Allegiant Travel CO
Form 424B5
December 01, 2016
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-196738

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	**Amount to be Registered**	**Maximum Offering Price**	**Maximum Aggregate Offering Price**	**Amount of Registration Fee**
5.50% Senior Notes due 2019	$ 150,000,000	100 %	$ 150,000,000	$ 17,385(1)
Guarantees of 5.50% Senior Notes due 2019(2)	N/A	N/A	N/A	N/A

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended. This "Calculation of Registration Fee" table shall be deemed to update the "Calculation of Registration Fee" table in our Registration Statement on Form S-3 (File No. 333-196738).

(2) The guarantees registered hereby are full and unconditional, joint and several guarantees by the additional registrants with respect to debt securities of Allegiant Travel Company registered hereby. See the Table of Additional Registrants in the Registration Statement. No separate consideration will be received for the guarantees of the Senior Notes. No additional registration fee for the guarantees will be due pursuant to Rule 457(n).

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PROSPECTUS SUPPLEMENT
(To Prospectus Dated June 13, 2014)

$150,000,000

Allegiant Travel Company

5.50% Senior Notes due 2019

Allegiant Travel Company (Allegiant, the Company, we or us) is offering $150,000,000 aggregate principal amoun 5.50% Senior Notes due 2019 (the new notes). The new notes are being offered as additional notes under an indenture dated June 25, 2014, as supplemented (the Indenture), pursuant to which the Company issued $300,000,000 aggregate principal amount of 5.50% Senior Notes due 2019 (the existing notes and, together with the new notes, the notes). The new notes and the existing notes will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The new notes will be fully fungible with the existing notes. The new notes and the existing notes will be of the same series and will have the same CUSIP number. As a result, the outstanding principal amount of the series of notes, after issuance of the new notes, will be $450 million.

We will pay interest on the new notes on January 15 and July 15 of each year. The first such payment will be made on January 15, 2017. The new notes will be issued only in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. The notes will mature on July 15, 2019 unless redeemed prior to maturity. Our obligations under the new notes will be fully and unconditionally guaranteed by our wholly-owned domestic subsidiaries (the Guarantors).

We may redeem all or part of the new notes at a redemption price equal to 100% of the principal amount of the new notes plus an applicable make-whole premium and accrued and unpaid interest. See Description of the Notes—Optional Redemption. If we undergo certain change of control transactions, we must offer to repurchase the new notes at a price equal to 101% of the principal amount of the new notes, plus accrued and unpaid interest, if any. See Description of the Notes—Certain Covenants—Change of Control Offer to Purchase.

The existing notes and the related guarantees are, and the new notes and the related guarantees will be, our senior unsecured obligations and will be the senior unsecured obligation of the Guarantors. The new notes and the related guarantees will rank *pari passu* in right of payment with all of our and the Guarantors respective existing and future senior indebtedness and senior in right of payment to all of our and the Guarantors respective future senior subordinated and subordinated indebtedness. The existing notes and related guarantees are, and the new notes and related guarantees will be effectively subordinated to all of our and the Guarantors respective existing and future secured indebtedness to the extent of the value of the assets pledged to secure those obligations. The notes will also be structurally subordinated to all existing and future indebtedness of our non-guarantor subsidiaries.

The notes will not be listed on any securities exchange or quoted on any automated quotation system.

Investing in the new notes involves risks. See Risk Factors beginning on page S-15 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state or other securities commission or other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal

offense.

	Per Note			Total
Initial public offering price[1]	101.50	%	$	152,250,000
Underwriting discount	0.3284	%	$	500,000
Proceeds, before expenses, to Allegiant[2]	101.1716	%	$	151,750,000

(1) Plus accrued interest from July 15, 2016 to the settlement date.

(2) We have agreed to reimburse the underwriters with respect to certain expenses. See Underwriting.

The initial public offering price set forth above does not include accrued interest. Interest on the new notes will accrue from July 15, 2016 and must be paid by the purchasers.

The underwriter expects to deliver the new notes through the facilities of The Depository Trust Company against payment in New York, New York on December 5, 2016.

Goldman, Sachs & Co.

Prospectus Supplement dated November 30, 2016.

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Allegiant Route Map
Based on published schedule as of November 1, 2016

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is a supplement to the accompanying base prospectus that is also a part of this document. This prospectus supplement and the accompanying base prospectus are part of a shelf registration statement that we filed with the Securities and Exchange Commission (the Commission). The shelf registration statement was declared effective by the Commission upon filing. By using a shelf registration statement, we may sell any combination of the securities described in the base prospectus from time to time in one or more offerings. In this prospectus supplement, we provide you with specific information about the terms of this offering. You should rely only on the information or representations incorporated by reference or provided in this prospectus supplement and the accompanying prospectus or in any free writing prospectus filed by us with the Commission. Neither we nor the underwriter has authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference in this prospectus supplement. You may obtain copies of the shelf registration statement, or any document which we have filed as an exhibit to the shelf registration statement or to any other Commission filing, either from the Commission or from the Secretary of Allegiant Travel Company as described under Where You Can Find More Information in this prospectus supplement. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus supplement and the accompanying base prospectus is accurate as of any date other than the date printed on their respective covers.

MARKET DATA

Market, industry and competitive position data presented throughout this prospectus supplement has been obtained from a combination of our own internal company surveys, the good faith estimates of management and various trade associations and publications. While we believe our internal surveys, third-party information, industry data, estimates of management and data from trade associations are reliable, neither we nor the Underwriter has verified this data with any independent sources. This information may prove to be inaccurate because of the method by which we obtained some of the data for our estimates or because this information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. These estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under Risk Factors and Forward-Looking Statements. As a result, you should be aware that such market, industry and competitive position data presented in this prospectus supplement, and estimates and beliefs based on that data, may not be reliable. Accordingly, neither we nor the Underwriter makes any representations as to the accuracy or completeness of that data.

NON-GAAP FINANCIAL MEASURES

EBITDA and EBITDAR, as presented in this prospectus supplement, and certain other financial information, are supplemental measures of our performance that are not required by, or presented in accordance with, accounting principles generally accepted in the United States (GAAP). They are not measurements of our financial performance under GAAP and should not be considered in isolation or as an alternative to net income or any other performance measures derived in accordance with GAAP or as an alternative to cash flows from operating activities as a measure of our liquidity.

We define EBITDA as earnings before interest, taxes, depreciation and amortization and EBITDAR as EBITDA plus aircraft lease rentals. We caution investors that amounts presented in accordance with these definitions may not be comparable to similar measures disclosed by other issuers, because not all issuers and analysts calculate EBITDA and EBITDAR in the same manner.

We use EBITDA and EBITDAR to evaluate our operating performance and liquidity and they are among the primary measures used by management for planning and forecasting of future periods. We believe the presentation of these measures is relevant and useful for investors because it allows investors to view results in a manner similar to the method used by management and makes it easier to compare our results with other companies that have different financing and capital structures.

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EBITDA and EBITDAR have important limitations as analytical tools. These limitations include the following:

- EBITDA and EBITDAR do not reflect our capital expenditures, future requirements for capital expenditures or contractual commitments to purchase capital equipment;
- EBITDAR does not reflect amounts paid to lease aircraft;
- EBITDA and EBITDAR do not reflect interest expense or the cash requirements necessary to service principal or interest payments on our debt;
- although depreciation and amortization are non cash charges, the assets that we currently depreciate and amortize will likely have to be replaced in the future, and EBITDA and EBITDAR do not reflect the cash required to fund such replacements; and
- other companies in our industry may calculate EBITDA and EBITDAR differently than we do, limiting their usefulness as comparative measures.

See Selected Financial and Operating Information for a quantitative reconciliation of EBITDA and EBITDAR to the most directly comparable GAAP financial performance measure, which we believe is net income.

FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this prospectus supplement and in the documents incorporated by reference herein 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 c
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 the section entitled Risk Factors . 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 balances and 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, constraints on our ability to grow as we retire our MD-80 aircraft, 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, governmental regulation, increases in maintenance costs and cyclical and seasonal fluctuations in our operating results.

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

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights certain information contained elsewhere or incorporated by reference in this prospectus supplement. Because this is only a summary, it does not contain all the information that you may consider important in making your investment decision to purchase the new notes. The following summary should be read together with the more detailed information, including our consolidated financial statements and the related notes, appearing elsewhere or incorporated by reference in this prospectus supplement. References to Allegiant, we, us, and our refe Allegiant Travel Company and its subsidiaries on a consolidated basis.

Business Overview

We are a leisure travel company that provides low-fare air travel and travel related services. We focus on leisure travelers in under-served small and medium-sized cities in the United States. For the twelve months ended September 30, 2016, we had operating revenues of $1.34 billion, EBITDA of $496.8 million, net income of $235.0 million and carried 10.8 million passengers across 337 routes covering 113 cities. Our focus on the leisure customer allows us to eliminate the significant costs associated with serving a wide variety of customers and to concentrate our product appeal on a customer base which is under-served by traditional airlines. We have consciously developed a business model which distinguishes us from the traditional airline approach:

Traditional Airline Approach	Allegiant Approach
Focus on business and leisure customers	Focus on leisure traveler
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 non-stop service from small 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

By unbundling our air-related services and products such as baggage fees, advance seat assignments, travel protection, change fees, priority boarding, and food and beverage purchases, which have typically been bundled by many traditional airlines, we are able to significantly lower our airfares and target leisure travelers who are more concerned with price and the ability to customize their experience with us by only purchasing the additional conveniences they value. This strategy allows us to generate significant additional ancillary revenues. Our ancillary revenues have grown from $210.0 million in 2011, to $474.5 million in 2015 and we have already recorded $411.4 million of ancillary revenues during the first nine months of 2016 compared to $357.7 million in the first nine months of 2015.

