
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2002
- 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
(State or other jurisdiction of
Identification No.)

87-0617894
(I.R.S. Employer
incorporation or organization)

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

Registrant's telephone number, including area code: **(718) 709-3026**

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$0.01 par value
(Title of class)

Participating Preferred Stock Purchase Rights
(Title of class)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 28, 2002 was approximately \$215,350,595 (based on the last reported sale price on the Nasdaq National Market on that date). The number of shares outstanding of the registrant's common stock as of January 31, 2003 was 63,784,462 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2003 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.

FORWARD-LOOKING INFORMATION

Statements in this Form 10-K report (or otherwise made by JetBlue or on JetBlue's behalf) contain various forward-looking statements within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended, 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, our expectations, beliefs, intentions or future strategies that are signified by the words "expects", "anticipates", "intends", "believes" or similar language. Our actual results and the timing of certain events could differ materially from those expressed in the forward-looking statements. All forward-looking statements included in this report are based on information available to us on the date of this report. It is routine for our internal projections and expectations to change as the year or each quarter in the year progress, and therefore it should be clearly understood that the internal projections and beliefs upon which we base our expectations may change prior to the end of each quarter or the year. Although these expectations may change, we may not inform you if they do. Our policy is generally to provide our expectations only once per quarter, and not to update that information until the next quarter.

You should understand that many important factors, in addition to those discussed in this report, could cause our results to differ materially from those expressed in the forward-looking statements. These factors include, in addition to other possible factors not listed:

- our ability to implement our growth strategy and our dependence on the New York market,
- our fixed obligations and our limited operating history,
- seasonal fluctuations in our operating results,
- increases in maintenance costs, fuel prices and interest rates,
- our competitive environment,
- increased potential of war or hostilities in Iraq, the Middle East or other regions,
- our reliance on sole suppliers and one type of aircraft,
- government regulation,
- our failure to properly integrate LiveTV or enforce its patents,
- the loss of key personnel and potential problems with our workforce including work stoppages, and
- continuing changes in the airline industry following the September 11th terrorist attacks and the increased risk of additional attacks.

PART I

ITEM 1. BUSINESS

Overview

JetBlue Airways Corporation, or JetBlue, is a low-fare, low-cost passenger airline that provides high-quality customer service primarily on point-to-point routes. We focus on serving underserved markets and large metropolitan areas that have high average fares, and we have a geographically diversified flight schedule that includes both short-haul and long-haul routes. We intend to maintain a disciplined growth strategy by increasing frequency on our existing routes and entering new markets.

We commenced service in February 2000 and established our primary base of operations at New York's John F. Kennedy International Airport, or JFK. On August 28, 2001, we began service at our West Coast base of operations, Long Beach Municipal Airport, which serves the Los Angeles area. As of February 14, 2003, we operated 180 flights per day, including 80 daily flights between JFK and Florida, 22 daily flights between JFK and upstate New York and 32 daily flights between JFK and the western United States. We have flown over ten million passengers since commencing operations. JetBlue is the 11th largest passenger carrier in the United States based on revenue passenger miles for the year ended December 31, 2002.

To date, we have raised \$344 million of equity capital, which has enabled us, among other things, to acquire a fleet of new, single-class Airbus A320 aircraft. We are scheduled to add to our current operating fleet of 39 aircraft 48 new A320 aircraft by the end of 2007. We have an experienced management team and a strong company culture with a highly productive and incentivized workforce that strives to offer high-quality customer service, while at the same time operating efficiently and keeping costs low. We also have low operating costs, in part because we operate a single aircraft type with high utilization. Our widely available low fares are designed to stimulate demand, and we have demonstrated our ability to increase passenger traffic in the markets we serve. In addition, we offer our customers a differentiated product, including new aircraft, low fares, leather seats, free LiveTV (a 24-channel satellite TV service with programming provided by DIRECTV®) at every seat, pre-assigned seating and reliable operating performance.

While the airline industry suffered unprecedented losses in 2002 and 2001, we had net income of \$54.9 million and \$38.5 million for the years ended December 31, 2002 and 2001, respectively. We generated an operating margin in 2002 of 16.5% which was higher than all of the major U.S. airlines, according to reports by those airlines. Due to our low fares, our yields (the average amount one passenger pays to fly one mile) during 2002 were lower than all but one of the major U.S. airlines. However, our low fares together with our high quality service offering enabled us to generate a load factor (the percentage of aircraft seating capacity actually utilized) of 83.0%, higher than that reported by any of the major U.S. airlines, which had domestic load factors ranging from 59.5% to 73.8%, with a weighted average of 70.2% for the year ended December 31, 2002. In addition, we have maintained our high level of operating performance. For the year ended December 31, 2002, we completed 99.8% of our scheduled flights and our on-time performance was 85.7%, both of which were better than any of the major U.S. airlines.

The airline industry is highly competitive and we expect competition to continue in the future. Recent adverse economic conditions continue to put pressure on the airline industry, with two of the 11 major U.S. airlines in bankruptcy. In addition, in response to the growth in the market share of low-fare airlines, several major airlines have announced initiatives to meet the growing demand of fare-conscious travelers.

JetBlue was incorporated in Delaware in August 1998. 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 are accessible free of charge

at our website investor.jetblue.com. As used in this Form 10-K, the terms "JetBlue", "we", "us", "our" and similar terms refer to JetBlue Airways Corporation and its subsidiary, unless the context indicates otherwise.

Our Competitive Strengths

Low Operating Costs. For the year ended December 31, 2002, our cost per available seat mile of 6.43 cents was lower than any of the major U.S. airlines, which reported an average cost per available seat mile of 9.58 cents. Low unit costs allow us to offer fares low enough to stimulate new demand and to attract customers away from higher-priced competitors.

The key to our low unit costs is the high productivity of our assets and our employees. Some of the factors that contribute to our low unit costs are:

- *We utilize our aircraft efficiently.* For the year ended December 31, 2002, each of our aircraft operated an average of 12.9 hours per day, which we believe was higher than any major U.S. airline. By using our aircraft efficiently, we are able to spread our fixed costs over a greater number of flights and available seat miles. We achieve high aircraft utilization in several ways. New aircraft can be safely scheduled to fly more hours each day because they are more reliable and require less maintenance than older aircraft. In addition, we operate a number of "red eye" flights, which enable a portion of our fleet to remain productive through the night. Our aircraft are scheduled with minimum ground time to avoid unnecessary time spent at airport gates, which increases the number of daily flights per aircraft.
- *We currently operate only one type of aircraft, the technologically-advanced Airbus A320, with a single class of service.* Operating a fleet of identical aircraft leads to increased cost savings as maintenance issues are simplified, spare parts inventory requirements are reduced, scheduling is more efficient and training costs are lower. Flying a single type of aircraft also allows our employees to become highly knowledgeable about the A320, thereby increasing their efficiency and productivity. A single class of service simplifies our operations, enhances productivity, increases our capacity and offers an operating cost advantage.
- *Our workforce is productive.* We take great care to hire and train employees who are enthusiastic and committed to serving our customers and we incentivize them to be productive. Our employee productivity is created by greater fleet commonality, fewer unproductive labor work rules, use of part-time employees and the effective use of advanced technology. For example, most of our reservation sales agents work from their homes, providing us better scheduling flexibility and allowing employees to customize their desired schedules. Our compensation packages are designed to align the interest of our employees with our stockholders. A significant number of our employees, including FAA-licensed employees, participate in our stock option plan. All employees, including part-time employees, are eligible to participate in our profit sharing plan and our employee stock purchase plan.
- *We have low distribution costs.* Our distribution costs are low for several reasons. Unlike the major U.S. airlines that use a combination of ticketless travel and paper tickets, we do not use any paper tickets. Ticketless travel saves paper costs, postage, employee time and back-office processing expense. In addition, direct bookings by our customers save computer reservation systems fees. For the year ended December 31, 2002, 63.0% of our sales were booked on www.jetblue.com, our least expensive form of distribution, and 33.3% were booked through our reservation agents.

New All Airbus A320 Fleet. We have acquired a fleet of new aircraft. This has set JetBlue apart from most other low-fare airlines, both new and established, as many new entrants in the airline industry during the last 10 years began flying with a fleet of used aircraft. We currently operate 39

Airbus A320 aircraft, all of which were delivered to us new. Each aircraft is equipped with 162 leather seats in a comfortable single class layout. The A320 has a wider cabin than the Boeing 737 and 757, two comparable types of aircraft operated by many of our competitors. We are now the 10th largest A320 operator in the world as measured by weekly departures.

The A320 is fuel-efficient and very reliable. Since beginning operations, we have completed 99.7% of our scheduled flights and our on-time performance was 83.6%. These statistics illustrate the dedication of our employees and the reliability of the A320 aircraft.

The A320 is also a versatile aircraft. We fly the A320 in short-haul markets, such as between JFK and upstate New York and Vermont, as well as in long-haul markets, such as between JFK and California. We continually search for ways to improve our operating performance. For example, we have equipped our fleet with life rafts, life vests and high frequency radios, which enable us to avoid weather-related congestion on the East Coast by flying farther out over the Atlantic Ocean between New York and Florida.

Strong Brand. We believe that we have made significant progress in establishing a strong brand that helps to distinguish us from our competitors by identifying us as a safe, reliable, low-fare airline that is focused on customer service and that provides an enjoyable flying experience. We were voted the number one domestic airline in the *Conde Nast Traveler* 2002 Readers' Choice Awards out of all U.S. airlines and received the highest score of any airline in the *Conde Nast Traveler* 2002 Business Traveler Awards "coach-only" category. During 2002, we also received the Editor's Choice Award from *Worth* magazine, and we were named the number two domestic airline in the *Travel and Leisure* 2002 World's Best Awards and the "It" airline by *Entertainment Weekly*. In the 2001 Zagat Airline Survey, which covered 22 U.S. airlines, we were voted the number two airline in the United States in the "overall," "comfort" and "service" categories for coach travel, behind Midwest Express. To further enhance our brand loyalty, we implemented our customer loyalty program, TrueBlue Flight Gratitude, in June 2002.

Strong Company Culture. Our company culture is built around our five key values: safety, caring, integrity, fun and passion. The first step is hiring people who are friendly, helpful, team-oriented and customer-focused. We reinforce our culture through an extensive orientation program for new employees and by explaining to our employees the importance of customer service and the need to remain productive and keep our costs low. We communicate actively on a regular basis with all of our employees, keep them informed about events at the company and solicit feedback for ways to improve teamwork and their working environment. We also provide extensive training for our employees that emphasizes the importance of safety. Following September 11, 2001, we reinforced our commitment to our employees by not furloughing or terminating any of them.

Well-Positioned in New York, the Nation's Largest Travel Market. Our primary base of operations at New York's JFK airport provides us access to a market of approximately 21 million potential customers in the New York metropolitan area and approximately six million potential customers within 15 miles of the airport. Our location at JFK allows us to provide reliable service to our customers. While LaGuardia and Newark were congested throughout the day prior to September 11, 2001, JFK generally only experiences congestion from the late afternoon to the early evening when international traffic and the domestic traffic that feeds it are at their peak. This period, from 3:00 p.m. to 7:59 p.m., is regulated by the FAA's High Density Rule, which requires a slot or slot exemption for every landing and takeoff. While we have 75 daily slot exemptions at JFK that allow us to fly during this congested period, we schedule almost two-thirds of our flights outside of this period.

JFK's infrastructure and location also afford us a competitive advantage over airlines that operate through LaGuardia and Newark Airports, both of which have fewer runways, smaller facilities and greater domestic passenger traffic than JFK. JFK occupies over seven times the space of LaGuardia

and over twice the space of Newark. JFK has four runways, compared with LaGuardia's two intersecting runways and Newark's three runways, permitting more flight departures and arrivals per day at JFK than at Newark or LaGuardia. In addition, the Port Authority of New York and New Jersey is in the process of a \$10 billion JFK redevelopment project, which includes new terminals, improved roadways and construction of the AirTrain, a direct, light-rail link between JFK and the New York subway system and Long Island Rail Road. We believe that these improvements will make JFK more appealing to passengers and lead to more domestic passenger traffic at JFK.

Proven Management Team. We are led by a management team with significant airline industry experience, including experience at successful low-cost, customer-focused airlines, such as Southwest Airlines. Our top four executive officers average 20 years of experience in the airline industry. Our Chief Executive Officer, David Neeleman, was the president and one of the founders of Morris Air, a successful low-fare start-up airline that was acquired by Southwest Airlines in 1993. Mr. Neeleman was also instrumental in developing the Open Skies reservation system and in founding WestJet, a leading low-fare airline in Canada. David Barger, our President and Chief Operating Officer, was vice president in charge of Continental Airlines' Newark hub from 1994 to 1998, and has extensive experience managing airline operations in the New York area. He also has substantial experience working closely with the Port Authority of New York and New Jersey, which operates all three major New York airports. Our Chief Financial Officer, John Owen, was treasurer of Southwest Airlines from 1984 to 1998, where he gained extensive experience in aircraft purchase, lease and financing transactions. Thomas Kelly, our Executive Vice President and Secretary, has worked with David Neeleman for over 18 years and served as Executive Vice President and General Counsel of both Morris Air and Open Skies.

Advanced Technology. As a new airline, we have made use of advanced technology in many ways. For instance, all of our pilots use laptop computers in the cockpit to calculate the weight and balance and takeoff performance of the aircraft prior to departure. These laptops also allow our pilots to access manuals in an electronic format during the flight. We believe that only a limited number of airlines in the world have this pilot laptop capability. In addition, all of our travel is ticketless and we strongly emphasize bookings through our website. In response to the September 11, 2001 terrorist attacks, we commenced installation of four cabin security cameras on each of our aircraft. In 2002, we introduced customer self-service kiosks at JFK, Long Beach, Oakland and Fort Lauderdale with the plan to make this customer service improvement available at other locations in 2003.

Our Strategy

Our goal is to establish JetBlue as a leading low-fare passenger airline by offering customers a differentiated product and high-quality customer service. We strive to offer low fares that stimulate market demand while maintaining a continuous focus on cost-containment and operating efficiencies. We intend to follow a controlled growth plan designed to take advantage of our competitive strengths. Our growth has occurred, and we believe it will continue to occur, by adding additional frequencies on existing routes, connecting new city pairs among the destinations we already serve and entering new markets often served by higher-cost, higher-fare airlines. The key elements of our strategy are:

Stimulate Demand with Low Fares. Our widely available low fares and superior product offering are designed to stimulate demand, particularly from fare-conscious leisure and business travelers who might otherwise have used alternative forms of transportation or would not have traveled at all. We have seen this "JetBlue Effect" in several of our markets. For example, according to the DOT, in the fourth quarter of 1999, before we introduced our service, the average number of daily passengers flying between Buffalo, New York and all three New York City metropolitan airports was 584. For the fourth quarter of 2000, the average number of daily passengers flying in that market increased 75% to 1,020 of whom 441, or 43%, flew JetBlue. The average one-way fare paid also decreased 34%. We will

continue to pursue our core strategy of stimulating demand for travel by bringing low fares and new service to carefully selected markets.

Emphasize Low Operating Costs. We are committed to keeping unit costs low. We have achieved our low unit costs primarily by maintaining high aircraft utilization, operating a single aircraft type with a single class of service, using advanced technologies and employing an incentivized and productive workforce. We are focused on using technology to improve efficiency, and we believe that our ticketless reservation system, high percentage of bookings on our website and other initiatives will help us continue to keep our costs low. We plan to grow from our current operating fleet of 39 aircraft to 87 aircraft by the end of 2007. As we grow, we expect to benefit from economies of scale as our overhead and fixed costs are anticipated to grow at a slower rate than our capacity.

Offer Point-to-Point Flights to Overpriced or Underserved Large Markets. In considering new markets, we focus on point-to-point service to large metropolitan areas with high average fares or highly-traveled markets that are underserved. In determining which markets to select, we analyze publicly available data from the DOT showing the historical number of passengers, capacity and average fares over time in all U.S. city-pair markets. Using this data, combined with our knowledge and experience about how the same or comparable markets have behaved in the past when prices increased or decreased, we forecast the level of demand in a particular market that will result from the introduction of our service and lower prices, as well as the anticipated reaction of existing airlines in that market. Consistent with these criteria, we chose New York City as our principal base of operations. Although the New York area is the nation's largest travel market, prior to our entry it lacked significant low-fare domestic service.

We have a geographically diversified flight schedule from JFK that includes both short-haul and long-haul markets. Providing service on a diverse set of routes allows us to select the best possible markets and adjust our schedule to accommodate seasonal fluctuations in demand in certain markets. For example, we offer increased service on our New York-Florida routes in the winter when demand is higher. We believe this diversified and flexible approach makes us less vulnerable to competition from any single competitor. We intend to continue this flexible scheduling strategy in the future.

Our West Coast base of operations, Long Beach Municipal Airport, shares many of the same characteristics as New York. Los Angeles is the second-largest metropolitan area in the U.S. with more than 16 million inhabitants, of which over six million live within 20 miles of Long Beach. Average airfares from the Los Angeles area are generally high, other than fares to markets served by Southwest Airlines, which are primarily short-haul or long-haul connecting flights. In addition, Long Beach Municipal Airport has historically been underutilized for scheduled flights. We were awarded 27 out of Long Beach Municipal Airport's 41 daily non-commuter departure slots, leaving only 14 slots for other airlines. Of these, only nine are held by passenger airlines.

We intend to further penetrate our key markets by increasing the number of flights per day. We believe that this is important to customers who choose airlines based on low fares and convenient schedules. We intend to continue to emphasize point-to-point travel while also offering our customers convenient connections where we have the opportunity to do so. An emphasis on point-to-point travel allows us to utilize both our employees and facilities more efficiently. It also enables more customers to enjoy the convenience of non-stop travel and limits connecting flight delays and lost baggage.

Differentiate Our Product and Service. We believe that a key to our initial and long-term success is the fact that we offer customers a better alternative for airline travel. We offer our passengers a unique flying experience by providing new aircraft, leather seats, simple and low fares, free LiveTV at every seat, pre-assigned seating and reliable performance. We place a very high emphasis on customer service, especially when weather or mechanical problems disrupt service. We strive to communicate openly and honestly with customers about delays and provide free soft drinks and snacks to delayed

customers. Unlike most other airlines, we have a policy of not overbooking our flights. Based on customer feedback, we believe that passengers prefer our customer service to that of our competitors and that this high-quality service is an important reason why they choose us over other airlines. Since September 11, 2001, we have reinforced our commitment to safety by implementing additional security measures, including reinforcing all cockpit doors with bullet-resistant Kevlar and multiple titanium deadbolt locks capable of being opened only from within the cockpit, and commencing installation of four cabin security cameras on each aircraft with a live feed to the cockpit crew, and when on the ground, to our central operations center at JFK. In February 2002, Air Transport World awarded us their 2002 Market Development Award in recognition of our convention-breaking approach to the airline business.

Competition and Our Industry

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

Our competitors and potential competitors include major U.S. airlines, low-fare airlines, regional airlines and new entrant airlines. The major airlines are larger, have greater financial resources and serve more routes than we do. Some of these competitors have chosen to add service, reduce their fares or both, in some of our markets following our entry. They also use some of the same advanced technologies that we do, such as ticketless travel, laptop computers and website bookings.

