ancillary air-related revenue for 2014 increased $43.8 million, or 15.2 percent, compared with 2013, primarily due to the increase in scheduled service passengers and our optimization efforts related to certain ancillary products and fees. Our efforts included a focus on seat assignment fees, priority boarding, and boarding pass printing fees, as well as certain policy initiatives such as trip cancellation and itinerary changes.

Ancillary third party revenue. 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:

	For the Year Ended December 31,				Percentage	
(in thousands except room nights and rental car days)	2014		2013		Change	
Gross ancillary revenue - third party products	$121,444		$120,730		0.6	%
Cost of goods sold	(83,053	)	(81,904	)	1.4	
Transaction costs (a)	(1,804	)	(1,796	)	0.4	
Ancillary revenue - third party products	$36,587		$37,030		(1.2	)
As percent of gross ancillary revenue - third party	30.1	%	30.7	%	(0.6) pp	
Hotel room nights	528,329		595,697		(11.3	)%
Rental car days	916,640		844,858		8.5	%

(a) Includes payment expenses and travel agency commissions.

Third party ancillary revenue decreased slightly in 2014 from 2013, due to a decrease of 11.3 percent in hotel room nights sold, offset by an 8.5 percent increase in rental car days sold. The reduction in hotel room sales was driven by a decline in Las Vegas nights sold, primarily due to a 2013 change in a pre-purchase agreement for discounted room rates. The increase in rental car days sold was driven by an increase in scheduled service passengers to those markets where a higher percentage of rental car days are typically sold, such as Florida and Phoenix.

Fixed fee contract revenue. Fixed fee contract revenue for 2014 remained relatively flat compared with 2013 as no significant changes were made to existing flying agreements.

Other revenue. Other revenue for 2014 increased $16.9 million compared with 2013, due mostly to aircraft lease revenue related to the 12 Airbus A320 series aircraft acquired in June 2014, which are on lease to a European carrier.

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Operating Expenses

We primarily evaluate our expense management by comparing our costs per passenger and per ASMs across different periods, which enables us to assess trends in each expense category. The following table presents operating expense per passenger for the indicated periods.

	For the Year Ended December 31,		Percentage	
	2014	2013	Change	
Aircraft fuel	$47.61	$53.25	(10.6	)%
Salary and benefits	23.71	21.91	8.2	
Station operations	10.38	10.80	(3.9	)
Maintenance and repairs	10.64	10.06	5.8	
Sales and marketing	3.49	2.99	16.7	
Aircraft lease rentals	1.96	1.27	54.3	
Depreciation and amortization	10.23	9.57	6.9	
Other	6.81	6.35	7.2	
Special charge	5.32	—	NM	
Operating expense per passenger	$120.15	$116.20	3.4	%
Operating expense per passenger, excluding fuel	$72.54	$62.95	15.2	%

The following table presents unit costs on a per ASM basis, or CASM, for the indicated periods.

	For the Year Ended December 31,				Percentage	
	2014		2013		Change	
Aircraft fuel	4.34	¢	4.73	¢	(8.2	)%
Salary and benefits	2.16		1.95		10.8	
Station operations	0.95		0.96		(1.0	)
Maintenance and repairs	0.97		0.89		9.0	
Sales and marketing	0.32		0.27		18.5	
Aircraft lease rentals	0.18		0.11		63.6	
Depreciation and amortization	0.93		0.85		9.4	
Other	0.62		0.56		10.7	
Special charge	0.48		—		NM	
Operating expense per ASM (CASM)	10.95	¢	10.32	¢	6.1	%
CASM, excluding fuel	6.61	¢	5.59	¢	18.2	%

Aircraft fuel expense. Aircraft fuel expense for 2014 increased $2.7 million, or 0.7 percent, compared with 2013. We consumed 7.0 percent more system fuel gallons, which was offset by a 5.9 percent decrease in the average cost per gallon. Fuel efficiency was positively impacted by a 2.6 percent increase in total system ASMs per gallon, to approximately 70 ASMs per gallon in 2014.

Salary and benefits expense. Salary and benefits expense for 2014 increased $34.7 million, or 21.9 percent, compared with 2013. The increase is primarily attributable to a 16.8 percent increase in the number of full-time equivalent employees related to company growth, as well as crew training constraints that negatively affected our productivity. We also experienced a one-time expense in 2014 of $7.3 million related to the departure of our former President and COO.

