JETBLUE AIRWAYS CORP
Form 10-K
February 25, 2011

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2010

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

For the transition period from _____ to _____

Commission file number 000-49728

JETBLUE AIRWAYS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**87-0617894**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

118-29 Queens Boulevard
Forest Hills, New York 11375
(Address, including zip code, of registrant s principal executive offices)

(718) 286-7900

Registrant s telephone number, including area code:

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value Participating Preferred Stock Purchase Rights	The NASDAQ Global Select Market

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

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

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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

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

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

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

The aggregate market value of the registrant s common stock held by non-affiliates of the registrant as of June 30, 2010 was approximately $1,339,648,000 (based on the last reported sale price on the NASDAQ Global Select Market on that date). The number of shares outstanding of the registrant s common stock as of January 31, 2011 was 294,752,749 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Proxy Statement for its 2011 Annual Meeting of Stockholders, which is to be filed subsequent to the date hereof, are incorporated by reference into Part III of this Form 10-K.

Table of Contents

PART I.		
Item 1.	Business	1
	Overview	1
	Our Value Proposition	2
	Well-Positioned in NY Metropolitan Area	4
	Our Industry	4
	Competition	5
	Route Network	6
	Marketing and Distribution	7
	Customer Loyalty Program	7
	Maintenance	8
	Aircraft Fuel	8
	LiveTV, LLC	8
	Government Regulation	9
Item 1A.	Risk Factors	11
	Risks Related to JetBlue	11
	Risks Associated with the Airline Industry	17
Item 1B.	Unresolved Staff Comments	18
Item 2.	Properties	19
Item 3.	Legal Proceedings	20
Item 4.	Reserved	21
	Executive Officers of the Registrant	21
PART II.		
Item 5.	Market for Registrant s Common Equity; Related Stockholder Matters and Issuer Purchases of Equity Securities	22
Item 6.	Selected Financial Data	24
Item 7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	27
	Overview	27
	Outlook for 2011	30
	Results of Operations	30
	Liquidity and Capital Resources	36
	Contractual Obligations	38
	Off-Balance Sheet Arrangements	39
	Critical Accounting Policies and Estimates	39
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	42
Item 8.	Financial Statements and Supplementary Data	44
	Consolidated Balance Sheets	44
	Consolidated Statements of Operations	46
	Consolidated Statements of Cash Flows	47
	Consolidated Statements of Stockholders Equity	48
	Notes to Consolidated Financial Statements	49
	Reports of Independent Registered Public Accounting Firm	79
Item 9.		81

	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	
Item 9A.	Controls and Procedures	81
Item 9B.	Other Information	82
PART III.		
Item 10.	Directors, Executive Officers and Corporate Governance	82
Item 11.	Executive Compensation	82
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	82
Item 13.	Certain Relationships and Related Transactions, and Director Independence	83
Item 14.	Principal Accounting Fees and Services	83
PART IV.		
Item 15.	Exhibits and Financial Statement Schedules	83

EX-10.1.X
EX-12.1
EX-21.1
EX-23
EX-31.1
EX-31.2
EX-32
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

FORWARD-LOOKING INFORMATION

Statements in this Form 10-K (or otherwise made by JetBlue or on JetBlue s behalf) contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which represent our management s beliefs and assumptions concerning future events. When used in this document and in documents incorporated by reference, forward-looking statements include, without limitation, statements regarding financial forecasts or projections, and our expectations, beliefs, intentions or future strategies that are signified by the words expects , anticipates , intends , believes , plans or similar language. These forward-looking statements are subject t risks, uncertainties and assumptions that could cause our actual results and the timing of certain events to differ materially from those expressed in the forward-looking statements. It is routine for our internal projections and expectations to change as the year or each quarter in the year progresses, and therefore it should be clearly understood that the internal projections, beliefs and assumptions upon which we base our expectations may change prior to the end of each quarter or year. Although these expectations may change, we may not inform you if they do.

You should understand that many important factors, in addition to those discussed or incorporated by reference in this report, could cause our results to differ materially from those expressed in the forward-looking statements. Potential factors that could affect our results include, in addition to others not described in this report, those described in Item 1A of this report under Risks Related to JetBlue and Risks Associated with the Airline Industry. In light of these risks and uncertainties, the forward-looking events discussed in this report might not occur.

Table of Contents

ITEM 1. BUSINESS

Overview

JetBlue Airways Corporation is a passenger airline that we believe has established a new airline category a value airline based on service, style, and cost. Known for its award-winning customer service and free TV as much as for its competitive fares, JetBlue believes it offers its customers the best coach product in markets it serves with a strong core product and reasonably priced optional upgrades. JetBlue operates primarily on point-to-point routes with its fleet of 115 Airbus A320 aircraft and 45 EMBRAER 190 aircraft the youngest and most fuel-efficient fleet of any major U.S. airline. As of December 31, 2010, we served 63 destinations in 21 states, Puerto Rico, and eleven countries in the Caribbean and Latin America. Most of our flights have as an origin or destination one of our focus cities: Boston, Fort Lauderdale, Los Angeles/Long Beach, New York/JFK, or Orlando. By the end of 2010, we operated an average of 650 daily flights. For the year ended December 31, 2010 JetBlue was the 6th largest passenger carrier in the United States based on revenue passenger miles as reported by those airlines. As used in this Form 10-K, the terms JetBlue , we , us , our and similar terms refer to JetBlue Airways Corporation and its subsidiaries, unless the context indicates otherwise.

JetBlue was incorporated in Delaware in August 1998 and commenced service February 11, 2000. Our principal executive offices are located at 118-29 Queens Boulevard, Forest Hills, New York 11375 and our telephone number is (718) 286-7900. Our filings with the Securities and Exchange Commission, or the SEC, are accessible free of charge at our website *http://investor.jetblue.com*. Information contained on our website is not incorporated by reference in this report.

Our Value Proposition

Our mission is to bring humanity back to air travel. As we entered our second decade of operations in 2010, we continued to work toward our goal to become the Americas Favorite Airline for our employees (whom we refer to as crewmembers), customers, and shareholders. We believe our achieving this goal is dependent upon continuing to provide superior customer service in delivering the JetBlue Experience while maintaining financial strength. We do this by offering what we believe to be the best domestic coach product and providing our customers more value for their purchases, while maintaining a low cost structure relative to our superior product level. During 2010, we continued to make investments to better position us for our future growth and success, including the implementation of a comprehensive customer service system, which has enabled us to add functionalities and enhance the JetBlue experience, as well as modifying our fleet schedule, and expanding our route network. The elements of our value proposition include:

High Quality Service and Product. Onboard JetBlue, customers enjoy a distinctive flying experience, which we refer to as the JetBlue Experience. This includes friendly, award-winning, customer service-oriented employees, new aircraft, roomy leather seats with the most legroom in coach, 36 channels of free DirecTV®, 100 channels of free XM satellite radio and premium movie channel offerings from JetBlue Features®, our source of first run films from multiple major movie studios, and other entertainment features available for purchase. Our onboard offerings include free and unlimited brand name snacks and beverages, premium beverages and specially-designed products for our overnight flights. Our customers have told us the JetBlue Experience is an important reason why they choose us over other airlines.

We strive to communicate openly and honestly with customers about delays and service disruptions. We introduced the JetBlue Airways Customer Bill of Rights in 2007 which provides for compensation to customers who experience avoidable inconveniences (as well as some unavoidable circumstances) and commits us to perform at high service standards and holds us accountable if we do not. We are the first and currently the only U.S. major airline to provide such a fundamental benefit to our customers. In 2010, we completed 98.1% of our scheduled flights. Unlike most other airlines, we have a policy of not overbooking our flights.

All of our aircraft are equipped with leather seats in a comfortable single class layout. Our Airbus A320 aircraft, with 150 seats, has a wider cabin than both the Boeing 737 and 757, two types of aircraft operated by many of our competitors. Our Airbus A320 cabin has at least 34 inches of seat pitch at every seat and as much as 38 inches of seat pitch in our Even More Legroom rows, providing the most legroom in coach of all U.S. airlines. Our EMBRAER 190 aircraft each have 100 seats that are wider than industry average for this type of aircraft and are arranged in a two-by-two seating configuration with either 32 or 33 inches between rows of seats. We continually strive to enhance and refine our product based on customer and crewmember feedback.

Focus on Operating Costs. Historically, our cost structure has allowed us to offer fares lower than many of our competitors. We continue to focus on maintaining low operating costs relative to the superior product offerings of the JetBlue Experience. For the year ended December 31, 2010, our cost per available seat mile, excluding fuel, of 6.71 cents is among the lowest reported by all other major U.S. airlines. Some of the factors that contribute to our competitive unit costs are:

> *High aircraft utilization.* By scheduling and operating our aircraft efficiently, we are able to spread our fixed costs over a greater number of flights and available seat miles. For the year ended December 31, 2010, our aircraft operated an average of 11.6 hours per day, which we believe is the highest among all major U.S. airlines. Our airport operations allow us to schedule our aircraft with minimum ground time.

Low distribution costs. Historically, our distribution costs have been low for several reasons. We issue only electronic tickets, saving paper, postage, employee time and back-office processing expense. Additionally, a majority of our sales are booked through our website, http://*www.jetblue.com*, which is our least expensive form of distribution.

Productive workforce. Our employee efficiency results from flexible and productive work rules, effective use of part-time employees and the use of technology to automate tasks. For example, most of our reservation agents work from their homes, providing better scheduling flexibility and allowing employees to customize their schedules. We are continually looking for ways to make our workforce more efficient through the use of technology without compromising our commitment to customer service.

New and efficient aircraft. We maintain a fleet consisting of only two aircraft types, the Airbus A320 and the EMBRAER 190, which, with an average age of only 5.4 years, is the youngest fleet of any major U.S. airline. We believe that operating a young fleet having the latest technologies results in our aircraft being more efficient and dependable than older aircraft. We operate the world s largest fleet of Airbus A320 aircraft, and have the best dispatch reliability in North America of all Airbus A320 aircraft operators. Operating only two types of aircraft, both of which are newer aircraft types, results in cost savings over our competitors (who generally operate more aircraft types) as maintenance processes are simplified, spare parts inventory requirements are reduced, scheduling is simplified and training costs are lower.

Brand Strength. We believe we have created a widely recognized brand that differentiates us from our competitors and identifies us as a safe, reliable, value-added airline focused on customer service and which provides a high quality travel experience. Similarly, we believe customer awareness of our brand has contributed to the success of our marketing efforts, and enables us to market ourselves as a preferred marketing partner with companies across many different industries. In 2010, we were voted Top Low Cost Airline for Customer Satisfaction by J.D. Power and Associates for the sixth consecutive year. We also earned distinctions for the third straight year as the Best Large Domestic Airline (economy class) and Best Inflight Entertainment (domestic flights) in the 2010 Zagat Airline Survey. Additionally, the JetBlue Experience won us Best Cabin Ambiance at the 2010 Passenger Choice Awards of the Airline Passenger Experience Association. According to Satmetrix, we were also recognized as the leader in the 2010 Net Promoter Industry Benchmarks for customer loyalty in the airline category.

Strength of Our People. We believe we have developed a strong and vibrant service-oriented company culture built around our five key values: Safety, Caring, Integrity, Fun and Passion. Our success depends on our ability to continue hiring, retaining, and developing people who are friendly, helpful, team-oriented and committed to delivering the JetBlue Experience to our customers. Our culture is reinforced through an extensive orientation program for our new employees which emphasizes the importance of customer service, productivity and cost control. We also provide extensive training for our employees, including a leadership program and other training that emphasizes the importance of safety. During 2010, we invested in front line training for our customer service teams to reinforce the importance and value of the customer service experience.