Industry segments. The passenger airline industry in the United States has traditionally been dominated by the major U.S. airlines, the largest of which are American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, Southwest Airlines, United Air Lines and US Airways. The DOT defines the major U.S. airlines as those airlines with annual revenues of over \$1 billion, which currently consists of 11 passenger airlines. The major U.S. airlines offer scheduled flights to most large cities within the United States and abroad and also serve numerous smaller cities. Most major U.S. airlines have adopted the "hub and spoke" route system. This system concentrates most of an airline's operations at a limited number of hub cities, serving most other destinations in the system by providing one-stop or connecting service through the hub.

Regional airlines, such as Atlantic Coast Airlines and SkyWest Airlines, typically operate smaller aircraft on lower-volume routes than major U.S. airlines. In contrast to low-fare airlines, regional airlines generally do not try to establish an independent route system to compete with the major U.S. airlines. Rather, regional airlines typically enter into relationships with one or more major U.S. airlines under which the regional airline agrees to use its smaller aircraft to carry passengers booked and ticketed by the major U.S. airline between a hub of the major airline and a smaller outlying city.

Low-fare 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. There are three low-fare major U.S. airlines. Southwest Airlines, the largest low-fare, major U.S. airline, pioneered the low-cost model by operating a single aircraft fleet with high utilization, being highly productive in the use of its people and assets, providing a simplified fare structure and offering only a single class of seating. This enabled Southwest to offer fares that were significantly lower than those charged by other major U.S. airlines.

During the 1980s, industry consolidation, rapid increases in multi-type aircraft fleets, increases in labor costs and development of the "hub and spoke" system caused the cost structures of the major U.S. airlines to rise substantially. Although a number of low-fare airlines were created during the 1980s,

most of them eventually failed, primarily due to under-capitalization or flawed business plans. In the early 1990s, the domestic airline industry suffered substantial financial losses due to adverse economic conditions and reduced demand for air travel. The turmoil in the airline industry in the early 1990s created an opportunity for a new generation of low-fare airlines. Entrepreneurs capitalized on the availability of surplus aircraft, recently unemployed, experienced aviation professionals and airports with unused capacity.

While Southwest remains the largest low-fare airline today, other low-fare airlines have also been able to offer substantially lower fares than the major U.S. airlines. Low-fare airlines have been able to stimulate demand by attracting fare-conscious leisure and business passengers who might otherwise have used alternative forms of transportation or not traveled at all. As a result, low-fare airlines with an acceptable level of service and frequency have seen a migration of business travelers away from the major U.S. airlines. These trends have contributed to significant growth in the low-fare airline sector, with low fare airline market share doubling in the last five years to over 17% of domestic capacity.

Recent Developments. The terrorist attacks on September 11, 2001, in which four U.S. commercial aircraft were hijacked and crashed, dramatically affected the airline industry. U.S. airlines have experienced numerous difficulties in the wake of these tragic events, including but not limited to, a significant drop in demand for air travel, reduced traffic and yields, increased insurance and security costs and liquidity concerns. As a result, several of our East Coast competitors have reduced their capacity, including flights in our current and potential markets. US Airways eliminated its MetroJet operation, which was designed to compete with low-cost, low-fare airlines, such as Southwest and us. Delta Air Lines significantly reduced the capacity of its Delta Express service, which was its low-fare, leisure-oriented service provider in the Northeast and Midwest to Florida. This has provided opportunities for us to introduce new service and increase our number of flights between existing destinations. In November 2002, National Airlines ceased operations which resulted in us initiating our New York-Las Vegas service earlier than originally planned.

However, in response to the growing market share of low-fare airlines, several major airlines have announced initiatives to meet the increased demand of fare-conscious travelers. Delta Air Lines has announced the creation of a new low-fare subsidiary, which is intended to be more cost-competitive and provide a distinct brand and customer experience. It intends to offer simple, everyday low fares that are one-way and nonrefundable, starting initially on its Northeast to Florida markets. United Air Lines has also announced that it plans to create a separate low-cost airline to become more competitive in the leisure travel market.

Continuing adverse economic conditions have kept pressure on the airline industry. The major U.S. airlines reported operating losses of \$10 billion in each of 2001 and 2002. In response to these adverse financial results, some airlines have been reexamining their traditional business models and have taken actions in an effort to increase profitability, such as reducing capacity, furloughing or terminating employees, limiting service offerings, attempting to renegotiate labor contracts and reconfiguring flight schedules in order to increase aircraft utilization, as well as other efficiency and cost-cutting measures. However, despite these business model adjustments, financial losses have continued and US Airways and United Air Lines filed for Chapter 11 bankruptcy on August 11, 2002 and December 9, 2002, respectively. Additional airline bankruptcies and restructurings may occur, potentially resulting in substantial change in our industry, which could adversely affect our business.

Other Factors. Since deregulation of the airline industry in 1978, there has been continuing consolidation in the domestic airline industry. Further consolidation in the industry could result in a greater concentration of assets and resources among the major U.S. airlines. The more recent trend is the formation of marketing alliances. These alliances generally provide for code-sharing, frequent flyer program reciprocity, coordinated flight schedules that provide for convenient connections and other joint marketing activities. These alliances also permit an airline to market flights operated by other

alliance airlines as its own. The benefits of broad networks offered to customers, such as the recently announced alliance between Northwest Airlines, Continental Airlines and Delta Air Lines, could attract more customers to these networks. We do not currently participate in any marketing alliances, which could harm our competitive ability. We do not interline or offer joint fares with other airlines, nor do we have any commuter feeder relationships.

The airline industry also faces competition from ground transportation alternatives. Video conferencing and other methods of electronic communication may add a new dimension of competition to the industry as business travelers seek lower-cost substitutes for air travel.

Routes and Schedules

We currently provide non-stop service from JFK to 17 cities in nine states and one city in Puerto Rico. The following table sets forth our weekday flight schedule from JFK as of February 14, 2003:

Destination	Round Trip Flights Schedule Per Day	Service Commenced
Fort Lauderdale, Florida	14	February 2000
Buffalo, New York	5	February 2000
Tampa, Florida	5	March 2000
Orlando, Florida	8	June 2000
Ontario, California	1	July 2000
Oakland, California	4	August 2000
Rochester, New York	4	August 2000
Burlington, Vermont	2	September 2000
West Palm Beach, Florida	8	October 2000
Salt Lake City, Utah	1	November 2000
Fort Myers, Florida	5	November 2000
Seattle, Washington	1	May 2001
Syracuse, New York	2	May 2001
Denver, Colorado	1	May 2001
New Orleans, Louisiana	1	July 2001
Long Beach, California	5	August 2001
San Juan, Puerto Rico	3	May 2002
Las Vegas, Nevada	3	November 2002

Later in February 2003, we expect to add a fourth daily flight from JFK to Las Vegas and a sixth daily flight between JFK and Long Beach. We also plan to add two additional round-trip flights between JFK and Oakland and a seventh daily flight to Long Beach by June 2003. We believe we are one of the top two carriers in number of flights flown per day between the New York metropolitan area and Fort Lauderdale, the most-traveled route in the nation as measured by the average number of passengers flown per day.

The following table sets forth our weekday flight schedule from our West Coast base of operations, Long Beach, as of February 14, 2003, for destinations other than JFK:

Destination	Round Trip Flights Schedule Per Day	Service Commenced
Washington, D.C. (Dulles Airport)	2	May 2002
Oakland, California	7	September 2002
Las Vegas, Nevada	3	October 2002
Salt Lake City, Utah	1	October 2002

In May 2003, we will initiate from Long Beach three daily round-trip flights to Atlanta, GA and one daily round-trip flight to Fort Lauderdale, along with adding our third round-trip flight between Long Beach and Dulles. In November 2001, we initiated twice-daily non-stop service from Dulles International Airport, near Washington D.C., to Fort Lauderdale. In May 2002, we initiated twice-daily non-stop service from Dulles to Oakland.

Our objective is to schedule a sufficient number of flights per day on each route to satisfy demand for our low-fare service. Since inception, we have flown over ten million passengers and have become JFK's largest domestic airline measured by passenger boardings. In selecting future markets, we intend to continue to follow this strategy of providing service primarily to underserved markets with high average fares. In addition, we will seek opportunities to offer point-to-point service between our existing cities.

High Quality Customer Service

We devote a great deal of time and attention to hiring employees who will treat customers in a friendly and respectful manner. The importance of providing caring customer service is also emphasized in training. In addition, our policies and procedures are designed to be customer-friendly. For example:

- all seats are pre-assigned;
- all travel is ticketless;
- our policy is not to overbook flights;
- fares are low and based on one-way travel;
- no Saturday night stay is required; and
- change fees are only \$25 per passenger, compared with amounts of \$75 to \$100 charged by most major U.S. airlines, except in certain markets where our competitors have matched our fee.

Our focus on customers is also evidenced by our fleet of all new aircraft with roomy leather seats, each equipped with free DIRECTV® and comfortable leg room with 32 inches between rows of seats.

Our customer commitment is also demonstrated by our exceptional operational performance. For the year ended December 31, 2002, based on our calculations for our data compared to the major U.S. airlines which are required to report such data to the DOT:

- our completion factor of 99.8% was higher than any of the major U.S. airlines, which had an average completion factor of 98.7% according to the DOT;
- our on-time performance of 85.7% was higher than all of the major U.S. airlines, which had an average on-time performance of 82.1% according to the DOT;

- our incidence of delayed, mishandled or lost bags of 2.33 per 1,000 customers was lower than any of the major U.S. airlines, which had an average of 3.84 delayed, mishandled or lost bags per 1,000 customers according to the DOT; and
- our rate of customer complaints to the DOT per 100,000 passengers was 0.43, compared to an average of 1.22 for the major U.S. airlines and second to Southwest Airlines, according to the DOT.

Customers are responding favorably to our customer-oriented policies, friendly service and reliable operations. In addition to our awards referred to above, we were named the best new airline by *Money* in October 2001. In January 2002, we were recognized as the Best Overall Airline for onboard service by *Onboard Magazine*. We also were awarded first prize in the Best Inflight/Onboard Service and Best Onboard Entertainment categories, and second prize in the Best Uniforms category.

Safety and Security

We are dedicated to ensuring the safety and security of our customers and employees. We have taken numerous measures, voluntarily and as required by regulatory authorities, to increase both the safety and security of our operations since the terrorist attacks of September 11, 2001.

On November 19, 2001, the President signed into law the Aviation and Transportation Security Act, or the Aviation Security Act, to enhance civil aviation security. This law federalized substantially all aspects of civil aviation security and required, among other things, the creation of the Transportation Security Administration, or the TSA, to oversee all aviation security, and the implementation of certain security measures by airlines and airports, such as the requirement that all passenger bags be screened for explosives. Funding for airline and airport security under the law is primarily provided by a new \$2.50 per enplanement ticket tax, with authority granted to the TSA to impose additional fees on the air carriers if necessary to cover additional federal aviation security costs. We are responsible through 2004 for costs in excess of this tax which may not exceed our security costs incurred in 2000. Implementation of the requirements of the Aviation Security Act will result in increased costs for us and our passengers. Although initially placed within the DOT, the TSA will soon be operating under the newly created Department of Homeland Security.

Since September 11, 2001, we have voluntarily implemented additional security measures, including the following:

- implementation of a systemwide positive bag match program;
- reinforcement of all cockpit doors with bullet-resistant Kevlar and multiple titanium deadbolt locks capable of being opened only from within the cockpit;
- commencement of the installation of four cabin security cameras on each aircraft with a live video feed to the cockpit crew, and when on the ground, to our central operations center at JFK;
- creation of a new officer position, Vice President for Security; and
- construction and the opening of new security screening check points at our JFK terminal.

In addition to these voluntary measures, we have complied fully with all new FAA and TSA security requirements and will continue to abide by all future security enhancement requirements. We are currently in the process of replacing our cockpit doors with the new FAA-mandated cockpit door design, which we expect to complete prior to the April 9, 2003 deadline.

Marketing and Distribution

Our primary marketing strategy is to attract new customers by widely communicating our value proposition that low fares and quality air travel need not be mutually exclusive. We market our services through advertising and promotions in newspapers, magazines, television and radio and through targeted public relations and promotional efforts. We have also relied on word-of-mouth to promote our brand.

We generally run special promotions in coordination with the inauguration of service into new markets. Starting approximately five weeks before the launch of a new route, we typically undertake a major advertising campaign in the target market and local media attention frequently focuses on the introduction of our low fares.

In order to attract customers to our website, we run promotions that provide discounts to customers who book reservations on www.jetblue.com. The percentage of our total sales booked on our website continues to increase and averaged 63.0% for the year ended December 31, 2002. Our second largest distribution channel is our reservation agents who account for 33.3% of our sales. This distribution mix creates significant cost savings for us and enables us to continue to build loyalty with our customers through increased interaction with them. Effective April 24, 2002, we eliminated commissions to travel agents, following most major airlines, which has not affected our overall bookings.

Customer Loyalty Program

JetBlue's customer loyalty program, TrueBlue Flight Gratitude, was launched in June 2002 and is an online program designed to reward and recognize our most loyal customers. The program offers incentives to increase travel on JetBlue and provides our customers with additional conveniences and features. TrueBlue members earn points for each one-way trip flown based on the length of the trip. A free round trip award to any JetBlue destination is earned after attaining 100 points within a consecutive twelve-month period. Awards are automatically generated and are valid for one year. Points are accumulated in an account for each member and expire after twelve months.

We account for our TrueBlue program obligations by recording a liability for the estimated incremental cost of the awards we expect to be redeemed. This method recognizes the average incremental cost to provide round trip transportation to one additional passenger. The estimated incremental cost includes direct passenger costs such as aircraft fuel, insurance, security, food and beverage, reservation costs and claims; it does not include any contribution to overhead or profit. The liability for free travel awards earned but not used was \$360,000 at December 31, 2002.

The number of estimated travel awards outstanding at December 31, 2002 was approximately 34,000 awards and includes an estimate for partially earned awards. The number of travel awards used during 2002 was approximately 470 which represented less than one percent of our total revenue passenger miles for that year. 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.

Pricing

Our low cost structure allows us to offer simplified, everyday low fares to our customers. We offer a range of fares, including 14-day, 7-day and 3-day advance purchase fares and a "walkup" fare in each of our markets. Our fares increase as the number of days prior to travel decreases, with our highest "walkup" fare generally at approximately twice the amount of our lowest 14-day advance purchase fare. Most major U.S. airlines have numerous fares carrying multiple, complex restrictions in any given market, many of which require a non-refundable advance purchase and a Saturday night stay in order to get lower fares. In contrast, we have only six basic fares. All of our fares are one-way and never require a Saturday night stay. However, our competitors have generally changed their restrictions to match ours in markets in which they compete with us. Our fares must be purchased at the time of reservation and are non-refundable, but any booking can be changed or cancelled prior to departure for only a \$25 change fee. Based on published fares at our time of entry, our advance purchase fares have been 30%–40% below those existing in markets prior to our entry, while our "walk-up" fares have been generally 60%–70% below major U.S. airlines' unrestricted "full coach" fares. Our low-fare service in the initial markets served from JFK was designed to stimulate demand and has demonstrated our ability to increase passenger traffic.

Yield Management

Yield management is an integrated set of business processes that provides us with the ability to understand markets, anticipate customer behavior and respond quickly to opportunities. We use yield management in an effort to maximize passenger revenues by flight, by market and across our entire system while maintaining high load factors.

The number of seats offered at each fare is established through a continual process of forecasting, optimization and competitive analysis. Generally, past booking history and seasonal trends are used to forecast anticipated demand. These historical forecasts are combined with current bookings, upcoming events, competitive pressures and other factors to establish a mix of fares that is designed to maximize revenue. Like all other major U.S. airlines, we employ a yield management system with sophisticated forecasting and optimization models to rapidly perform the economic tradeoffs required to determine the allocation of the number of seats available at different fares. This ability to accurately adjust seat allocations based on fluctuating demand patterns allows us to balance loads and capture more revenue from existing capacity.

While our yields were lower than all but one of the major U.S. airlines due to our low fares and higher average passenger trip length, our load factor of 83.0% for the year ended December 31, 2002 was higher than that of any major U.S. airline even though we have a policy of not overbooking our flights. We believe effective yield management has contributed to our strong financial performance and is a key to our continued success.

People

We believe that one of the factors differentiating us from our competitors is the high-quality service provided to our customers by our employees, whom we refer to as crewmembers. Experience indicates that our customers return not only because we offer low fares, but also because we provide them with a more enjoyable air travel experience. Hiring the best people and treating them as we expect our customers to be treated are essential to achieving this goal.

Full-time equivalent employees at December 31, 2002, consisted of 509 pilots, 788 flight attendants, 1,262 customer service and ramp operations personnel, 155 technicians, whom others refer to as mechanics, 577 reservation agents and 532 management and other personnel. At December 31, 2002, we employed 3,359 full-time and 652 part-time employees. Our employees are not unionized.

We enter into an individual employment agreement with each of our FAA-licensed employees, which include pilots, dispatchers and technicians. Each employment agreement is for a term of five

years and automatically renews for an additional five-year term unless either the employee or we elect not to renew it by giving notice at least 90 days before the end of the initial term. Pursuant to these agreements, these employees can only be terminated for cause. In the event of a downturn in our business, we are obligated to pay these employees a guaranteed level of employment income and to continue their benefits if they do not obtain other aviation employment. In addition, in the event we are sold to or consolidate with another company, we must request that the successor company place these employees on a preferential hiring list. If such employees are not hired by the successor company, in some cases they will be entitled to a severance payment of up to one year's salary.

We believe that we carefully select, train and maintain a productive workforce of caring, passionate, fun and friendly people who want to provide our customers with the best flying experience possible. We assist our employees by offering them flexible work hours, job sharing, initial paid training, free uniforms and benefits that begin on the date they start work. We also provide training for our pilots, flight attendants, technicians, customer service agents, dispatchers and reservation agents which emphasizes the importance of safety. Following the September 11, 2001 terrorist attacks, we reinforced our commitment to our employees by not furloughing or terminating any of them.

Part of our business plan is to reward our people by allowing them to share in our success and align personal successes with those of JetBlue. Our compensation packages include competitive salaries, wages and benefits, profit sharing and an employee stock purchase plan. In addition, a significant number of our employees, including FAA-licensed employees, participate in our stock option plan. We review our compensation packages on a regular basis in an effort to ensure that we remain competitive and are able to hire and retain the best people possible.

Maintenance

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

The maintenance performed on our aircraft can be divided into three general categories: line maintenance, maintenance checks and component overhaul and repair. Line maintenance consists of routine daily and weekly scheduled maintenance checks on our aircraft, including pre-flight, daily, weekly and overnight checks and any diagnostics and routine repairs. Although the majority of our line maintenance is performed by our own technicians, in certain circumstances we subcontract our line maintenance to outside organizations.