Station operations expense. Station operations expense for 2014 increased $6.4 million, or just 8.2 percent on a 12.5 percent increase in scheduled service departures. This was due to East Coast network growth during 2014 as Florida per-departure costs, on average, were 61.6 percent less than Las Vegas.

Maintenance and repairs expense. Maintenance and repairs expense for 2014 increased $14.0 million, or 19.2 percent, compared with 2013. Our major check expense related to our MD-80 aircraft increased $5.5 million, or 22.9 in 2014, resulting

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from an approximate 30 percent increase in shop visits year over year, the majority of which were scheduled. Additionally, the increase is partially due to a 9.4 percent increase in the average number of operating aircraft in service from the addition of Airbus A320 series aircraft, which have yet to experience major maintenance events.

Sales and marketing expense. Sales and marketing expense for 2014 increased $6.8 million, or 31.4 percent, compared with 2013. The increase is partially due to additional processing fees resulting from a shift to credit card usage from debit cards, and a 12.7 percent increase in total passenger revenue. Additionally, during 2014, we paid $2.8 million for the production and distribution of the inflight syndicated game show, "The GamePlane," which was filmed on our flights as part of our national branding campaign.

Aircraft lease rentals expense. Aircraft lease rentals expense increased $6.7 million for 2014 compared with 2013. Throughout 2014, we experienced continued crew training delays requiring sub-service flying to meet our scheduled service needs, which led to a $10.1 million expense increase year over year. This was offset by a $3.4 million decrease in aircraft operating lease rental expense. In the second quarter of 2014, we purchased the two Airbus A320 series aircraft under operating lease since 2013, and do not currently lease any aircraft in our fleet.

Depreciation and amortization expense. Depreciation and amortization expense for 2014 increased $14.1 million, or 20.4 percent, compared with 2013. The increase was primarily driven by a 9.4 percent increase in the average number of aircraft in service. Additionally, we began depreciating 12 Airbus A320 series aircraft in June 2014 which are on lease to a European carrier, and are non-ASM producing aircraft.

Other expense. Other expense for 2014 increased by $9.6 million, or 20.8 percent, compared with 2013. The increase was primarily attributable to $3.5 million in training costs required to prepare for 2015 crew staffing needs, as well as $3.6 million related to information technology services to support our continuing growth.

Special charge. We incurred a $43.3 million non-cash impairment charge to our Boeing 757-200 series aircraft, engines and related assets, triggered in the fourth quarter of 2014.

Other (Income) Expense

Other expense for 2014 increased by $12.2 million compared with 2013 due to higher interest expense on our outstanding debt, which more than doubled from December 31, 2013 to December 31, 2014.

Income Tax Expense

Our effective income tax rate remained relatively flat at 37.1 percent for 2014 compared to 37.4 percent for 2013. While we expect our tax rate to be fairly consistent in the near term, it will 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 during interim periods may also affect our tax rates.

LIQUIDITY AND CAPITAL RESOURCES

During 2015, our primary source of funds was $365.4 million generated by our operations in addition to $121.0 million in proceeds from notes payable, both of which have allowed us to invest in the growth of our fleet and information technology infrastructure and development, while meeting short-term obligations, returning cash to shareholders, and maintaining our cash position. Our future capital needs are primarily for the acquisition of additional aircraft to meet growth and operational needs.

Cash, restricted cash and investment securities (short-term and long-term) were $407.8 million and $428.8 million at December 31, 2015 and 2014, respectively. Restricted cash represents escrowed funds under fixed fee contracts and cash collateralized against letters of credit required by hotel properties for guaranteed room availability, airports, and certain other parties. Under our fixed fee flying contracts, we require customers to prepay for flights, and the cash is escrowed until the flight is completed. Prepayments are recorded as restricted cash and a corresponding amount is recorded as air traffic liability. Investment securities represent liquid marketable securities which are available-for-sale.

During 2015, we paid $62.4 million in cash dividends to our shareholders and repurchased $129.5 million in common stock. In addition to our quarterly cash dividend, we plan to continue to repurchase our stock in the open market and consider special cash dividends from time to time, subject to availability of cash resources and compliance with our note covenants.

As of December 31, 2015, we had $168.5 million of obligations under existing aircraft purchase agreements. We believe we have more than adequate liquidity resources through our operating cash flows, cash balances and available funds on our senior secured revolving credit facility, to meet our future contractual obligations. Our practice has been to acquire used aircraft using our cash balances and then to opportunistically consider financing the aircraft after purchase to the extent that financing on favorable terms is available.