None of our employees are currently unionized. We believe a direct relationship with JetBlue leadership, not third-party representation, is in the best interests of our employees, customers, and shareholders. We enter into individual employment agreements with each of our Federal Aviation Administration, or FAA, licensed employees, which consist of pilots, dispatchers and technicians. Each employment agreement is for a term of five years and renews for an additional five-year term unless the employee is terminated for cause or the employee elects not to renew. Pursuant to these agreements, these employees can only be terminated for cause. In the event of a downturn in our business that would require a reduction in work hours, we are obligated to pay these employees a guaranteed level of income and to continue their benefits. In addition, we provide what we believe to be industry-leading job protection language in the agreements in the event of a merger or acquisition scenario, including the establishment of a legal defense fund to utilize for seniority integration negotiations.

Our full-time equivalent employees at December 31, 2010 consisted of 1,897 pilots, 2,039 flight attendants, 3,393 airport operations personnel, 491 technicians (whom others refer to as mechanics), 1,066 reservation agents, and 2,586 management and other personnel. At December 31, 2010, we employed 9,626 full-time and 3,322 part-time employees.

Our leadership team has extensive and diverse airline industry experience and strives to communicate on a regular basis with all JetBlue employees, keeping them informed about JetBlue events and soliciting feedback for ways to improve our service, teamwork and employees work environment.

Table of Contents

Well-Positioned in the Northeast, Caribbean and Latin America

New York Metropolitan Area the Nation s Largest Travel Market.

Since 2000, the majority of our operations have originated in New York City, the nation s largest travel market. We are the largest airline at New York s John F. Kennedy International Airport, or JFK, as measured by passengers and, by the end of 2010, our domestic operations at JFK accounted for more than 40% of all domestic passengers at that airport. In addition to JFK, we serve Newark s Liberty International Airport, New York s LaGuardia Airport, Newburgh, New York s Stewart International Airport and White Plains, New York s Westchester County Airport. JFK is New York s largest airport, with an infrastructure that includes four runways, large facilities and a convenient direct light-rail connection to the New York City subway system and the Long Island Rail Road. Operating out of the nation s largest travel market does make us susceptible to certain operational constraints.

In October 2008, after three years of construction, we commenced operations at our new 26-gate terminal at JFK s Terminal 5. Terminal 5 has an optimal location with convenient access to active runways which we believe has helped increase the efficiency of our operations. We believe this new terminal with its modern amenities, concession offerings and passenger conveniences has also improved the overall efficiency of our operation and, more importantly, has significantly enhanced the ground experience of our customers and has become an integral part of the JetBlue Experience. The Terminal 5 experience has been awarded top honors in four categories in the Airport Revenue News 2010 Best Airport & Concessionaire Awards, including Best Concessionaire Design, Most Unique Services, Best Overall Concessions Program, and Best Concessions Management Team.

Boston New England s Largest Transportation Center

We have been increasing our presence at Boston s Logan International Airport, or Boston, another important travel market in the Northeast region, and we are now the largest carrier in Boston with the most departures and most destinations served. By the end of 2010, our domestic operations at Boston accounted for more than 19% of all domestic flights at that airport. At Boston, we continue to capitalize on opportunities of the changing competitive landscape by increasing our presence and adding routes and frequencies. Our revamped customer loyalty program, the added benefits of our new customer service system implemented in early 2010, and product enhancements have allowed us to build our relevance to business customers, especially in Boston, where there is a significant business travel presence.

Caribbean and Latin America

The growth of our route network in 2009 and 2010 was primarily through the addition of new destinations in the Caribbean and Latin America, markets which have historically matured more quickly than mainland flights of a comparable distance. As of December 31, 2010, approximately 23% of our capacity was in the Caribbean and Latin America; and we expect this number to continue to grow as we continue to seize opportunities. Traffic from visiting friends and relatives strongly complements leisure travel in the Caribbean region allowing for our growth and success in this area of our network. Additionally, competitive landscape changes in San Juan, Puerto Rico have allowed us to increase significantly our presence there as one of the largest airlines serving the Luis Muñoz Marin International Airport.

Our Industry

The passenger airline industry in the United States has traditionally been dominated by the major U.S. airlines, the largest of which are United Air Lines, Delta Air Lines, American Airlines, Southwest Airlines and US Airways. The U.S. Department of Transportation, or DOT, defines the major U.S. airlines as those airlines with annual revenues of at least $1 billion; there are currently 12 passenger airlines meeting this standard. These airlines offer scheduled flights to most large cities within the United States and abroad and also serve numerous smaller cities. Six of the largest major U.S. airlines have adopted the traditional hub and spoke network route system, or traditional network. This type of system concentrates most of an airline s operations at a limited number of hub cities, serving the majority of other destinations in the system by providing one-stop or connecting service through one of its hubs.

Regional airlines, such as SkyWest Airlines, typically operate smaller aircraft on lower volume routes than do traditional network airlines. Regional airlines typically enter into relationships with one or more traditional network airlines under which the regional airline agrees to use its smaller aircraft to carry passengers booked and ticketed by the traditional network airline between their hubs and a smaller outlying city. There are currently two regional U.S. airlines within the major designation.

Low-cost airlines largely developed in the wake of deregulation of the U.S. airline industry in 1978 which permitted competition on many routes for the first time. Southwest Airlines pioneered the low-cost model which enabled it to offer fares that were significantly lower than those charged by traditional network airlines. Excluding JetBlue, there are currently three low-cost major U.S. airlines.

Following the September 11, 2001 terrorist attacks, low-cost airlines were able to fill a significant capacity void left by traditional network airline flight reductions. Lower fares and increased low-cost airline capacity created an unprofitable operating environment for the traditional network airlines. Since 2001, the majority of traditional network airlines have undergone significant financial restructuring, including bankruptcies, mergers and consolidations. These restructurings have allowed them to reduce labor costs, restructure debt, terminate pension plans and generally reduce their cost structure, increase workforce flexibility and provide innovative offerings similar to those of the low-cost airlines while still maintaining their expansive route networks, alliances and frequent flier programs. As a result, while our costs remain lower than those of our largest competitors, the difference in the cost structures and the competitive advantage previously enjoyed by low-cost airlines has diminished.

During 2009, most traditional network airlines began to reduce capacity on their international routes while continuing to reduce overall domestic and Caribbean capacity by redeploying the capacity to more regional routes. Virgin America continued to expand in routes that compete directly with us, although other carriers substantially reduced capacity in a number of our markets. We are encouraged by continued capacity discipline across the industry and expect it to continue through 2011.

Competition

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

Our competitors and potential competitors include traditional network airlines, low-cost airlines, and regional airlines. Five of the other major U.S. airlines are larger, have greater financial resources and serve more routes than we do. Our competitors also use some of the same technologies that we do such as laptop computers in the cockpit and website bookings. In recent years, the U.S. airline industry experienced significant consolidation, bankruptcy protection, and liquidation largely as a result of high fuel costs and continued strong competition. The merger of United Airlines and Continental Airlines created the world s largest airline in 2010 on the heels of the Delta Airlines and Northwest Airlines merger in 2009. Additionally, in September 2010, low cost carrier Southwest Airlines announced plans to acquire AirTran Airways. Further industry consolidation or restructuring may result in our competitors having a more rationalized route structure and lower operating costs, enabling them to compete more aggressively.

Price competition occurs through price discounting, fare matching, increased capacity, targeted sale promotions, ancillary fee additions and frequent flyer travel initiatives, all of which are usually matched by other airlines in order to maintain their share of passenger traffic. A relatively small change in pricing or in passenger traffic could have a disproportionate effect on an airline s operating and financial results. Our ability to meet this price competition depends on, among other things, our ability to operate at costs equal to or lower than our competitors, including only charging for fees that we believe carry an intrinsic value for the customer. All other factors being equal, we believe customers often prefer JetBlue and the JetBlue Experience.

Table of Contents

Commercial Partnerships

Airlines frequently participate in marketing alliances which generally provide for code-sharing, frequent flyer program reciprocity, coordinated flight schedules that provide for convenient connections and other joint marketing activities. These commercial agreements are typically structured in one of three ways: 1) an interline agreement which allows for a customer to book one ticket with itineraries on multiple airlines; 2) a codeshare in which one airline places its name and flight number on flights operated by another airline; and 3) capacity purchase agreements. The benefits of broad networks offered to customers could attract more customers to these networks. We currently participate in several marketing partnerships, primarily interline agreements, and will continue to seek additional strategic opportunities as they arise to grow our network. Our current partnerships are structured with gateways in New York s JFK, Boston, or Washington DC s Dulles International Airport allowing international travelers, whom we do not otherwise serve, to easily access many of our key domestic and Caribbean routes. Our partners include Deutsche Lufthansa AG, one of the world s preeminent airlines and our largest shareholder; Cape Air, an airline that services destinations out of Boston and San Juan, Puerto Rico; Aer Lingus, an airline based in Dublin, Ireland; American Airlines, one of the largest airlines in the world; South African Airways, Africa s most awarded airline; El Al Israel Airlines, Israel s national airline; and Emirates, one of the world s largest international carriers.

Route Network

Our operations primarily consist of transporting passengers on our aircraft with domestic U.S. operations, including Puerto Rico, accounting for 85% of our capacity in 2010. The historic distribution of our available seat miles, or capacity, by region is as follows:

	Year Ended December 31,		
Capacity Distribution	**2010**	**2009**	**2008**
East Coast Western U.S.	34.5%	34.7%	41.5%
Northeast Florida	31.4	32.8	33.9
Medium haul	3.3	3.5	3.0
Short haul	7.6	7.7	7.6
Caribbean, including Puerto Rico	23.2	21.3	14.0
Total	100.0%	100.0%	100.0%

As of December 31, 2010, we provided service to 63 destinations in 21 states, Puerto Rico, and eleven countries in the Caribbean and Latin America. We have begun service to the following new destinations since December 31, 2009:

Destination	**Service Commenced**
Punta Cana, Dominican Republic	May 2010
Washington, DC/Reagan National	November 2010
Hartford, Connecticut	November 2010

We began service to Providenciales, Turks & Caicos Islands in February 2011. We intend to begin service to Anchorage, Alaska and Martha s Vineyard, Massachusetts in May 2011. In considering new markets, we focus on those that are underserved or have high average fares. In this process, we analyze publicly available data from the

DOT showing the historical number of passengers, capacity and average fares over time. Using this data, combined with our knowledge and experience about how comparable markets have reacted in the past when prices were increased or decreased, we forecast the expected level of demand that may result in a particular market from our introduction of service and lower prices, as well as the anticipated response of existing airlines in that market.

We are the leading carrier in number of flights flown per day between the New York metropolitan area and Florida. As of December 31, 2010, we also offer service to the most non-stop destinations of any carrier out of Boston.

Table of Contents

Marketing and Distribution

Our marketing objectives are to attract new customers to our brand and give our current customers reasons to come back to us time and time again. Our key value proposition and marketing message is that competitive fares and quality air travel need not be mutually exclusive. Our competitive fares, high quality product and outstanding customer service create the overall JetBlue Experience that we believe is unique in the domestic airline industry.

We market our services through advertising and promotions in newspapers, magazines, television, radio, through the internet, outdoor billboards, and through targeted public relations and promotions. We engage in large multi-market programs, as well as many local events and sponsorships, and mobile marketing programs. Our targeted public and community relations efforts promote brand awareness and complement our strong word-of-mouth channel.

During 2010 we implemented a new integrated customer service system, which includes a reservations system, website, revenue management system, revenue accounting system, and a customer loyalty management system among others. The integrated system has enabled us to increase our capabilities including growing our current business, providing for more commercial partnerships and allowing us to attract more business customers.