We utilize EADS Aeroframe Services, an affiliate of Airbus, to perform our maintenance checks under the oversight of our personnel. Maintenance checks consist of more complex inspections and servicing of the aircraft that cannot be accomplished during an overnight visit. These checks occur at least every 15 months and can range in duration from a few days to approximately a month, depending on the magnitude of the work prescribed in the particular check. Because all of our aircraft are new, our first scheduled heavy airframe structural inspection is not expected until 2004.

Component overhaul and repair involves sending certain parts, such as engines, landing gear and avionics, to third party FAA-approved maintenance repair stations for repair or overhaul. We utilize Pratt and Whitney and IHI, two of the joint venture partners who build our engines, for overhaul and repair of our engines. We anticipate that our first heavy engine overhaul will occur in 2003.

Aircraft Fuel

Fuel costs are our second-largest operating expense. We contract with a third party to provide fuel management services and negotiate with suppliers to provide fuel at the many locations we serve. The following chart summarizes our fuel consumption and costs:

	Years Ended December 31,		
	2002	2001	2000
Gallons consumed, in thousands	105,515	55,095	18,340
Total cost, in thousands	\$ 76,271	\$ 41,666	\$ 17,634
Average price per gallon (cents)	72.28	75.63	96.15
Percent of operating expenses	14.4%	14.2%	14.0%

Total cost and average price per gallon each exclude taxes and fueling services.

Fuel costs are extremely volatile, as they are subject to many global economic and geopolitical factors that we can neither control nor accurately predict. In 2001, we implemented a fuel hedging program under which we enter into crude oil option contracts to partially protect against significant increases in fuel prices. We cannot provide any assurance that our fuel hedging program is sufficient to protect us against significant increases in the price of fuel. Significant increases in fuel costs would have a material adverse effect on our operating results.

LiveTV, LLC

On September 27, 2002, we purchased all of the membership interests of LiveTV, LLC. LiveTV provides in-flight entertainment systems for commercial aircraft. The primary reason for the acquisition was to control the execution and marketing of an important aspect of our product. LiveTV's assets include the tangible equipment installed on JetBlue aircraft, spare parts in inventory and rights to all the patents and intellectual property used for live in-seat satellite television, XM Satellite Radio service, wireless aircraft data link service, cabin surveillance systems and Internet services. Although LiveTV's major competitors include Rockwell Collins, Thales Avionics, Boeing Connexion and Matsushita Avionics Systems, none of these companies currently offer in-seat live television. However, Delta has announced that Matsushita plans to develop in-seat live satellite TV service for its new Song subsidiary by October 2003.

LiveTV has a 12-year contract for the sale of certain hardware and installation, programming and maintenance of its live in-seat satellite television system with Frontier Airlines on its Airbus fleet and is pursuing additional customers.

Government Regulation

General. We are subject to regulation by the DOT, the FAA, the 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, in particular matters affecting air safety, such as airworthiness requirements for aircraft and pilot, mechanic, dispatcher and flight attendant certification. The civil aviation security functions of the FAA were transferred to the TSA under the Aviation Security Act. 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 we have the necessary FAA authority to fly to all of the cities that 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.

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. In March 2002, we successfully completed our two-year DOT financial, managerial fitness and safety compliance review. We are scheduled to complete our third DOT fitness and safety review by March 2003. A modification, suspension or revocation of any of our DOT or FAA authorizations or certificates could materially adversely affect our business.

Led by a new Under Secretary of Transportation, the TSA has assumed all civil aviation security responsibilities from the FAA, 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. Although initially placed within the DOT, the TSA will soon be operating under the newly created Department of Homeland Security.

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, which are administered by numerous state and federal agencies. Prior to our governmental certification, our projected operations, particularly at JFK, were studied in an FAA environmental assessment. The assessment was conducted for the FAA as part of the issuance of our operating and airworthiness authorizations and certificates, as well as for the DOT in conjunction with the granting of our slot exemption request at JFK. The finding of the assessment was that the environmental impact of our proposed operations would be *de minimis*.

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. These restrictions can include limiting nighttime operations, directing specific operational procedures during takeoff and limiting the overall number of aircraft flights at an airport. Long Beach Municipal Airport in Southern California has established an airport noise curfew prohibiting scheduled commercial operations between 10:00 p.m. and 7:00 a.m. This limitation serves to protect the local noise-sensitive communities surrounding the airport. Our scheduled flights at Long Beach Municipal Airport are in full compliance with the noise curfew limits. We do not believe this local ordinance will have a negative effect on our operations. In December 2002, we received notice from the Long Beach City Prosecutor that a misdemeanor criminal complaint was filed against us and two other airlines for violation of the airport's curfew as a result of irregular operations. We are in settlement discussions with the City Prosecutor's office.

Airport Access. JFK is one of three airports in the United States subject to the High Density Rule established by the FAA in 1968. The other airports subject to this rule are LaGuardia Airport and

Ronald Reagan Washington National Airport. This rule limits the number of scheduled flights at each of the subject airports during specified periods of time. At JFK, there is a limit on the number of scheduled flights from 3:00 p.m. to 7:59 p.m. During this period, all scheduled commercial aircraft, domestic and international, must possess an FAA-assigned slot or slot exemption in order to either arrive at or depart from JFK. Slots were created as a means of managing congestion at specified airports. A slot is an authorization to take off or land at a designated airport within a specified time period. Slot exemptions were created under the 1994 Federal Aviation Administration Authorization Act to enable qualified air carriers to fill voids in underserved markets and generate needed price competition in specific markets by obtaining access to otherwise slot-restricted airports.

We are able to operate at JFK throughout the day, including during the restricted slot-controlled period, as a result of the DOT granting our request for 75 daily slot exemptions in September 1999, under the 1994 Federal Aviation Administration Authorization Act. These slot exemptions phased in over a three-year period from the commencement of our operations at a rate of no more than 25 daily slot exemptions per year. Unlike the FAA-assigned slots held by other airlines at JFK, our slot exemptions, while functioning identically to an FAA-assigned slot, may not be sold, leased, rented or pledged. If we fail to maintain our use of a slot exemption, such slot exemption could be subject to forfeiture.

The only increase in domestic departures that can occur at JFK during the slot period is in the form of regional jet service to small and medium, non-hub airports by airlines currently using fewer than 20 slots, which were legislatively exempt from the High Density Rule. These airlines are eligible to receive, as we did, slot exemptions under the 1994 Federal Aviation Administration Authorization Act, as modified by the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century, signed into law in April 2000. The DOT and/or Congress could take action, administratively or legislatively, that could adversely impact our ability to operate at JFK. Under current law, federal slot restrictions are scheduled to be eliminated at LaGuardia and JFK on January 1, 2007.

Long Beach Municipal Airport is also a slot-controlled airport. However, the slot regime at Long Beach Municipal Airport is not federally mandated, but rather is 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. Unlike several of the airports subject to the federal High Density Rule, there are no plans to eliminate slot restrictions at the Long Beach Municipal Airport. In May 2001, we applied for, and were granted, the 27 daily departure slots then unallocated at Long Beach Municipal Airport. For each slot, we were required to provide the airport with a \$10,000 security deposit. We must also pay an additional \$5,000 per slot for each 90-day period after November 28, 2001, for each unused slot or those slots will be forfeited. All deposits for a given slot are refundable after six continuous months of slot utilization. Under the terms of our slot allocation from the city of Long Beach, we have until June 1, 2003 to utilize all 27 slots or each unused slot and the deposits associated with them are subject to forfeiture. Currently, we operate 18 daily roundtrip flights from Long Beach Municipal Airport and pay refundable security deposits on the remaining nine unused slots. Of the 14 remaining non-commuter slots not assigned to us, nine are used for domestic passenger service to two cities and five are used by air cargo operators. Until such time as we use the slots that were allocated to us, our slots remain available for other carriers to use on a temporary basis.

In February 2002, American Airlines requested four permanent slots from the City of Long Beach to initiate new service to both New York City and Chicago. In its request to the City of Long Beach, American indicated it would not accept slots for a temporary period of time pending the slots being called up for use by the slot holder of record, as the governing regulations permit. American indicated that, in its opinion, such regulations are contrary to federal law. If American is not satisfied with the actions of the City of Long Beach with respect to slot allocations, American has stated that it may pursue legal action against the City of Long Beach. The laws of the City of Long Beach, under which we obtained and hold our 27 slots, guarantee our access to all 27 slots so long as we continue our

timely quarterly payments on slots that are unused through May 2003. Although we believe that we will be able to maintain our unused slots until May 2003, we cannot predict the outcome of any legal action aimed at overturning the slot laws of the City of Long Beach. In addition, in March 2002, Alaska Airlines formally requested three slots, beginning in September, for proposed flights between Long Beach and Seattle. Other airlines may make similar requests. In June 2002, American Airlines began two daily nonstop roundtrip flights between Long Beach and each of Chicago O'Hare International Airport and JFK. These flights are being operated with temporary slots awarded by the airport manager, in lieu of the four permanent slots requested by American, and the temporary slots expire on March 6, 2003, at which time the slots revert to JetBlue. American Airlines has appealed the airport manager's decision not to award it permanent slots and has reiterated its willingness to litigate the matter. Alaska Airlines was also informed that its request for three permanent slots would not be granted and it was recently awarded three commuter slots for service to Seattle, which began in October 2002. Settlement negotiations are presently underway among the parties and we cannot assure you that we will be able to maintain all our slots.

Our slot exemptions at JFK and our departure slots at Long Beach offer us advantageous access to otherwise restricted facilities. At JFK, there are a finite number of slots held by incumbent airlines. If a carrier does not hold a slot, slot access to JFK can only be obtained through an agreement with a willing incumbent carrier holding unused slots and on terms the incumbent carrier dictates. During our formation, we found there were in fact no slots available at JFK on commercially reasonable terms. Further, while slot exemption access remains available for carriers meeting specific criteria, we believe this is not a likely way for a competitor to gain meaningful access to JFK. Consequently, through both our grant of JFK slot exemptions and our obtaining all of the unused slots at Long Beach, we have gained critical access to restricted airports centrally located in the nation's two largest metropolitan areas.

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 25% of our outstanding common stock may be voted by non-U.S. citizens. 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 Federal Communications Commission, or the FCC. To the extent we are subject to FCC requirements, we will take all necessary steps to comply with those requirements.

Our operations may become subject to additional federal requirements in the future under certain circumstances. For example, our labor relations are covered under Title II of the Railway Labor Act of 1926 and are subject to the jurisdiction of the National Mediation Board. In addition, during a period of past fuel scarcity, air carrier access to jet fuel was subject to allocation regulations promulgated by the Department of Energy. We are also subject to state and local laws and regulations at locations where we operate and the regulations of various local authorities that operate the airports we serve.

Future Regulation. Congress, the DOT, the FAA and other governmental agencies have under consideration, and in the future may consider and adopt, new laws, regulations and policies regarding a wide variety of matters that could affect, directly or indirectly, our operations, ownership and profitability. We cannot predict what other matters might be considered in the future by the FAA, the DOT or Congress, nor can we judge what impact, if any, the implementation of any future proposals or changes might have on our business.

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. Recently the Department of Defense implemented the Stage One activation of the Civil Reserve Air Fleet program as part of its preparation for potential war with Iraq. No JetBlue aircraft were affected by this.

Risks Related to JetBlue

Our failure to successfully implement our growth strategy could harm our business.

Our growth strategy involves increasing the frequency of flights to markets we currently serve, expanding the number of markets served, increasing flight connection opportunities and successfully establishing Long Beach Municipal Airport as our West Coast base of operations. Achieving our growth strategy is critical in order for our business to achieve economies of scale and to sustain or increase our profitability. Increasing the number of markets we serve depends on our ability to access suitable airports located in our targeted geographic markets in a manner that is consistent with our cost strategy. Operating only one aircraft type, the A320, is cost-efficient but it limits our ability to fly to markets too small to support a 162-seat aircraft operation and add frequency to smaller markets. We will also need to obtain additional gates at some of our existing destinations. Any condition that would deny, limit or delay our access to airports we seek to serve in the future will constrain our ability to grow. Opening new markets requires us to commit a substantial amount of resources, even before the new services commence. Expansion will also require additional skilled personnel, equipment and facilities. An inability to hire and retain skilled personnel or to secure the required equipment and facilities efficiently and cost-effectively may affect our ability to achieve our growth strategy. Other airlines have tried to establish a presence at Long Beach and have failed. We cannot assure you that we will be able to successfully expand our existing markets or establish new markets, and our failure to do so could harm our business.

We have a significant amount of fixed obligations and we will incur significantly more fixed obligations which could hurt our ability to meet our strategic goals.

As of December 31, 2002, our debt of \$712 million accounted for 63.2% of our total capitalization. All of our long-term and short-term debt has floating interest rates. In addition to long-term debt, we have a significant amount of other fixed obligations under operating leases related to our aircraft, airport terminal space, other airport facilities and office space. As of December 31, 2002, future minimum lease payments under noncancelable operating leases with initial or remaining terms in excess of one year were approximately \$290 million for 2003 through 2007 and an aggregate of \$379 million for the years thereafter.

As of December 31, 2002, after reflecting a February 2003 amendment, we had commitments of approximately \$1.86 billion to purchase 49 additional aircraft over the next five years, 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. We typically finance our aircraft through either secured debt or lease financing. We have arranged financing for our first five deliveries scheduled for 2003. Although we believe that debt and/or lease financing should be available for the remaining 44 firm aircraft deliveries, we cannot assure you that we will be able to secure such financing on terms acceptable to us or at all.

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 all of our debt has floating interest rates and five of our aircraft leases have variable-rate rent;

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- 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 flow, 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 cannot assure you that we will be able to generate sufficient cash flow from our operations to pay our debt and other fixed obligations as they become due, and our failure to do so could harm our business. If we are unable to make payments on our debt and other fixed obligations, we could be forced to renegotiate those obligations or obtain additional equity or debt financing. 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. We cannot assure you that our renegotiation efforts would be successful or timely or that we could refinance our obligations on acceptable terms, if at all.

Because we have a limited operating history, it is difficult to evaluate an investment in our common stock.

We were incorporated in August 1998 and began flight operations in February 2000. It is difficult to evaluate our future prospects and an investment in our common stock because of our limited operating history. Our prospects are uncertain and must be considered in light of the risks, uncertainties and difficulties frequently encountered by companies in the early stage of operations. Historically, there has been a high failure rate among start-up airlines. Our future performance will depend on our ability to implement our growth strategy, react to customer and market demands, maintain adequate control of our expenses and maintain the safety and security of our operations. We cannot assure you that we will successfully address any of these factors, and our failure to do so could harm our business.

Our results of operations will fluctuate.

We expect our quarterly operating results to fluctuate in the future based on changes in aircraft fuel and security costs and the timing and amount of maintenance and advertising expenditures. In addition, seasonal variations in weather and traffic affect our operating results from quarter to quarter. The highest levels of traffic and revenue on our routes to and from Florida are generally realized from October through April and on our western routes during the summer. Given our high proportion of fixed costs, this seasonality affects our profitability from quarter to quarter. Many of our areas of operations in the Northeast experience bad weather conditions in the winter, causing increased costs associated with deicing aircraft, cancelled flights and accommodating displaced passengers. Our Florida routes experience bad weather conditions in the summer and fall due to thunderstorms and hurricanes. Due to our geographic area of

operations, we are more susceptible to adverse weather conditions along the East Coast than some of our competitors, who may be better able to spread weather-related risks over larger route systems. As we enter new markets, we could be subject to additional seasonal variations.

Due to the factors described above, quarter-to-quarter comparisons of our operating results may not be good indicators of our future performance. In addition, it is possible that in any future quarter 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.

Our maintenance costs will increase as our fleet ages.

Because the average age of our aircraft is 15.5 months, our aircraft require less maintenance now than they will in the future. We also currently incur lower maintenance expenses because most of the parts on our aircraft are under multi-year warranties. Our maintenance costs will increase on an absolute basis, on a per seat mile basis and as a percentage of our operating expenses, as our fleet ages

and these warranties expire. Although we cannot accurately predict how much our maintenance costs will increase in the future, we expect that they will increase significantly.

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

Our business is labor intensive, with labor costs representing 30.6% of our operating expenses for the year ended December 31, 2002. We expect salaries, wages and benefits to increase on a gross basis and these costs could increase as a percentage of our overall costs, which could harm our business. Our expansion plans will require us to hire, train and retain a significant number of new employees in the future. From time to time, the airline industry has experienced a shortage of personnel licensed by the FAA, especially pilots and mechanics. We compete against the major U.S. airlines for labor in these highly skilled positions. Many of the major U.S. airlines offer wage and benefit packages that exceed our wage and benefit packages. As a result, in the future, we may have to significantly increase wages and 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 at a reasonable cost, we may be unable to complete our expansion plans and our business could be harmed.

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 principal 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 grow, we may be unable to identify, hire or retain enough people who meet the above criteria, and 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 business may be harmed.

Our failure to properly integrate LiveTV, LLC could harm our business.

On September 27, 2002, we acquired all the membership interests of LiveTV, a provider of in-flight entertainment, which is outside our previous line of business. Acquisitions often involve risks, including:

- difficulties in integrating the operations, technologies, products and personnel of LiveTV;
- diversion of management's attention from normal daily operations of the business;
- the potential loss of key employees of LiveTV;
- inability to maintain consistent standards, controls, policies and procedures; and
- insufficient experience in entering into new product or technology markets.

Our failure to properly integrate the operations of LiveTV could harm our business.

Our failure or inability to enforce our patents could harm our business.

One of the unique features of our fleet is the free live television we provide at every seat which was developed by LiveTV, which we now own. We have certain federal patents which are important to maintaining our competitive position in providing this unique product to our customers in-flight. Therefore, we intend to devote the appropriate resources to the protection of our proprietary rights over this developed technology. The protective actions that we take may not be enough to prevent imitation by others, which could harm our business. Although we are not aware of anyone else who has developed comparable live satellite TV technology, Delta has announced that, in conjunction with Matsushita Avionics Systems, it intends to provide a similar product to Delta's new low cost subsidiary by October 2003. Matsushita or others may succeed in these efforts without violating our patent rights or intellectual property.

We may be subject to unionization, work stoppages, slowdowns or increased labor costs.

Unlike most airlines, we have a non-union workforce. If our employees unionize, it could result in demands that may increase our operating expenses and adversely affect our profitability. Each of our different employee groups could unionize at any time and require separate collective bargaining agreements. If any group of our employees were to unionize and we were unable to reach agreement on the terms of their collective bargaining agreement or we were to experience widespread employee dissatisfaction, 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.

Our lack of a marketing alliance could harm our business.

Many airlines have marketing alliances with other airlines, under which they market and advertise their status as marketing alliance partners. Among other things, they share the use of two-letter flight designator codes to identify their flights and fares in the computerized reservation systems and permit reciprocity in their frequent flyer programs. We are not a member of any marketing alliance. Our lack of a marketing alliance could harm our business and competitive ability.

If we fail to comply with financial covenants, some of our financing agreements may be terminated.