Our route network has a national footprint and, as of September 30, 2016, we are serving 95 small and medium-sized cities and 18 leisure destinations in 42 states. In most of these small and medium-sized 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; Newark, NJ (providing service to New York City, NY); the San Francisco Bay Area, CA; Honolulu, HI; Palm Springs, CA; Austin, TX; New Orleans, LA; Jacksonville, FL; Savannah/Hilton Head, GA; Baltimore/Washington, DC; Destin, FL; San Diego, CA, and Myrtle Beach, SC (seasonal), and will soon commence service to San Juan, Puerto Rico.

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Our Competitive Strengths

We believe the following strengths allow us to maintain a competitive advantage in the markets we serve:

Focus on Leisure Traffic from Small and Medium-Sized Cities. We believe small and medium-sized cities represent an under-served market for leisure travel. Prior to the initiation of our service in many of these markets, leisure travelers had few desirable options to reach leisure destinations because existing carriers are generally focused on connecting business customers through their hub-and-spoke networks. Based on published schedules as of September 30, 2016, we are the only carrier offering non-stop service on approximately 81 percent of our 366 routes. We believe our low fare, non-stop service makes it attractive for leisure travelers to purchase airfare and other travel related products from us. Further, our broad and thin network mitigates our exposure to regional variations in the economy and helps insulate us from competitors, as it would be difficult for a competitor to materially impact our business by targeting one city or region. Our routes typically have less than daily service which makes them less attractive to serve efficiently by any other mainline carrier.

Low Operating Costs. Our operating expense per available seat mile (CASM) was 7.79¢ for the first nine months of 2016 compared to 8.62¢ for the first nine months of 2015, and 8.45¢ for the full year 2015 compared to 10.47¢ for the full year 2014 (excluding a one-time impairment charge in 2014 taken on our six Boeing 757 aircraft, engines and related assets). Excluding the cost of fuel, our operating CASM was 5.82¢ for the first nine months of 2016 compared to 5.84¢ for the first nine months of 2015, and 5.81¢ for the full year 2015 compared to 6.13¢ for the full year 2014 (excluding the impairment charge). Our low operating costs allow us to profitably offer our customers lower airfares and are the result of the following:

- *Low Aircraft Ownership Costs.* We achieve low aircraft ownership costs by purchasing primarily used aircraft with meaningful remaining useful lives at reduced prices. As of September 30, 2016, our operating fleet consisted of 48 MD-80 series aircraft, 31 Airbus A320 series aircraft and four Boeing 757-200 aircraft. In addition, we have one Airbus A320 series aircraft that has been purchased but not yet placed into service. We currently have commitments to purchase 33 additional Airbus A320 series aircraft, including 12 newly manufactured Airbus A320s and currently expect that by the end of 2019 our operating fleet will consist exclusively of 100 Airbus A320 series aircraft. Of these aircraft, we expect a substantial majority of them will have been purchased used, thereby maintaining low aircraft ownership costs. Further, we own all of our aircraft which allows us to effectively manage maintenance value, a substantial component of used aircraft values. Our fleet ownership expense (aircraft depreciation plus interest expense on debt secured by aircraft) was $112 thousand per aircraft per month over the last twelve months ending September 30, 2016, which we believe is substantially below market lease rates of newly delivered A320s.
- *Highly Productive Workforce*. We believe we have one of the most productive workforces in the U.S. airline industry with approximately 39.6 full-time equivalent employees per operating aircraft as of September 30, 2016. Our high level of employee productivity is due to our cost-driven scheduling, fewer unproductive labor work rules, and the effective use of automation and part-time employees. We outsource heavy maintenance, stations and other functions to reliable third-party service providers in an effort to reduce costs.
- *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 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*. We sell our products directly to our customers through our website which lowers our distribution costs. We do not sell our product through external sales channels, which allows us to avoid the fees charged by travel web sites (such as Expedia, Orbitz or Travelocity) and the traditional global distribution systems (GDS) (such as Sabre or Worldspan).

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- *Cost Effective Airports*: Most of the airports we serve are in small cities or are the secondary airport in a major city. These airports give us scheduling flexibility and offer lower costs. These lower costs are driven by less expensive passenger facilities, landing and ground service charges. In addition to inexpensive airport costs, many of the cities we serve provide marketing support which results in lower marketing costs.
- *Cost-Driven Schedule*. We build our schedule so that our crews and aircraft return to base each night. This allows us to maximize crew efficiency, and more cost-effectively manage maintenance, spare aircraft and spare parts. Additionally, this structure allows us to add or subtract markets served by a base without incremental costs.

Capacity Management. We actively manage our seat capacity to match leisure demand patterns. Our ability to quickly adjust capacity helps us maintain our profitability in the dynamic travel industry. During 2015, our system average block hours per aircraft per day, was 5.9 system block hours. During our peak demand period in March 2016 we averaged 7.1 system block hours per aircraft per day while in September 2016, our lowest month for demand, we averaged 5.1 system block hours per aircraft per day. Because of our low fixed costs, our low unit costs are not dependent on high utilization. This allows us to tailor our capacity to the demand level specific to a market, a season, a day of week, or even a time of day. For example, 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.

Innovative Ancillary Revenues. We believe most leisure travelers are concerned primarily with purchasing air travel for the least expensive price. As such, we successfully unbundled the air transportation product by charging fees for services many traditional airlines historically bundled in their product offering. This pricing structure allows us to target travelers who are most concerned with low fare travel while also allowing travelers to customize their experience with us by purchasing only the additional conveniences they value. Our ancillary revenues have grown 126% from 2011 to 2015. Further, our third-party product offerings allow our customers the opportunity to purchase hotel rooms, rental cars, show tickets and other attractions. Ancillary revenue will continue to be a key component in our total average fare as we believe leisure travelers are less sensitive to ancillary fees than the base fare.

Strong Financial Position. On September 30, 2016, we had $383.3 million of unrestricted cash, cash equivalents and investment securities. As adjusted for the new notes offered hereby (excluding the cost of issuance for the new notes offered), we will have $533.3 million of unrestricted cash, cash equivalents and investment securities and $848.9 million of total debt, net of related costs (other than costs related to the new notes offered hereby), as well as adjusted net debt / EBITDA ratio of 0.6x (net debt being total debt in excess of cash, cash equivalents and investment securities). See Capitalization . We generated $405.9 million of cash flow from operations over the last twelve months ended September 30, 2016. We have a history of growing profitably and, notwithstanding periods of high fuel prices and the recession of 2008, as of September 30, 2016 we have been consistently profitable and reported our 55th consecutive quarter with both positive pre-tax earnings[1] and EBITDA, the only publicly traded U.S passenger airline to have done so during this period. Our strong financial position and discipline regarding use of capital allows us to have greater financial flexibility to grow the business and efficiently and effectively adapt to changing economic conditions.

Proven Management Team. We have a strong management team comprised of experienced and motivated individuals. Our management team is led by Maurice J. Gallagher, Jr., John Redmond, Jude I. Bricker and Scott D. Sheldon. Mr. Gallagher was the president of WestAir Holdings, Inc. and built WestAir into one of the largest regional airlines in the U.S. prior to its sale in 1992 to Mesa Air Group. He was also one of the founders of ValuJet, Inc., which later became AirTran. Mr. Redmond served as an independent member of our board from 2007 until September 2016 when he joined the Company as an executive officer (excluding one year while attending to business obligations overseas) and has more than 30 years experience in executive management in the hospitality and leisure travel industry. Mr. Bricker was a former manager at American Airlines and joined Allegiant in 2006 where he quickly advanced into roles of increasing responsibility. Mr. Sheldon joined Allegiant in 2004 and has served as our chief financial officer since 2010.

1 Excluding non-cash mark to market hedge adjustments prior to 2008

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Our Business Strategy

We intend to consistently grow our profitability by expanding our network to additional small and medium-sized cities while continuing to offer our low-fare air travel and travel related services. The following are key elements of our strategy:

Expand our Customer Base. We plan to continue to focus on leisure travelers in small and medium-sized cities, having grown from 65 cities as of December 31, 2011 to 95 cities as of September 30, 2016. As other carriers have reduced service in our medium-sized cities by providing either limited or no direct service on each route, we have expanded our service to provide many of these cities with non-stop access to our leisure destinations. We intend to continue to add additional flights in the cities we currently serve, expand into more source markets, and add additional destination markets. We believe our addressable market, consisting of connecting small and medium-sized cities to leisure destinations on routes capable of supporting at least twice weekly but less-than-daily service, could be as many as 400 additional routes.

Develop New Sources of Revenue. We have identified three key areas where we intend to grow our ancillary revenues:

•*Further Unbundling of Traditional Airline Product*. By offering a simple base product at an attractive low fare we can drive demand and generate supplemental revenue as customers pay additional fees for conveniences they value. We aim to continue to increase supplemental revenue by providing additional customizable travel options for our customers.

•*Expand Our Third-Party Leisure Product Offering*. We currently work with many premier leisure companies in our leisure destinations that provide additional products and services which we sell to our customers. As of September 30, 2016, we offer for sale rooms at more than 400 hotel and casino properties. In addition, we have an exclusive agreement through 2020 with Enterprise Holdings, Inc., the parent company of car rental companies Enterprise Rent-A-Car, National Car Rental and Alamo Rent a Car, for the sale of rental cars packaged with air travel. During 2015, we generated revenue from the sale of 1,204,982 rental car days and we generated revenue from the sale of 1,168,544 rental car days in the first nine months of 2016. During the third quarter of 2016, we launched our first co-branded credit card product. As this product matures over the next several years, we expect it to have a material impact on revenue in 2017 and beyond.

•*Leverage Direct Relationships with Our Customers.* More than 94% (during 2015 and the first nine months of 2016) of our scheduled service revenue was purchased directly through our website which has allowed us to establish direct contact with our customers. This relationship provides us with additional opportunities to market products and services to each customer at the time of purchase as well as both pre-and post-travel. We intend to continue to market to our existing customers to encourage repeat business. We expect the continuous improvement to our website and other automation enhancements will allow us to create a satisfying user experience and thereby capitalize on customer loyalty.