Our primary distribution channel is through our website, *www.jetblue.com*, our lowest cost channel that is also designed to ensure our customers have as pleasant an experience booking their travel as they do in the air. Our participation in global distribution systems, or GDSs, supports our growth in the corporate market, as business customers are more likely to book through a travel agency or booking product that utilizes the GDS platform. While the cost of sales through this channel is higher than through our website, the average fare purchased through this channel generally covers the increased distribution costs. We currently participate in four major GDSs (Sabre, Galileo, Worldspan and Amadeus) and four major online travel agents, or OTAs (Expedia, Travelocity, Orbitz, and Priceline).

We sell vacation packages through JetBlue Getaways, a one-stop, value-priced vacation website designed to meet customers demand for self-directed packaged travel planning. Getaways packages offer competitive fares for air travel on JetBlue and a selection of JetBlue-recommended hotels and resorts, car rentals and attractions. We also offer a la carte hotel and car rental reservations through our website.

Customer Loyalty Program

In November 2009, we launched an improved version of JetBlue s customer loyalty program, TrueBlue. TrueBlue is an online program designed to reward and recognize our most loyal customers. The program offers incentives to increase members travel on JetBlue. TrueBlue members earn points for each one-way flight flown based on the value paid for the flight. Member accounts accumulate points, which do not expire as long as new points are earned at least once in a 12 month period. Redemption of points for a one-way flight can begin once a member attains as few as 5,000 points. There are no black-out dates or seat restrictions in the improved TrueBlue program and any JetBlue destination can be booked if the member has enough points to exchange for the value of an open seat. However, the number of points needed to acquire travel is variable based on market conditions.

The number of travel segments flown during 2010 using TrueBlue points was approximately 600,000, representing 3% of our total revenue passenger miles. Due to the structure of the program and low level of redemptions as a percentage of total travel, the displacement of revenue passengers by passengers using TrueBlue awards has been minimal to date. However, we expect redemptions to grow as a result of the program enhancements rolled out in 2009.

We have an agreement with American Express under which it issues co-branded credit cards allowing JetBlue cardmembers to earn TrueBlue points. We also have an agreement with American Express allowing its cardholders to convert their Membership Rewards points into TrueBlue points. Additionally, we have agreements with other loyalty partners which allow their customers to earn TrueBlue points through participation in the partners programs. We intend to pursue other loyalty partnerships in the future.

Table of Contents

Maintenance

We have an FAA-approved maintenance program which is administered by our technical operations department. Consistent with our core value of safety, we use qualified maintenance personnel, ensure they have comprehensive training and maintain our aircraft and associated maintenance records in accordance with, and often exceeding, FAA regulations.

The work performed on our fleet is divided into four general categories of maintenance: aircraft line, aircraft heavy, component and power plant. The bulk of line maintenance requirements are handled by JetBlue technicians and inspectors and consist of daily checks, overnight and weekly checks, A checks, diagnostics and routine repairs. All other maintenance activity is sub-contracted to qualified business partner maintenance, repair and overhaul organizations.

Aircraft heavy maintenance checks consist of a series of more complex tasks that take from one to four weeks to accomplish. The typical frequency for these events is once every 15 months. We send our aircraft to Aeroman facilities in El Salvador, Pemco in Tampa, Florida and Embraer Aircraft Maintenance Services in Nashville, Tennessee. In all cases this work is performed with oversight by JetBlue personnel.

Component and power plant maintenance, repairs and overhauls on equipment such as engines, auxiliary power units, landing gears, pumps and avionic computers are performed by a number of different FAA-approved repair stations. For example, maintenance of our V2500 series engines on our Airbus A320 aircraft is performed under a 15-year service agreement with MTU Maintenance Hannover GmbH in Germany. Most of our maintenance service agreements are based on a fixed cost per flying hour.

Aircraft Fuel

In 2010, continuing a trend that began in 2005, fuel costs were our largest operating expense. Fuel prices and availability are subject to wide price fluctuations based on geopolitical factors and supply and demand that we can neither control nor accurately predict. We use a third party fuel management service to procure most of our fuel. Our historical fuel consumption and costs were as follows for the years ended December 31:

	2010	**2009**	**2008**
Gallons consumed (millions)	486	455	453
Total cost (millions)	$ 1,115	$ 945	$ 1,397
Average price per gallon	$ 2.29	$ 2.08	$ 3.08
Percent of operating expenses	32.4%	31.4%	42.6%

Total cost and average price per gallon each include related fuel taxes as well as effective fuel hedging gains and losses.

Our goal with fuel hedging is to provide protection against increases in fuel prices by entering into a variety of crude and heating oil call options and collar contracts, as well as jet fuel swap agreements. At December 31, 2010, we had hedged approximately 28% of our projected 2011 fuel requirements and 6% of our projected 2012 fuel requirements. In January, 2011, we hedged approximately an additional 4% of our expected 2011 fuel requirements using crude oil collars. We had no collateral posted related to margin calls on our outstanding fuel hedge contracts as of

December 31, 2010.

LiveTV, LLC

LiveTV, LLC, a wholly-owned subsidiary of JetBlue, provides in-flight entertainment, voice communication and data connectivity services for commercial and general aviation aircraft. LiveTV s assets include certain tangible equipment and interests in systems installed on its customers aircraft, system components and spare parts in inventory, an air-to-ground spectrum license granted by the Federal Communications Commission, a network of approximately 100 ground stations across the continental U.S., and rights to certain patents and intellectual property. LiveTV s major competitors in the in-flight entertainment systems market include Rockwell Collins, Thales Avionics and Panasonic Avionics. Only Panasonic is currently providing in-seat live television. In the voice and data communication services market, LiveTV s primary competitors are Aircell, Row 44, Panasonic, OnAir and Aeromobile.

LiveTV has agreements with seven other domestic and international commercial airlines for the sale and installation of certain hardware, programming and maintenance of its live in-seat satellite television as well as XM Satellite Radio service and certain other products and services. LiveTV also has general aviation customers to which it supplies voice and data communication services. LiveTV continues to pursue additional customers and related product enhancements.

Government Regulation

General. We are subject to regulation by the DOT, the FAA, the Transportation Security Administration, or TSA, and other governmental agencies. The DOT primarily regulates economic issues affecting air service such as certification and fitness, insurance, consumer protection and competitive practices. The DOT has the authority to investigate and institute proceedings to enforce its economic regulations and may assess civil penalties, revoke operating authority and seek criminal sanctions. In February 2000, the DOT granted us a certificate of public convenience and necessity authorizing us to engage in air transportation within the United States, its territories and possessions.

The FAA primarily regulates flight operations and, in particular, matters affecting air safety such as airworthiness requirements for aircraft, the licensing of pilots, mechanics and dispatchers, and the certification of flight attendants. The FAA requires each airline to obtain an operating certificate authorizing the airline to operate at specific airports using specified equipment. We have and maintain FAA certificates of airworthiness for all of our aircraft and have the necessary FAA authority to fly to all of the cities we currently serve.

Like all U.S. certified carriers, we cannot fly to new destinations without the prior authorization of the FAA. The FAA has the authority to modify, suspend temporarily or revoke permanently our authority to provide air transportation or that of our licensed personnel, after providing notice and a hearing, for failure to comply with FAA regulations. The FAA can assess civil penalties for such failures or institute proceedings for the imposition and collection of monetary fines for the violation of certain FAA regulations. The FAA can revoke our authority to provide air transportation on an emergency basis, without providing notice and a hearing, where significant safety issues are involved. The FAA monitors our compliance with maintenance, flight operations and safety regulations, maintains onsite representatives and performs frequent spot inspections of our aircraft, employees and records.

The FAA also has the authority to issue maintenance directives and other mandatory orders relating to, among other things, inspection of aircraft and engines, fire retardant and smoke detection devices, increased security precautions, collision and windshear avoidance systems, noise abatement and the mandatory removal and replacement of aircraft parts that have failed or may fail in the future.

The TSA operates under the Department of Homeland Security and is responsible for all civil aviation security, including passenger and baggage screening, cargo security measures, airport security, assessment and distribution of intelligence, and security research and development. The TSA also has law enforcement powers and the authority to issue regulations, including in cases of national emergency, without a notice or comment period.

In December 2009, the DOT issued a rule, which among other things, requires carriers not to permit domestic flights to remain on the tarmac for more than three hours. The rule became effective in April 2010. Violators can be fined up to a maximum of $27,500 per passenger. The new rule also introduces requirements to disclose on-time performance and delay statistics for certain flights. This new rule may have adverse consequences on our business and our results of operations.

We believe that we are operating in material compliance with DOT, FAA and TSA regulations and hold all necessary operating and airworthiness authorizations and certificates. Should any of these authorizations or certificates be modified, suspended or revoked, our business could be materially adversely affected.

We are also subject to state and local laws and regulations in a number of states in which we operate.

Airport Access. In January 2007, the High Density Rule, established by the FAA in 1968 to limit the number of scheduled flights at JFK from 3:00 p.m. to 7:59 p.m., expired. As a result, like nearly every other airport, the number of flights at JFK was no longer regulated and airlines were able to schedule, without restrictions, flights. As a result of over-scheduling beyond the airport s hourly capacity, congestion and delays increased significantly in 2007.

JFK and its neighboring metropolitan area airports have experienced significant Air Traffic Control, or ATC, related delays as a result of increasing scheduled and general aviation services since June 2006. The magnitude of delays not only deteriorated air travel services in the New York area, but the entire air traffic system in the United States. Consequently, the FAA imposed slot restrictions and hourly operational caps at JFK and Newark s Liberty International Airport with the goal of reducing system congestion in 2008. Despite this action, the summer of 2008 was one of the most challenging periods for disruptive operations in the New York metropolitan area. The delay level during this time actually surpassed the levels during the same period of 2007 as ATC implemented daily ground delay programs at JFK. While JFK delays in 2010 were much more manageable, the delay reductions were primarily driven by industry capacity reductions and a mild summer in the New York area.

At LaGuardia Airport, where we maintain a small presence, the High Density Rule was replaced by the FAA with a temporary rule continuing the strict limitations on operations during the hours of 6:00 a.m. to 9:59 p.m. This rule had been scheduled to expire in late 2007 upon the enactment of a permanent rule restructuring the rights of carriers to operate at LaGuardia. This final rule was issued in October 2008, but its implementation has been partially stayed. Under the current rule, our operations remain unaffected. Should new rules be implemented in whole or in part, our ability to maintain a full schedule at LaGuardia would likely be impacted.

Long Beach (California) Municipal Airport is a slot-controlled airport as a result of a 1995 court settlement. Under the settlement, there are a total of 41 daily non-commuter departure slots and a single slot is required for every commercial departure. There are no plans to eliminate slot restrictions at the Long Beach Municipal Airport. In April 2003, the FAA approved a settlement agreement among the City of Long Beach, American Airlines, Alaska Airlines and JetBlue with respect to the allocation of the slots. This settlement provides for a priority allocation procedure should supplemental slots above the 41 current slots become available. We have 30 slots available for use and currently operate 30 weekday roundtrip flights from Long Beach Municipal Airport to 13 domestic cities.

Environmental. We are subject to various federal, state and local laws relating to the protection of the environment, including the discharge or disposal of materials and chemicals and the regulation of aircraft noise administered by numerous state and federal agencies.

The Airport Noise and Capacity Act of 1990 recognizes the right of airport operators with special noise problems to implement local noise abatement procedures as long as those procedures do not interfere unreasonably with the interstate and foreign commerce of the national air transportation system. Certain airports, including San Diego and Long Beach, California, have established restrictions to limit noise which can include limits on the number of hourly or daily operations and the time of such operations. These limitations serve to protect the local noise-sensitive communities surrounding the airport. Our scheduled flights at Long Beach and San Diego are in compliance with the noise curfew limits but when we experience irregular operations, on occasion, we violate these curfews. We have agreed to a payment structure with the Long Beach City Prosecutor for any violations which we pay quarterly to the Long Beach Public Library Foundation and are based on the number of infractions in the preceding quarter. This local ordinance has not had, and we believe that it will not have, a negative effect on our operations.