Sources and Uses of Cash

Operating Activities. Operating cash inflows are primarily derived from providing air transportation to customers for which the vast majority of tickets are purchased prior to the day travel is provided. Operating cash outflows are related to the recurring expenses of our operations.

During 2015, our operating activities provided $365.4 million of cash compared to $269.8 million during 2014. The increase in cash was primarily the result of an increase in earnings after adjustments made for non-cash items such as depreciation and amortization expense ($14.7 million higher in 2015) and change in deferred income taxes ($16.3 million higher in 2015).

During 2014, our operating activities provided $269.8 million of cash compared to $196.9 million in 2013. This increase was primarily the result of an increase in our income after adjustments made for non-cash items such as depreciation and amortization expense ($14.1 million higher in 2014), one time impairment charge ($43.3 million in 2014) and stock based compensation ($6.9 million higher in 2014).

Investing Activities. Cash used in investing activities for 2015 was $234.2 million compared to $315.2 million in 2014. During 2015, our primary use of cash was for the purchase of property and equipment of $252.7 million, which was slightly offset by proceeds from the maturity of investment securities, net of purchases, of $16.3 million. Purchase of property and equipment during 2015 and 2014 consisted primarily of the purchase of Airbus A320 series aircraft and induction costs.

During 2014, our primary use of cash was for the purchase of property and equipment of $279.4 million and the purchase of investment securities, net of maturities, of $36.6 million.

During 2013, our primary use of cash was for the purchase of property and equipment of $177.5 million and the purchase of investment securities, net of maturities, of $26.2 million. These investing activities were offset by cash provided by returned aircraft deposits of $10.2 million.

Financing Activities. Cash used in financing activities in 2015 was $133.6 million. The primary use of cash was for stock repurchases of $129.5 million, debt repayments of $67.9 million, and cash dividends paid to shareholders of $62.4 million. These were offset by $121.0 million in proceeds from the issuance of long-term debt.

In 2014, cash provided by financing activities was $37.4 million, the majority of which was related to $385.3 million in proceeds from the issuance of long-term debt, offset by principal debt payments of $168.8 million, and $139.1 million of stock repurchases.

In 2013, cash provided by financing activities was $4.1 million, the majority of which was related to $106.0 million in proceeds from the issuance of notes payable, offset by $83.6 million of stock repurchases, and principal debt payments of $22.7 million.

Debt

Our long-term debt obligations increased from $588.8 million as of December 31, 2014 to $641.7 million as of December 31, 2015. As of December 31, 2015, we had eight unencumbered owned aircraft.

OFF-BALANCE SHEET ARRANGEMENTS, COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following table discloses aggregate information about our contractual cash obligations and off-balance sheet arrangements as of December 31, 2015 and the periods in which payments are due (in thousands):

	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Long-term debt obligations (1)	$670,240	$85,667	$223,883	$360,690	$—
Operating lease obligations (2) (5)	17,293	5,081	5,939	2,927	3,346
Aircraft purchase obligations (3) (5)	168,517	105,117	63,400	—	—
Airport fees under use and lease agreements (4) (5)	17,717	11,023	6,655	39	—
Total future payments under contractual obligations	$873,767	$206,888	$299,877	$363,656	$3,346

(1) Long-term debt obligations include scheduled interest payments (using rates in effect at December 31, 2015) and excludes debt issuance costs.
(2) Operating lease obligations include the lease and use of gate space and areas surrounding gates, operating support areas in airport terminals under use and lease agreements, and leases of office, warehouse and other space.
(3) Aircraft purchase obligations under existing aircraft purchase agreements.
(4) Obligations for common and joint use space in the airport terminal facilities under use and lease agreements.
(5) Not reflected on our balance sheet.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations is based on 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 based on events and transactions occurring during the periods reported. 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. 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 generated from nonstop flights in our route network, recognized either 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 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 customers, are collected by us serving as an agent, and remitted to taxing authorities. These taxes and fees are 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 of agreements to provide charter service on a year-round and ad hoc basis. Fixed fee contract revenue is recognized when the transportation is provided.