Under some of our financing agreements, we are required to comply with specified financial covenants. We cannot assure you that we will be able to comply with these covenants or provisions or that these requirements will not limit our ability to finance our future operations or capital needs. Our inability to comply with the required financial maintenance covenants or provisions could result in a default under these financing agreements and would result in a cross default under our other financing agreements. In the event of any such default and our inability to obtain a waiver of the default, all amounts outstanding under the agreements could be declared to be immediately due and payable. If we did not have sufficient available cash to pay all amounts that become due and payable, we would have to seek additional debt or equity financing, which may not be available on acceptable terms, or at all. If such financing were not available, we would have to sell assets in order to obtain the funds required to make accelerated payments or risk our aircraft becoming subject to repossession, which could harm our business.

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

One of the elements of our business strategy is to operate only one type of aircraft equipped with one type of engine. After extensive research, we chose the Airbus A320 because of its reliability, advanced technology and wide cabin space and the IAE International Aero Engines V2527-A5 engine for its reliability and fuel efficiency. Our dependence on a single type of aircraft and engine for all of our flights makes us particularly vulnerable to any problems associated with the Airbus A320 or the IAE V2527-A5 engine, including design defects, mechanical problems or adverse perception by the public that would result in customer avoidance or an inability of us to be able to operate our aircraft.

If either Airbus or IAE were unable to perform its contractual obligations, we would have to find another supplier for our aircraft or engines. Boeing is the only other manufacturer from whom we could purchase alternate aircraft. If we had to purchase aircraft from Boeing, we could lose the benefits described above and we cannot assure you that any replacement aircraft would have the same operating advantages as the Airbus A320. In addition, we cannot assure you that we could purchase engines that would be as reliable and efficient as the V2527-A5, or that we could purchase aircraft or engines in the same time frame as currently expected or at comparable prices. We would incur substantial transition costs, including costs associated with retraining our employees and replacing our manuals. Our

operations could also be harmed by the failure or inability of Airbus or IAE to provide sufficient parts or related support services on a timely basis.

One of the unique features of our fleet is that every seat in each of our aircraft is equipped with free LiveTV, a direct 24-channel satellite TV service. An integral component of the system is the antenna, which is supplied to us by EMS Technologies, Inc. We do not know of any other company that could provide us with this equipment and if EMS were to stop supplying us with its antennas for any reason, we could lose one of the unique services that differentiates us from our competitors, and we might have to incur significant costs to procure an alternate supplier.

Our business is heavily dependent on the New York market and a reduction in demand for air travel in this market would harm our business.

Our growth has focused and, at least in the near-term, will continue to focus, on adding flights to and from our primary base of operations at JFK in New York City. As of February 14, 2003, out of a total of 180 daily flights, 146 of our flights had JFK as either their destination or origin. As a result, we remain highly dependent upon the New York market. Our business would 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 the city, significant price increases linked to increases in airport access costs and fees imposed on passengers or the impact of past or future terrorist attacks.

If we fail to use certain airport slots and slot exemptions, we may be required to forfeit these slots and the deposits we paid to hold them.

The DOT granted us 75 daily takeoff and landing slot exemptions at JFK in 1999. A slot is an authorization to take off or land at a designated airport within a specified time period. Unlike a slot, our exemption from slot authorization requirements may not be sold, leased, rented or pledged. These slot exemptions phased in at the rate of up to 25 daily slots per year over three years ending in February 2003. If we fail to maintain our use of a slot exemption, such slot exemption could be subject to forfeiture. Since JFK is our principal base of operations, our failure to maintain our slot exemptions at JFK could harm our business.

In May 2001, the City of Long Beach granted us the 27 remaining available daily non-commuter departure slots at Long Beach Municipal Airport. We currently use 18 slots and must use all of the slots by June 2003 or the unused slots and the deposits associated with them will be forfeited. Until such time as we use slots that were allocated to us, our slots remain available for other carriers to use on a temporary basis. American Airlines has requested and been granted temporary use of four of our slots by the City of Long Beach. In addition, a request by Alaska Airlines for three slots was denied. Settlement negotiations are presently underway among the parties and we cannot assure you that we will be able to maintain all of our slots.

We may face increased competition at JFK which could harm our business.

Our primary base of operations is JFK, an airport that has traditionally attracted considerably less attention from our competitors for domestic flight activity than either LaGuardia Airport or Newark International Airport because of an industry perception that JFK is primarily an international airport and that the commuting distance from Manhattan to JFK is too far to attract domestic travelers. We disagreed with this perception of JFK and believe that the operational efficiencies associated with conducting our principal base of operations from JFK have contributed to our profitability.

As a result of our positive experience at JFK, it is possible that our competitors will follow our strategy. Airlines already established at JFK could increase their existing presence at JFK with a greater emphasis on low-fare domestic travel. One example is Delta's recent announcement to launch a low-fare airline service which intends to provide non-stop service from all three New York area

airports, including JFK, to key Florida leisure markets. Other airlines that do not currently have a presence at JFK could try to gain a presence at JFK by seeking slot exemptions from the DOT as we did or purchasing or leasing slots from other airlines. In addition, airlines using fewer than 20 slots or providing regional jet service to small and medium, non-hub airports could easily obtain slot exemptions from the DOT, since such airlines are expressly exempted under the federal rule creating slot restrictions. The requirement to obtain slots or slot exemptions at JFK will expire in 2007, further opening the door to potential competition. In addition, gates are available at JFK, which could create more opportunities for our competitors to increase or establish their presence at JFK. An increase in the amount of direct competition we face at JFK, LaGuardia or Newark, or an increase in congestion and delays at JFK could harm our business.

We may be unable to renew or replace our permit at JFK, our principal base of operations.

We currently operate from Terminal 6 at JFK under an expired permit from the Port Authority of New York and New Jersey. Our permit could be terminated at any time upon 30 days' notice and alternate gate space may not be available on favorable terms, or at all. Although we are in the process of finalizing a long-term lease agreement through November 2006 with the Port Authority, we cannot assure you that we will be able to execute a lease agreement. Since JFK is our principal base of operations, our inability to maintain an adequate number of gates would harm our business.

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

Our business depends upon the efforts of our Chief Executive Officer, David Neeleman, our President and Chief Operating Officer, David Barger, and a small number of management and operating personnel. We maintain key-man life insurance on Messrs. Neeleman and Barger, which may not be sufficient to cover the costs of recruiting and hiring a replacement chief executive officer or president, much less the loss of their services. We may have difficulty replacing management or other key personnel who leave and, therefore, the loss of the services of any of these individuals could harm our business.

Our employment agreements with our FAA-licensed personnel provide that we can only terminate these employees for cause and, as a result, it may be difficult to reduce our labor costs during an economic downturn, which could harm our business.

Our employment agreements with our FAA-licensed personnel, including pilots, technicians and dispatchers, provide that these employees can only be terminated for cause. Each employment agreement is for a term of five years and automatically renews for an additional five-year term unless either the employee or we elect not to renew it by giving notice at least 90 days before the end of the initial term. In the event of a downturn in our business, we are obligated to pay these employees a significant portion of their employment income and to continue their benefits if they do not obtain other aviation employment. As a result, it may be difficult for us to reduce our labor costs during an economic downturn, and our inability to do so could harm our business.

Our lack of an established line of credit or borrowing facility makes us highly dependent upon our operating cash flows.

We have no lines of credit, other than a short-term borrowing facility for certain aircraft predelivery deposits, and rely primarily on operating cash flows to provide working capital. Unless we secure a line of credit, borrowing facility or equity financing, we will be dependent upon our operating cash flows to fund our operations and to make scheduled payments on our debt and other fixed obligations. If we fail to generate sufficient funds from operations to meet these cash requirements or are unable to secure a line of credit, other borrowing facility or equity financing, we could default on our debt and other fixed obligations. Our inability to meet our obligations as they become due would materially restrict our ability to grow and seriously harm our business and financial results.

Our inability to obtain approval to operate more aircraft from the FAA and the DOT would materially restrict our growth.

We must obtain the approval of the FAA and the DOT to operate aircraft domestically. We currently have approval from the FAA and the DOT to operate 40 aircraft through May 2003. Our growth plans and aircraft purchase commitments contemplate operating considerably more than 40 aircraft. We have submitted an application to the DOT for authorization to increase the size of our fleet beyond 40 aircraft. This application will be based on a demonstration of our financial and managerial fitness and safety compliance for expanded operations. We cannot assure you that such authorization will be granted to us. The failure of the FAA and the DOT to grant us approval to operate additional aircraft would materially restrict our ability to grow and to increase revenues and cash flow.

Risks Associated with the Airline Industry

The airline industry tends to experience adverse financial results during general economic downturns and recent airline financial results may lead to significant changes in our industry.

Since a substantial portion of airline travel, for both business and leisure, is discretionary, the industry tends to experience adverse financial results during general economic downturns. The airline industry has been experiencing a decline in traffic, particularly business traffic, due to slower general economic conditions beginning in 2000 and more recently, from the lingering impact of the terrorist attacks of September 11, 2001. The industry experienced record losses for the year ended 2001 and the major U.S. airlines reported net losses of more than \$11 billion in 2002.

In response to these adverse financial results, some airlines have been reexamining their traditional business models and have taken actions in an effort to increase profitability, such as reducing capacity and rationalizing fleet types, furloughing or terminating employees, limiting service offerings, attempting to renegotiate labor contracts and reconfiguring flight schedules, as well as other efficiency and cost-cutting measures. However, despite these business model adjustments, financial losses have continued and US Airways and United Air Lines filed for Chapter 11 bankruptcy protection in 2002. Additional airline bankruptcies and restructurings may occur, potentially resulting in substantial change in our industry, which could adversely affect our business.

The 2001 terrorist attacks seriously harmed our industry and the increased risk of additional attacks or military involvement in Iraq, the Middle East or other regions may harm our industry in the future.

The terrorist attacks of September 11, 2001 and their aftermath have negatively impacted the airline industry. The primary effects experienced by the airline industry included substantial loss of passenger traffic and revenue, increased security and insurance costs, increased concerns about future terrorist attacks, airport delays due to heightened security, and significantly reduced yields due to the drop in demand for air travel. Industry-wide demand for air travel has increased but has not yet returned to pre-September 2001 levels.

Additional terrorist attacks, the fear of such attacks, increased hostilities or military involvement in Iraq, the Middle East or other regions could negatively impact the airline industry, and result in further decreased passenger traffic and yields, increased flight delays or cancellations associated with new government mandates, as well as increased security, fuel and other costs. We cannot assure you that these events will not harm our industry or our business.

Increases in fuel costs would harm our business.

Fuel costs constitute a significant portion of our total operating expenses (14.4% for the year ended December 31, 2002). Significant increases in fuel costs would harm our financial condition and

results of operations. We estimate that for 2002, a one cent increase in the price per gallon of fuel expense would have increased our fuel expense by \$1.06 million.

Historically, fuel costs have been subject to wide price fluctuations based on geopolitical issues and supply and demand. Fuel availability is also subject to periods of market surplus and shortage and is affected by demand for both home heating oil and gasoline. Because of the effect of these events on the price and availability of fuel, the cost and future availability of fuel cannot be predicted with any degree of certainty. In the event of a fuel supply shortage, higher fuel prices or the curtailment of scheduled service could result. Some of our competitors may have more leverage than we do in obtaining fuel. We cannot assure you that increases in the price of fuel can be offset by higher fares. In addition, although we implemented a fuel hedging program in 2001, under which we enter into crude oil option contracts to partially protect against significant increases in fuel prices, our fuel hedging program does not protect us against ordinary course price increases and is limited in fuel volume and duration. We cannot assure you that our fuel hedging program is sufficient to protect us against increases in the price of fuel due to inadequate fuel supplies or otherwise.

Airlines are often affected by factors beyond their control, including weather conditions, traffic congestion at airports and increased security measures, any of which could harm our operating results and financial condition.

Like other airlines, we are subject to delays caused by factors beyond our control, including adverse weather conditions, air traffic congestion at airports and increased security measures. Delays frustrate passengers, reduce aircraft utilization and increase costs, all of which negatively affect profitability. During periods of fog, snow, rain, storms or other adverse weather conditions, flights may be cancelled or significantly delayed. Cancellations or delays due to weather conditions, traffic control problems and breaches in security could harm our operating results and financial condition.

Changes in government regulations imposing additional requirements and restrictions on our operations 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 and the FAA 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 revenue and increasing costs. We cannot assure you that these and other laws or regulations enacted in the future will not harm our business.

The airline industry is characterized by low profit margins and high fixed costs, and we may be unable to compete effectively against other airlines with greater financial resources or lower operating costs.

The airline industry is characterized generally by low profit margins and high fixed costs, primarily for personnel, aircraft fuel, debt service and rent. The expenses of an aircraft flight do not vary significantly with the number of passengers carried. As a result, a relatively small change in the number of passengers or in pricing could have a disproportionate effect on an airline's operating and financial results. Accordingly, a minor shortfall in expected revenue levels could harm our business.

In addition, the airline industry is highly competitive and is particularly susceptible to price discounting because airlines incur only nominal costs to provide service to passengers occupying otherwise unsold seats. We currently compete with other airlines on all of our routes. Many of these airlines are larger and have greater financial resources and name recognition or lower operating costs or both than we do. Some of these competitors have chosen to add service, reduce their fares or both, in some of our markets following our entry. Therefore, we may be unable to compete effectively

against other airlines that introduce service or discounted fares in the markets that we serve which could harm our business.

Our insurance costs have increased substantially as a result of the September 11th terrorist attacks, and further increases in insurance costs would harm our business.

Following the September 11th terrorist attacks, aviation insurers dramatically increased airline insurance premiums and significantly reduced the maximum amount of insurance coverage available to airlines for liability to persons other than passengers for claims resulting from acts of terrorism, war or similar events to \$50 million per event and in the aggregate. In light of this development, under the Stabilization Act, the government has provided domestic airlines with excess war risk coverage above \$50 million up to \$3.0 billion per event.

In December 2002, via authority granted to it under the Homeland Security Act of 2002, the government expanded its insurance program such that airlines could elect either the government's excess third-party coverage or for the government to become the primary insurer for all war risks coverage. While the Homeland Security Act of 2002 authorized the government to offer both policies through August 31, 2003, the current policies are in effect until April 14, 2003. We cannot assure you that any extension will occur, or if it does, how long the extension will last. It is expected that should the government stop providing war risk coverage to the airline industry, the premiums charged by aviation insurers for this coverage will be substantially higher than the premiums currently charged by the government. Significant increases in insurance premiums would harm our financial condition and results of operations.

Substantial consolidation in the airline industry could harm our business.

In recent years, and particularly since its deregulation in 1978, the airline industry has undergone substantial consolidation, and it may undergo additional consolidation in the future. Recent economic conditions and airline financial losses may contribute to further consolidation within our industry. Any consolidation or significant alliance activity within the airline industry could increase the size and resources of our competitors, which, in turn, could adversely affect our ability to compete.

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 could involve repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service, and significant potential claims of injured passengers and others. 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.

ITEM 2. PROPERTIES

Aircraft

As of December 31, 2002, we operated a fleet consisting of 37 Airbus A320 aircraft, each powered by two IAE International Aero Engines V2527-A5 engines as follows:

Aircraft	Seating Capacity	Owned	Operating Leased	Total	Average Age in Months
Airbus A320	162	21	16	37	15.5

Our aircraft leases expire as follows: one in 2009, one in 2010, two in 2012, four in 2013, two in 2018, two in 2019, one in 2020 and three in 2022. All 21 owned aircraft are subject to secured debt financing. We have taken delivery of three aircraft in 2003, two of which have begun scheduled service. Two were financed through 20-year sale and leaseback transactions and one was leased under a 12-year operating lease. We have arranged financing for three of the remaining 12 aircraft to be delivered in 2003.

As of December 31, 2002, after reflecting a February 2003 amendment, we have firm purchase orders with AVSA, S.A.R.L., an affiliate of Airbus Industrie, for 49 Airbus A320 aircraft and options to acquire 26 additional aircraft, which are scheduled for delivery (on a relatively even basis during each year) through 2008 as follows:

Year	Firm	Option	End of Year Cumulative Total Fleet(1)
2003	14	—	52
2004	13	1	66
2005	12	2	80
2006	5	7	92
2007	5	7	104
2008	—	9	113
Total	49	26	

(1)

Assumes all options are exercised and includes one aircraft we leased in February 2003.

In addition, we have purchase rights to acquire 19 additional aircraft when we exercise our options, which would allow us to purchase these additional aircraft under the same terms as the aircraft on order. If we exercise all of our current options and purchase rights, we would have a fleet of 132 aircraft.

Facilities

We lease all of our facilities at each of the airports we serve. Our leases for our terminal passenger service facilities, which include ticket counter and gate space, operations support area and baggage service offices, generally have a term ranging from less than one year to six years, and contain provisions for periodic adjustments of lease rates. We also are responsible for maintenance, insurance and other facility-related expenses and services. We have also entered into use agreements at each of the airports we serve that provide for the non-exclusive use of runways, taxiways and other facilities. Landing fees under these agreements are based on the number of landings and weight of the aircraft.

Our principal base of operations is Terminal 6 at JFK. Prior to November 2001, we shared the terminal with United Air Lines and America West Airlines, both of whom have relocated to different terminals at JFK. We now have operational control of Terminal 6 under a one-year permit with the

Port Authority of New York and New Jersey, which expired in November 2002 and can be terminated at any time upon 30 days' notice. In June 2002, the Port Authority approved the terms of a lease agreement with us through November 2006 for the use of Terminal 6 and the adjoining ramp area. We are in the process of finalizing the lease agreement with the Port Authority, which should be executed in the near future. Under the terms of the proposed lease agreement, we will continue to have use of up to 10 of the 13 gates at Terminal 6 which will allow us to operate up to 90 round-trip flights per day through JFK. In time, we anticipate using the remaining three gates. Together with the Port Authority, we intend to further upgrade the facilities, including the concessions.

In connection with the commencement of our operations at Long Beach Municipal Airport, we have made a significant investment, along with the City of Long Beach, to improve roadways, parking, ticket counters, gate facilities, concessions and support space. We believe this investment will further support our expansion into Southern California.

Our primary corporate offices are located in Forest Hills, New York, where we lease space under a lease that expires in 2012. Our operations staff is based primarily at JFK and our finance and scheduling departments are based in Darien, Connecticut. In addition, we lease two buildings at JFK where we store aircraft spare parts and passenger supplies. We also rent, on a month-to-month permit, a hangar at JFK to perform overnight maintenance on our aircraft. We are in discussions with the Port Authority to construct new hangar space and a new terminal at JFK.

Our office in Salt Lake City, Utah contains a core team of employees who are responsible for group sales, customer service and at-home reservation agent supervision as well as revenue management and credit card fraud. In keeping with our commitment to innovation, the majority of our reservation agents work out of their homes and are linked to our reservations system through personal computers.

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 outcome of the proceedings to which we are currently a party will not have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our security holders during the fourth quarter of 2002.

EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information concerning JetBlue's executive officers as of February 14, 2003 follows. There are no family relationships between any of JetBlue's executive officers.