We have launched a Jetting to Green program on *www.jetblue.com*, which we use to educate our customers and crewmembers about environmental issues and to inform the public about our green initiatives. We also publish a corporate sustainability report, which addresses our environmental programs, including those aimed at curbing greenhouse gas emissions, our conservation efforts and our social responsibility initiatives.

In December 2009, we signed comprehensive memorandums of understanding, along with 14 other airlines, with two different producers for a future supply of alternative aviation fuel, which would be more environmentally friendly than jet fuel currently being used. One producer, AltAir Fuels, plans for the production of approximately 75 million gallons per year of jet fuel and diesel fuel derived from camelina oils or comparable feedstock. The other producer, Rentech, plans for the production of approximately 250 million gallons per year of synthetic jet fuel derived principally from coal or petroleum coke.

Foreign Operations. International air transportation is subject to extensive government regulation. The availability of international routes to U.S. carriers is regulated by treaties and related agreements between the United States and foreign governments. We currently operate international service to The Bahamas, the Dominican Republic, Bermuda, Aruba, the Netherlands Antilles, Mexico, Colombia, Costa Rica, Jamaica, Barbados, and Saint Lucia. To the extent we seek to provide air transportation to additional international markets in the future, we will be required to obtain necessary authority from the DOT and the applicable foreign government.

Foreign Ownership. Under federal law and the DOT regulations, we must be controlled by United States citizens. In this regard, our president and at least two-thirds of our board of directors must be United States citizens and not more than 24.99% of our outstanding common stock may be voted by non-U.S. citizens. We believe that we are currently in compliance with these ownership provisions.

Other Regulations. All air carriers are also subject to certain provisions of the Communications Act of 1934 because of their extensive use of radio and other communication facilities, and are required to obtain an aeronautical radio license from the FCC. To the extent we are subject to FCC requirements, we will take all necessary steps to comply with those requirements. Our labor relations are covered under Title II of the Railway Labor Act of 1926 and are subject to the jurisdiction of the National Mediation Board. In addition, during periods of fuel scarcity, access to aircraft fuel may be subject to federal allocation regulations. We are also subject to state and local laws and regulations at locations where we operate and the regulations of various local authorities that operate the airports we serve.

Civil Reserve Air Fleet. We are a participant in the Civil Reserve Air Fleet Program, which permits the United States Department of Defense to utilize our aircraft during national emergencies when the need for military airlift exceeds the capability of military aircraft. By participating in this program, we are eligible to bid on and be awarded peacetime airlift contracts with the military.

ITEM 1A. RISK FACTORS

Risks Related to JetBlue

We operate in an extremely competitive industry.

The domestic airline industry is characterized by low profit margins, high fixed costs and significant price competition. We currently compete with other airlines on all of our routes. Many of our competitors are larger and have greater financial resources and name recognition than we do. Following our entry into new markets or expansion of existing markets, some of our competitors have chosen to add service or engage in extensive price competition. Unanticipated shortfalls in expected revenues as a result of price competition or in the number of passengers carried would negatively impact our financial results and harm our business. The extremely competitive nature of the airline industry could prevent us from attaining the level of passenger traffic or maintaining the level of fares required to maintain profitable operations in new and existing markets and could impede our growth strategy, which would harm our business. Additionally, if a traditional network airline were to fully develop a low cost structure, or if we were to experience increased competition from low cost carriers, our business could be materially adversely affected.

Our business is highly dependent on the availability of fuel and subject to price volatility.

Our results of operations are heavily impacted by the price and availability of fuel. Fuel costs comprise a substantial portion of our total operating expenses and are our single largest operating expense. Historically, fuel costs have been subject to wide price fluctuations based on geopolitical factors and supply and demand. The availability of fuel is not only dependent on crude oil but also on refining capacity. When even a small amount of the domestic or global oil refining capacity becomes unavailable, supply shortages can result for extended periods of time. The availability of fuel is also affected by demand for home heating oil, gasoline and other petroleum products, as well as crude oil reserves, dependence on foreign imports of crude oil and

Table of Contents

potential hostilities in oil producing areas of the world. Because of the effects of these factors on the price and availability of fuel, the cost and future availability of fuel cannot be predicted with any degree of certainty.

Our aircraft fuel purchase agreements do not protect us against price increases or guarantee the availability of fuel. Additionally, some of our competitors may have more leverage than we do in obtaining fuel. We have and may continue to enter into a variety of option contracts and swap agreements for crude oil, heating oil, and jet fuel to partially protect against significant increases in fuel prices; however, such contracts and agreements do not completely protect us against price volatility, are limited in volume and duration, and can be less effective during volatile market conditions and may carry counterparty risk. Under the fuel hedge contracts we may enter from time to time, counterparties to those contracts may require us to fund the margin associated with any loss position on the contracts if the price of crude oils falls below specified benchmarks. Meeting our obligations to fund these margin calls could adversely affect our liquidity.

Due to the competitive nature of the domestic airline industry, at times we have not been able to adequately increase our fares to offset the increases in fuel prices nor may we be able to do so in the future. Future fuel price increases, continued high fuel price volatility or fuel supply shortages may result in a curtailment of scheduled services and could have a material adverse effect on our financial condition and results of operations.

We have a significant amount of fixed obligations and we will incur significantly more fixed obligations, which could harm our ability to service our current or future fixed obligations.

As of December 31, 2010, our debt of $3.03 billion accounted for 65% of our total capitalization. In addition to long-term debt, we have a significant amount of other fixed obligations under leases related to our aircraft, airport terminal space, other airport facilities and office space. As of December 31, 2010, future minimum payments under noncancelable leases and other financing obligations were approximately $1.10 billion for 2011 through 2015 and an aggregate of $1.59 billion for the years thereafter. We have also constructed, and in October 2008 began operating, a new terminal at JFK under a 30-year lease with the PANYNJ. The minimum payments under this lease are being accounted for as a financing obligation and have been included in the totals above.

As of December 31, 2010, we had commitments of approximately $4.36 billion to purchase 109 additional aircraft and other flight equipment through 2018, including estimated amounts for contractual price escalations. We will incur additional debt and other fixed obligations as we take delivery of new aircraft and other equipment and continue to expand into new markets. As a result of the economic downturn, in an effort to limit the incurrence of significant additional debt, we may seek to defer some of our scheduled deliveries, or sell or lease aircraft to others, to the extent necessary or possible. The amount of our existing debt, and other fixed obligations, and potential increases in the amount of our debt and other fixed obligations could have important consequences to investors and could require a substantial portion of cash flows from operations for debt service payments, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes.

Our high level of debt and other fixed obligations could:

- impact our ability to obtain additional financing to support capital expansion plans and for working capital and other purposes on acceptable terms or at all;
- divert substantial cash flow from our operations and expansion plans in order to service our fixed obligations;
- require us to incur significantly more interest or rent expense than we currently do, since a large portion of our debt has floating interest rates and five of our aircraft leases have variable-rate rent; and

place us at a possible competitive disadvantage compared to less leveraged competitors and competitors that have better access to capital resources.

Our ability to make scheduled payments on our debt and other fixed obligations will depend on our future operating performance and cash flows, which in turn will depend on prevailing economic and political conditions and financial, competitive, regulatory, business and other factors, many of which are beyond our control. We are principally dependent upon our operating cash flows and access to the capital markets to fund our operations and to make scheduled payments on debt and other fixed obligations. We cannot assure you that we will be able to generate sufficient cash flows from our operations or from capital market activities to pay our debt and other fixed obligations as they become due; if we fail to do so our business could be harmed. If we are unable to make payments on our debt and other fixed obligations, we could be forced to renegotiate those obligations or seek to obtain additional equity or other forms of additional financing.

Our substantial indebtedness may limit our ability to incur additional debt to obtain future financing needs.

We typically finance our aircraft through either secured debt or lease financing. The impact on financial institutions from the global credit and liquidity crisis may adversely affect the availability and cost of credit to JetBlue as well as to prospective purchasers of our aircraft that we undertake to sell in the future, including financing commitments that we have already obtained for purchases of new aircraft. To the extent we finance our activities with additional debt, we may become subject to financial and other covenants that may restrict our ability to pursue our growth strategy or otherwise constrain our operations.

If we fail to successfully implement our modified growth strategy, our business could be harmed.

We have grown, and expect to continue to grow our business whenever practicable, by increasing the frequency of flights to markets we currently serve, expanding the number of markets we serve and increasing flight connection opportunities. We have modified our growth plans several times over the past few years due to higher fuel prices, the competitive pricing environment and other cost increases, by deferring some of our scheduled deliveries of new aircraft, selling some used aircraft, terminating our leases for some of our aircraft, and leasing aircraft to other operators. A continuation of the economic downturn may cause us to further reduce our future growth plans from previously announced levels.

To the extent we continue to grow our business, opening new markets requires us to commit a substantial amount of resources even before the new services commence. Expansion is also dependent upon our ability to maintain a safe and secure operation and requires additional personnel, equipment and facilities. An inability to hire and retain personnel, timely secure the required equipment and facilities in a cost-effective manner, efficiently operate our expanded facilities, or obtain the necessary regulatory approvals may adversely affect our ability to achieve our growth strategy, which could harm our business. In addition, our competitors often add service, reduce their fares and/or offer special promotions following our entry into a new market. We cannot assure you that we will be able to profitably expand our existing markets or establish new markets or be able to adequately temper our growth in a cost effective manner through additional deferrals or selling or leasing aircraft; if we fail to do so, our business could be harmed.

There are risks associated with our presence in some of our international emerging markets, including political or economic instability and failure to adequately comply with existing legal requirements.

Expansion to new international emerging markets may have risks due to factors specific to those markets. Emerging markets are countries which have less developed economies that are vulnerable to economic and political problems, such as significant fluctuations in gross domestic product, interest and currency exchange rates, civil disturbances, government instability, nationalization and expropriation of private assets and the imposition of taxes or other charges by governments. The occurrence of any of these events in markets served by us and the resulting instability may adversely affect our business.

We have recently expanded our service to countries in the Caribbean and Latin America, some of which have less developed legal systems, financial markets, and business and political environments than the United States, and therefore present greater political, economic and operational risks. We emphasize legal compliance and have implemented policies, procedures and certain ongoing training of employees with regard to business ethics and many key legal requirements; however, there can be no assurance that our employees will adhere to our code of business ethics, other Company policies, or other legal requirements. If we fail to enforce our policies and procedures properly or maintain adequate record-keeping and internal accounting practices to accurately record our transactions, we may be subject to sanctions. In the event that we believe or have reason to believe that employees have or may have violated applicable laws or regulations, we may be subject to

Table of Contents

investigation costs, potential penalties and other related costs which in turn could negatively affect our results of operations and cash flow.

We may be subject to risks through the commitments and business of LiveTV, our wholly-owned subsidiary.

LiveTV has agreements to provide in-flight entertainment products and services with seven other airlines. At December 31, 2010, LiveTV services were available on 518 aircraft under these agreements, with firm commitments for 143 additional aircraft through 2014 and with options for 91 additional installations through 2014. Performance under these agreements requires that LiveTV hire, train and retain qualified employees, obtain component parts unique to its systems and services from their suppliers and secure facilities necessary to perform installations and maintenance on those systems. Should LiveTV be unable to satisfy its commitments under these third party contracts, our business could be harmed.

We may be subject to unionization, work stoppages, slowdowns or increased labor costs; recent changes to the labor laws may make unionization easier to achieve.