Ancillary air-related revenue is generated from fees paid by ticketed passengers and consists of baggage fees, the use of our website to purchase scheduled service transportation, advance seat assignments, and other services. Revenues from air-related charges are recognized when the transportation is provided if the product is not deemed independent of the original ticket sale. Change and cancellation fees for nonrefundable itineraries are air-related charges deemed independent of the original ticket sale, and are recognized as revenue when the sale occurs.

Ancillary revenue is also generated from the sale of third party products such as hotel rooms, rental cars, ticket attractions, and other items. Revenue from the sale of third party products is recognized at the time the product is utilized, such as the time a purchased hotel room is occupied. We follow accounting standards for revenue arrangements with multiple deliverables to determine the amount of revenue to be recognized for each element of a bundled sale involving air-related charges and third party products in addition to airfare. Revenue from the sale of third party products is recorded net of amounts paid to wholesale providers, travel agent commissions, and transaction costs.

Other revenue is generated from leased out aircraft and flight equipment, and other miscellaneous sources. Lease revenue is recognized pro-rata over the lease term.

Investment Securities

We maintain a liquid portfolio of investment securities available for current operations and to satisfy on-going obligations. We have classified these investments as “available for sale” and accordingly, unrealized gains and/or losses are reported as a component of other comprehensive income in shareholders’ equity.

Accounting for Long-Lived Assets

We record 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. 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 operations, and estimated salvage values.

In estimating the useful lives and residual values of our aircraft, we have primarily relied upon actual experience with the same or similar aircraft types, current and projected future market information, and recommendations from other industry sources. Subsequent revisions to these estimates could be caused by changing market prices of our aircraft, changes in utilization of the aircraft, and other fleet events. We evaluate these estimates used for each reporting period and adjust when deemed necessary. To the extent a change in estimate for useful lives or salvage values of our property and equipment occurs, there could be an acceleration of depreciation expense associated with the change in estimate.

Aircraft Maintenance and Repair Costs

We account for non-major maintenance and repair costs incurred under the direct expense method. Under this method, maintenance and repair costs for owned and leased aircraft, excluding major maintenance activities, are charged to operating expenses as incurred. Maintenance and repair costs include all parts, materials, line maintenance, and non-major maintenance activities required to maintain our multiple fleet types.

We account for major maintenance costs for MD-80 airframes and the related JT8 engines using the direct expense method. Under this method, major maintenance costs are charged to expense as incurred. This method can result in expense volatility between quarterly and annual periods, depending on the number and type of major maintenance activities performed. Scheduled maintenance activities are the most extensive in scope and are primarily based on time and usage intervals, including, but not limited to, airframe and engine overhauls. We have not experienced major maintenance events for the Airbus A320 series or 757-200 fleets and as such, have not yet applied a method to account for major maintenance for these aircraft types.

Share-based Compensation

We issue common stock-based awards, including restricted stock, stock options and stock appreciation rights (“SARs”) to certain officers, directors and employees.

We recognize share-based compensation expense over the requisite service period using a fair value approach. Determining fair value requires judgment, and we use the Black-Scholes valuation model for stock options and SARs issued. Cash-settled SARs are liability-based awards and fair value is updated monthly using the Black-Scholes valuation model for outstanding awards. Significant judgment is required to establish the assumptions to be used in the model. These assumptions are for the volatility of our common stock price, estimated term over which our stock options and SARs will be outstanding, interest rate, and dividend yield to be applied. We use our closing stock price on the grant date as the fair value for issuances of restricted stock.

Expected volatilities used are based on the historical volatility of our common stock price.

Expected term represents the weighted average time between the award's grant date and its exercise date. We estimate our expected term assumption using historical award exercise activity and employee termination activity.

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 dividend yield reflects the effect that paying a dividend has on the fair value of our 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.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are subject to foreign currency translation risk associated with the forecasted lease revenue from 12 Airbus A320 series aircraft leased to a European-based company. We currently utilize a foreign currency swap to exchange cash flows based on specified underlying notional amounts, assets, and/or indices to help manage foreign currency exchange rate risk with respect to cash flows from the lease revenue.

We are also subject to certain market risks, including changes in interest rates and commodity prices (specifically, aircraft fuel). The adverse effects of changes in markets could pose 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 our consolidated financial statements in this annual report on Form 10-K for a description of our significant 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, 2015, 2014 and 2013 represented 31.3 percent, 39.6 percent and 45.8 percent 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 2015 fuel consumption, a hypothetical ten percent increase in the average price per gallon of aircraft fuel would have increased fuel expense by approximately $27.8 million, $38.7 million and $38.5 million for the years ended December 31, 2015, 2014 and 2013, respectively. We have not hedged fuel price risk in recent years.