David Neeleman, age 43, is our Chief Executive Officer and a member of our board of directors. He has served in both capacities since August 1998. Mr. Neeleman was recently elected Chairman of the Board to become effective at our Annual Meeting currently scheduled for May 21, 2003. Mr. Neeleman was a co-founder of WestJet and from 1996 to 1999 served as a member of WestJet's board of directors. From October 1995 to October 1998, Mr. Neeleman served as the Chief Executive Officer and a member of the board of directors of Open Skies, a company that develops and implements airline reservation systems and which was acquired by the Hewlett Packard Company. From 1988 to 1994, Mr. Neeleman served as President and was a member of the board of directors of Morris Air Corporation, a low-fare airline that was acquired by Southwest Airlines. For a brief period, in connection with the acquisition, he served on the Executive Planning Committee at Southwest Airlines.

From 1984 to 1988, Mr. Neeleman was an Executive Vice President of Morris Air. Mr. Neeleman attended the University of Utah.

David Barger, age 45, is our President and Chief Operating Officer and has served in this capacity since August 1998. He is also a member of our board of directors. 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. Mr. Barger attended the University of Michigan.

Thomas Kelly, age 50, is our Executive Vice President and Secretary and has served in this capacity since August 1998. From August 1998 until February 2003, he was also our General Counsel. From December 1995 to October 1998, Mr. Kelly served as the Executive Vice President, General Counsel and a member of the board of directors of Open Skies. From 1990 to 1994, Mr. Kelly served as the Executive Vice President and General Counsel of Morris Air Corporation and served as a member of the board of directors of Morris Air from 1991 to 1993. Mr. Kelly received his Bachelor of Arts degree in University Studies from Brigham Young University and a Juris Doctorate degree from Harvard Law School.

John Owen, age 47, is our Executive Vice President and Chief Financial Officer and has served in this capacity since January 1999. From August 1998 to December 1998, Mr. Owen served as the Vice President for Operations Planning and Analysis for Southwest Airlines. From October 1984 to August 1998, Mr. Owen served as the Treasurer for Southwest Airlines. Mr. Owen received his Bachelor of Arts degree in Economics from Southern Methodist University and a Master of Business Administration degree from The Wharton School of the University of Pennsylvania.

Holly Nelson, age 45, is our Vice President and Controller and has served in this capacity since February 2001. From 1984 to 2001, Ms. Nelson held senior financial management positions with Northwest Airlines, including Director, Corporate Accounting and Reporting from August 1992 to February 2001. Ms. Nelson is an inactive Certified Public Accountant and received her Bachelor of Business Administration degree in comprehensive public accounting from the University of Wisconsin.

Jim Hnat, age 32, is our General Counsel and has served in this capacity since February 2003. Prior to serving in this capacity, Mr. Hnat served as our Associate General Counsel since June 2001. From 1999 to June 2001, Mr. Hnat was an attorney at the New York office of Milbank, Tweed, Hadley and McCloy, LLC, where he practiced in the firm's Global Transportation Finance Group specializing in aircraft finance transactions. Mr. Hnat's aviation legal practice began in airline defense litigation at Condon & Forsyth's New York office from 1996 to 1999. Mr. Hnat is a member of the bar of New York and Massachusetts. Mr. Hnat received his Bachelor of Arts degree in Economics and Political Science from Boston University and earned a Juris Doctorate degree from Notre Dame Law School.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On April 12, 2002, our common stock began trading on the Nasdaq National Market under the symbol JBLU. Prior to that time, there was no public trading market for our common stock. The table below shows the high and low sales prices for Company's common stock during 2002, as adjusted for our December 2002 stock split:

QUARTER ENDED	<u>High</u>	<u>Low</u>
June 30 (beginning April 12)	\$ 36.77	\$ 24.98
September 30	32.37	24.03
December 31	28.33	19.83

As of January 31, 2003, there were approximately 330 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.

On April 17, 2002, we consummated the initial public offering of 10,120,000 (as adjusted for the December 2002 3-for-2 stock split) shares of our common stock, \$0.01 par value. The shares of common stock sold in the offering were registered under the Securities Act of 1933, as amended on a Registration Statement (Registration No. 333-82576) that was declared effective by the Securities and Exchange Commission on April 11, 2002. The net proceeds to us from the offering were \$167.4 million after deducting discounts and commissions paid to the underwriters and other expenses incurred in connection with the offering. From April 17, 2002 to December 31, 2002, we invested such net offering proceeds in short-term, investment-grade, interest-bearing instruments, of which \$80.3 million was used to acquire LiveTV on September 27, 2002.

ITEM 6. SELECTED FINANCIAL DATA

The following financial information for the five years ended December 31, 2002, 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,				
	2002	2001	2000	1999	1998
	(in thousands, except per share data)				
Statements of Operations Data:					
Operating revenues	\$ 635,191	\$ 320,414	\$ 104,618	\$ —	\$ —
Operating expenses:					
Salaries, wages and benefits	162,191	84,762	32,912	6,000	423
Aircraft fuel	76,271	41,666	17,634	4	—
Sales and marketing	44,345	28,305	16,978	887	—
Landing fees and other rents	43,881	27,342	11,112	447	16
Aircraft rent	40,845	32,927	13,027	324	—
Depreciation and amortization	26,922	10,417	3,995	111	2
Maintenance materials and repairs	8,926	4,705	1,052	38	—
Other operating expenses	126,823	63,483	29,096	6,405	371
Total operating expenses	530,204	293,607	125,806	14,216	812
Operating income (loss)	104,987	26,807	(21,188)	(14,216)	(812)
Airline Stabilization Act compensation(1)	407	18,706	—	—	—
Other income (expense)	(10,370)	(3,598)	(381)	685	26
Income (loss) before income taxes	95,024	41,915	(21,569)	(13,531)	(786)
Income tax expense (benefit)(2)	40,116	3,378	(239)	233	4
Net income (loss)	\$ 54,908	\$ 38,537	\$ (21,330)	\$ (13,764)	\$ (790)
Earnings (loss) per common share:					
Basic	\$ 1.10	\$ 6.59	\$ (17.77)	\$ (24.54)	\$ (1.87)
Diluted	\$.84	\$.76	\$ (17.77)	\$ (24.54)	\$ (1.87)
Other Financial Data:					
Operating margin	16.5%	8.4%	(20.3)%	—	—
Net cash provided by (used in) operating activities	\$ 216,477	\$ 111,279	\$ 2,824	\$ (6,556)	\$ (256)
Net cash used in investing activities	(744,461)	(289,855)	(241,130)	(67,452)	(1,147)
Net cash provided by financing activities	657,214	261,695	254,463	80,740	12,917

(1) Represents our share of compensation under the Air Transportation Safety and System Stabilization Act. See Note 13 to our consolidated financial statements for a more detailed discussion.

(2) In 2001, our income tax expense was reduced due to the full reversal of our deferred tax asset valuation allowance. We do not expect any similar reductions in the future. See Note 8 to our consolidated financial statements for a more detailed discussion.

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	As of December 31,				
	2002	2001	2000	1999	1998
	(in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	\$ 246,752	\$ 117,522	\$ 34,403	\$ 18,246	\$ 11,514
Total assets	1,378,923	673,773	344,128	138,182	12,753
Total debt	711,931	374,431	177,048	14,577	—
Convertible redeemable preferred stock	—	210,441	163,552	133,478	12,669
Stockholders' equity (deficit)	414,673	(32,167)	(54,153)	(18,893)	(473)

Operating Statistics (unaudited):

Year Ended December 31,		
2002	2001	2000

Revenue passengers	5,752,105	3,116,817	1,144,421
Revenue passenger miles (000)	6,835,828	3,281,835	1,004,496
Available seat miles (000)	8,239,938	4,208,267	1,371,836
Load factor	83.0%	78.0%	73.2%
Breakeven load factor	71.5%	73.7%	90.6%
Aircraft utilization (hours per day)	12.9	12.6	12.0
Average fare	\$ 106.95	\$ 99.62	\$ 88.84
Yield per passenger mile (cents)	9.00	9.46	10.12
Passenger revenue per available seat mile (cents)	7.47	7.38	7.41
Operating revenue per available seat mile (cents)	7.71	7.61	7.63
Operating expense per available seat mile (cents)	6.43	6.98	9.17
Departures	44,144	26,334	10,265
Average stage length (miles)	1,152	986	825
Average number of operating aircraft during period	27.0	14.7	5.8
Full-time equivalent employees at period end	3,823	2,116	1,028
Average fuel cost per gallon (cents)	72.28	75.63	96.15
Fuel gallons consumed (000)	105,515	55,095	18,340
Percent of sales through jetblue.com during period	63.0%	44.1%	28.7%

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).

"Breakeven load factor" is the passenger load factor that will result in operating revenues being equal to operating expenses, assuming constant revenue per passenger mile and expenses.

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

"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.

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

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

Overview

We are a low-fare, low-cost passenger airline that provides high-quality customer service primarily on point-to-point routes. We offer our customers a differentiated product, with new aircraft, low fares, leather seats, free LiveTV (a direct 24-channel satellite TV service) at every seat, pre-assigned seating and reliable performance.

We were incorporated on August 24, 1998. For the period from our incorporation in 1998 until the commencement of our operations, our operating activities related primarily to the initial development of our airline. We launched our flying operations on February 11, 2000 with two aircraft providing scheduled passenger service between New York's John F. Kennedy International Airport, or JFK, and Fort Lauderdale, Florida and the following week began service between JFK and Buffalo, New York. Through consistent and controlled growth, as of December 31, 2002, we operated 168 flights a day with a fleet of 37 single-class Airbus A320 aircraft serving 20 cities throughout the United States and Puerto Rico.

The following chart demonstrates our growth:

At Period Ended	Cities Served	Number of Full and Part-Time Employees	Operating Aircraft		
			Owned	Leased	Total
December 31, 2000	12	1,174	4	6	10
December 31, 2001	18	2,361	9	12	21
March 31, 2002	18	2,749	12	12	24
June 30, 2002	19	3,093	13	13	26
September 30, 2002	19	3,614	17	14	31
December 31, 2002	20	4,011	21	16	37

We expect to continue to grow. Including the effects of a February 2003 amendment to our contract with Airbus, we had orders to acquire 49 aircraft, options for 26 aircraft and purchase rights for an additional 19 aircraft as of December 31, 2002. Our growth strategy involves increasing the frequency of flights on our existing routes and entering attractive new markets. During 2002, we initiated service to San Juan, Puerto Rico and Las Vegas, Nevada.

We derive our revenue primarily from transporting passengers on our aircraft. Passenger revenue was 97% of our operating revenues for the year ended December 31, 2002. Because all of our fares are

nonrefundable, revenue is recognized either when the 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 load factor, which is the percentage of aircraft seating capacity that is actually utilized. Based on published fares at our time of entry, our advance purchase fares have been 30–40% below those existing in markets prior to our entry, while our "walk-up" fares are generally 60–70% below major U.S. airlines' unrestricted "full coach" fares. Our low 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.

Other revenue consists primarily of the \$25 fee charged to change a customer's reservation. Other components include mail revenue, excess baggage charges, commissions from website travel sales, revenue from the sale of liquor in-flight and concession revenues at our terminal at JFK.

We have low operating expenses because we operate a single type of aircraft, with a single class of service and high utilization, have a productive workforce and use advanced technologies. The largest components of our operating expenses are salaries, wages and benefits provided to our employees, including provisions for our profit sharing plan, and aircraft fuel. Sales and marketing expenses include advertising and fees paid to credit card companies and third-party computerized reservation systems. Our distribution costs tend to be lower than those of most other airlines on a per unit basis because a relatively high percentage of our customers book through our website and our own reservation agents. Maintenance materials and repairs are expensed when incurred. Because the average age of our aircraft is 15.5 months, all of our aircraft require less maintenance now than they will in the future. Our maintenance costs will increase on an absolute basis, on a per seat mile 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 and janitorial services), insurance, personnel expenses, taxes other than payroll taxes, professional fees, passenger refreshments, supplies, bad debts and communication costs.

Our operating margin, which measures operating income as a percentage of operating revenues, improved significantly in 2002 and was higher than all of the major U.S. airlines, according to reports by these airlines.

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. Many of our areas of operations in the Northeast experience bad weather conditions in the winter, causing increased costs associated with deicing aircraft, cancelled flights and accommodating displaced passengers. Our Florida 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. Given our high proportion of fixed costs, this seasonality may cause our results of operations to vary from quarter to quarter.

Recent Developments

On September 27, 2002, we purchased all the membership interests of LiveTV, LLC, or LiveTV, for \$80.3 million in cash. LiveTV provides in-flight entertainment systems for commercial aircraft, including live in-seat satellite television, wireless aircraft data link service and cabin surveillance systems. As a result of the purchase, we acquired all of the equipment installed on our aircraft, spare parts in inventory and rights to all of the intellectual property owned or licensed by LiveTV. The assets

and liabilities were recorded at their fair values on the purchase date. We will incur additional amortization, depreciation and salaries and benefits expense which will be offset by a reduction in other operating expenses where the expense for payments by JetBlue under its long-term contractual agreement to LiveTV were previously recorded.

The current financial condition of the airline industry is at one of the lowest points in history. The industry suffered losses in 2001 due to weak economic conditions, which were further impacted by the terrorist attacks of September 11, 2001, in which four U.S. commercial aircraft were hijacked and crashed. These losses have continued with the major U.S. airlines reporting net losses of more than \$11 billion in 2002. Most major U.S. airlines anticipate these losses to continue into 2003 and have announced reductions in capacity, service and employee benefits as well as headcount in an effort to increase efficiencies and control costs. Since the attacks, several airlines, including US Airways and United Air Lines, have filed for bankruptcy and others may follow. Although we have been able to raise capital, remain profitable and continue to grow in this difficult industry environment, we may be subject to factors that could harm us and the airline industry, including, but not limited to:

- the increased likelihood of U.S. military involvement in Iraq the Middle East or other regions, which could result in reduced demand for air travel and increased fuel prices,
- continued consolidation in the airline industry, and
- increased competitive pressures as the major U.S. airlines continue to reduce their costs to compete with low-cost carriers such as us.

Results of Operations

Year 2002 Compared to Year 2001

Our net income for the year 2002 increased to \$54.9 million from \$38.5 million for the year 2001. We had operating income of \$105.0 million, an increase of \$78.2 million over 2001 and our operating margin was 16.5%, up 8.1 points from 2001. Our effective tax rate was 42.2% in 2002 compared to 8.1% in 2001 due to the full reversal of our deferred tax asset valuation allowance in 2001. Diluted earnings per share was \$0.84 and \$0.76 for the years ended 2002 and 2001, respectively. Our earnings per share for 2002 reflects an increased number of weighted average shares outstanding compared to 2001 as a result of our capital raising efforts, including our initial public offering in April 2002. Our operating results in 2001 were negatively impacted by the effects of the September 11th terrorist attacks and were partially offset by \$18.7 million of compensation received under the Air Transportation Safety and System Stabilization Act, or the Stabilization Act, recorded in other income (expense). As a result, improvements over 2001 are greater than they would have been had the terrorist attacks not occurred.

Operating Revenues. Operating revenues increased 98.2%, or \$314.8 million, primarily due to an increase in passenger revenues. Increased passengers resulting from a 67.6% increase in departures and a 5.0 point increase in load factor, or \$336.2 million, partially offset by a 4.9% decrease in yield, or \$31.5 million, drove the increase in passenger revenue of \$304.7 million for the year 2002. Other revenue increased 102%, or \$10.1 million, primarily due to increased change fees of \$5.7 million resulting from more passengers as well as concession sales from Terminal 6 at JFK of \$1.5 million.

Operating Expenses. Operating expenses increased 80.6%, or \$236.6 million, due to operating an average of 12.3 additional aircraft, which provided us with higher capacity. Operating capacity increased 95.8% to 8.24 billion available seat miles due to scheduled capacity increases, more transcontinental flights compared to 2001 and higher average aircraft utilization.

Operating expenses per available seat mile decreased 7.8% to 6.43 cents. In detail, operating costs per available seat mile were:

	Year Ended December 31,		Percent Change
	2002	2001	
	(in cents)		
Operating expenses:			
Salaries, wages and benefits	1.97	2.02	(2.5)%
Aircraft fuel	.92	.99	(7.1)
Sales and marketing	.54	.67	(19.4)
Landing fees and other rents	.53	.65	(18.5)
Aircraft rent	.49	.78	(37.2)
Depreciation and amortization	.33	.25	32.0
Maintenance materials and repairs	.11	.11	—
Other operating expenses	1.54	1.51	2.0
	6.43	6.98	7.8%

Salaries, wages and benefits increased 91.3%, or \$77.4 million, due to an increase in average full-time equivalent employees of 84.3%, higher wage rates and a \$9.4 million higher provision for our profit sharing plan in 2002 compared to 2001. Cost per available seat mile decreased 2.5% as a result of higher capacity.

Aircraft fuel expense increased 83.1%, or \$34.6 million, due to 50.4 million more gallons of aircraft fuel consumed resulting in \$38.1 million of additional fuel expense offset by a 4.4% decrease in average fuel cost per gallon, or \$3.5 million. Realized gains on our crude oil options contracts of \$1.2 million were recorded as an offset to fuel expense in 2002 compared to \$0.2 million of losses in 2001. Cost per available seat mile decreased 7.1% primarily due to the decrease in average fuel cost per gallon.

Sales and marketing expense increased 56.7%, or \$16.1 million, due to increased advertising and higher credit card fees resulting from increased passenger revenues. These increases were offset by lower travel agent commissions following their elimination in April 2002. On a cost per available seat mile basis, sales and marketing expense decreased 19.4% primarily due to the increase in available seat miles and lower commissions. We book the majority of our reservations through a combination of our website (63.0% in 2002) and our own reservation agents (33.3% in 2002).

Landing fees and other rents increased 60.5%, or \$16.5 million, due to a 67.6% increase in departures. Cost per available seat mile decreased 18.5% due to higher capacity and an increase in average stage length.

Aircraft rent increased 24.0%, or \$7.9 million, due to having an average of 13 aircraft operated under operating leases during the 2002 compared to 10 in 2001. Cost per available seat mile decreased 37.2% due to a lower percentage of the aircraft fleet being leased.

Depreciation and amortization increased 158%, or \$16.5 million, primarily due to having an average of 14 owned aircraft in 2002 compared to five in 2001. In addition, 2002 includes depreciation and amortization related to the acquired LiveTV assets of \$1.3 million. Cost per available seat mile increased 32.0% as a result of a greater percentage of our fleet being owned.

Maintenance materials and repairs increased 89.7%, or \$4.2 million, due to 12.3 more average aircraft as well as 10 more scheduled airframe checks in 2002 compared to 2001. The cost per available seat mile remained constant year over year, but is expected to increase as our fleet ages.

Other operating expenses increased 99.8%, or \$63.4 million. Higher variable costs associated with increased capacity and number of passengers served was the primary reason for the increase. Additionally, insurance premiums, primarily those related to our war risk insurance, increased 241% or \$11.8 million in 2002. Other operating costs for our terminal at JFK increased \$11.4 million to \$12.5 million in 2002 as a result of operating the terminal for the entire year. Cost per available seat mile increased 2.0%.

Other Income (Expense). Interest expense increased 48.7%, or \$6.9 million, due to the debt financing of 12 additional aircraft resulting in \$11.3 million of additional interest expense, offset by \$4.4 million due to lower interest rates. Capitalized interest decreased 33.8%, or \$2.7 million, primarily due to lower interest rates. Interest income increased by \$2.0 million due to higher cash and investment balances. Other income also includes unrealized gains and losses on our crude oil options, which resulted in gains of \$0.7 million in 2002 and losses of \$0.1 million in 2001.