Our business is labor intensive and, unlike most other airlines, we have a non-union workforce. The unionization of any of our employees could result in demands that may increase our operating expenses and adversely affect our financial condition and results of operations. Any of the different crafts or classes of our employees could unionize at any time, which would require us to negotiate in good faith with the employee group s certified representative concerning a collective bargaining agreement. Further, in 2010, the National Mediation Board changed its election procedures to permit a majority of those voting to elect to unionize (from a majority of those in the craft or class). These rule changes fundamentally alter the manner in which labor groups have been able to organize in our industry since the inception of the Railway Labor Act. Ultimately, if we and a newly elected representative were unable to reach agreement on the terms of a collective bargaining agreement and all of the major dispute resolution processes of the Railway Labor Act were exhausted, we could be subject to work slowdowns or stoppages. In addition, we may be subject to disruptions by organized labor groups protesting our non-union status. Any of these events would be disruptive to our operations and could harm our business.

We rely on maintaining a high daily aircraft utilization rate to keep our costs low, which makes us especially vulnerable to delays.

We maintain a high daily aircraft utilization rate (the amount of time that our aircraft spend in the air carrying passengers). High daily aircraft utilization allows us to generate more revenue from our aircraft and is achieved in part by reducing turnaround times at airports so we can fly more hours on average in a day. Aircraft utilization is reduced by delays and cancellations from various factors, many of which are beyond our control, including adverse weather conditions, security requirements, air traffic congestion and unscheduled maintenance. The majority of our operations are concentrated in the Northeast and Florida, which are particularly vulnerable to weather and congestion delays. Reduced aircraft utilization may limit our ability to achieve and maintain profitability as well as lead to customer dissatisfaction.

Our business is highly dependent on the New York metropolitan market and increases in competition or congestion or a reduction in demand for air travel in this market, or governmental reduction of our operating capacity at JFK, would harm our business.

We are highly dependent on the New York metropolitan market where we maintain a large presence with approximately 55% of our daily flights having JFK, LaGuardia, Newark, Westchester County Airport or Newburgh s Stewart International Airport as either their origin or destination. We have experienced an increase in flight delays and cancellations at JFK due to airport congestion which has adversely affected our operating performance and results of operations. Our business could be further harmed by an increase in the amount of direct competition we face in the New York metropolitan market or by continued or increased congestion, delays or cancellations. Our business would also be harmed by any circumstances causing a reduction in demand for air transportation in the New York metropolitan area, such as adverse changes in local economic conditions, negative public perception of New York City, terrorist attacks or significant price increases linked to increases in airport access costs and fees imposed on passengers.

Table of Contents

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

We are dependent on automated systems and technology to operate our business, enhance customer service and achieve low operating costs. The performance and reliability of our automated systems is critical to our ability to operate our business and compete effectively. These systems include our computerized airline reservation system, flight operations system, telecommunications systems, website, maintenance systems, check-in kiosks and in-flight entertainment systems. Our website and reservation system must be able to accommodate a high volume of traffic and deliver important flight information. These systems require upgrades or replacement periodically, which involve implementation and other operational risks. Our business may be harmed if we fail to operate, replace or upgrade systems successfully.

We rely on the providers of our current automated systems for technical support. If the current provider were to fail to adequately provide technical support for any one of our key existing systems or if new or updated components were not integrated smoothly, we could experience service disruptions, which, if they were to occur, could result in the loss of important data, increase our expenses, decrease our revenues and generally harm our business and reputation. Furthermore, our automated systems cannot be completely protected against events that are beyond our control, including natural disasters, computer viruses or telecommunications failures. Substantial or sustained system failures could impact customer service and result in our customers purchasing tickets from other airlines. We have implemented security measures and change control procedures and have disaster recovery plans; however, we cannot assure you that these measures are adequate to prevent disruptions, which, if they were to occur, could result in the loss of important data, increase our expenses, decrease our revenues and generally harm our business and reputation.

Our liquidity could be adversely impacted in the event one or more of our credit card processors were to impose material reserve requirements for payments due to us from credit card transactions.

We currently have agreements with organizations that process credit card transactions arising from purchases of air travel tickets by our customers. Credit card processors have financial risk associated with tickets purchased for travel which can occur several weeks after the purchase. Our credit card processing agreements provide for reserves to be deposited with the processor in certain circumstances. We do not currently have reserves posted for our credit card processors. If circumstances were to occur that would require us to deposit reserves, the negative impact on our liquidity could be significant which could materially adversely affect our business.

Our maintenance costs will increase as our fleet ages.

Because the average age of our aircraft is 5.4 years, our aircraft require less maintenance now than they will in the future. We have incurred lower maintenance expenses because most of the parts on our aircraft are under multi-year warranties. Our maintenance costs will increase significantly, both on an absolute basis and as a percentage of our operating expenses, as our fleet ages and these warranties expire.

If we are unable to attract and retain qualified personnel or fail to maintain our company culture, our business could be harmed.

We compete against the other major U.S. airlines for pilots, mechanics and other skilled labor; some of them offer wage and benefit packages that exceed ours. We may be required to increase wages and/or benefits in order to attract and retain qualified personnel or risk considerable employee turnover. If we are unable to hire, train and retain qualified employees, our business could be harmed and we may be unable to implement our growth plans.

In addition, as we hire more people and grow, we believe it may be increasingly challenging to continue to hire people who will maintain our company culture. One of our competitive strengths is our service-oriented company culture that emphasizes friendly, helpful, team-oriented and customer-focused employees. Our company culture is important to providing high quality customer service and having a productive workforce that helps keep our costs low. As we continue to grow, we may be unable to identify, hire or retain enough people who meet the above criteria, including those in management or other key positions. Our company culture could otherwise be adversely affected by our growing operations and geographic diversity. If we fail to maintain the strength of our company culture, our competitive ability and our business may be harmed.

Our results of operations fluctuate due to seasonality and other factors.

We expect our quarterly operating results to fluctuate due to seasonality including high vacation and leisure demand occurring on the Florida routes between October and April and on our western routes during the summer. Actions of our competitors may also contribute to fluctuations in our results. We are more susceptible to adverse weather conditions, including snow storms and hurricanes, as a result of our operations being concentrated on the East Coast, than some of our competitors. As we enter new markets we could be subject to additional seasonal variations along with any competitive responses to our entry by other airlines. Price changes in aircraft fuel as well as the timing and amount of maintenance and advertising expenditures also impact our operations. As a result of these factors, quarter-to-quarter comparisons of our operating results may not be a good indicator of our future performance. In addition, it is possible that in any future period our operating results could be below the expectations of investors and any published reports or analyses regarding JetBlue. In that event, the price of our common stock could decline, perhaps substantially.

We are subject to the risks of having a limited number of suppliers for our aircraft, engines and a key component of our in-flight entertainment system.

Our current dependence on two types of aircraft and engines for all of our flights makes us vulnerable to significant problems associated with the Airbus A320 aircraft or the IAE International Aero Engines V2527-A5 engine and the EMBRAER 190 aircraft or the General Electric Engines CF-34-10 engine, including design defects, mechanical problems, contractual performance by the manufacturers, or adverse perception by the public that would result in customer avoidance or in actions by the FAA resulting in an inability to operate our aircraft. Carriers that operate a more diversified fleet are better positioned than we are to manage such events.

One of the unique features of our fleet is that every seat in each of our aircraft is equipped with free in-flight entertainment including DirecTV®. An integral component of the system is the antenna, which is supplied to us by KVH Industries Inc, or KVH. If KVH were to stop supplying us with its antennas for any reason, we would have to incur significant costs to procure an alternate supplier.

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

An accident or incident involving one of our aircraft, or an aircraft containing LiveTV equipment, could involve significant potential claims of injured passengers or others in addition to repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service. We are required by the DOT to carry liability insurance. Although we believe we currently maintain liability insurance in amounts and of the type generally consistent with industry practice, the amount of such coverage may not be adequate and we may be forced to bear substantial losses from an accident. Substantial claims resulting from an accident in excess of our related insurance coverage would harm our business and financial results. Moreover, any aircraft accident or incident, even if fully insured, could cause a public perception that we are less safe or reliable than other airlines which would harm our business.

An ownership change could limit our ability to utilize our net operation loss carryforwards.

As of December 31, 2010, we had approximately $519 million of estimated federal net operating loss carryforwards for U.S. income tax purposes that begin to expire in 2023. Section 382 of the Internal Revenue Code imposes limitation on a corporation s ability to use its net operating loss carryforwards if it experiences an ownership change . In the event an ownership change were to occur in the future, our ability to utilize our net operating losses could be limited.

Our business depends on our strong reputation and the value of the JetBlue brand.

The JetBlue brand name symbolizes high-quality friendly customer service, innovation, fun, and a pleasant travel experience. JetBlue is a widely recognized and respected global brand; the JetBlue brand is one of our most important and valuable assets. The JetBlue brand name and our corporate reputation are powerful sales and marketing tools and we devote significant resources to promoting and protecting them. Adverse publicity (whether or not justified) relating to activities by our employees, contractors or agents could tarnish our reputation and reduce the value of our brand. Damage to our reputation and loss of brand equity could reduce demand for our services and thus have an adverse effect on our financial condition, liquidity and results of operations, as well as require additional resources to rebuild our reputation and restore the value of our brand.

We may be subject to competitive risks due to the longer term nature of our fleet order book.

At present, we have existing aircraft commitments through 2018. As technological evolution occurs in our industry, through the use of composites, next generation engine technologies and other innovations, we may be competitively disadvantaged because we have existing extensive fleet commitments that would prohibit us from adopting new technologies on an expedited basis.

Risks Associated with the Airline Industry

The airline industry is particularly sensitive to changes in economic condition.

Fundamental and permanent changes in the domestic airline industry began several years ago following five consecutive years of losses being reported through 2005. These losses resulted in airlines renegotiating or attempting to renegotiate labor contracts, reconfiguring flight schedules, furloughing or terminating employees, as well as considering other efficiency and cost-cutting measures. Despite these actions, several airlines have reorganized under Chapter 11 of the U.S. Bankruptcy Code to permit them to reduce labor rates, restructure debt, terminate pension plans and generally reduce their cost structure. Since 2005, the U.S. airline industry has experienced significant consolidation and liquidations. The global economic recession and related unfavorable general economic conditions, such as higher unemployment rates, a constrained credit market, housing-related pressures, and increased business operating costs can reduce spending for both leisure and business travel. Unfavorable economic conditions could also impact an airline s ability to raise fares to counteract increased fuel, labor, and other costs. It is foreseeable that further airline reorganizations, consolidation, bankruptcies or liquidations may occur in the current global recessionary environment, the effects of which we are unable to predict. We cannot assure you that the occurrence of these events, or potential changes resulting from these events, will not harm our business or the industry.

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

Acts of terrorism, the threat of such acts or escalation of U.S. military involvement overseas could have an adverse effect on the airline industry. In the event of a terrorist attack, whether or not successful, the industry would likely experience increased security requirements and significantly reduced demand. We cannot assure you that these actions, or consequences resulting from these actions, will not harm our business or the industry.

Changes in government regulations imposing additional requirements and restrictions on our operations or the U.S. Government ceasing to provide adequate war risk insurance could increase our operating costs and result in service delays and disruptions.

Airlines are subject to extensive regulatory and legal requirements, both domestically and internationally, that involve significant compliance costs. In the last several years, Congress has passed laws, and the DOT, FAA and the TSA have issued regulations relating to the operation of airlines that have required significant expenditures. We expect to continue to incur expenses in connection with complying with government regulations. Additional laws, regulations, taxes and airport rates and charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce the demand for air travel. If adopted, these measures could have the effect of raising ticket prices, reducing air travel demand and/or revenue and increasing costs. The FAA is currently drafting new requirements, and depending on whether the final rules incorporate significant changes to crew rest requirements, our cost structure could be adversely affected. We cannot assure you that these and other laws or regulations enacted in the future will not harm our business.