Focus on Reducing Our Operating Costs even at Low Utilization Levels. We intend to continue to focus on reducing our operating costs to remain one of the most efficient airlines in the world. We have identified four key areas for continued cost improvement:

•*Fleet Transition to a Single Fleet Type.* We expect to complete a transition to an all Airbus A320 series fleet in 2019. This will allow us to drive greater efficiency with crews, sparing and other operational overhead.

•*Fleet Renewal.* We expect that our planned transition to an all Airbus fleet and the retirement of older model aircraft will result in more efficient fuel burn and higher reliability.

•*Increased Density*. The Airbus A320 series aircraft we expect to introduce to our fleet over the next several years will be outfitted with more seats than our existing MD80s, which will contribute to lower unit costs.

•*Crew Efficiencies from Our New Contract.* Our new contract with our pilots also allows us to maintain our scheduling philosophy with flexible work rules and we expect it will help to stabilize staffing levels with lower attrition and better hiring metrics.

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Corporate Structure

The chart below illustrates the structure of Allegiant Travel Company as the parent company and sets forth information concerning the subsidiaries that will guarantee the new notes offered hereby, along with certain financial information as of September 30, 2016.

*Net of related costs.

General Information

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 prospectus supplement the information on or accessible through our website and you should not consider it to be a part of this document. Our website address is included in this document for reference only.

Recent Developments

In July 2016, we received the results of the FAA Certificate Holder Evaluation Process (CHEP) audit conducted between April 5 and June 30, 2016. A CHEP audit evaluates the design and performance of all aspects of an airline s safety oversight procedures including aircraft and engine maintenance, training and recordkeeping. Initially, the CHEP audit was scheduled for 2018 (typically every five years), but we believe the timing was accelerated by the FAA due to changes in our senior management, the age of our aircraft, and an increase in mechanical flight interruptions principally affecting our older aircraft. All findings identified during the CHEP audit were determined by the FAA to be minor with non-regulatory or with non-systemic regulatory findings observed. We responded to the FAA with an action plan in September 2016 and we have addressed or are addressing all identified findings. We are continuing to work with the FAA to finalize our action plan. A small number of the CHEP findings could result in a formal letter of investigation if the FAA determines that the identified discrepancies warrant consideration of possible enforcement action.

As of September 30, 2016, our fleet was comprised of 48 MD-80 series aircraft with an average age of 26.7 years, 16 Airbus A320 aircraft with an average age of 16.7 years, 15 Airbus A319 aircraft with an average age of 11.3 years and four Boeing 757-200 aircraft, with an average age of 23.3 years. Older aircraft require more frequent maintenance and repair to maintain the aircraft in good working order and often experience increased mechanical flight interruptions. In 2016, we have hired additional qualified technicians, changed certain of our policies and are now seeking to accelerate the retirement of our older aircraft. We expect the reliability of our aircraft will increase significantly as we retire all of our MD-80 series aircraft and complete the transition to a younger fleet of exclusively Airbus A320 series aircraft in 2019.

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THE OFFERING

The summary below describes the principal terms of the new notes and the note guarantees. Certain of the terms and conditions described below are subject to important limitations and exceptions. See Description of the Notes in this prospectus supplement for a more detailed description of the terms and conditions of the new notes and note guarantees.

Issuer
Allegiant Travel Company, a Nevada corporation.
Notes Offered
$150,000,000 aggregate principal amount of 5.50% Senior Notes due 2019 (the new notes). The new notes will be fully fungible with the existing notes. The new notes and the existing notes will be of the same series and will have the same CUSIP number. As a result, the outstanding principal amount of the series of notes, after issuance of the new notes, will be $450 million.
Maturity Date
July 15, 2019.
Issue Price
101.5% plus accrued and unpaid interest, if any from July 15, 2016.
Interest and Payment Dates
Interest on the new notes will accrue at a rate of 5.50% per annum on the principal amount from July 15, 2016, payable semi-annually in arrears on January 15 and July 15 of each year, beginning on January 15, 2017.
Guarantors
The new notes will be fully and unconditionally guaranteed by the Guarantors.
Ranking
The existing notes and related guarantees rank, and the new notes and related guarantees will rank, *pari passu* in right of payment with all of our and the Guarantors respective existing and future senior indebtedness and senior in right of payment to all of our and the Guarantors respective future senior subordinated and subordinated indebtedness. The existing notes and related guarantees are, and the new notes and related guarantees will be, effectively subordinated to all of our and the Guarantors respective existing and future secured indebtedness to the extent of the value of the assets pledged to secure those obligations. The new notes and the note guarantees will also be structurally subordinated to all existing and future indebtedness of our non-guarantor subsidiaries.
As of September 30, 2016, on an as adjusted basis after giving effect to the offering and sale of notes herein, we and the Guarantors would have had approximately $750.7 million of indebtedness outstanding (net of related costs on all indebtedness other than the new notes offered hereby), the non-guarantor subsidiaries would have had approximately $98.3 million of indebtedness outstanding to which the notes are structurally subordinated, the Guarantors would have had

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approximately $302.3 million of secured indebtedness outstanding to which the notes would have been effectively subordinated and the Guarantors would have approximately $298.4 million of indebtedness ranking pari passu with the notes. The above numbers are net of related costs (other than costs related to the new notes offered hereby). For the nine months ended September 30, 2016, our non-guarantor subsidiaries generated 2.3 percent of our operating revenues and as of September 30, 2016 our non-guarantor subsidiaries held 14.6 percent of our total assets and had 9.5 percent of our total liabilities (including trade payables), all of which would have been structurally senior to the notes. As of September 30, 2016, on a pro forma basis after giving effect to this offering, our non-guarantor subsidiaries would have held 13.3 percent of our total assets and would have had 8.3 percent of our total liabilities (including trade payables), all of which would have been structurally senior to the new notes.

Optional Redemption

We may, at our option, redeem the new notes, in whole or in part at any time, at a redemption price equal to (1) 100% of the principal amount of the new notes being redeemed plus (2) a make-whole amount, plus accrued and unpaid interest, if any, to (but not including) the redemption date. For more details, see Description of the Notes—Optional Redemption.

Change of Control Offer

In the event of a specified Change of Control, each holder of notes may require us to repurchase its notes in whole or in part at a repurchase price of 101% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the repurchase date. See Description of the Notes—Certain Covenants—Change of Control Offer to Purchase and Risk Factors—Risks Related to the Notes—We may be unable to purchase the Notes upon a change of control as required by the indenture governing the Notes.

Certain Covenants

The new notes will be issued under an indenture containing covenants that, among other things, will restrict the ability of Allegiant and the ability of its restricted subsidiaries to:

- pay dividends, redeem or repurchase stock or make other distributions or restricted payments;
- repay subordinated indebtedness;
- make certain loans and investments;
- incur indebtedness or issue preferred stock;

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- incur or permit to exist certain liens;
- merge, consolidate or sell all or substantially all assets; and
- designate subsidiaries as unrestricted.

These covenants will be subject to a number of important exceptions and qualifications. For more details regarding these exceptions and qualifications, see Description of the Notes—Certain Covenants.

The new notes lack a restriction on asset sales, cross-default event of default, or judgment default event of default and some covenants typically found in other comparably rated debt securities. See Risk Factors—Risks Related to the Notes.

Use of Proceeds

We estimate that we will receive net proceeds of approximately $149.0 million from this offering, after underwriting discounts and commissions and estimated offering expenses. We intend to use these net proceeds for general corporate purposes.

Risk Factors

You should consider carefully all of the information set forth in this prospectus supplement and, in particular, you should evaluate the specific factors under Risk Factors.

Book-Entry Form

The new notes will be issued in book-entry form and will be represented by global certificates deposited with, or on behalf of, The Depository Trust Company, which we refer to as DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the new notes will be shown on, and transfers will be effected only through, records maintained by DTC, and any such interest may not be exchanged for certificated securities, except in limited circumstances described herein. See Description of the Notes—Form and Settlement; Book-Entry System.

U.S. Federal Income Tax Considerations

Holders are urged to consult their own tax advisors with respect to the federal, state, local and foreign tax consequences of purchasing, owning and disposing of the new notes. See Material United States Federal Income Tax Considerations.

Trustee

Wells Fargo Bank, National Association.

Governing Law

The indenture and the new notes will be governed by the laws of the State of New York.

You should refer to the section entitled Risk Factors and other information included or incorporated by reference in this prospectus supplement for an explanation of certain risks of investing in the new notes.

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SUMMARY FINANCIAL AND OPERATING DATA

The following tables set forth our summary consolidated financial and other information for the periods ended and as of the dates indicated. The summary consolidated statement of income data for each of the three years ended December 31, 2013, 2014, and 2015 and the summary consolidated balance sheet data as of December 31, 2014 and 2015 were derived from our audited consolidated financial statements prepared in accordance with US generally accepted accounting principles (U.S. GAAP) incorporated by reference in this prospectus supplement. The summary consolidated statement of income data for the nine months ended September 30, 2015 and 2016 and summary consolidated balance sheet data as of September 30, 2016, was derived from our unaudited consolidated financial statements incorporated by reference in this prospectus supplement. Such interim data includes, in the opinion of management, all adjustments, which are of a normal recurring nature (other than non-recurring adjustments which have been separately disclosed), necessary for a fair presentation of the results for the interim periods presented. The summary consolidated financial and other information for the twelve months ended September 30, 2016 was derived from the unaudited financial statements for the three months ended December 31, 2015 not included in or incorporated by reference into this prospectus supplement and the nine months ended September 30, 2016 referenced above. Historical results are not necessarily indicative of future results. Operating results for the nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. You should read the data presented below in conjunction with Management's Discussion and Analysis of Financial Conditions and Results of Operations and our financial statements and related notes included in our Form 10-K and Form 10-Q incorporated by reference in this prospectus supplement.