Interest Rates

We have market risk associated with changing interest rates due to the short-term nature of our cash and investment securities at December 31, 2015, which totaled $87.1 million in cash and cash equivalents, $245.6 million in short-term investments and $64.8 million in long-term investments. We invest available cash in government and corporate debt securities, 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, 2015, 2014 and 2013, would have affected interest income from cash and investment securities by $4.1 million, $4.0 million and $3.7 million, respectively.

As of December 31, 2015 and 2014, respectively, we had $301.9 million and $246.6 million of variable-rate debt including current maturities and excluding related costs. A hypothetical 100 basis point change in interest rates would have affected interest expense by $2.7 million in 2015 and $1.2 million in 2014.

As of December 31, 2015, we had $344.3 million of fixed-rate debt, including current maturities and excluding related costs, which had a fair value of $342.5 million. At December 31, 2014, we had $346.5 million of fixed-rate debt, including current maturities and excluding related costs, which had a fair value of $347.6 million. A hypothetical 100 basis point change in market interest rates as of December 31, 2015 or 2014, would not impact interest expense or have a material effect on the fair value of our fixed-rate debt instruments as of such dates.

Item 8. Financial Statements and Supplementary Data

Selected Quarterly Financial Data (Unaudited)

Quarterly results of operations for the years ended December 31, 2015 and 2014 are summarized below (in thousands, except for per share amounts).

	March 31	June 30	September 30	December 31
2015				
Operating revenues	$329,241	$322,102	$299,956	$310,889
Operating income	108,099	92,756	77,082	93,765
Net income attributable to Allegiant Travel Company	64,867	54,339	44,458	56,710
Earnings per share to common stockholders:				
Basic	3.75	3.19	2.63	3.38
Diluted	3.74	3.18	2.62	3.38
2014				
Operating revenues	$302,524	$290,541	$265,029	$278,950
Operating income	57,271	56,413	28,867	14,790
Net income attributable to Allegiant Travel Company	34,222	33,499	14,172	4,794
Earnings per share to common stockholders:				
Basic	1.87	1.87	0.80	0.29
Diluted	1.86	1.86	0.80	0.27

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

The Company's income and earnings per share in the fourth quarter 2014 were impacted by a non-cash impairment charge of $43.3 million on its Boeing 757 fleet.

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 as of December 31, 2015 and 2014, and the related consolidated statements of income, and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Allegiant Travel Company and subsidiaries at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of classifying deferred income tax assets and liabilities effective December 31, 2015.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Allegiant Travel Company’s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 22, 2016, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Las Vegas, Nevada
February 22, 2016

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, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (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, 2015, 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, 2015 and 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2015 and our report dated February 22, 2016, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Las Vegas, Nevada
February 22, 2016

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

	December 31, 2015	December 31, 2014
CURRENT ASSETS:		
Cash and cash equivalents	$87,112	$89,610
Restricted cash	10,358	12,021
Short-term investments	245,583	269,817
Accounts receivable	15,146	14,216
Expendable parts, supplies and fuel, net	15,583	16,980
Prepaid expenses	18,276	24,306
Deferred income taxes	—	6,271
Other current assets	3,185	406
TOTAL CURRENT ASSETS	395,243	433,627
Property and equipment, net	885,942	738,783
Long-term investments	64,752	57,390
Deposits and other assets	5,725	5,280
TOTAL ASSETS	$1,351,662	$1,235,080
CURRENT LIABILITIES:		
Accounts payable	$6,801	$13,232
Accrued liabilities	109,462	110,802
Air traffic liability	198,136	185,315
Current maturities of long-term debt, net of related costs	74,069	52,605
TOTAL CURRENT LIABILITIES	388,468	361,954
LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES:		
Long-term debt, net of current maturities and related costs	567,609	536,189
Deferred income taxes	45,580	42,872
TOTAL LIABILITIES	1,001,657	941,015
SHAREHOLDERS' EQUITY:		
Common stock, par value $.001, 100,000,000 shares authorized; 22,250,210 and 22,174,241 shares issued; 16,802,897 and 17,413,307 shares outstanding, as of December 31, 2015 and 2014, respectively	22	22
Treasury stock, at cost, 5,447,313 and 4,760,934 shares at December 31, 2015 and 2014, respectively	(453,415)	(325,396)
Additional paid in capital	228,945	221,257
Accumulated other comprehensive income, net	834	1,211
Retained earnings	573,619	395,783
TOTAL ALLEGIANT TRAVEL COMPANY SHAREHOLDERS' EQUITY	350,005	292,877
Noncontrolling interest	—	1,188
TOTAL EQUITY	350,005	294,065
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,351,662	$1,235,080