Year 2001 Compared to Year 2000

Our net income for the year 2001 increased to \$38.5 million from a net loss of \$21.3 million for the year 2000. We had operating income of \$26.8 million and an operating margin of 8.4%. Diluted earnings per share was \$0.76 for 2001, compared to a diluted loss per share of \$17.77 for 2000. In 2001, our effective income tax rate was reduced to 8.1% due to the full reversal of our deferred tax asset valuation allowance. After the terrorist attacks of September 11th, our passenger traffic and yields declined significantly through the remainder of 2001. We temporarily reduced our flight schedule, but were back to pre-September 11th levels by the end of 2001. Unlike most U.S. airlines, we did not cancel or defer aircraft deliveries or implement work force reductions following the attacks.

Following the September 11th terrorist attacks, the President signed into law the Stabilization Act, which among other things, provided compensation to U.S. passenger and cargo airlines for losses incurred by the airline industry as a result of the terrorist attacks. Our results from 2001 include \$18.7 million in Stabilization Act compensation, which offset most of our losses.

Operating Revenues. Operating revenues increased 206%, or \$215.8 million, primarily due to an increase in passenger revenues. A 157% increase in departures, increased passengers and a 4.8 point increase in load factor, or \$230.5 million, partially offset by a 6.5% decrease in yield, or \$21.7 million, drove the increase in passenger revenue of \$208.8 million for 2001. Other revenue increased 236%, or \$7.0 million, primarily due to increased change fees from more passengers.

Operating Expenses. Operating expenses increased 133%, or \$167.8 million, primarily as a result of having operated for the full year, in addition to having an average of nine additional aircraft in 2001, which provided us with higher capacity. Operating capacity increased 207% to 4.21 billion available seat miles due to scheduled capacity increases, the introduction of transcontinental flights and increased aircraft utilization. Aircraft utilization for 2001 was 12.6 hours compared to 12.0 hours for 2000, a 5.0% increase.

Operating expenses per available seat mile decreased 23.9% to 6.98 cents. In detail, operating costs per available seat mile were:

	Year Ended December 31,		Percent Change
	2001	2000	
	(in cents)		
Operating expenses:			
Salaries, wages and benefits	2.02	2.39	(15.3)%
Aircraft fuel	.99	1.29	(23.0)
Sales and marketing	.67	1.24	(45.7)
Landing fees and other rents	.65	.81	(19.8)
Aircraft rent	.78	.95	(17.6)
Depreciation and amortization	.25	.29	(15.0)
Maintenance materials and repairs	.11	.08	45.8
Other operating expenses	1.51	2.12	(28.9)
	6.98	9.17	(23.9)%

Salaries, wages and benefits increased 158%, or \$51.9 million, due to an increase in average full-time equivalent employees of 106% and a \$7.4 million provision for our profit sharing plan. Cost per available seat mile decreased 15.3% as a result of improved productivity and higher capacity. In order to remain competitive with other airlines, we increased pay rates effective October 1, 2001 for our FAA-licensed employees which increased salaries by \$1.3 million during the fourth quarter.

Aircraft fuel expense increased 136%, or \$24.0 million, due to 36.8 million more gallons of aircraft fuel consumed resulting in \$35.3 million of additional fuel expense offset by a 21.3% decrease in average fuel cost per gallon, or \$11.3 million. Cost per available seat mile decreased 23.0% primarily due to the decrease in average fuel cost per gallon. In order to reduce our exposure to fuel cost volatility, in 2001, we implemented a fuel hedging program under which we enter into crude oil option contracts that partially protect us against significant increases in fuel prices. The impact of hedging activities was immaterial for 2001 and is recorded in other income (expense).

Sales and marketing expense increased 66.7%, or \$11.3 million, due to increased advertising and higher credit card fees resulting from increased passenger revenues. On a cost per available seat mile basis, sales and marketing expense decreased 45.7% due to the increase in available seat miles. We booked the majority of our reservations through a combination of our own reservation agents (48.5% in 2001) and our website (44.1% in 2001).

Landing fees and other rents increased 146%, or \$16.2 million, due to a 157% increase in departures. Cost per available seat mile decreased 19.8% due to higher capacity and an increase in average stage length.

Aircraft rent increased 153%, or \$19.9 million, primarily due to our having six more average aircraft under operating leases in 2001 compared to 2000. Cost per available seat mile decreased 17.6% due to higher aircraft utilization and a lower percentage of the aircraft fleet being leased.

Depreciation and amortization increased 161%, or \$6.4 million, due to three more average aircraft owned in 2001 compared to 2000 and higher levels of aircraft spare parts. Cost per available seat mile decreased 15.0% as a result of higher aircraft capacity and utilization.

Maintenance materials and repairs increased 347%, or \$3.7 million, due to nine more average aircraft and initiation of scheduled airframe checks in 2001. The cost per available seat mile increased 45.8% due to the completion of nine airframe checks in 2001 compared to zero in 2000.

Other operating expenses increased 118%, or \$34.4 million. Higher variable costs associated with increased capacity and number of passengers served, along with the increased costs of expanding our automation systems and increased insurance and security costs as a result of the terrorist attacks, were the primary reasons for the increase. In contrast, cost per available seat mile decreased 28.9% due to higher capacity, increased average stage length and higher aircraft utilization.

Other Income (Expense). Interest expense increased 91%, or \$6.7 million, due to the debt financing of five aircraft delivered in 2001 and increased borrowings related to predelivery deposits on aircraft resulting in \$10.4 million of additional interest expense, partially offset by lower interest rates resulting in \$3.7 million less interest expense. Capitalized interest increased 79%, or \$3.6 million, primarily due to higher predelivery deposits on new aircraft orders. We recorded \$18.7 million in compensation under the Stabilization Act in 2001.

Quarterly Results of Operations

The following table sets forth selected data from our statements of operations as well as other financial data and operating statistics for the four quarters ended December 31, 2002. The information

for each of these quarters is unaudited and has been prepared on the same basis as the audited consolidated financial statements appearing elsewhere in this Form 10-K.

	Three Months Ended			
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002
	(unaudited)			
Statements of Operations Data				
(dollars in thousands):				
Operating revenues	\$ 133,369	\$ 149,303	\$ 165,261	\$ 187,258
Operating expenses:				
Salaries, wages and benefits	33,561	37,622	41,747	49,261
Aircraft fuel	12,984	16,983	21,170	25,134
Sales and marketing	9,850	11,785	11,795	10,915
Landing fees and other rents	9,939	9,681	11,865	12,396
Aircraft rent	9,491	10,298	10,061	10,995
Depreciation and amortization	4,712	5,695	6,926	9,589
Maintenance materials and repairs	1,905	1,506	2,733	2,782
Other operating expenses	27,549	28,026	36,503	34,745
	<u>109,991</u>	<u>121,596</u>	<u>142,800</u>	<u>155,817</u>
Total operating expenses				
Operating income	23,378	27,707	22,461	31,441
Airline Stabilization Act compensation	—	—	407	—
Other income (expense)	(1,088)	(2,673)	(2,380)	(4,229)
	<u>22,290</u>	<u>25,034</u>	<u>20,488</u>	<u>27,212</u>
Income before income taxes				
Income tax expense	9,286	10,448	8,333	12,049
	<u>13,004</u>	<u>14,586</u>	<u>12,155</u>	<u>15,163</u>
Net income				
Operating margin	17.5%	18.6%	13.6%	16.8%
Operating Statistics:				
Revenue passengers	1,180,917	1,332,906	1,501,946	1,736,336
Revenue passenger miles (000)	1,304,275	1,625,536	1,888,151	2,017,866
Available seat miles (000)	1,614,670	1,932,113	2,227,254	2,465,901
Load factor	80.8%	84.1%	84.8%	81.8%
Breakeven load factor	68.8%	70.9%	75.5%	70.2%
Aircraft utilization (hours per day)	12.7	13.3	12.8	12.7
Average fare	\$ 109.31	\$ 108.26	\$ 106.69	\$ 104.56
Yield per passenger mile (cents)	9.90	8.88	8.49	9.00
Passenger revenue per available seat mile (cents)	7.99	7.47	7.19	7.36
Operating revenue per available seat mile (cents)	8.26	7.73	7.42	7.59
Operating expense per available seat mile (cents)	6.81	6.29	6.41	6.32
Departures	9,439	10,090	11,245	13,370
Average stage length (miles)	1,056	1,182	1,223	1,138
Average number of operating aircraft during period	22.2	24.6	28.4	32.8
Full-time equivalent employees at period end	2,479	2,864	3,352	3,823
Average fuel cost per gallon (cents)	62.02	68.92	74.8	79.44
Fuel gallons consumed (000)	20,934	24,641	28,301	31,639
Percent of sales through jetblue.com during period	55.1%	61.3%	65.1%	68.6%

We have a relatively limited operating history and although we have recently experienced significant revenue growth, this trend may not continue. We have also incurred a significant number of fixed expenses since our inception, including the purchase of 21 aircraft and the leasing of 16 aircraft through December 31, 2002. We expect our expenses to continue to increase significantly as we acquire additional aircraft and expand the frequency of flights in existing markets and enter into new markets. Accordingly, the comparison of the financial data for the quarterly periods presented may not be meaningful and must be considered in light of our short operating history. In addition, we expect our operating results to fluctuate significantly from quarter to quarter in the future as a result of various factors, many of which are outside our control and any of which may cause our stock price to fluctuate. Consequently, we believe that quarter-to-quarter comparisons of our operating results may not necessarily be meaningful and are not necessarily a good indication of our future performance.

Liquidity and Capital Resources

At December 31, 2002, we had cash and cash equivalents of \$246.8 million, compared to \$117.5 million at December 31, 2001. We presently have no lines of credit other than a short-term borrowing facility for certain aircraft predelivery deposits. The facility allows for borrowings of up to \$32.0 million prior to November 2004, with \$21.7 million outstanding at December 31, 2002.

We rely primarily on cash flows from operations to provide working capital for current and future operations. Cash flows from operating activities totaled \$216.5 million in 2002, \$111.3 million in 2001 and \$2.8 million in 2000. The increase in operating cash flows is due to the growth of our business, and in 2002, as a result of our meeting certain financial targets, the amount of cash withheld by our credit card processor was reduced to zero during 2002. If we fail to maintain these targets, the amount withheld could increase in the future. Net cash used in investing and financing activities was \$87.2 million in 2002 and \$28.2 million in 2001. Net cash provided by investing and financing activities was \$13.3 million in 2000.

Investing activities. During 2002, investing activities consisted of the acquisition of 16 Airbus A320 aircraft and two spare engines, predelivery deposits for ordered aircraft, security deposits, facility improvements, ground equipment purchases and spare part purchases which totaled \$654 million. Investing activities also included the acquisition of LiveTV for \$80.5 million on September 27, 2002 and the purchase and maturity of short-term investments, netting to \$9.4 million. During 2001, we made similar investments in our fleet and facilities which totaled \$287.9 million, which included the acquisition of seven Airbus A320 aircraft.

Financing activities. On April 17, 2002, we completed our initial public offering of 10,120,000 shares (as adjusted for the December 2002 3-for-2 stock split) of our common stock with net proceeds of \$167.4 million. We invested the net proceeds in short-term, investment-grade, interest bearing instruments, pending their use to fund working capital and capital expenditures, including capital expenditures related to the purchase of aircraft and the acquisition of LiveTV. Additionally during 2002, our financing activities included (i) \$416 million of 10- to 12- year floating rate equipment notes issued to various European banks secured by 12 aircraft and a 5-year floating rate equipment note secured by a spare engine, (ii) the sale and leaseback over 18 years of one aircraft for \$38.5 million financed by a Japanese institution, (iii) the sale and leaseback over 20 years of three aircraft for \$111.5 million by a U.S. leasing institution, (iv) net repayment of short-term borrowings of \$7.1 million and (v) the repayment of \$71.4 million of debt. None of our lenders or lessors are affiliated with us. Our short-term borrowings are part of a floating rate facility with a group of commercial banks to finance aircraft predelivery deposits.

Financing activities for the year ended December 31, 2001 consisted primarily of (i) the incurrence of \$185.0 million of 10- and 12-year floating rate equipment notes secured by five aircraft and five-year floating rate equipment notes secured by two spare engines, (ii) the sale and leaseback over 18 years of two aircraft for \$72.0 million, (iii) net short-term borrowings of \$13.6 million and (iv) the repayment of debt of \$35.3 million. All the aircraft equipment notes were issued to various European banks and the

two sale and leasebacks were financed by a Japanese institution, none of which are affiliated with us. To ensure that we had adequate liquidity following the terrorist attacks, we issued 4,053,586 shares of Series B-1 and Series B-2 preferred stock in the fourth quarter of 2001 to our existing investors, including some of our directors and officers, at a purchase price of \$7.387 per share and an aggregate purchase price of \$29.7 million.

Capital resources. We have been able to generate sufficient funds from operations to meet our working capital requirements. We do not currently have any lines of credit and almost all of our property and equipment is encumbered. We typically finance our aircraft through either secured debt or lease financing. At December 31, 2002, we operated a fleet of 37 Airbus A320 aircraft, of which 16 are financed under operating leases with the remaining 21 financed by secured debt. At December 31, 2002, financing in the form of operating leases had been arranged for the first six deliveries scheduled for 2003. Although we believe that debt and/or lease financing should be available for our remaining aircraft deliveries, we cannot make assurances that we will be able to secure financing on terms acceptable to us, if at all. While these financings may or may not result in an increase in liabilities on our balance sheet, our fixed costs will increase significantly regardless of the financing method ultimately chosen. To the extent we cannot secure financing, we may be required to modify our aircraft acquisition plans or to incur higher than anticipated financing costs.

We expect to continue generating positive working capital through our operations. However, we cannot predict whether current trends and conditions will continue, or how the effects of competition or other factors that are beyond our control will affect us, such as increased fuel prices, the impact to the aircraft finance market and the magnitude of financing we could arrange if any of the airlines in bankruptcy were to liquidate, or the likelihood of U.S. military involvement in Iraq, the Middle East or other regions. We still need to obtain financing for nine of the aircraft to be delivered in 2003, as our anticipated cash flows from operations are not expected to be adequate to cover the acquisition cost of these aircraft. Assuming that we obtain this financing and utilize the pre-delivery short-term borrowing facility available to us, we believe the working capital available to us will be sufficient to meet our cash requirements for at least the next 12 months.

We currently have approval from the FAA and DOT to operate 40 aircraft through May 2003. Our growth plans and purchase commitments contemplate operating considerably more than 40 aircraft. We have submitted an application to the DOT for authorization to increase the size of our fleet beyond 40 aircraft. Although we expect our request to be approved, we cannot make assurances that such authorization will be granted.

Commitments. Our contractual obligations, which do not include commitments for goods and services in the ordinary course of business, at December 31, 2002, include the following (in millions):

	Payments due in						
	2003	2004	2005	2006	2007	Thereafter	Total
Long-term debt	\$ 51	\$ 50	\$ 52	\$ 52	\$ 52	\$ 433	\$ 690
Operating leases	58	56	59	59	58	379	669
Aircraft purchase obligations	540	485	445	200	190	—	1,860
Short-term borrowings	22	—	—	—	—	—	22
LiveTV purchase commitments	20	9	6	6	6	—	47
Total	\$ 691	\$ 600	\$ 562	\$ 317	\$ 306	\$ 812	\$ 3,288

All of our debt has floating interest rates. Interest rates adjust quarterly or semi-annually based on the London Interbank Offered Rate. Under the debt agreements related to two of our aircraft, we are required to comply with two specific financial covenants. The first requires that our tangible net worth be at least 12% of our total assets. The second requires that for each quarter, our EBITDA for the prior four quarters must be at least twice our interest expense for those four quarters. In addition, under lease agreements for seven of our aircraft, we could be declared to be in default under these

agreements if we fail to maintain a total net worth of \$20 million plus fifty percent of: (i) our annual cumulative net income since February 1, 2000 on a consolidated basis; (ii) the cumulative equity contributions from our stockholders since February 1, 2000; and (iii) the net proceeds from the sale of preferred stock, in each case for the period from February 1, 2000 through and including the date of any determination under the relevant default provisions of the lease agreements. Our inability to comply with the required financial maintenance covenants or provisions could result in default under these financing agreements and would result in a cross default under our other financing agreements. At December 31, 2002, we were in compliance with the covenants of all of our debt and lease agreements.

We have significant operating lease obligations for 16 aircraft with lease terms that range from 10 to 20 years. Five of these aircraft have variable-rate rent payments and adjust semi-annually based on the London Interbank Offered Rate. We also lease airport terminal space and other airport facilities in each of our markets, as well as office space and other equipment. We have committed to lease one additional aircraft in 2003 under a 12 year long-term operating lease and five aircraft under sale and leaseback agreements, with 20 year terms for total minimum lease payments estimated to aggregate \$291 million. In June 2002, we committed to the terms of a lease through November 2006 for the use of Terminal 6 at JFK and the adjoining ramp area for total minimum lease payments of \$43 million. We are in the process of finalizing the lease agreement with the Port Authority of New York and New Jersey, which should be executed in the near future. In conjunction with certain of these lease obligations, we also had \$12.9 million of restricted cash pledged under standby letters of credit at December 31, 2002 which expire at the end of the related lease terms.

Our firm aircraft orders at December 31, 2002, as amended in February 2003, consist of 49 Airbus A320 aircraft scheduled for delivery as follows: 14 in 2003, 13 in 2004, 12 in 2005 and five each year in 2006 and 2007. We currently meet our predelivery deposit requirements by paying cash for deposits 24 months prior to delivery and using a short-term borrowing facility for deposits required 12 months prior to delivery. Any predelivery deposits paid by the issuance of notes are fully repaid at the time of delivery of the aircraft.

We also have options to acquire 26 additional aircraft for delivery from 2004 through 2008. We have purchase rights to acquire 19 additional aircraft, which allow us to purchase these additional aircraft under the same terms as the aircraft on order. We can elect to substitute Airbus A321 aircraft or A319 aircraft for the A320 aircraft until 21 months prior to the scheduled delivery date for those aircraft not on firm order.

Our commitments also include those of LiveTV which has several long-term purchase agreements with its suppliers to provide equipment to be installed on its customers' aircraft, including JetBlue's aircraft.

Working capital. Our working capital was \$13.4 million at of December 31, 2002. Prior to our initial public offering, as is customary in the airline industry, we operated with negative working capital, which was \$49.9 million at December 31, 2001. We expect to meet our obligations as they become due through available cash and internally generated funds, supplemented as necessary by debt financings and proceeds from aircraft sale and leaseback transactions.

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with generally accepted accounting principles requires management to adopt accounting policies and make estimates and judgments to develop amounts reported in our financial statements and accompanying notes. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the estimates that are required to prepare our financials statements. We believe that our estimates and judgments are reasonable; however, actual results and the timing of recognition of such amounts could differ from those estimates. In addition, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

Critical accounting policies and estimates are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. The policies and estimates discussed below have been reviewed with our independent auditors and with the Audit Committee of our Board of Directors. For a discussion of these and other accounting policies, see Note 1 to our consolidated financial statements.