	Year ended December 31,			Twelve months ended September 30,	Nine months ended September 30,	
	2013	2014	2015	2016	2015	2016
STATEMENT OF INCOME DATA (in thousands)				(unaudited)	(unaudited)	
OPERATING REVENUE						
Scheduled service revenue	651,318	732,020	735,563	746,810	556,842	568,089
Fixed-fee contract revenue	17,462	17,403	19,747	30,444	11,993	22,690
Ancillary revenue:						
Air-related charges	287,857	331,689	434,317	485,206	326,055	376,944
Third party products	37,030	36,587	40,177	42,996	31,663	34,482
Total ancillary revenue	324,887	368,276	474,494	528,202	357,718	411,426
Other revenue	2,483	19,347	32,384	32,382	24,745	24,743
Total operating revenue	996,150	1,137,046	1,262,188	1,337,838	951,298	1,026,948
OPERATING EXPENSES						
Aircraft fuel	385,558	388,216	278,394	244,378	216,985	182,969
Salary and benefits	158,627	193,345	229,802	269,868	171,119	211,185
Station operations	78,231	84,667	102,294	123,839	74,768	96,313
Maintenance and repairs	72,818	86,781	92,575	104,103	70,488	82,016
Sales and marketing	21,678	28,492	21,349	21,216	16,907	16,774
Aircraft lease rentals	9,227	15,945	2,326	1,158	2,092	924
Depreciation and amortization	69,264	83,409	98,097	100,462	73,597	75,962
Other	46,010	55,566	65,649	76,610	47,402	58,363
Special charge	—	43,280	—	—	—	—
Total operating expenses	841,413	979,701	890,486	941,634	673,358	724,506
	154,737	157,345	371,702	396,204	277,940	302,442

OPERATING INCOME						
As a percent of total operating revenue	15.5 %	13.8 %	29.4 %	29.6 %	29.2 %	29.5 %
OTHER (INCOME) EXPENSE:						
Other expense (income)	(393)	(217)	(136)	(161)	(117)	(142)
Interest income	(1,043)	(774)	(1,391)	(3,375)	(948)	(2,932)
Interest expense	9,493	21,205	26,510	27,546	20,531	21,567
Total other expense (income)	8,057	20,214	24,983	24,010	19,466	18,493

—	(601)	
Merger Termination Charge	—	3,219
	$ —	$ 4,222

The following table summarizes the Company's fiscal year 2011 year-to-date restructuring activity:

	Consolidated
Balance, May 1, 2010	$155
Restructuring Charges	—
Cash Payments	(155)
Balance, January 31, 2011	$—

Note 8: Stock-based Compensation

The Company maintains a stock-based compensation plan (the "2005 Plan") which was adopted in September 2005 to attract and retain talented employees and promote the growth and success of the business by aligning long-term interests of employees with those of shareholders. At the Annual Meeting of Shareholders held on September 10, 2009, shareholders of the Company approved an amendment to the 2005 Plan which provided for an increase in the aggregate number of shares of common stock that may be issued pursuant to this Plan from 2,500,000 shares to 5,000,000 shares issuable in the form of stock, stock units, stock options, stock appreciation rights, or cash awards.

Stock Options

The Company grants stock options to employees of the Company with service and/or performance conditions. The compensation cost of stock options with service conditions is based on their fair value at the grant date and recognized ratably over the service period. Compensation cost of stock options with performance conditions is based upon current performance projections and the percentage of the requisite service that has been rendered. All options become exercisable upon a change in control of the Company unless the surviving company assumes the outstanding options or substitutes similar awards for the outstanding awards of the 2005 Plan. Options are granted with an exercise price equal to the fair market value of the Company's common stock on the date of grant. The maximum term of options is 10 years from the date of grant.

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The following table summarizes stock option activities for the nine months ended January 31, 2011:

	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term (Years)
Outstanding at May 1, 2010	628,082	$ 10.48	$—	4.97
Granted	—	—		
Exercised	—	—		
Expired or forfeited	(130,390)	10.96		
Outstanding at January 31, 2011	497,692	$ 10.36	$—	5.47
Vested and Exercisable at January 31, 2011	356,054	$ 10.37	$—	4.87

There were no options granted or exercised for the respective nine months ended January 31, 2011 and 2010.
For the respective nine months ended January 31, 2011 and 2010, the Company recognized compensation expense related to stock options of $437,000 and $435,000. As of January 31, 2011, total unrecognized compensation cost related to nonvested stock options was $441,000, which is expected to be recognized over a weighted average period of 1 year.

Service-Based Stock Awards

The Company grants common stock or stock units to employees and non-employee directors of the Company with service conditions. Each non-employee director is eligible to receive and is granted fully vested common stock worth $40,000 annually. The compensation cost of the common stock or stock units are based on their fair value at the grant date and recognized ratably over the service period.
The following table summarizes the service-based stock award activities for employees for the nine months ended January 31, 2011:

	Number of Shares	Weighted-Average Grant-date Fair Value
Nonvested at May 1, 2010	1,237,959	$3.57
Granted	838,666	2.29
Vested	(301,263)	3.22
Forfeited	(17,079)	4.42
Nonvested at January 31, 2011	1,758,283	$3.01

For the respective nine months ended January 31, 2011 and 2010, the Company recognized compensation expense related to service-based stock awards of $1.4 million and $1.0 million. As of January 31, 2011, total unrecognized compensation cost related to service-based stock awards of $3.7 million is expected to be recognized over a weighted average period of 2.2 years.

Note 9: Basic and Diluted Income (Loss) per Share

Basic income (loss) per share is calculated by dividing income (loss) from continuing operations by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated by dividing income (loss) from continuing operations by the weighted average number of common shares and potential common shares outstanding during the period. Potential common shares include the dilutive effects of outstanding stock options and non-vested stock units except where their inclusion would be antidilutive.
The following table sets forth the computation of basic and diluted income (loss) from continuing operations per share for the respective three and nine months ended January 31, 2011 and 2010:

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	Three Months Ended January 31,		Nine Months Ended January 31,	
	2011	2010	2011	2010
Income (Loss) from Continuing Operations	$1,281	$(798)	$530	$(7,507)
Weighted average shares used in computing basic income (loss) per share	47,301	46,879	47,168	42,490
Dilutive potential common shares from employee stock options and stock units	11	—	6	—
Weighted average shares used in computing diluted income (loss) per share	47,312	46,879	47,174	42,490
Basic and diluted income (loss) from continuing operations per share	$0.03	$(0.02)	$0.01	$(0.18)

There were 0.9 million potentially dilutive common shares from employee stock options and stock units which were excluded from the diluted weighted average per share calculation for the respective three and nine months ended January 31, 2010, as their effect would be antidilutive.

Note 10: Other Income (Expense), Net

The Company's subsidiaries have adopted the local currency of the country in which they operate as the functional currency. All assets and liabilities of these foreign subsidiaries are translated at period-end rates. Income and expense accounts of the foreign subsidiaries are translated at the average rates in effect during the period. Assets and liabilities (including inter-company accounts that are transactional in nature) of the Company which are denominated in currencies other than the functional currency of the entity are translated based on current exchange rates and gains or losses are included in the Condensed Consolidated Statements of Operations.

The following table shows the detail of Other Income (Expense), net, in the accompanying Condensed Consolidated Statements of Operations:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2011	2010	2011	2010
Realized Foreign Exchange Losses, net	$(133)	$(1,315)	$(44)	$(1,143)
Unrealized Foreign Exchange Gains, net	59	136	351	189
Other	(7)	(39)	8	88
Other Income (Expense), net	$(81)	$(1,218)	$315	$(866)

Note 11: Income Taxes

The Company recognizes a net deferred tax asset for items that will generate a reduction in future taxable income to the extent that it is "more likely than not" that these deferred assets will be realized. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the period in which the tax benefit will be realized. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which the tax benefit will be realized. In determining the realizability of these assets, the Company considers numerous factors, including historical profitability, estimated future taxable income and the industry in which it operates. In fiscal year 2008, the Company reversed approximately $17.2 million and $1 million of valuation allowance against deferred tax assets related to U.S. and German net operating loss (NOL) carryforwards and other net deferred tax assets, respectively, after concluding that it was more likely than not that these benefits would be realized based on cumulative positive results of operations and anticipated future profit levels. For the fiscal year ended April 30, 2010 and for the three and nine months ended January 31, 2011, the Company concluded that, after evaluation of all available evidence, it anticipates generating sufficient future taxable income to realize the benefits of its U.S. and German deferred tax assets. The Company continues to provide a full valuation allowance against its net operating losses and other net deferred tax assets, arising in certain tax jurisdictions, because the

realization of such assets is not more likely than not. The Company's valuation allowance was at $10.7 million at January 31, 2011, a $600,000 increase from April 30, 2010, which is mainly attributable to additional foreign net operating losses. Most of the foreign net losses can be carried forward indefinitely, with certain amounts expiring between fiscal years 2014 and 2017.

For the three and nine months ended January 31, 2011, the Company recorded an income tax expense of $1.1 million and $2.9 million compared to an income tax benefit of $1.1 million and $2.7 million, respectively in the comparative prior year. For

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the nine months ended January 31, 2011, the relationship between income tax expense and income before tax is not customary mainly due to the tax impact of a $1.9 million repatriation treated as a dividend for income tax purposes, tax reserves of approximately $275,000 established in the nine months ended January 31, 2011, and the tax impact of losses from subsidiaries for which a full valuation allowance is maintained.

The Company has analyzed its filing positions in all of the federal, state, and international jurisdictions where it, or its wholly-owned subsidiaries, are required to file income tax returns for all open tax years in these jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non- U.S. income tax examinations by tax authorities for years prior to fiscal 2002. There are no significant uncertain tax positions in tax years prior to fiscal year 2002. As of January 31, 2011, the Company's balance of unrecognized tax benefits is $9.5 million, which, if recognized, would reduce the Company's effective tax rate. The Company has recognized immaterial interest charges related to unrecognized tax benefits as a component of interest expense. The Company does not expect that unrecognized tax benefits will significantly change within the next twelve months other than for currency fluctuations.