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

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ALLEGIANT TRAVEL COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	Year ended December 31,		
	2015	2014	2013
OPERATING REVENUE:			
Scheduled service revenue	$735,563	$732,020	$651,318
Ancillary revenue:			
Air-related charges	434,317	331,689	287,857
Third party products	40,177	36,587	37,030
Total ancillary revenue	474,494	368,276	324,887
Fixed fee contract revenue	19,747	17,403	17,462
Other revenue	32,384	19,347	2,483
Total operating revenue	1,262,188	1,137,046	996,150
OPERATING EXPENSES:			
Aircraft fuel	278,394	388,216	385,558
Salary and benefits	229,802	193,345	158,627
Station operations	102,294	84,667	78,231
Maintenance and repairs	92,575	86,781	72,818
Sales and marketing	21,349	28,492	21,678
Aircraft lease rentals	2,326	15,945	9,227
Depreciation and amortization	98,097	83,409	69,264
Other	65,649	55,566	46,010
Special charge	—	43,280	—
Total operating expenses	890,486	979,701	841,413
OPERATING INCOME	371,702	157,345	154,737
OTHER (INCOME) EXPENSE:			
Interest income	(1,391)	(774)	(1,043)
Interest expense	26,510	21,205	9,493
Other, net	(136)	(217)	(393)
Total other expense	24,983	20,214	8,057
INCOME BEFORE INCOME TAXES	346,719	137,131	146,680
PROVISION FOR INCOME TAXES	126,389	50,828	54,901
NET INCOME	220,330	86,303	91,779
Net loss attributable to noncontrolling interest	(44)	(386)	(494)
NET INCOME ATTRIBUTABLE TO ALLEGIANT TRAVEL COMPANY	$220,374	$86,689	$92,273
Earnings per share to common shareholders:			
Basic	$12.97	$4.87	$4.85
Diluted	$12.94	$4.86	$4.82
Shares used for computation:			
Basic	16,923	17,729	18,936
Diluted	16,962	17,782	19,050
Cash dividends declared per share:	$2.75	$2.50	$2.25

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

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ALLEGIANT TRAVEL COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year ended December 31,		
	2015	2014	2013
NET INCOME	$220,330	$86,303	$91,779
OTHER COMPREHENSIVE INCOME:			
Unrealized gain (loss) on available-for-sale securities, net of tax effect of $104, $78 and ($34) for 2015, 2014 and 2013, respectively	(185)	(124)	57
Foreign currency translation adjustment, net of tax effect	226	176	—
Unrealized gain on derivatives, net of tax effect of ($252), ($687) and $- for 2015, 2014 and 2013, respectively	874	1,171	—
Reclassification of derivative gains into Other revenue	(1,292)	—	—
Total other comprehensive (loss) income	(377)	1,223	57
TOTAL COMPREHENSIVE INCOME	219,953	87,526	91,836
Comprehensive loss attributable to noncontrolling interest	(44)	(386)	(494)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ALLEGIANT TRAVEL COMPANY	$219,997	$87,912	$92,330

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

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ALLEGIANT TRAVEL COMPANY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Common stock outstanding	Par value	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury shares	Total Allegiant Travel Company shareholders equity	Noncontrolling interest	Total shareholders' equity
Balance at December 31, 2012	19,334	$22	$201,012	$ (69)	$302,325	$(102,829)	$ 400,461	$ 1,263	$ 401,724
Share-based compensation expense	—	—	4,430	—	—	—	4,430	—	4,430
Issuance of restricted stock	85	—	—	—	—	—	—	—	—
Exercises of stock options and stock-settled SARs	56	—	2,082	—	—	—	2,082	—	2,082
Tax benefit from share-based compensation	—	—	1,689	—	—	—	1,689	—	1,689
Assets sold in acquisition of ownership interest in subsidiary	—	—	—	—	—	—			