Table of Contents

The U.S. Government currently provides insurance coverage for certain claims resulting from acts of terrorism, war or similar events. Should this coverage no longer be offered, the coverage that would be available to us through commercial aviation insurers may have substantially less desirable terms, result in higher costs and not be adequate to protect our risk, any of which could harm our business.

Compliance with future environmental regulations may harm our business.

Many aspects of airlines operations are subject to increasingly stringent environmental regulations, and growing concerns about climate change may result in the imposition of additional regulation. There is growing consensus that some form of federal regulation will be forthcoming with respect to greenhouse gas emissions (including carbon dioxide (CO_2)) and/or cap and trade legislation, compliance with which could result in the creation of substantial additional costs to us. The U.S. Congress is considering climate change legislation and the Environmental Protection Agency issued a rule which regulates larger emitters of greenhouse gases. Since the domestic airline industry is increasingly price sensitive, we may not be able to recover the cost of compliance with new or more stringent environmental laws and regulations from our passengers, which could adversely affect our business. Although it is not expected that the costs of complying with current environmental regulations will have a material adverse effect on our financial position, results of operations or cash flows, no assurance can be made that the costs of complying with environmental regulations in the future will not have such an effect. The impact to us and our industry from such actions is likely to be adverse and could be significant, particularly if regulators were to conclude that emissions from commercial aircraft cause significant harm to the upper atmosphere or have a greater impact on climate change than other industries.

Compliance with recently adopted DOT passenger protections rules may increase our costs and may ultimately negatively impact our operations.

The DOT s passenger protection rules, which became effective in April 2010, provide, among other things, that airlines return aircraft to the gate for deplaning following tarmac delays in certain circumstances. A significant portion of our operations are focused in the northeast. Given the poor operating performance of the air traffic control system in the northeast during certain weather conditions, particularly during the summer season, this rule may produce results more harmful to customers than intended. The implementation of these rules may negatively impact our operations and our business.

We could be adversely affected by an outbreak of a disease or an environmental disaster that significantly affects travel behavior.

In 2009, there was an outbreak of the H1N1 virus which had an adverse impact throughout our network, including on our operations to and from Mexico. Any outbreak of a disease (including a worsening of the outbreak of the H1N1 virus) that affects travel behavior could have a material adverse impact on us. In addition, outbreaks of disease could result in quarantines of our personnel or an inability to access facilities or our aircraft, which could adversely affect our operations. Similarly, if an environmental disaster were to occur and adversely impact any of our destination cities, travel behavior could be affected and in turn, could materially adversely impact our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

ITEM 2. PROPERTIES

Aircraft

As of December 31, 2010, we operated a fleet consisting of 115 Airbus A320 aircraft each powered by two IAE International Aero Engines V2527-A5 engines and 45 EMBRAER 190 aircraft each powered by two General Electric Engines CF-34-10 engines, as follows:

Aircraft	Seating Capacity	Owned	Capital Leased	Operating Leased	Total	Average Age in Years
Airbus A320	150	82	4	29	115	6.1
EMBRAER 190	100	14		31	45	3.5
Totals		96	4	60	160	5.4

We also leased one additional aircraft which we took delivery of in December 2010 but which was not placed in service as of December 31, 2010. Our aircraft leases have an average remaining lease term of approximately 10.3 years at December 31, 2010. The earliest of these terms ends in 2011 and the latest ends in 2026. We have the option to extend most of these leases for additional periods or to purchase aircraft at the end of the related lease term. All but one of our 96 owned aircraft and all but two of our 30 owned spare engines are subject to secured debt financing. We also own two EMBRAER 190 aircraft that are currently being leased to another air carrier and are not included in the table above.

During 2010, we leased six used Airbus A320 aircraft from a third party. As of December 31, 2010, five of the six had been delivered and placed in service and the remaining aircraft had been delivered in December 2010 and was placed in service in January 2011. Operating leases were executed for each aircraft upon delivery for six year terms.

In February 2010, we amended our Airbus purchase agreement, deferring delivery of six aircraft previously scheduled for delivery in 2011 and 2012 to 2015. In October 2010, we again amended our Airbus A320 purchase agreement, deferring delivery of ten aircraft previously scheduled for delivery in 2012 and 2013 to 2016. In August 2010, we cancelled the orders of two EMBRAER 190 aircraft originally scheduled for delivery in 2012.

As of December 31, 2010, including the effects of the various 2010 amendments, we had on order 109 aircraft, which are scheduled for delivery through 2018 , with options to acquire an additional 73 aircraft. As of December 31, 2010, we also have the right to cancel three firm EMBRAER 190 deliveries in 2012 or later, provided no more than two deliveries are canceled in any one year. Our aircraft delivery schedule is as follows:

	Firm			Option		
Year	Airbus A320	EMBRAER 190	Total	Airbus A320	EMBRAER 190	Total
2011	4	5	9			
2012	7	4	11		5	5
2013	7	7	14		10	10

2014	12	7	19	4	10	14
2015	15	7	22	4	10	14
2016	10	8	18		10	10
2017		8	8		10	10
2018		8	8		10	10
	55	54	109	8	65	73

Facilities

We occupy all of our facilities at each of the airports we serve under leases or other occupancy agreements. Our agreements for terminal passenger service facilities, which include ticket counter and gate space, operations support area and baggage service offices, generally have terms ranging from less than one year to five years, and contain provisions for periodic adjustments of rental rates, landing fees and other charges applicable under the type of lease. We also are responsible for maintenance, insurance, utilities and

Table of Contents

certain other facility-related expenses and services. We have entered into use arrangements at each of the airports we serve that provide for the non-exclusive use of runways, taxiways and other airport facilities. Landing fees under these agreements are typically based on the number of landings and the weight of the aircraft.

Our primary focus cities include New York s JFK, Boston, Fort Lauderdale, Long Beach, California, and Orlando. We also have a significant presence in San Juan, Puerto Rico.

In November 2005, we executed a lease agreement with the PANYNJ for the construction and operation of Terminal 5 which became our principal base of operations at JFK when we began to operate from it in October 2008. The lease term ends on October 22, 2038, the thirtieth anniversary of the date of our beneficial occupancy of the new terminal, and we have a one-time early termination option five years prior to the end of the scheduled lease term. In December 2010, we executed a supplement to this lease agreement for the Terminal 6 property adjacent to our operations at Terminal 5 for a term of five years.

Our operations at Boston s Logan International Airport are based at Terminal C where we operate 13 gates and 28 ticket counter positions.

Our West Coast operations are based at Long Beach Municipal Airport, or Long Beach, which serves the Los Angeles area. We operate five gates at Long Beach. In 2010, the Long Beach Airport began work on redevelopment efforts, including a new parking structure and new terminal, which is expected to open in 2013.

In Florida, our primary operations are at Orlando International Airport, or Orlando, and Fort Lauderdale-Hollywood International Airport, or Fort Lauderdale. We operate from Terminal A in Orlando with seven domestic and one international gate. In Fort Lauderdale, we operate from Terminal 3 with six domestic gates.

Our operations in San Juan, Puerto Rico are based at Luis Muñoz Marin International Airport, or San Juan, where we primarily use two gates and have access to two additional gates.

We lease a 70,000 square foot aircraft maintenance hangar and an adjacent 32,000 square foot office and warehouse facility at JFK to accommodate our technical support operations and passenger provisioning personnel. The ground lease for this site expires in 2030. In addition, we occupy a building at JFK where we store aircraft spare parts and perform ground equipment maintenance.

We also lease a flight training center at Orlando International Airport which is equipped with six full flight simulators, two cabin trainers, a training pool, classrooms and support areas. This facility is being used for the initial and recurrent training of our pilots and in-flight crew, as well as support training for our technical operations and airport crew. In addition, we lease a 70,000 square foot hangar at Orlando International Airport which is used by Live TV for the installation and maintenance of in-flight satellite television systems and aircraft maintenance. The ground leases for our Orlando facilities expire in 2035.

Our primary corporate offices are located in Forest Hills, New York, where we occupy space under a lease that expires in 2012, and our finance department is based in Darien, Connecticut, where we occupy space under a lease that also expires in 2012. We have executed a 12 year lease for our new corporate offices in Long Island City, New York, which we plan to take occupancy of beginning in 2012. Our office in Salt Lake City, Utah, where we occupy space under a lease that expires in 2014, contains a core team of employees who are responsible for group sales, customer service, at-home reservation agent supervision, disbursements and certain other finance functions.

At most other locations, our passenger and baggage handling space is leased directly from the airport authority on varying terms dependent on prevailing practice at each airport. We also maintain administrative offices, terminal, and other airport facilities, training facilities, maintenance facilities, and other facilities, in each case as necessary to support our operations in the cities we serve.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, we are party to various legal proceedings and claims which we believe are incidental to the operation of our business. We believe that the ultimate outcome of these proceedings to which we are currently a party will not have a material adverse effect on our business, financial position, results of operations or cash flows.

ITEM 4. [Reserved]

EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information concerning JetBlue s executive officers as of the date of this report follows. There are no family relationships between any of our executive officers.

David Barger, age 53, is our President and Chief Executive Officer. He has served in the capacity of Chief Executive Officer since May 2007 and in the capacity of President since June 2009. He is also a member of our Board of Directors. He previously served as our President from August 1998 to September 2007 and Chief Operating Officer from August 1998 to March 2007. From 1992 to 1998, Mr. Barger served in various management positions with Continental Airlines, including Vice President, Newark hub. He held various director level positions at Continental Airlines from 1988 to 1995. From 1982 to 1988, Mr. Barger served in various positions with New York Air, including Director of Stations.

Edward Barnes, age 46, is our Executive Vice President and Chief Financial Officer, a position he has held since November 2007. Mr. Barnes joined us in October 2006 as Vice President, Cost Management and Financial Analysis, and more recently served as Senior Vice President, Finance. His prior experience includes serving as Vice President, Controller of JDA Software from April 2005 through September 2006; Senior Vice President, Chief Financial Officer at Assisted Living Concepts from December 2003 to March 2005; and Vice President, Controller at Pegasus Solutions from June 2000 to December 2003. Previously, he served in various positions of increasing responsibility at Southwest Airlines Co. and America West Airlines, Inc., with his final position at America West as Vice President, Controller of The Leisure Company, their vacation packaging subsidiary. He is a Certified Public Accountant and a member of the AICPA.

Rob Maruster, age 39, is our Executive Vice President and Chief Operating Officer and has served in this capacity since June 2009. Mr. Maruster joined JetBlue in 2005 as Vice President, Operations Planning, after a 12-year career with Delta Air Lines in a variety of increasingly responsible leadership positions in the carrier s Marketing and Customer Service departments, culminating in being responsible for all operations at Delta s largest hub in Atlanta as Vice President, Airport Customer Service at Hartsfield-Jackson Atlanta International Airport. In 2006, Mr. Maruster was promoted to Senior Vice President, Airports and Operational Planning and in 2008, Mr. Maruster s responsibilities expanded to include the Customer Services group which included Airports, Inflight Services, Reservations, and System Operations.

Robin Hayes, age 44, is our Executive Vice President and Chief Commercial Officer. He joined JetBlue in August 2008 after nineteen years at British Airways. In his last role at British Airways, Mr. Hayes served as Executive Vice President for The Americas and before that he served in a number of operational and commercial positions in the UK and Germany.

James Hnat, age 40, is our Executive Vice President Corporate Affairs, General Counsel and Secretary and has served in this capacity since April 2007. He served as our Senior Vice President, General Counsel and Assistant Secretary since March 2006 and as our General Counsel and Assistant Secretary from February 2003 to March 2006. Mr. Hnat is a member of the bar of New York and Massachusetts.

Don Daniels, age 43, is our Vice President and Chief Accounting Officer, a position he has held since May 2009. He served as our Vice President and Corporate Controller since October 2007. He previously served as our Assistant

Controller since July 2006 and Director of Financial Reporting since October 2002.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY; RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NASDAQ Global Select Market under the symbol JBLU. The table below shows the high and low sales prices for our common stock.