Passenger revenue. Passenger ticket sales are initially recorded as a component of air traffic liability. Revenue is recognized at the time the transportation is provided or after the ticket or customer credit (issued upon payment of change fee) expires. However, certain amounts are recognized in revenue using estimates regarding both the timing of the revenue recognition and the amount of revenue to be recognized. These estimates are based upon the evaluation of historical trends, which in our case are limited due to our short operating history.

Accounting for long-lived assets. In accounting for long-lived assets, we make estimates about the expected useful lives, projected residual values and the potential for impairment. In estimating useful lives and residual values of our aircraft, we have relied upon actual experience with the same or similar aircraft types and our anticipated utilization of the aircraft. Changing market prices of new and used aircraft, government regulations and changes in our maintenance program or operations could result in changes to these estimates. Our purchased technology from the Live TV acquisition is amortized over seven years based on the average number of aircraft currently expected to be in service, resulting in an increasing annual expense because we have commitments to purchase 49 additional aircraft over the next five years.

Our long-lived assets are evaluated for impairment when events and circumstances indicate that the assets may be impaired. Indicators include operating or cash flow losses, significant decreases in market value or changes in technology. As our assets are all relatively new and we continue to have positive cash flow, we have not identified any impairments related to our long-lived assets at this time.

Derivative instruments used for aircraft fuel. We utilize financial derivative instruments to manage the price risk of changing aircraft fuel prices. The December 31, 2002 fair value of our derivative instruments was \$2.0 million. As the majority of our financial derivative instruments are not traded on a market exchange, we estimate their fair values with the assistance of third parties determined by the use of present value methods or standard option value models, with assumptions about commodity prices based on those observed in underlying markets. In addition, as there is not a reliable forward market for jet fuel, we must estimate the future prices of jet fuel in order to measure the effectiveness of the hedging instruments in offsetting changes to those prices, as required by SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Forward jet fuel prices are estimated through the observation of similar commodity futures prices (such as crude oil) and adjusted based on variations to those like commodities. As the majority of our hedges settle within 15 months, the variation between estimates and actuals are recognized in a short period of time.

Frequent flyer accounting. We utilize a number of estimates in accounting for our customer loyalty program, TrueBlue, which are consistent with industry practices. We record a liability for the estimated incremental cost of providing free travel awards which includes the cost of incremental fuel, insurance, passenger food and supplies and making an award reservation. A change to these cost estimates, the minimum award level or when points expire could have a significant impact on our liability in the year of change as well as in future years.

New Accounting Standards

In July 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which changes the way in which liabilities are recognized for an exit or disposal activity. This standard, which is applicable to exit or disposal activities initiated subsequent to December 31, 2002 is not expected to have an impact on our financial condition or results of operations.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation, Transition and Disclosure*. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. We have included the disclosure requirements of SFAS No. 148 in our consolidated financial statements and are currently evaluating the impact of the fair value transition alternatives.

Outlook for 2003

We expect our operating capacity to increase approximately 50–55% over 2002 with the addition of 15 new aircraft in 2003. Average stage length is expected to increase to approximately 1,200 in 2003, which should result in lower passenger revenues per available seat mile. Unit costs, on a fuel neutral basis, are expected to be slightly lower than 2002 with our fixed costs being spread over higher projected available seat miles. Our effective tax rate is not expected to change significantly from that of 2002.

Fuel costs have risen sharply since early December and may increase further depending on the outcome of international political and economic events, such as the possible war in Iraq and further unrest in Venezuela. A fuel supply shortage could also arise from a disruption of oil imports or from OPEC curtailments. Although we have hedged approximately 50 percent of our fuel requirements for the first quarter of 2003, we expect to incur higher fuel costs in the first quarter of 2003 than we have in the recent past.

We continue to add service, as indicated by our new daily non-stop service between Long Beach and Atlanta, GA that will begin May 2003 and our recent announcements to increase frequencies between our existing cities. We believe that we are well positioned to continue to grow and be successful in this environment, absent factors outside of our control.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The risk inherent in our market risk sensitive instruments and positions is the potential loss arising from adverse changes to the price of fuel and interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on the overall economic activity, nor do they consider additional actions we may take to mitigate our exposure to such changes. Variable-rate leases are not considered market sensitive financial instruments and, therefore, are not included in the interest rate sensitivity analysis below. Actual results may differ. See Notes 3 and 12 to our consolidated financial statements for accounting policies and additional information.

Aircraft fuel. Our results of operations are affected by changes in the price and availability of aircraft fuel. To manage the price risk, we use crude oil option contracts. Market risk is estimated as a hypothetical 10% increase in the December 31, 2002 cost per gallon of fuel, including the effects of our fuel hedges. Based on projected 2003 fuel consumption, such an increase would result in an increase to aircraft fuel expense of approximately \$7 million in 2003, compared to an estimated \$7 million for 2002 measured as of December 31, 2001. As of December 31, 2002, we had hedged approximately 45% of our projected 2003 fuel requirements and approximately 18% of our projected 2004 fuel requirements through March 31, 2004.

Interest. Our earnings are affected by changes in interest rates due to the impact those changes have on interest expense from variable-rate debt instruments and on interest income generated from our cash and investment balances. At December 31, 2002, all of our debt had floating interest rates. If interest rates average 10% higher in 2003 than they did during 2002, our interest expense would increase by approximately \$1.3 million, compared to an estimated \$1.5 million for 2002 measured as of December 31, 2001. If interest rates average 10% lower in 2003 than they did during 2002, our interest income from cash and investment balances would decrease by approximately \$0.5 million, compared to \$0.5 million for 2002 measured as of December 31, 2001. These amounts are determined by considering the impact of the hypothetical interest rates on our variable-rate debt, cash equivalent and short-term investment balances at December 31, 2002 and 2001.

JETBLUE AIRWAYS CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31,	
	2002	2001
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 246,752	\$ 117,522
Short-term investments	11,101	—
Receivables, less allowance (2002—\$1,648; 2001—\$801)	11,931	20,791
Inventories, less allowance (2002—\$161; 2001—\$60)	4,840	2,210
Deferred income taxes	2,846	—
Prepaid expenses and other	5,589	3,742
Total current assets	283,059	144,265
PROPERTY AND EQUIPMENT		
Flight equipment	869,101	364,681
Predelivery deposits for flight equipment	112,934	125,010
	982,035	489,691
Less accumulated depreciation	28,203	9,523
	953,832	480,168
Other property and equipment	53,098	29,023
Less accumulated depreciation	9,769	4,313
	43,329	24,710
Total property and equipment	997,161	504,878
OTHER ASSETS		
Purchased technology, net	68,278	3,500
Other	30,425	21,130
Total other assets	98,703	24,630
TOTAL ASSETS	\$ 1,378,923	\$ 673,773

See accompanying notes to consolidated financial statements.

JETBLUE AIRWAYS CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	December 31,	
	2002	2001
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 46,042	\$ 24,549
Air traffic liability	97,534	51,566
Accrued salaries, wages and benefits	37,140	18,265
Other accrued liabilities	16,515	15,980
Short-term borrowings	21,679	28,781
Current maturities of long-term debt	50,754	54,985
	<u>269,664</u>	<u>194,126</u>
Total current liabilities	269,664	194,126
LONG-TERM DEBT	639,498	290,665
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes	38,545	3,373
Other	16,543	7,335
	<u>55,088</u>	<u>10,708</u>
	55,088	10,708
CONVERTIBLE REDEEMABLE PREFERRED STOCK	—	210,441
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$.01 par value; 25,000,000 shares authorized, none issued	—	—
Common stock, \$.01 par value; 500,000,000 and 58,300,000 shares authorized in 2002 and 2001, respectively; 63,758,412 and 6,545,950 shares issued and outstanding in 2002 and 2001, respectively	638	65
Additional paid-in capital	407,471	3,868
Retained earnings (accumulated deficit)	15,791	(33,117)
Unearned compensation	(9,414)	(2,983)
Accumulated other comprehensive income	187	—
	<u>414,673</u>	<u>(32,167)</u>
Total stockholders' equity (deficit)	414,673	(32,167)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 1,378,923</u>	<u>\$ 673,773</u>

See accompanying notes to consolidated financial statements.

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Year Ended December 31,		
	2002	2001	2000
OPERATING REVENUES			
Passenger	\$ 615,171	\$ 310,498	\$ 101,665
Other	20,020	9,916	2,953
Total operating revenues	635,191	320,414	104,618
OPERATING EXPENSES			
Salaries, wages and benefits	162,191	84,762	32,912
Aircraft fuel	76,271	41,666	17,634
Sales and marketing	44,345	28,305	16,978
Landing fees and other rents	43,881	27,342	11,112
Aircraft rent	40,845	32,927	13,027
Depreciation and amortization	26,922	10,417	3,995
Maintenance materials and repairs	8,926	4,705	1,052
Other operating expenses	126,823	63,483	29,096
Total operating expenses	530,204	293,607	125,806
OPERATING INCOME (LOSS)	104,987	26,807	(21,188)
OTHER INCOME (EXPENSE)			
Interest expense	(21,009)	(14,132)	(7,395)
Capitalized interest	5,325	8,043	4,487
Interest income and other	5,314	2,491	2,527
Airline Stabilization Act compensation	407	18,706	—
Total other income (expense)	(9,963)	15,108	(381)
INCOME (LOSS) BEFORE INCOME TAXES	95,024	41,915	(21,569)
Income tax expense (benefit)	40,116	3,378	(239)
NET INCOME (LOSS)	54,908	38,537	(21,330)
Preferred stock dividends	(5,955)	(16,970)	(14,092)
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS	\$ 48,953	\$ 21,567	\$ (35,422)
EARNINGS (LOSS) PER COMMON SHARE:			
Basic	\$ 1.10	\$ 6.59	\$ (17.77)
Diluted	\$ 0.84	\$ 0.76	\$ (17.77)

See accompanying notes to consolidated financial statements.

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ 54,908	\$ 38,537	\$ (21,330)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Deferred income taxes	39,659	3,373	—
Depreciation	24,730	9,972	3,889
Amortization	2,192	445	106
Other, net	11,427	5,960	3,892
Changes in certain operating assets and liabilities:			
Decrease (increase) in receivables	6,851	430	(21,622)
Increase in inventories, prepaid and other	(3,992)	(2,120)	(3,354)
Increase in air traffic liability	45,968	23,788	26,173
Increase in accounts payable and other accrued liabilities	34,734	30,894	15,070
	216,477	111,279	2,824
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(544,065)	(233,775)	(205,759)
Predelivery deposits for flight equipment, net	(109,950)	(54,128)	(27,881)
Acquisition of LiveTV, LLC, net of cash acquired	(80,448)	—	—
Purchases of short-term investments	(11,395)	—	(20,923)
Proceeds from maturities of short-term investments	2,000	—	21,392
Other, net	(603)	(1,952)	(7,959)
	(744,461)	(289,855)	(241,130)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	416,000	185,000	137,750
Proceeds from issuance of common stock	174,014	25	130
Proceeds from aircraft sale and leaseback transactions	150,000	72,000	70,000
Proceeds from short-term borrowings	27,098	28,781	15,138
Proceeds from issuance of convertible redeemable preferred stock	389	29,731	51,322
Repayment of long-term debt	(71,398)	(35,254)	(18,577)
Repayment of short-term borrowings	(34,200)	(15,138)	—
Other, net	(4,689)	(3,450)	(1,300)
	657,214	261,695	254,463
INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period	117,522	34,403	18,246
	246,752	117,522	34,403
Cash and cash equivalents at end of period	\$ 246,752	\$ 117,522	\$ 34,403

See accompanying notes to consolidated financial statements.

JETBLUE AIRWAYS CORPORATION

STATEMENTS OF CONVERTIBLE REDEEMABLE PREFERRED STOCK
AND STOCKHOLDERS' EQUITY (DEFICIT)

(In thousands)

	Stockholders' Equity (Deficit)						
	Convertible Redeemable Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit/Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income	Total
Balance at December 31, 1999	\$ 133,478	\$ 64	\$ 305	\$ (19,262)	\$ —	\$ —	\$ (18,893)
Net loss	—	—	—	(21,330)	—	—	(21,330)
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income							(21,330)
Issuance of Series A Preferred stock, \$5.2745 per share	1,049	—	—	—	—	—	—
Exercise of common stock options	—	1	137	—	—	—	138
Issuance of Series B Preferred stock, \$7.387 per share	14,967	—	—	—	—	—	—
Accrued undeclared dividends on preferred stock	14,092	—	—	(14,092)	—	—	(14,092)
Other	(34)	—	24	—	—	—	24
Balance at December 31, 2000	163,552	65	466	(54,684)	—	—	(54,153)
Net income	—	—	—	38,537	—	—	38,537
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income							38,537
Exercise of common stock options	—	—	25	—	—	—	25
Issuance of Series B Preferred stock, \$7.387 per share	14,944	—	—	—	—	—	—
Issuance of Series B Preferred stock, \$7.387 per share	14,975	—	—	—	—	—	—
Accrued undeclared dividends on preferred stock	16,970	—	—	(16,970)	—	—	(16,970)
Unearned compensation on common stock options	—	—	3,183	—	(3,183)	—	—
Other	—	—	194	—	200	—	394
Balance at December 31, 2001	210,441	65	3,868	(33,117)	(2,983)	—	(32,167)
Net income	—	—	—	54,908	—	—	54,908
Other comprehensive income	—	—	—	—	—	187	187
Total comprehensive income							55,095
Accrued undeclared dividends on preferred stock	5,955	—	—	(5,955)	—	—	(5,955)
Proceeds from initial public offering, net of offering expenses	—	101	168,177	—	—	—	168,278
Conversion of redeemable preferred stock	(216,394)	461	215,933	—	—	—	216,394
Exercise of common stock options	—	8	1,058	—	—	—	1,066
Tax benefit of stock options exercised	—	—	6,568	—	—	—	6,568
Unearned compensation on common stock options, net of forfeitures	—	—	8,144	—	(8,144)	—	—
Amortization of unearned compensation	—	—	—	—	1,713	—	1,713
Stock issued under crewmember stock purchase plan	—	3	3,711	—	—	—	3,714
Other	(2)	—	12	(45)	—	—	(33)
Balance at December 31, 2002	\$ —	\$ 638	\$ 407,471	\$ 15,791	\$ (9,414)	\$ 187	\$ 414,673

See accompanying notes to consolidated financial statements.

JETBLUE AIRWAYS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

Note 1—Summary of Significant Accounting Policies

Basis of Preparation and Description of Business: JetBlue Airways Corporation, incorporated in Delaware on August 24, 1998, offers low-fare, innovative, quality passenger air transportation service to and from a growing number of locations in the United States. As of December 31, 2002, we operated 168 flights a day providing daily service between 20 cities. Our consolidated financial statements include the accounts of JetBlue Airways Corporation, or JetBlue, and our wholly owned subsidiary, LiveTV, LLC, or LiveTV, collectively "we" or the "Company". LiveTV's results of operations from the date of acquisition have been included and all intercompany transactions and balances have been eliminated. Air transportation services accounted for all of the Company's operations in 2000 and 2001, and substantially all of its operations in 2002. Accordingly, segment information is not provided for LiveTV in 2002.

During its development stage from inception to December 31, 1999, JetBlue was involved in recruiting and training personnel, raising capital, obtaining aircraft and spare engines, developing and analyzing markets, obtaining slot exemptions at John F. Kennedy International Airport and building our business strategy. We commenced operations on February 11, 2000.

We are required to make estimates and assumptions when preparing our consolidated financial statements in conformity with accounting principles generally accepted in the United States that affect the amounts reported in our consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Certain prior year amounts have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents: Cash equivalents consist of short-term, highly liquid investments with maturities of three months or less when purchased.

Short-Term Investments: Short-term investments consist of investment-grade, interest bearing instruments maturing in 12 months or less stated at amortized cost as well as fuel hedge derivative contracts settling within 12 months stated at fair value. All short-term investments are classified as held to maturity securities.

Inventories: Inventories consist of expendable aircraft spare parts, supplies and aircraft fuel. These items are stated at average cost and charged to expense when used. An allowance for obsolescence on aircraft spare parts is provided over the remaining useful life of the related aircraft.

Property and Equipment: We record our property and equipment at cost and depreciate these assets on a straight-line basis to their estimated residual values over their estimated useful lives. Additions, modifications that enhance the operating performance of our assets, and interest related to predelivery deposits to acquire new aircraft are capitalized.

Estimated useful lives and residual values for our property and equipment are as follows:

	<u>Estimated Useful Life</u>	<u>Residual Value</u>
Aircraft	25 years	20%
Aircraft parts	Fleet life	10%
Flight equipment leasehold improvements	Lease term	0%
Ground property and equipment	3–10 years	0%
Leasehold improvements	15 years or lease term	0%

We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired and the undiscounted future cash flows estimated to be generated by these assets are less than the assets' net book value. If an impairment occurs, the loss is measured by comparing the fair value of the asset to its carrying amount.

Passenger Revenues: Passenger revenue is recognized when the transportation is provided or after the ticket or customer credit (issued upon payment of a change fee) expires. Tickets sold but not yet used and unexpired credits are included in air traffic liability.

LiveTV Revenues: LiveTV has a contract for the sale of certain hardware and installation, programming and maintenance of in-flight entertainment systems. Revenues and expenses related to these activities will be recognized over the contract term as services are provided. No revenue was recognized under this contract through December 31, 2002.

Aircraft Maintenance and Repairs: Regular maintenance, including airframe checks and engine overhauls, for owned and leased flight equipment are charged to expense as incurred.

Advertising Costs: Advertising costs, which are included in sales and marketing, are expensed as incurred. Advertising expense in 2002, 2001 and 2000 was \$24.1 million, \$15.6 million and \$12.7 million, respectively.

Loyalty Program: We launched our customer loyalty program, TrueBlue Flight Gratitude, in June 2002. We account for this by recording a liability for the estimated incremental cost of the awards we expect to be redeemed. We adjust this liability, which is included in air traffic liability, periodically based on points earned and redeemed as well as changes in the estimated incremental costs.