With the exception of certain of its subsidiaries, it is the general practice and intention of the Company to reinvest the earnings of its non-U.S. subsidiaries in those operations. As of January 31, 2011 the Company has not made a provision for U.S. or additional foreign withholding taxes for the excess of the carrying value for financial reporting over the tax basis of investments in foreign subsidiaries with the exception of its subsidiaries in Taiwan, Japan, and Switzerland for which it provides deferred taxes. It is not practical to estimate the amount of deferred tax liability relating to the Company's investment in its other foreign subsidiaries. With the exception of the distribution treated as a dividend as discussed above, the Company did not have any other distributions for income tax purposes during the respective nine months ended January 31, 2011 and 2010. However, the Company intends to repatriate funds from certain of its subsidiaries in the future.

Note 12: Segment Information

The Company reports its operating results to its Chief Executive Officer, who is the chief operating decision maker, based on market segments which are consistent with management's long-term growth strategy. The Company has two reportable segments: Standard and Advanced. The Standard segment includes sales and cost of sales related to the Company's cutting, surface preparation and cleaning systems using ultrahigh-pressure water pumps, as well as parts and services to sustain these installed systems. Systems included in this segment do not require significant custom configuration. The Advanced segment includes sales and cost of sales related to the Company's complex aerospace and automation systems which require specific custom configuration and advanced features to match unique customer applications as well as parts and services to sustain these installed systems.

Segment results are measured based on revenue growth and gross margin. A summary of operations by reportable segment is as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2011	2010	2011	2010
Standard Segment:				
Sales	49,916	37,036	135,619	96,817
Gross Margin	21,017	15,269	57,093	39,216
Advanced Segment:				
Sales	7,557	8,320	21,369	28,328
Gross Margin	2,075	2,954	5,185	9,615
Total:				
Sales	57,473	45,356	156,988	125,145
Gross Margin	23,092	18,223	62,278	48,831

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Note 13: Subsequent Events

On March 2, 2011, the Company amended its existing Senior Credit Facility Agreement, set to mature on June 11, 2011, and entered into a new three-year Credit Facility Agreement which will mature March 2, 2014. Based on anticipated working capital needs, the Company reduced its total commitment under the new credit facility to $25.0 million. The new agreement also provides more favorable terms to the Company, both in terms of the financial covenants required to be maintained, as well as lower interest rates. Under the terms of the new Credit Facility, the Company will be required to maintain two financial covenant ratios, a maximum leverage ratio of 2.75x and a minimum Fixed Charge Coverage Ratio of 1.75x. Interest charges will be based on the bank's prime rate or LIBOR rate plus a percentage spread between 0.00% and 2.25% and based on our current leverage ratio. All the Company's domestic assets and certain interests in some foreign subsidiaries will continue to be pledged as collateral under the new three-year Credit Facility.

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FLOW INTERNATIONAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements

Forward-looking statements in this report, including without limitation, statements relating to our plans, strategies, objectives, expectations, intentions, and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "may," "expect," "believe," "anticipate," "estimate," "plan" and similar expressions are intended to identify forward-looking statements. These statements are no guarantee of future performance and involve certain risks, assumptions, and uncertainties that are difficult to predict. Therefore, actual outcome and results may differ materially from what is expressed or forecasted in such forward-looking statements.

We make forward-looking statements of our expectations which include but are not limited to the following examples:

- statements regarding our prospects for continued growth and our cautious optimism as to the sustainability of the global economic recovery;
- statements regarding the belief that our efforts to build the foundation and capabilities to support significant growth as economic conditions improve will continue to yield positive results;
- statements regarding the belief that the diversity of our products and geographic presence along with the expansion of our indirect sales channel will allow us to maintain positive EBITDA and continue to sustainable profitable growth;
- statements regarding our ability to effectively manage our sales force and indirect sales channel;
- statements regarding the reasons for variations in Advanced segment revenues and gross margins;
- statements regarding increases in selling general and administrative expenses as we continue the rollout of global marketing initiatives and new product development;
- statements regarding our use of cash, cash needs and ability to raise capital and/or use our Credit Facility;
- statements regarding our belief that our existing cash and cash equivalents, along with the expected proceeds from our operations and available amounts under our Credit Facility Agreement, will provide adequate liquidity to fund our operations through at least the next twelve months;
- statements regarding our ability to fund future capital spending through cash from operations and/or from external financing;
- statements regarding our ability to meet our debt covenants in future periods;
- statements regarding our technological leadership position;
- statements regarding anticipated results of potential or actual litigation;
- statements regarding the realizability of our deferred tax assets and our expectation that our unrecognized tax benefits will not change significantly within the next twelve months.

Certain other statements in Management's Discussion and Analysis are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. Our ability to fully implement our strategies and achieve our objective may be influenced by a variety of factors, many of which are beyond our control. For a detailed discussion of risk factors affecting our business and operations, see Item 1A, Risk Factors in our fiscal year 2010 Form 10-K and Part II, Item 1A: Risk Factors in our Quarterly Report on Form 10-Q for the quarter ended July 31, 2010. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements should not be relied on as representing our estimates or views as of any subsequent date.

In this discussion and analysis, we discuss and explain our financial condition and results of operations, including:

- Factors which might affect comparability of our results;
- Our earnings and costs in the periods presented;
- Changes in earnings and costs between periods;

- Impact of these factors on our overall financial condition;

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- Expected future expenditures for capital projects; and
- Expected sources of cash for future operations and capital expenditures.

As you read this discussion and analysis, refer to our Condensed Consolidated Statements of Operations included in Item 1 - Condensed Consolidated Financial Statements, which presents the results of our operations for the respective three and nine months ended January 31, 2011 and 2010. We analyze and explain the differences between the periods in the specific line items of our Condensed Consolidated Statements of Operations. This discussion and analysis has been organized as follows:

- Executive Summary, including overview and future outlook;
- Significant matters affecting comparability that are important to understanding the results of our operations and financial condition;
- Results of operations beginning with an overview of our results, followed by a detailed review of those results by reporting segment;
- Financial condition addressing liquidity position, sources and uses of cash, capital resources and requirements, commitments, and off-balance sheet arrangements; and
- Critical accounting policies which require management’s most difficult, subjective or complex judgment.

Executive Summary

Overview

Flow is a global technology-based manufacturing company committed to providing a world class customer experience. We offer technology leadership and exceptional waterjet performance to a wide-ranging customer base. Our versatile technology benefits many cutting and cleaning applications, delivering profitable waterjet solutions and dynamic business growth to our customers.

Third Quarter 2011 Highlights

During the current period, business activity in all of our geographic regions continued to exhibit signs of economic growth. Our standard system sales increased by 35% to $32.4 million for the three months ended January 31, 2011 compared to the year-ago quarter with double digit growth rates in all geographies. Advanced system sales were relatively consistent with the year-ago quarter. Consumable parts sales increased by 30% to $17.5 million during the same period with stronger demand across most of our end-use markets.

Year-over-year, our Standard segment gross margins improved slightly as a result of favorable product mix while our Advanced segment margins were relatively lower primarily due to the effect of the comparative mix of projects for which we recognized revenue under the percentage of completion method.

We generated operating income of $2.8 million during the three months ended January 31, 2011 compared to an operating loss of $0.3 million in the year-ago quarter. Our current quarter results reflect fully reinstated wage and employee benefits as discussed in the “Matters Affecting Comparability” section below.

Our net income in the current period was $1.2 million or earnings per share of $0.03 which compares to a net loss of $0.7 million or $0.02 per share in the comparative prior period.

Consolidated Adjusted EBITDA (“Adjusted EBITDA”) for the three months ended January 31, 2011 increased from $1.8 million in the year-ago quarter to $4.9 million. The increase in Adjusted EBITDA was as a direct result of the significant improvement in sales, partially offset by an increase in our operating expenses. A reconciliation of Adjusted EBITDA to net income, which is the GAAP financial measure that is most directly comparable to our non-GAAP financial measure, is provided below.

On March 1, 2011, we successfully amended our existing credit facility for a three-year period to expire March 1, 2014 which further strengthens our financial position and enhances our ability to fund working capital needs, as required. Based on our anticipated borrowing capacity needs, we reduced the total commitment under our credit facility from $40.0 million to $25.0 million, which will allow us sufficient flexibility to support our overall strategic initiatives. The new agreement also provides more favorable terms to us, both in terms of the financial covenants that we need to maintain as well as lower interest rates.

Looking Ahead

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As we look to the future, we are cautiously optimistic as to the sustainability of the global economic recovery. We believe that we will achieve consistent operating income and Adjusted EBITDA and anticipate that we will continue to grow consistently as economic conditions improve based on the efforts we have undertaken in the past two years to build a foundation and the capabilities to support our growth. Further, we believe that our geographical presence, our expanded indirect sales channel, and our robust product offering will continue to allow us to achieve sustainable profitable growth.

Reconciliation of Adjusted EBITDA to Net Income:
(in 000s)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2011	2010	2011	2010
Net Income (Loss)	$1,241	$(747)	$378	$(8,596)
Add Back:				
Depreciation and Amortization	1,522	1,485	4,706	4,078
Income Tax Provision (Benefit)	1,058	(1,124)	2,926	(2,653)
Interest Charges	418	468	1,268	1,906
Non-Cash Charges	647	1,742	1,548	2,527
Other (i)	40	(51)	152	5,718
Consolidated Adjusted EBITDA	$4,926	$1,773	$10,978	$2,980

(i) Allowable Add backs Pursuant to Senior Credit Facility Agreement

We define Adjusted EBITDA as net income (loss), determined in accordance with accounting principles generally accepted in the United States of America (“GAAP”), excluding the effects of income taxes, depreciation, amortization of intangible assets, interest expense, and other non-cash charges, which includes such items as stock-based compensation expense, foreign currency gains or losses, and other allowable add backs pursuant to our Senior Credit Facility Agreement.