	High	Low
2009 Quarter Ended		
March 31	$ 7.74	$ 2.81
June 30	6.40	3.44
September 30	6.87	4.08
December 31	6.39	4.74
2010 Quarter Ended		
March 31	$ 6.03	$ 4.64
June 30	6.95	5.14
September 30	6.75	5.21
December 31	7.60	6.31

As of January 31, 2011, there were approximately 655 holders of record of our common stock.

We have not paid cash dividends on our common stock and have no current intention of doing so, in order to retain our earnings to finance the expansion of our business. Any future determination to pay cash dividends will be at the discretion of our Board of Directors, subject to applicable limitations under Delaware law, and will be dependent upon our results of operations, financial condition and other factors deemed relevant by our Board of Directors.

Table of Contents

Stock Performance Graph

This performance graph shall not be deemed filed with the SEC or subject to Section 18 of the Exchange Act, nor shall it be deemed incorporated by reference in any of our filings under the Securities Act of 1933, as amended.

The following line graph compares the cumulative total stockholder return on our common stock with the cumulative total return of the Standard & Poor s 500 Stock Index and the AMEX Airline Index from December 31, 2005 to December 31, 2010. The comparison assumes the investment of $100 in our common stock and in each of the foregoing indices and reinvestment of all dividends. The stock performance shown represents historical performance and is not representative of future stock performance.

	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
JetBlue Airways Corporation	$ 100	$ 92	$ 38	$ 46	$ 35	$ 43
S&P 500 Stock Index	100	116	122	77	97	112
AMEX Airline Index(1)	100	106	61	43	59	82

(1) As of December 31, 2010, the AMEX Airline Index consisted of Alaska Air Group Inc., AMR Corporation, Delta Air Lines, Inc., Gol Linhas Aereas Inteligentes, JetBlue Airways Corporation, US Airways Group, Inc., Lan Airlines SA, Southwest Airlines Company, Ryanair Holdings plc., SkyWest, Inc, Tam S.A., and United Continental Holdings.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following financial information for the five years ended December 31, 2010 has been derived from our consolidated financial statements. This information should be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this report.

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(in millions, except per share data)				
Statements of Operations Data:					
Operating revenues	$ 3,779	$ 3,292	$ 3,392	$ 2,843	$ 2,364
Operating expenses:					
Aircraft fuel and related taxes	1,115	945	1,397	968	786
Salaries, wages and benefits (1)	891	776	694	648	553
Landing fees and other rents	228	213	199	180	158
Depreciation and amortization (2)	220	228	205	176	151
Aircraft rent	126	126	129	124	103
Sales and marketing	179	151	151	121	104
Maintenance materials and repairs	172	149	127	106	87
Other operating expenses (3)	515	419	377	350	294
Total operating expenses	3,446	3,007	3,279	2,673	2,236
Operating income	333	285	113	170	128
Other income (expense) (4)	(172)	(181)	(202)	(139)	(129)
Income (loss) before income taxes	161	104	(89)	31	(1)
Income tax expense (benefit)	64	43	(5)	19	6
Net income (loss)	$ 97	$ 61	$ (84)	$ 12	$ (7)
Earnings (loss) per common share:					
Basic	$ 0.36	$ 0.24	$ (0.37)	$ 0.07	$ (0.04)
Diluted	$ 0.31	$ 0.21	$ (0.37)	$ 0.06	$ (0.04)
Other Financial Data:					
Operating margin	8.8%	8.6%	3.3%	6.0%	5.4%
Pre-tax margin	4.3%	3.2%	(2.6)%	1.1%	(0.1)%
Ratio of earnings to fixed charges (5)	1.59x	1.33x			
Net cash provided by (used in) operating activities	$ 523	$ 486	$ (17)	$ 358	$ 274
Net cash used in investing activities	(696)	(457)	(247)	(734)	(1,307)
Net cash provided by (used in) financing activities	(258)	306	635	556	1,037

(1) In 2010, we incurred approximately $9 million in one-time implementation expenses related to our new customer service system.

(2) In 2008, we wrote-off $8 million related to our temporary terminal facility at JFK.

(3) In 2009, 2008, 2007, and 2006, we sold two, nine, three, and five aircraft, respectively, which resulted in gains of $1 million, $23 million, $7 million, and $12 million, respectively. In 2010, we recorded an impairment loss of $6 million related to the spectrum license held by our LiveTV subsidiary. In 2010, we also incurred approximately $13 million in one-time implementation expenses related to our new customer service system.

(4) In 2008, we recorded $13 million in additional interest expense related to the early conversion of a portion of our 5.5% convertible debentures due 2038 and a $14 million gain on extinguishment of debt. In December 2008, we recorded a holding loss of $53 million related to the valuation of our auction rate securities.

(5) Earnings were inadequate to cover fixed charges by $135 million, $11 million, and $27 million for the years ended December 31, 2008, 2007, and 2006, respectively.

	As of December 31,				
	2010	2009	2008 (in millions)	2007	2006
Balance Sheet Data:					
Cash and cash equivalents	$ 465	$ 896	$ 561	$ 190	$ 10
Investment securities	628	246	244	611	689
Total assets	6,593	6,549	6,018	5,592	4,839
Total debt	3,033	3,304	3,144	3,022	2,804
Common stockholders equity	1,654	1,546	1,270	1,050	972

	Year Ended December 31,				
	2010	2009	2008	2007	2006
Operating Statistics (unaudited):					
Revenue passengers (thousands)	24,254	22,450	21,920	21,387	18,565
Revenue passenger miles (millions)	28,279	25,955	26,071	25,737	23,320
Available seat miles (ASMs)(millions)	34,744	32,558	32,442	31,904	28,594
Load factor	81.4%	79.7%	80.4%	80.7%	81.6%
Aircraft utilization (hours per day)	11.6	11.5	12.1	12.8	12.7
Average fare	$ 140.69	$ 130.67	$ 139.56	$ 123.28	$ 119.75
Yield per passenger mile (cents)	12.07	11.30	11.73	10.24	9.53
Passenger revenue per ASM (cents)	9.82	9.01	9.43	8.26	7.77
Operating revenue per ASM (cents)	10.88	10.11	10.45	8.91	8.27
Operating expense per ASM (cents)	9.92	9.24	10.11	8.38	7.82
Operating expense per ASM, excluding fuel (cents)	6.71	6.33	5.80	5.34	5.07
Airline operating expense per ASM (cents) (5)	9.71	8.99	9.87	8.27	7.76
Departures	225,501	215,526	205,389	196,594	159,152
Average stage length (miles)	1,100	1,076	1,120	1,129	1,186
Average number of operating aircraft during period	153.5	148.0	139.5	127.8	106.5
Average fuel cost per gallon, including fuel taxes	$ 2.29	$ 2.08	$ 3.08	$ 2.18	$ 2.08
Fuel gallons consumed (millions)	486	455	453	444	377
Full-time equivalent employees at period end (5)	11,121	10,704	9,895	9,909	9,265

(5) Excludes results of operations and employees of LiveTV, LLC, which are unrelated to our airline operations and are immaterial to our consolidated operating results.

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

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

Revenue passenger miles represents the number of miles flown by revenue passengers.

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

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

Aircraft utilization represents the average number of block hours operated per day per aircraft for the total fleet of aircraft.

Table of Contents

Average fare represents the average one-way fare paid per flight segment by a revenue passenger.

Yield per passenger mile represents the average amount one passenger pays to fly one mile.

Passenger revenue per available seat mile represents passenger revenue divided by available seat miles.

Operating revenue per available seat mile represents operating revenues divided by available seat miles.

Operating expense per available seat mile represents operating expenses divided by available seat miles.

Operating expense per available seat mile, excluding fuel represents operating expenses, less aircraft fuel, divided by available seat miles.

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

Average fuel cost per gallon represents total aircraft fuel costs, including fuel taxes and effective portion of fuel hedging, divided by the total number of fuel gallons consumed.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are an award winning airline with a differentiated product and a commitment to customer service that offers competitive fares primarily on point-to-point routes. Our value proposition includes operating a young, fuel efficient fleet with more legroom than any other domestic airline s coach product, free in-flight entertainment, pre-assigned seating, unlimited snacks, and the airline industry s only Customer Bill of Rights. At December 31, 2010, we served 63 destinations in 21 states, Puerto Rico, and eleven countries in the Caribbean and Latin America and operated over 650 flights a day with a fleet of 115 Airbus A320 aircraft and 45 EMBRAER 190 aircraft.

In 2010, we reported net income of $97 million and an operating margin of 8.8%, as compared to net income of $61 million and an operating margin of 8.6% in 2009. The year-over-year improvement in our financial performance was primarily a result of an 8% increase in our average fares and 7% increase in capacity, offset by a 10% increase in our realized fuel price.

Our goal is to become the Americas Favorite Airline for our employees (whom we refer to as crewmembers), customers and shareholders. Our achieving this goal is dependent upon continuing to provide superior customer service and delivering the JetBlue Experience. Our financial strategy currently includes a commitment to attaining positive free cash flow and long-term sustainable growth while also maintaining an adequate liquidity position. Our commitment to these goals drives a focus on controlling costs, maximizing unit revenues, managing capital expenditures, and disciplined growth.

Our disciplined growth begins with managing the growth, size and age of our fleet. In 2010, we continued to carefully manage the size of our fleet in order to support a sustainable growth rate. As a result, aircraft capital expenditures were significantly reduced from previous years. We modified our Airbus A320 purchase agreement in February and October 2010 resulting in the deferral of 16 aircraft previously scheduled for delivery in 2011 through 2013 to 2015 and 2016. We also modified our EMBRAER 190 purchase agreement in August 2010, canceling two EMBRAER 190 aircraft previously scheduled for delivery in 2012. With new opportunities, including the coveted slots at Washington s Reagan National we acquired via a slot swap during 2010 and further growth opportunities particularly in Boston and the Caribbean, we leased six used Airbus A320 aircraft under individual six year operating leases, which were in addition to our purchase commitments with Airbus. During the year, in addition to the six leased A320s, we also increased the size of our EMBRAER 190 operating fleet by four aircraft. We may further modify our fleet growth through additional aircraft sales, leasing of aircraft, returns of leased aircraft and/or deferral of aircraft deliveries.

Our disciplined growth also includes the optimization of our route network by focusing on key regions, including Boston, New York, the Caribbean and Latin America, continuing our focus on attracting business customers while also building upon our leisure markets, strong visiting friends and relatives, or VFR, travel, and continued expansion of our portfolio of strategic commercial partnerships. We added three new destinations in 2010, compared to eight new destinations that were added in 2009 and two that were added in 2008. We commenced service to Punta Cana, Dominican Republic in May 2010, Ronald Reagan National Airport in Washington, DC and Hartford, CT in November 2010. We began service to Providenciales, Turks and Caicos Islands in February 2011 and have announced plans to commence service to Anchorage, Alaska and Martha s Vineyard, MA in May 2011. During 2010, we strengthened our position as the largest carrier in Boston by adding six new destinations from Boston and we announced plans to increase our presence in San Juan, Puerto Rico by adding new service and increased frequencies. We also continue to build upon our presence in the Caribbean and Latin America where we have approximately 23% of our capacity, and we expect this number to continue to grow in 2011. We believe that optimizing our schedule across our network has both increased our relevance to the business traveler, particularly in Boston, as well as to the leisure and VFR travelers in the Caribbean and Latin America. We expect that we will continue to diversify our network in order to further grow and strengthen our network. In 2011, we plan to continue our focus on Boston and Caribbean expansion.