Adjusted EBITDA is a non-GAAP financial measure and the presentation of this non-GAAP financial measure is not intended to be considered in isolation or as a substitute for the financial information presented in accordance with GAAP. The items excluded from this non-GAAP financial measure are significant components of our financial statements and must be considered in performing a comprehensive analysis of our overall financial results. We use this measure, together with our GAAP financial metrics, to assess our financial performance, allocate resources, evaluate our overall progress towards meeting our long-term financial objectives, and assess compliance with our debt covenants. We believe that this non-GAAP financial measure is useful to investors and analysts in allowing for greater transparency with respect to the supplemental information used by us in our financial and operational decision making. Our calculation of Adjusted EBITDA may not be consistent with calculations of similar measures used by other companies.

Matters Affecting Comparability

The following events occurred in the respective three and nine months ended January 31, 2011 and 2010, which impact the comparability of our results of operations:

Reinstatement of Previously Reduced Wages and Suspended Employee Benefits

As the global recession set in, we responded by implementing permanent and temporary changes to adjust our operating costs. Some of these changes included a temporary reduction in wages or hours worked for a majority of our employees and suspension of certain employee benefits. While these temporary wage reductions and benefit suspensions helped us through the economic downturn, they do not fit into our long-term strategy of attracting and retaining skilled and knowledgeable people. We therefore initiated the reinstatement of these wages and employee benefits using a phased in approach starting in the third quarter of fiscal year 2010 and completed full reinstatement in third quarter of the current fiscal year. As a result of these reinstatements, our comparable year-over-year operating expenses are higher in the current comparative periods.

Liquidation of Dormant Foreign Subsidiaries

During the third quarter of fiscal year 2010, we recorded a $1.3 million foreign currency translation adjustment related to the liquidation of two dormant subsidiaries as a realized foreign exchange loss which is a component of Other Income (Expense) on the Condensed Consolidated Statement of Operations.

Launch of new Enterprise Resource Planning ("ERP") System

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We placed a new ERP system with a carrying value of $10.6 million into service in October 2009 (towards the end of the second quarter of fiscal year 2010) when it was launched in one of the Company's geographic locations. This ERP system is being depreciated over a useful life of five years since its launch. Year-to-date period-over-period comparisons will be impacted as we continue to record a full year of depreciation expense related to this asset.

Restructuring Charges, net

In fiscal year 2010, we implemented certain initiatives to improve our cost structure, better utilize overall capacity and improve general operating efficiencies. During the first quarter of fiscal year 2010, we recorded a charge of $1.6 million related to these restructuring activities. These charges were offset by a $601,000 gain recognized on the sale of our building in Hsinchu, Taiwan during the second quarter of fiscal year 2010, which concluded our efforts to consolidate our manufacturing activities.

Currency Translation

The volatility in the global economic environment has resulted in significant volatility in the global currency markets. Since the majority of our international operations are conducted in currencies other than the U.S. dollar, currency fluctuations can have a significant impact on the translation of our international revenues and earnings into U.S. dollar amounts. During the first quarter of fiscal 2011, the U.S. dollar strengthened significantly against these currencies versus the comparable prior year period, negatively impacting the translation of our international revenues and earnings during that period. However, during the second and third quarters of fiscal 2011, the average exchange rates for these currencies began to improve but remained weaker than the year-ago quarter.

In addition, some of our transactions that occur in our international locations are denominated in U.S. dollars, exposing them to exchange rate fluctuations when converted to their local currencies. These transactions include U.S. dollar denominated purchases of inventory and intercompany liabilities. Fluctuations in exchange rates can impact the profitability of our foreign operations and reported earnings and are largely dependent on the transaction timing and magnitude during the period that the currency fluctuates.

Termination of OMAX Merger Agreement

In March 2009, we simultaneously entered into the following two agreements with OMAX:

(1) A Settlement and Cross License Agreement (the "Agreement") where both parties agreed to dismiss the litigation pending between them and release all claims made up to the date of the execution of the Agreement. We agreed to pay $29 million to OMAX in relation to this agreement which was funded as follows:

- A non-refundable cash payment of $8 million to OMAX in March 2009 as part of the execution of the Agreement;
- A cash payment of $6 million in March 2009 paid directly to an existing escrow account with OMAX, increasing the escrow amount from $9 million to a total of $15 million as part of the execution of the Agreement; and
- In the event the merger would have been consummated by August 15, 2009, the entire amount would have been applied towards the $75 million purchase price. However, in the event the merger would not have been consummated by August 15, 2009, the $15 million held in escrow was to be released to OMAX on August 16, 2009 and we were to issue a promissory note in the principal amount of $6 million to OMAX for the remaining balance on the $29 million settlement amount.

(2) An amendment to the existing Merger Agreement which provided for the following:

- A non-refundable cash payment of $2 million to OMAX for the extension of the closing of the merger from March 31, 2009 to August 15, 2009 — with closing at our option; and
- In the event the merger would have been consummated by August 15, 2009, the $2 million would be applied towards the $75 million purchase price. However, in the event the merger would not have been consummated by August 15, 2009, the $2 million was to be forfeited and we were to issue a promissory note in the principal amount of $4 million to OMAX.

We recorded a $29 million provision related to the settlement of this patent litigation, pursuant to the terms of the Settlement and Cross Licensing Agreement, in fiscal year 2009.

In fiscal year 2010, we terminated our option to acquire OMAX following a thorough investigation of financing alternatives to complete the merger and unsuccessful attempts to negotiate a lower purchase price with OMAX. Pursuant to the terms of the amended Merger Agreement and the Settlement and Cross Licensing Agreement, the $15 million held in escrow was released to OMAX. We recorded a $6 million charge pursuant to the provisions of the

amended Merger Agreement in the first quarter of fiscal year 2010, net of a $2.8 million discount as the two subordinated notes issued to OMAX were at a stated interest rate of 2%, which is below our incremental borrowing rate. This discount is being amortized as interest expense

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through the maturity of the subordinated notes in August 2013.

Results of Operations
(Tabular amounts in thousands)
Summary Consolidated Results for the Three and Nine Months Ended January 31, 2011

	Three Months Ended January 31,		Increase (Decrease)		Nine Months Ended January 31,		Increase (Decrease)	
	2011	2010	$	%	2011	2010	$	%
Sales	$57,473	$45,356	$12,117	27 %	$156,988	$125,145	$31,843	25 %
Gross Margin	23,092	18,223	4,869	27 %	62,278	48,831	13,447	28 %
Selling, General, and Administrative Expenses	20,275	18,498	1,777	10 %	57,955	52,129	5,826	11 %
Merger Termination Charge	—	—	—	—	—	3,219	(3,219)	NM
Restructuring Charges	—	—	—	—	—	1,003	(1,003)	NM
Operating Income (Loss)	2,817	(275)	3,092	NM	4,323	(7,520)	11,843	NM
Expressed as a % of Sales:								
Gross Margin	40 %	40 %		—	40 %	39 %		100 bpts
Selling, General, and Administrative Expenses	35 %	41 %		(600) bpts	37 %	42 %		(500) bpts
Merger Termination Charge	—	—		NM	—	3 %		NM
Restructuring Charges	—	—		NM	—	1 %		NM
Operating Income (Loss)	5 %	(1)%		NM	3 %	(6)%		NM

bpts = basis points
NM = not meaningful

	Three Months Ended January 31,		Increase (Decrease)		Nine Months Ended January 31,		Increase (Decrease)	
	2011	2010	$	%	2011	2010	$	%
System Sales	$39,987	$31,905	$8,082	25 %	$105,429	$83,673	$21,756	26 %
Consumable Parts Sales	17,486	13,451	4,035	30 %	51,559	41,472	10,087	24 %
	$57,473	$45,356	$12,117	27 %	$156,988	$125,145	$31,843	25 %

Segment Results of Operations

We report our operating results to the chief operating decision maker based on market segments which are consistent with management's long-term growth strategy. Our reportable segments are Standard and Advanced. The Standard segment includes sales and cost of sales related to our cutting, surface preparation and cleaning systems using ultrahigh-pressure water pumps as well as parts and services to sustain these installed systems. Systems included in this segment do not require significant custom configuration. The Advanced segment includes sales and cost of sales related to our complex aerospace and automation systems which require specific custom configuration and advanced features to match unique customer applications as well as parts and services to sustain these installed systems. Segment results are measured based on revenue growth and gross margin.

This section provides a comparison of sales and gross margin for each of our reportable segments for the respective three and nine months ended January 31, 2011 and 2010. For further discussion on our reportable segments, refer to Note 12 in Item 1 of Part I of this quarterly report on Form 10-Q.

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Standard Segment

	Three Months Ended January 31,		Increase (Decrease)		Nine Months Ended January 31,		Increase (Decrease)	
	2011	2010	$	%	2011	2010	$	%
Sales	$49,916	$37,036	$12,880	35 %	$135,619	$96,817	$38,802	40 %
% of total company sales	87 %	82 %	NM	NM	86 %	77 %	NM	NM
Gross Margin	21,017	15,269	5,748	38 %	57,093	39,216	17,877	46 %
Gross Margin as % of sales	42 %	41 %	NM	NM	42 %	41 %	NM	NM

NM = not meaningful

For the three and nine months ended January 31, 2011:

Sales in our standard segment increased $12.9 million or 35%, and $38.8 million or 40% over the prior year comparative periods. Excluding the impact of foreign currency changes, sales in the Standard segment increased $13.1 million or 36% and $40.3 million or 42% for the respective three and nine months ended January 31, 2011 when compared to the prior year comparative periods. The quarter-to-date and year-to-date increases were primarily due to the following:

- Significant standard system sales volume increases across all geographies, led by North America and Europe, which were the markets most severely impacted by the recession. These two regions had a combined increase in system sales of $5.3 million or 29% and $17.8 million or 43% for the respective three and nine months ended January 31, 2011 over the prior year comparative periods.
- Consumable parts sales for this segment also increased $4.4 million or 34% and $11.2 million or 28% for the respective three and nine months ended January 31, 2011 over the prior year comparative periods with all geographies reporting double digit growth as a result of higher system utilization by our customers. North America and Europe also led the increase in consumable spare parts revenue for a combined increase of $2.6 million or 28% and $6.1 million or 21% for the respective three and nine months ended January 31, 2011 over the prior year comparative periods.

Gross margin for the three and nine months ended January 31, 2011 amounted to $21.0 million or 42%, and $57.1 million or 42% of sales compared to $15.3 million or 41%, and $39.2 million or 41% of sales in the prior year comparative periods. The improvement in our margins for the respective three and nine months ended January 31, 2011 over the prior year comparative periods was primarily attributable to product mix. Generally, comparison of gross margin rates will vary period over period based on changes in our product sales mix and prices, and levels of production volume.

Advanced Segment

	Three Months Ended January 31,		Increase (Decrease)		Nine Months Ended January 31,		Increase (Decrease)	
	2011	2010	$	%	2011	2010	$	%
Sales	$7,557	$8,320	$(763)	(9)%	$21,369	$28,328	$(6,959)	(25)%
% of total company sales	13 %	18 %	NM	NM	14 %	23 %	NM	NM
Gross Margin	2,075	2,954	(879)	(30)%	5,185	9,615	(4,430)	(46)%
Gross Margin as % of sales	27 %	36 %	NM	NM	24 %	34 %	NM	NM

NM = not meaningful

Sales in the Advanced segment vary period over period for various reasons, such as the timing of contract awards, timing of project design and manufacturing schedules, the timing of shipments to customers, and timing of installation

at customer sites.

For the three and nine months ended January 31, 2011, sales in our Advanced segment decreased by $0.8 million or 9% and $7.0 million or 25% over the prior year comparative periods. These decreases were primarily due to the timing of revenue recognition for some of our significant aerospace contracts that were in the production phase during the comparative prior periods. The production period typically accounts for a higher percentage of total estimated costs to complete relative to the installation phase. During the three and nine months ended January 31, 2011, a significant number of these aerospace contracts were in the installation phase and are expected to be concluded by the end of fiscal year 2011.

Gross margin for the three and nine months ended January 31, 2011 amounted to $2.1 million or 27% and $5.2 million or 24%

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of sales as compared to $3.0 million and 36% and $9.6 million and 34% of sales in the prior year comparative periods. The decrease in gross margin as a percentage of sales for the three months ended January 31, 2011 was primarily attributed to product mix. The decrease in gross margin as a percentage of sales for the nine months ended January 31, 2011 when compared to the prior year comparative period is attributable to adjustments in original cost estimates on certain aerospace contracts during the second quarter of fiscal 2011 as more experience was gained and new information obtained regarding installation constraints and customer expectations.

Selling, General, and Administrative Expenses

	Three Months Ended January 31,		Increase (Decrease)		Nine Months Ended January 31,		Increase (Decrease)	
	2011	2010	$	%	2011	2010	$	%
Sales and Marketing	$11,568	$10,065	1,503	15 %	$33,049	$26,956	$6,093	23 %
Research and Engineering	2,513	2,235	278	12 %	7,095	5,782	1,313	23 %
General and Administrative	6,194	6,198	(4)	(0)%	17,811	19,391	(1,580)	(8)%
Total Operating Expenses	$20,275	$18,498	1,777	10 %	$57,955	$52,129	$5,826	11 %

Consolidated operating expenses for the respective three and nine months ended January 31, 2011 decreased 600 and 500 basis points as a percentage of sales over the prior year comparative periods. However, our consolidated operating expenses for the three and nine months ended January 31, 2011 increased $1.8 million or 10% and $5.8 million or 11% over the prior year comparative periods. The increases were primarily as a result of the following:

- higher commission expense of $0.5 million and $2.0 million over the respective prior year comparative periods driven by comparatively higher sales volume and increased sales through our indirect channel;
- an increase of $0.4 million and $1.2 million for the respective three and nine months ended January 31, 2011 as a result of the reinstatement of previously reduced wages and suspended employee benefits in the latter half of fiscal year 2010 and into the first half of fiscal year 2011;
- the timing of investments for new product development which increased $0.3 million and $0.9 million over the prior year comparative periods;
- increased marketing and related travel expenses of $0.7 million for the nine months ended January 31, 2011 due to the timing and activity of tradeshows and the generation of customer leads. Marketing and related travel expenses for the three months ended January 31, 2011 were in line with the prior year comparative period; and
- additional depreciation expense for the nine months ended January 31, 2011 of $0.6 million related to our new ERP system which was placed into service at the end of the second quarter of fiscal year 2010. Depreciation expense for the three months ended January 31, 2011 was consistent with the prior year comparative period.

Looking forward to the last quarter of fiscal year 2011, we anticipate that our consolidated operating expenses will continue to increase versus the comparative prior periods as we continue the rollout of global marketing initiatives and invest in new product development. The reinstatement of wages and benefits will also result in increased costs compared to the fourth quarter of fiscal year 2010.

Interest Income (Expense), net

	Three Months Ended January 31,		Increase (Decrease)		Nine Months Ended January 31,		Increase (Decrease)	
	2011	2010	$	%	2011	2010	$	%
Interest Income	$21	$39	$(18)	(46)%	$86	$132	$(46)	(35)%
Interest Expense	(418)	(468)	50	(11)%	(1,268)	(1,906)	638	(33)%
Net Interest Expense	$(397)	$(429)	$32	(7)%	$(1,182)	$(1,774)	$592	(33)%

Our net interest expense was $397,000 and $1.2 million for the three and nine months ended January 31, 2011, compared to net interest expense of $429,000 and $1.8 million in the prior year comparative period. Our interest expense primarily consists of imputed interest on two subordinated notes that carry a below market interest rate, amortization of deferred debt financing fees and interest charges on the used and unused portion of our Senior Credit

Facility as well as outstanding letters of credit. Our net interest expense for the current quarter was consistent with the comparative prior year period. For the nine months ended January 31, 2011, net interest expense decreased primarily as a result of significantly lower balances outstanding on our Senior Credit Facility, as well as lower balances in outstanding standby letters of credit. In addition, the prior year comparative period included a $253,000 write-off of deferred financing fees as a result of reducing our available borrowing capacity by 50%.

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Other Income (Expense), net

	Three Months Ended January 31,		Increase (Decrease)		Nine Months Ended January 31,		Increase (Decrease)	
	2011	2010	$	%	2011	2010	$	%
Realized Foreign Exchange Gains, net	$(133)	$(1,315)	$1,182	(90)%	$(44)	$(1,143)	$1,099	(96)%
Unrealized Foreign Exchange Gains (Losses), net	59	136	(77)	(57)%	351	189	162	86%
Other	(7)	(39)	32	(82)%	8	88	(80)	(91)%
Other Income (Expense), net	$(81)	$(1,218)	$1,137	(93)%	$315	$(866)	$1,181	NM

During the three months ended January 31, 2011 we recorded net Other Expense of $81,000 compared to net Other Expense of $1.2 million in the prior year comparative period. For the nine months ended January 31, 2011 we recorded net Other Income of $315,000 compared to net Other Expense of $866,000 for the prior year comparative period. The net Other Expense in the prior year comparative period was significantly higher driven by the liquidation of two dormant subsidiaries for which we recorded a $1.3 million foreign currency translation adjustment. This non-cash charge was previously recorded as an unrealized foreign exchange loss in our currency translation account as a component of other comprehensive income.

In general, changes in this balance result from the fluctuation in realized and unrealized foreign exchange gains and losses on revaluation of third party and intercompany settled and unsettled balances for which payment is anticipated in the foreseeable future.

Income Taxes

Our provision (benefit) for income taxes for the respective three and nine months ended January 31, 2011 and 2010 consisted of:

	Three Months Ended January 31,		Increase (Decrease)		Nine Months Ended January 31,		Increase (Decrease)	
	2011	2010	$	%	2011	2010	$	%
Current Tax Expense	$425	$392	$33	8%	$1,447	$818	$629	77%
Deferred Tax Expense (Benefit)	634	(1,516)	2,150	NM	1,479	(3,471)	4,950	NM
Total Tax Expense (Benefit)	$1,059	$(1,124)	$2,183	NM	$2,926	$(2,653)	$5,579	NM

NM = not meaningful

We recognize a net deferred tax asset for items that will generate a reduction in future taxable income to the extent that it is “more likely than not” that these deferred assets will be realized. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the period in which the tax benefit will be realized. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which the tax benefit will be realized. In determining the realizability of these assets, we considered numerous factors, including historical profitability, estimated future taxable income and the industry in which we operate. In fiscal year 2008, we reversed approximately $17.2 million and $1 million of valuation allowance against deferred tax assets related to U.S. and Germany net operating loss (NOL) carryforwards and other net deferred tax assets, respectively, after concluding that it was more likely than not that these benefits would be realized based on cumulative positive results of operations and anticipated future profit levels. For the fiscal year ended April 30, 2010 and for the three and nine months ended January 31, 2011, we concluded that, after evaluation of all available evidence, we anticipate generating sufficient future taxable income to realize the benefits of our U.S. and German

deferred tax assets.