Table of Contents

During 2010, we also focused on building our portfolio of strategic commercial partnerships with several international carriers. We believe these agreements provide additional revenue opportunities for us and increased travel benefits and opportunities to our customers by allowing access to diverse international markets and a seamless check-in process. Our current partnerships are structured with gateways at either JFK, Boston or Washington DC, allowing access for international travelers on many of our key domestic and Caribbean routes. Our partners currently include Deutsche Lufthansa AG, one of the world s preeminent airlines and our largest shareholder; Cape Air, an airline that services destinations out of Boston and San Juan, Puerto Rico; Aer Lingus, an airline based in Dublin, Ireland; American Airlines; South African Airways, Africa s most awarded airline; El Al Israel Airlines, Israel s national airline; and Emirates, one of the world s largest international carriers.

In November 2009, we launched an improved version of our customer loyalty program, TrueBlue. The program was re-designed based on customer feedback, and is aimed at making our frequent flyer benefits more robust, rewarding, and flexible. TrueBlue points are earned based on the value paid for a flight as opposed to the length of travel. Under the enhanced program, there are no blackout dates for award flights and points expirations can be extended. Based on extensive customer surveys, we believe this enhanced program will make our product more appealing to the business customer.

In addition to our new TrueBlue loyalty program, our new integrated customer service system, which includes a reservations system, revenue management system and revenue accounting system, was implemented in January 2010. We believe transitioning to this new platform has enabled us to enhance our product and has positioned us well for our long term growth. Benefits from this new system include added flexibility in the complex environments in which we operate, increased participation in global distribution systems, or GDS, which in turn contributes to higher yielding traffic, enhanced opportunities with respect to commercial partnerships, additional ancillary revenue opportunities, improved functionality of our website, and improved revenue management capabilities.

During 2010, we also invested substantially in other IT infrastructure improvements and upgrades. In addition to the increased functionality, we believe these improvements have enabled us to better serve our customers and handle our day to day operations, whereas our previous infrastructure might not have been able to continue to sustain our operations, especially in times of severe irregular operations.

We derive our revenue primarily from transporting passengers on our aircraft. Passenger revenue accounted for 90% of our total operating revenues for the year ended December 31, 2010. Revenues generated from international routes, excluding Puerto Rico, accounted for 16% of our total passenger revenues in 2010. Revenue is recognized either when transportation is provided or after the ticket or customer credit expires. We measure capacity in terms of available seat miles, which represents the number of seats available for passengers multiplied by the number of miles the seats are flown. Yield, or the average amount one passenger pays to fly one mile, is calculated by dividing passenger revenue by revenue passenger miles.

We strive to increase passenger revenue primarily by increasing our yield per flight which produces higher revenue per available seat mile, or RASM. Our objective is to optimize our fare mix to increase our overall average fare and, in certain markets, utilize our network to maximize connecting opportunities while continuing to provide our customers with competitive fares. When we enter a new market our fares are designed to stimulate demand, particularly from fare-conscious leisure and business travelers who might otherwise have used alternate forms of transportation or would not have traveled at all. In addition to our regular fare structure, we frequently offer sale fares with shorter advance purchase requirements in most of the markets we serve and match the sale fares offered by other airlines. Passenger revenue also includes revenue from our Even More Legroom, or EML, ancillary product enhancement.

Other revenue consists primarily of fees charged to customers in accordance with our published policies relating to reservation changes and baggage limitations, the marketing component of TrueBlue point sales, concession revenues,

revenues associated with transporting mail and cargo, rental income and revenues earned by our subsidiary, LiveTV, LLC, for the sale of, and on-going services provided for, in-flight entertainment systems on other airlines.

Table of Contents

We maintain one of the lowest cost structures in the industry relative to the product we offer due to the young average age of our fleet, a productive non-union workforce, and cost discipline. In 2011, we plan to continue our focus on cost control while improving the JetBlue Experience for our customers. The largest components of our operating expenses are aircraft fuel and related taxes and salaries, wages and benefits provided to our crewmembers. Unlike most airlines, we have a policy of not furloughing crewmembers during economic downturns, and a non-union workforce, which we believe provides us with more flexibility and allows us to be more productive. The price and availability of aircraft fuel, which is our single largest operating expense, are extremely volatile due to global economic and geopolitical factors that we can neither control nor accurately predict. Sales and marketing expenses include advertising, fees paid to credit card companies, and commissions paid for our participation in GDSs and OTAs. We believe our distribution costs tend to be lower than those of most other airlines on a per unit basis because the majority of our customers book directly through our website. Maintenance materials and repairs are expensed when incurred unless covered by a third party services contract. Because the average age of our aircraft is 5.4 years, all of our aircraft currently require less maintenance than they will in the future. Our maintenance costs will increase significantly, both on an absolute basis and as a percentage of our unit costs, as our fleet ages. Other operating expenses consist of purchased services (including expenses related to fueling, ground handling, skycap, security and janitorial services), insurance, personnel expenses, cost of goods sold to other airlines by LiveTV, professional fees, passenger refreshments, supplies, bad debts, communication costs, gains on aircraft sales and taxes other than payroll and fuel taxes.

During 2010 fuel prices remained volatile, increasing 10% over average 2009 prices. We actively manage our fuel hedge portfolio by entering into a variety of fuel hedge contracts in order to provide some protection against volatility and further increases in fuel prices. In total, we effectively hedged 51% of our total 2010 fuel consumption. As of December 31, 2010, we had outstanding fuel hedge contracts covering approximately 37% of our forecasted consumption for the first quarter of 2011, 28% for the full year 2011, and 6% for the full year 2012. We will continue to monitor fuel prices closely and intend to take advantage of fuel hedging opportunities as they become available.

The airline industry is one of the most heavily taxed in the U.S., with taxes and fees accounting for approximately 16% of the total fare charged to a customer. Airlines are obligated to fund all of these taxes and fees regardless of their ability to pass these charges on to the customer. Additionally, if the TSA changes the way the Aviation Security Infrastructure Fee is assessed, our security costs may be higher.

The airline industry has been intensely competitive in recent years, due in part to persistently high fuel prices and the adverse financial condition of many of the domestic airlines, leading to significant consolidation, bankruptcies and liquidation. In 2010, industry consolidation activities continued and further impacted the competitive landscape, most notably with the merger of United Airlines and Continental Airlines, which created the world s largest airline and became effective in October 2010, on the heels of the Delta Air Lines and Northwest Airlines merger in 2009. Additionally, in September 2010, low cost carrier Southwest Airlines announced plans to acquire AirTran Airways.

We continue to focus on maintaining an adequate liquidity level. Our goal is to continue to be diligent with our liquidity, thereby managing our capital expenditures to accommodate a sustainable growth plan. We have manageable scheduled debt maturities in 2011 totaling approximately $185 million, which we believe will enable us to achieve our liquidity goals.

Our ability to be profitable in this competitive environment depends on, among other things, continuing to provide high quality customer service, operating at costs equal to or lower than those of our competitors and maintaining adequate liquidity levels. Although we have been able to raise capital and continue to grow in recent years, the highly competitive nature of the airline industry and the impact of economic conditions could prevent us from attaining the passenger traffic or yields required to be profitable in new and existing markets.

The highest levels of traffic and revenue on our routes to and from Florida are generally realized from October through April and on our routes to and from the western United States in the summer. Our VFR markets continue to complement our leisure-driven markets from both a seasonal and day of week perspective. Many of our areas of operations in the Northeast experience bad weather conditions in the winter, causing increased costs associated with de-icing aircraft, cancelled flights and accommodating displaced customers.

Our Florida and Caribbean routes experience bad weather conditions in the summer and fall due to thunderstorms and hurricanes. As we enter new markets we could be subject to additional seasonal variations along with competitive responses to our entry by other airlines. Given our high proportion of fixed costs, this seasonality may cause our results of operations to vary from quarter to quarter. As such, we are currently focused on trying to reduce the seasonal impact of our operations and increase demand and travel during the trough periods.

Outlook for 2011

We anticipate that our continued focus in 2011 will be on our long-term sustainable growth goals and positioning our airline for the future. We intend to do so by actively managing capital expenditures, maintaining a rigorous focus on cost control and optimizing unit revenues while continuing to manage risk in an uncertain and volatile economic and industry environment. We will continue to rationalize capacity to take advantage of market opportunities and seek to balance the peaks and trough periods of the travel markets. In addition, we continuously look to expand our other ancillary revenue opportunities and enhance the JetBlue Experience for all of our customers, leisure and business travelers alike.

For the full year, we expect our operating capacity to increase approximately 7% to 9% over 2010 with the net addition of four Airbus A320 aircraft and four EMBRAER 190 aircraft to our operating fleet, most of which will be deployed in our Boston and Caribbean markets. Assuming fuel prices of $2.89 per gallon, including fuel taxes and net of effective hedges, our cost per available seat mile for 2011 is expected to increase by 8% to 10% over 2010. This expected increase is a result of higher maintenance costs due to the aging of our fleet, expected increase in fuel prices, and higher salaries and wages due to pay scale adjustments, additional headcount and higher cost of healthcare benefits.

Results of Operations

During 2010, overall economic conditions strengthened and the demand for domestic leisure and business air travel improved significantly from 2009 conditions. Improving yields and capacity reductions by our competitors have enhanced our ability to grow in regions and on routes where we see the most opportunity. Average fares for the year increased 8% over 2009 to $140.69 and load factor increased 1.7 points to 81.4% from the full year 2009. Throughout 2010, we made efforts to improve revenue performance during off-peak travel periods by attracting new customers, continuing to refine our product and the JetBlue experience, and offering fare sales and promotions when the markets allowed.

Our on-time performance, defined by the DOT as arrivals within 14 minutes of schedule, was 75.7% in 2010 compared to 77.5% in 2009. Our on-time performance throughout the year and on a year-over-year basis remained challenged by the fact that a significant percentage of our flights operate out of three of the most congested and delay-prone airports in the U.S.

Year 2010 Compared to Year 2009

We reported net income of $97 million in 2010 compared to net income of $61 million in 2009. In 2010, we had operating income of $333 million, an increase of $48 million over 2009, and an operating margin of 8.8%, up 0.2 points from 2009. Diluted earnings per share were $0.31 for 2010 compared to diluted earnings per share of $0.21 for 2009.

Operating Revenues. Operating revenues increased 15%, or $487 million, primarily due to a 16% increase in passenger revenues. The $478 million increase in passenger revenues was attributable to a 7% increase in capacity with a 7% increase in yield and a 1.7 point increase in load factor over 2009, amounts which include capacity reductions during the initial cutover period to our new customer service system in the first quarter of 2010. Included in this amount is a $14 million increase in Even More Legroom revenue as a result of increased capacity and revised pricing.

Other revenues increased 3%, or $9 million, primarily due to a $10 million increase in marketing related revenues, higher excess baggage revenue of $4 million and increased rates for certain ancillary services during 2010. Other revenue also increased $3 million due to higher inflight food and beverage sales, but was offset by a $10 million reduction in change fees and reservation fees as a result of high levels of change fee waivers during the first half of 2010 in conjunction with our new system migration.

Table of Contents

Operating Expenses. Operating expenses increased 15%, or $439 million, primarily due to higher fuel prices and an increase in other operating expenses, including the one time implementation related expenses of our new customer service system, overall higher technology infrastructure costs, and a one-time impairment charge. Additionally, operating expenses increased due to higher salaries, wages and benefits related to pilot pay increases implemented in mid 2009, increased sales and marketing expenses due to higher fares and increased GDS participation, and increased maintenance and variable costs. We had on average five additional average aircraft in service in 2010 and operating capacity increased approximately 7% to 34.74 billion available seat miles in 2010. Operating expenses per available seat mile increased 7% to 9.92 cents. Excluding fuel, our cost per available seat mile increased 6% in 2010. In detail, operating costs per available seat mile were (percent changes are based on unrounded numbers):

	Year Ended December 31,		Percent
	2010	2009	Change
	(in cents)		
Operating expenses:			