As part of this evaluation we considered the impact of the global economic downturn on our business. While our business declined as a result of this downturn, we saw an upward trend in our business during the second half of the fiscal year 2010 through fiscal year 2011. Currently, the positive evidence we evaluated exceeds the negative evidence and supports our conclusion that it is more likely than not that these deferred assets will be realized. If, in the future, the negative evidence were in excess of the positive evidence our conclusion regarding the realizability of the benefit of our deferred tax assets would change. At January 31, 2011, the recorded amount of our deferred tax assets was $22.4 million, net of valuation allowance on certain foreign NOLs.

Our foreign tax provision for the respective nine months ended January 31, 2011 and 2010 consisted of current and deferred

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tax expense. The U.S. tax provision consists of current and deferred tax expense (benefit), state taxes and foreign withholding taxes. With the exception of certain of our subsidiaries, it is our general practice and intention to reinvest the earnings of our non-U.S. subsidiaries in those operations. As of January 31, 2011, we had not made a provision for U.S. or additional foreign withholding taxes of the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries with the exception of our subsidiaries in Taiwan, Japan, and Switzerland for which we provide deferred taxes.

For the three and nine months ended January 31, 2011, the Company recorded an income tax expense of $1.1 million and $2.9 million compared to an income tax benefit of $1.1 million and $2.7 million, respectively in the comparative prior year. For the nine months ended January 31, 2011, the relationship between income tax expense and pre-tax income is not customary mainly due to the tax impact of a $1.9 million repatriation of cash that was treated as a dividend for income tax purposes during the first quarter ended July 31, 2010, a discrete tax reserve established, and the tax impact of losses from subsidiaries for which a full valuation allowance is maintained.

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Liquidity and Capital Resources

Sources of Cash

Historically, our most significant sources of financing have been funds generated by operating activities, available cash and cash equivalents and available lines of credit. From time to time, we have raised funds through the sale of common stock.

Cash Generated by Operating Activities

Cash generated by operating activities was $4.2 million for nine months ended January 31, 2011, compared to $2.2 million for the nine months ended January 31, 2010. Cash generated by or used in operating activities is primarily related to changes in our working capital accounts. Changes in our working capital resulted in a net $7.4 million use of cash for the nine months ended January 31, 2011 compared to $1.9 million use of cash for the nine months ended January 31, 2010. The change in working capital was attributable to changes in accounts payable due to the timing of purchases and payments to vendors, the timing of inventory purchases for anticipated growth in future periods and the timing of collection of accounts receivable.

Available Cash and Cash Equivalents

At January 31, 2011, we had total cash and cash equivalents of $8.0 million. To the extent that our cash needs in the U.S. exceed our cash reserves and availability under our Senior Credit Facility Agreement, we may repatriate cash from certain of our foreign subsidiaries; however, this could be limited by our ability to repatriate such cash in a tax efficient manner. We believe that our existing cash and cash equivalents as of January 31, 2011, anticipated funds generated from our operations, and financing available under our existing credit facilities will be sufficient to fund our operations for at least the next twelve months. However, in the event that there are changes in our expectations or circumstances, we may need to raise additional funds through public or private debt or sale of equity to fund our operations. Cash balances which are not available for general corporate purposes are classified as restricted cash and are primarily related to cash which collateralizes commercial letters of credit.

Credit Facilities and Debt

We have a $40 million secured senior credit facility, set to mature on June 10, 2011.

Under the agreement in effect as of January 31, 2011, we were required to maintain the following ratios:

Maximum Consolidated Leverage Ratio (i)	Minimum Fixed Charge Coverage Ratio (ii)
2.50x	2.0x

(i) Defined as the ratio of consolidated indebtedness, excluding the subordinated notes issued to OMAX, to consolidated adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") for the most recent four fiscal quarters.

(ii) Defined as the ratio of consolidated adjusted EBITDA, less income taxes and maintenance capital expenditures, during the most recent four quarters to the sum of interest charges during the most recent four quarters and scheduled debt repayments in the next four quarters.

Our covenants also required us to meet a liquidity test such that our consolidated indebtedness shall not exceed the total of 65% of the book value of our accounts receivable and 40% of the book value of our inventory.

A violation of any of the covenants above would have resulted in event of default and accelerated the repayment of all unpaid principal and interest and the termination of any letters of credit.

Our leverage ratio and fixed charge coverage ratio were 0.15 and 29.9, respectively for the quarter ended January 31, 2011. Our consolidated indebtedness did not exceed the total of 65% of the book value of our accounts receivable and 40% of the book value of our inventory. Our calculations of these financial ratios are reported in Exhibit No. 99.1 of this Quarterly Report on Form 10-Q. We were in compliance with all our financial covenants as of January 31, 2011.

All our domestic assets and certain interests of some foreign subsidiaries are pledged as collateral under our Senior Credit Facility Agreement. Interest on the Line of Credit is based on the bank's prime rate or LIBOR rate plus a percentage spread between 3.25% and 4.5% depending on whether we use the bank's prime rate or LIBOR rate and based on our current leverage ratio. We also pay an annual letter of credit fee equal to 3.5% of the amount available to

be drawn under each outstanding stand-by letter of credit. The annual letter of credit fee is payable quarterly in arrears and varies depending on our leverage ratio.

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As of January 31, 2011, we had $38.1 million available under our Senior Credit Facility, net of $1.9 million in outstanding borrowings. Based on the our maximum allowable leverage ratio at the end of the period, the incremental amount we could have borrowed under its Lines of Credit, including the Taiwan credit facilities discussed below, would have been approximately $32.6 million.

On March 2, 2011, we amended our existing Senior Credit Facility Agreement, set to mature on June 11, 2011, and entered into a new three-year Credit Facility Agreement which will mature March 2, 2014. The new agreement further strengthens our financial position and enhances our ability to fund working capital needs, as required. Based on our anticipated borrowing capacity needs, we reduced the total commitment under our credit facility from $40.0 million to $25.0 million, which will allow us sufficient flexibility to support our overall strategic initiatives. The new agreement also provides more favorable terms to us, both in terms of the financial covenants that we need to maintain, as well as lower interest rates. Under the new Credit Facility, we would be required to maintain two financial covenant ratios, a maximum leverage ratio of 2.75x and a minimum Fixed Charge Coverage Ratio of 1.75x. Interest charges will be based on the bank's prime rate or LIBOR rate plus a percentage spread between 0.00% and 2.25% and based on our current leverage ratio. All our domestic assets and certain interests in some foreign subsidiaries will continue to be pledged as collateral under the new three-year Credit Facility.

Uses of Cash

Capital Expenditures

Our capital spending plans currently provide for outlays ranging from approximately $4 million to $6 million over the next twelve months, primarily related to the continued implementation of our ERP system and other information technology related projects, patent and trademark maintenance, as well as investments in our manufacturing facilities. It is expected that funds necessary for these expenditures will be generated internally or from available financing. To the extent that sufficient funds cannot be generated through operations or we are unable to obtain financing on reasonable terms, we will reduce our capital expenditures accordingly. Our capital spending for the respective nine months ended January 31, 2011 and 2010 amounted to $2.7 million and $8.9 million.

Repayment of Debt, Capital Leases and Notes Payable

Our total net borrowings of debt and notes payable were $1.5 million for the nine months ended January 31, 2011 as compared to net repayments of debt and notes payable of $16.6 million for the nine months ended January 31, 2010.

Off-Balance Sheet Arrangements

We did not have any special purpose entities or off-balance sheet financing arrangements as of January 31, 2011.

Contractual Obligations

During the nine months January 31, 2011, there were no material changes outside the ordinary course of business in our contractual obligations and minimum commercial commitments as reported in our Annual Report on Form 10-K for the fiscal year ended April 30, 2010.

Critical Accounting Estimates and Judgments

There are no material changes in our critical accounting estimates as disclosed in our Annual Report on Form 10-K for the fiscal year ended April 30, 2010.

Recently Issued Accounting Pronouncements

Refer to Note 2 to the Condensed Consolidated Financial Statements found in Item 1 of Part I of this quarterly report on Form 10-Q for a discussion of recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have not been any material changes in our market risk during the nine months ended January 31, 2011. For additional information, refer to Management’s Discussion and Analysis of Financial Condition and Results of Operations as presented in our Annual Report on Form 10-K for the fiscal year ended April 30, 2010.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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The Company's management evaluated, with the participation of our principal executive officer and principal financial officer, or persons performing similar functions, the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms relating to the Company, including our consolidated subsidiaries, and was accumulated and communicated to the Company's management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls

In connection with the evaluation required by paragraph (d) of Rule 13a-15 under the Exchange Act, there was no change identified in our internal control over financial reporting that occurred during the fiscal quarter ended January 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Refer to Note 6 of the Condensed Consolidated Financial Statements found in Item 1 of Part I of this quarterly report on Form 10-Q for a discussion of the Company's legal proceedings.

Item 1A. Risk Factors

Our business is subject to certain risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our common stock. For a discussion of these risks, please refer to the "Risk Factors" sections of our Annual Report on Form 10-K for the fiscal year ended April 30, 2010, filed by us with the United States Securities and Exchange Commission on July 1, 2010, and our Quarterly Report on Form 10-Q for the quarter ended July 31, 2010 (the "Form 10-Q"), filed by us with the United States Securities and Exchange Commission on September 8, 2010. Other than the risk factor disclosed in the Form 10-Q, there have been no material changes in the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended April 30, 2010.

Items 2, 3, and 5 are None and have been omitted.

Item 4. (Removed and Reserved)

Item 6. Exhibits

31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Debt Covenant Compliance as of January 31, 2011
101. INS	XBRL Instance Document
101. SCH	XBRL Taxonomy Extension Schema Document
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document
101. LAB	XBRL Taxonomy Extension Label Linkbase Document

101. PRE XBRL Taxonomy Extension Presentation Linkbase Document

The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLOW INTERNATIONAL CORPORATION

Date: March 3, 2011	/s/ Charles M. Brown Charles M. Brown President and Chief Executive Officer (Principal Executive Officer)
Date: March 3, 2011	/s/ Allen M. Hsieh Allen M. Hsieh Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)