Income Taxes: We account for income taxes utilizing the liability method. Deferred income taxes are recognized for the tax consequences of temporary differences between the tax and financial statement reporting bases of assets and liabilities. A valuation allowance for net deferred tax assets is provided unless realizability is judged by us to be more likely than not.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income (loss) plus other comprehensive income (loss). Comprehensive income for the year ended December 31, 2002 was \$55.1 million, which included our net income of \$54.9 million and unrealized gains of \$0.2 million on our crude oil options contracts which qualify for hedge accounting in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

Stock-Based Compensation: We account for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Compensation expense for a stock option grant is recognized if the exercise price is less than the fair value of our common stock on the grant date. The following table illustrates the effect on net income (loss) and earnings (loss) per common share if we had applied the fair value method to measure stock-based compensation, which is described more fully in Note 6, as required under the

disclosure provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* (in thousands, except per share amounts):

	Year Ended December 31,		
	2002	2001	2000
Net income (loss), as reported	\$ 54,908	\$ 38,537	\$ (21,330)
Add: Stock-based employee compensation expense included in reported net income (loss), net of tax	989	115	—
Deduct: Stock-based employee compensation expense determined under the fair value method, net of tax			
Crewmember stock purchase plan	(3,264)	—	—
Employee stock options	(2,933)	(320)	(97)
Proforma net income (loss)	\$ 49,700	\$ 38,332	\$ (21,427)
Earnings (loss) per common share:			
Basic—as reported	\$ 1.10	\$ 6.59	\$ (17.77)
Basic—proforma	\$ 0.98	\$ 6.52	\$ (17.82)
Diluted—as reported	\$ 0.84	\$ 0.76	\$ (17.77)
Diluted—proforma	\$ 0.76	\$ 0.76	\$ (17.82)

Note 2—Acquisition of LiveTV

On September 27, 2002, we paid \$80.3 million in cash to acquire the membership interests of LiveTV and to retire \$39.0 million of their outstanding debt. LiveTV provides in-flight entertainment systems for commercial aircraft, including live in-seat satellite television, wireless aircraft data link service and cabin surveillance systems. The primary reason for the acquisition was to control the execution and marketing of an important aspect of our product. The determination and allocation of the purchase price is as follows (in thousands):

Cash paid at acquisition	\$ 80,272
Technology previously acquired, net	3,063
Other, net	(660)
Total purchase price	\$ 82,675
Current assets	\$ 1,031
Fair value of property and equipment	20,562
Existing technology purchased	69,255
Liabilities assumed	(8,173)
Total allocated purchase price	\$ 82,675

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The existing technology purchased is an intangible asset that will be amortized over seven years based on the average number of aircraft currently expected to be in service. Accumulated amortization at December 31, 2002 was \$1.0 million. Projected amortization expense is \$5.0 million in 2003, \$6.8 million in 2004, \$8.4 million in 2005, \$9.8 million in 2006 and \$11.2 million in 2007.

Installed in-flight entertainment systems, which comprise the majority of the property and equipment acquired, are depreciated over 12 years. Subsequent to the acquisition, our consolidated results of operations reflect additional amortization, depreciation and salaries and benefits expense which will be offset by a reduction in other operating expenses where the expense for payments by JetBlue under its long-term contractual agreement to LiveTV had previously been recorded.

Proforma results of operations, had we acquired LiveTV on January 1, 2001 would have been (in thousands, except per share amounts):

	Year Ended December 31,	
	2002	2001
Operating revenues	\$ 635,321	\$ 320,569
Operating income	97,524	24,145

Net income	52,943	35,703
Earnings per common share:		
Basic	\$ 1.05	\$ 5.72
Diluted	\$ 0.81	\$ 0.71

The proforma results for 2001 exclude a \$4.1 million pre-tax charge which resulted from the impairment in the fair value of system hardware owned by LiveTV and leased to a customer who filed bankruptcy under Chapter 11 in 2000. The proforma results of operations have been prepared for comparative purposes only. These results are not indicative of the consolidated results of operations which would have occurred had the transaction been consummated on January 1, 2001 and are not indicative of the consolidated results of operations which will occur in the future.

Note 3—Long-term Debt and Short-term Borrowings

Long-term debt at December 31 consisted of the following (in thousands, with interest rates as of December 31, 2002):

	2002	2001
Floating rate equipment notes due through 2014, 3.5% weighted average rate	\$ 687,542	\$ 303,620
Aircraft manufacturer floating rate predelivery notes due in 2003, 3.0% weighted average rate	2,710	42,030
Total debt	690,252	345,650
Less: current maturities	50,754	54,985
Long-term debt	\$ 639,498	\$ 290,665

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Interest rates on floating rate notes adjust quarterly or semi-annually based on the London Interbank Offered Rate. At December 31, 2002, we were in compliance with the covenants of all our debt and lease agreements, which include among other things, a requirement to maintain certain financial ratios. Aircraft, engines and predelivery deposits having a net book value of \$875 million at December 31, 2002, were pledged as security under various debt agreements.

Maturities of long-term debt for the next five years are as follows (in thousands):

2003	\$ 50,754
2004	50,026
2005	52,203
2006	51,585
2007	51,699

Cash payments of interest, net of capitalized interest, aggregated \$14.2 million, \$4.8 million and \$1.5 million in 2002, 2001 and 2000, respectively. Non-cash predelivery financing obtained in connection with the acquisition of new aircraft was \$34.0 million and \$28.2 million in 2001 and 2000, respectively.

In November 2000, we entered into a funding facility to finance aircraft predelivery deposits. The facility, as amended in December 2001, allows for borrowings up to \$32.0 million through November 2004. Commitment fees are .35% per annum on the average unused portion of the facility. At December 31, 2002, \$10.3 million was available under this facility. The weighted average interest rate on these outstanding short-term borrowings at December 31, 2002 and 2001 was 2.9% and 3.6%, respectively.

Note 4—Leases

We lease aircraft, as well as airport terminal space, other airport facilities, office space and other equipment, which expire in various years through 2024. Total rental expense for all operating leases in 2002, 2001 and 2000 was \$64.5 million, \$49.7 million and \$20.2 million, respectively. We have \$12.9 million of restricted cash pledged under standby letters of credit related to these leases which is included in other assets.

At December 31, 2002, 16 of the 37 aircraft we operated were leased under operating leases, with initial lease term expiration dates ranging from 2009 to 2022. Five of the 16 aircraft leases have variable-rate rent payments based on the London Interbank Offered Rate. Nine aircraft leases generally can be renewed at rates based on fair market value at the end of the lease term for one to four years. Eight aircraft leases have purchase options after five or 12 years at amounts that are expected to approximate fair market value or at the end of the lease term at fair market value.

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Future minimum lease payments under noncancelable operating leases with initial or remaining terms in excess of one year at December 31, 2002, are as follows (in thousands):

	<u>Aircraft</u>	<u>Other</u>
2003	\$ 50,534	\$ 7,069
2004	49,008	7,462
2005	52,782	6,455
2006	53,259	6,080
2007	52,743	5,392
Thereafter	362,491	16,210
	<u> </u>	<u> </u>
Total minimum lease payments	\$ 620,817	\$ 48,668
	<u> </u>	<u> </u>

We have committed to lease six additional aircraft in 2003, five under 20 year operating leases and one under a 12 year operating lease, with total minimum lease payments estimated to aggregate \$291 million that are not included above. As we have not yet entered into an agreement to lease our terminal facility space at JFK through 2006, total expected minimum lease payments of \$43 million are also not included above.

Note 5—Convertible Redeemable Preferred Stock and Stockholders' Equity (Deficit)

On October 23, 2002, our Board of Directors declared a three-for-two stock split, distributing 21,210,019 shares on December 12, 2002. All common share and per share data for periods prior to the stock split presented in the accompanying consolidated financial statements and notes thereto have been restated to give effect to the stock split. We did not restate share data for the convertible redeemable preferred stock.

Effective with our initial public offering on April 17, 2002, our authorized shares of capital stock were increased to 500 million shares of common stock and 25 million shares of preferred stock and all outstanding shares of our convertible redeemable preferred stock were converted to common stock on a one-for-one basis. The holders of our common stock are entitled to one vote per share on all matters which require a vote by the Company's stockholders as outlined in the articles of incorporation and the by-laws.

In 1998, the Company issued 6,399,900 shares of Series A-1 Common Stock to management and other individuals for \$369,203 in cash. On December 16, 1998, the Company and a group of investors (collectively, the Investors) entered into a stock purchase agreement in which the Investors agreed to invest \$126 million in cash in five installments through 2000 and in return receive 23,879,341 shares of Series A-1 Preferred and Series A-2 Preferred Stock and attached contingent warrants to purchase common stock of the Company. The contingent warrants expired unexercised in March 2000. Management and other individuals purchased the remaining 733,200 shares of Series A-1 Preferred Stock. On August 10, 2000, the Investors and management agreed to invest \$15 million in cash for 2,026,135 shares of Series B-1 Preferred and Series B-2 Preferred Stock and provided the Company with a call for an additional \$15 million through December 31, 2001. In October 2001, the Company exercised its call and issued 2,022,991 shares of Series B-1 Preferred and Series B-2 Preferred Stock.

Separately, in October and November 2001, the Company sold 2,030,595 shares of Series B–1 Preferred and Series B–2 Preferred Stock for \$15 million in cash to certain of its preferred stockholders.

On April 17, 2002, we raised \$182.2 million from an initial public offering of 10,120,000 shares of our common stock at a price to the public of \$18.00 per share, all of which shares were issued and sold by us. Upon the closing of the initial public offering, all 30,692,262 outstanding shares of our convertible redeemable preferred stock were converted into 46,038,393 shares of common stock. Net proceeds, after deducting underwriting discounts and commissions, of \$169.4 million received by the Company and were invested in short-term, investment-grade, interest-bearing instruments, of which \$80.3 million was used to acquire LiveTV. Total offering expenses were \$2.0 million.

Shares of common stock and each class of convertible redeemable preferred stock as of December 31 were outstanding as follows:

	Common Stock	Convertible Redeemable Preferred Stock			
		Series A–1	Series A–2	Series B–1	Series B–2
Balance at December 31, 1999	6,399,900	16,712,088	7,701,550	—	—
Stock issuance	—	198,903	—	1,493,246	532,889
Conversion	—	1,895,913	(1,895,913)	—	—
Exercise of stock options	111,250	—	—	—	—
Balance at December 31, 2000	6,511,150	18,806,904	5,805,637	1,493,246	532,889
Stock issuance	—	—	—	2,513,337	1,540,249
Exercise of stock options	34,800	—	—	—	—
Balance at December 31, 2001	6,545,950	18,806,904	5,805,637	4,006,583	2,073,138
Initial public offering	10,120,000	—	—	—	—
Automatic conversion	46,038,393	(18,806,904)	(5,805,637)	(4,006,583)	(2,073,138)
Exercise of stock options	811,623	—	—	—	—
Crewmember stock purchase plan	242,718	—	—	—	—
Other	(272)	—	—	—	—
Balance at December 31, 2002	63,758,412	—	—	—	—

Under separate agreements signed in 1998, 5,950,350 shares of the common stock purchased by certain management owners are subject to repurchase by the Company of any unvested shares upon the termination of service by these employees at the holder's original purchase price. The shares vest in equal annual installments upon completion of each year of service generally over a five-year period. At December 31, 2002, 2001 and 2000, 4,772,700, 3,595,050 and 2,396,700 shares were vested under these agreements, respectively.

Holders of our convertible redeemable preferred stock were entitled to cash dividends, which were accrued and accumulated if not paid in full, before any dividends were declared and paid or set aside for the common stock. No dividends had been declared and concurrent with the initial public offering, the Company's obligation to pay accrued dividends was canceled upon conversion of the convertible redeemable preferred stock into common stock.

Pursuant to the Stockholder Rights Agreement, which became effective in February 2002, each share of common stock has attached to it a right and, until the rights expire or are redeemed, each new share of common stock issued by the Company will include one right. Upon the occurrence of certain events, each right entitles the holder to purchase one one-thousandth of a share of Series A participating preferred stock at an exercise price of \$120, subject to adjustment. The rights become exercisable only after any person or group acquires beneficial ownership of 15% or more (25%, or 30% in one case, in the case of certain Investor Groups as defined in the Agreement) of the Company's outstanding common stock or commences a tender or exchange offer that would result in such person or group acquiring beneficial ownership of 15% or more (25%, or 30% in one case, in the case of certain Investor Groups) of the company's common stock. If after the rights become exercisable, the Company is involved in a merger or other business combination or sells more than 50% of its assets or earning power, each right will entitle its holder (other than the acquiring person or group) to receive common stock of the acquiring company having a market value of twice the exercise price of the rights. The rights expire on April 17, 2012 and may be redeemed by the Company at a price of \$.01 per right prior to the time they become exercisable.

Note 6—Stock-Based Compensation

Crewmember Stock Purchase Plan: Our crewmember stock purchase plan, or CSPP, is available to all employees and was adopted in February 2002, with 2,250,000 shares of our common stock initially reserved for issuance. The number of shares reserved for issuance will automatically increase each January by an amount equal to 3% of the total number of shares of our common stock outstanding on the last trading day in December of the prior calendar year. On January 1, 2003, the number of shares reserved for issuance was increased by 1,912,752 shares. In no event will any such annual increase exceed 4,050,000 shares. The plan will terminate no later than the last business day of April 2012.

The plan has a series of successive overlapping 24-month offering periods, with a new offering period beginning on the first business day of May and November each year. Employees can only join an offering period on the start date and participate in one offering period at a time. Employees may contribute up to 10% of their pay, through payroll deductions, toward the purchase of common stock at 85% of the lower of the fair market value per share at the beginning of the offering period or on the purchase date. The initial purchase date occurred on October 31, 2002 when 242,718 shares of our common stock were purchased for \$3.7 million, or \$15.30 per share. Purchase dates occur on the last business day of April and October each year.

If the fair market value per share of our common stock on any purchase date within a particular offering period is less than the fair market value per share on the start date of that offering period, then the employees in that offering period will automatically be transferred and enrolled in the next two-year offering period which shall, immediately after the purchase of the common stock, begin on the next business day following such purchase date.

Should we be acquired by merger or sale of substantially all of our assets or more than 50% of our outstanding voting securities, then all outstanding purchase rights will automatically be exercised immediately prior to the effective date of the acquisition at a price equal to the lower of 85% of the market value per share on the start date of the offering period in which the participant is enrolled or 85% of the fair market value per share immediately prior to the acquisition.

Stock Incentive Plan: The 2002 Stock Incentive Plan, or the 2002 Plan, provides for incentive and non-qualified stock options to be granted to certain employees and members of the Board of Directors. The 2002 Plan became effective following our initial public offering and provided that all outstanding options under the 1999 Stock Option/Stock Issuance Plan, or the 1999 Plan, be transferred to the 2002 Plan. No further option grants will be made under the 1999 Plan. The transferred options will continue to be governed by their existing terms. Stock options under the 2002 Plan become exercisable when vested, which occurs in annual installments of four, five or seven years or upon the occurrence of a change in control, and expire 10 years from the date of grant. Our policy is to grant options with the exercise price equal to the market price of the underlying common stock on the date of grant. The number of shares reserved for issuance will automatically increase each January by an amount equal to 4% of the total number of shares of our common stock outstanding on the last trading day in December of the prior calendar year. In no event will any such annual increase exceed 5,400,000 shares.

The following is a summary of stock option activity for the years ended December 31:

	2002		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	5,696,520	\$ 1.99	3,503,670	\$ 1.01	2,151,420	\$ 0.73
Granted	4,325,850	22.74	2,389,500	3.43	1,908,750	1.38
Exercised	(811,623)	1.31	(34,800)	0.73	(111,250)	1.24
Forfeited	(250,998)	11.24	(161,850)	2.17	(445,250)	1.18
Outstanding at end of year	8,959,749	11.81	5,696,520	1.99	3,503,670	1.01
Vested at end of year	1,755,180	1.58	1,247,467	0.86	774,034	0.91
Reserved for issuance	9,740,402 (1)		7,694,952		4,619,952	
Available for future grants	27,530 (1)		1,852,382		1,005,032	

(1)

On January 1, 2003, the number of shares reserved for issuance was increased by 2,550,336 shares.

At December 31, 2002:

	Options Outstanding		Options Vested	
	Shares	Weighted-Average Remaining Contractual Life (years)	Shares	Weighted-Average Exercise Price
Range of exercise prices				
\$ 0.73 to \$ 1.30	2,007,644	7.0	1,206,330	\$ 0.80
\$ 1.31 to \$ 8.99	2,790,480	8.3	498,450	2.72
\$ 9.00 to \$21.79	1,740,625	9.4	50,400	9.00
\$21.80 to \$31.84	2,421,000	9.6	—	—

Certain options granted prior to the initial public offering have exercise prices that are less than the deemed market value of the underlying common stock. Unearned compensation expense associated with these transactions is being amortized over the vesting periods of five or seven years and will be \$1.8 million per year in 2003 through 2006, \$1.2 million in 2007 and \$1.0 million in 2008. The following table discloses the number of options granted during 2002 and 2001 and certain weighted-average information of the options granted:

	<u>Number of Options</u>	<u>Fair Value</u>	<u>Exercise Price</u>
Exercise price equals market price:			
2002	3,469,500	\$ 12.75	\$ 26.14
2001	676,500	\$ 0.62	\$ 2.41
Exercise price less than market price:			
2002	856,350	\$ 12.24	\$ 9.00
2001	1,713,000	\$ 2.92	\$ 3.83

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model. The following table shows our assumptions and weighted average fair values of stock-based compensation used to compute the proforma information for employee stock options included in Note 1:

	<u>Year of Grant</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Risk-free interest rate	4.2%	4.9%	5.8%
Average expected life of options (years)	6.4	6.4	6.0
Expected volatility of common stock	41.3%	0.0%	0.0%
Expected annual dividends	—	—	—
Weighted average fair value of stock options	\$ 12.65	\$ 2.27	\$ 0.41

The assumptions used to value the purchase rights under our 2002 CSPP plan, also included in the proforma information in Note 1, included a weighted-average risk free interest rate of 2.66%, volatility of 41.3%, an expected life of six months and a dividend yield of zero percent, resulting in a weighted-average fair value of \$8.16 per share.

Because the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models for valuing options do not necessarily provide a reliable single measure of their fair values.

Note 7—Earnings (Loss) Per Share

The following table shows how we computed basic and diluted earnings (loss) per common share for the years ended December 31 (in thousands, except share data):

	2002	2001	2000
Numerator:			
Net income (loss) applicable to common stockholders for basic earnings (loss) per share	\$ 48,953	\$ 21,567	\$ (35,422)
Effect of dilutive securities—preferred stock dividends	5,955	16,970	—
Net income (loss) applicable to common stockholders after assumed conversion for diluted earnings (loss) per share	\$ 54,908	\$ 38,537	\$ (35,422)
Denominator:			
Weighted-average shares outstanding for basic earnings (loss) per share	44,697,317	3,274,130	1,992,999
Effect of dilutive securities:			
Convertible redeemable preferred stock	13,370,053	41,205,064	—
Unvested common stock	2,064,585	3,255,114	—
Employee stock options	4,970,190	2,880,429	—
Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings (loss) per share	65,102,145	50,614,737	1,992,999

Outstanding unvested common stock purchased by certain of the Company's management is subject to repurchase by the Company and therefore is not included in the calculation of the weighted-average shares outstanding for basic earnings (loss) per share. Convertible redeemable preferred stock, unvested common stock outstanding and employee stock options are not included in the calculation of loss per share for the year ended December 31, 2000 due to their anti-dilutive impact.

Note 8—Income Taxes

The provision for income taxes consisted of the following for the years ended December 31 (in thousands):

	2002	2001	2000
Current:			
Federal	\$ —	\$ 5	\$ (237)
State	457	—	(2)
Deferred:			
Federal	31,560	2,349	—
State	8,099	1,024	—
Income tax expense (benefit)	\$ 40,116	\$ 3,378	\$ (239)

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The effective tax rate on income (loss) before income taxes differed from the federal income tax statutory rate for the years ended December 31 for the following reasons (in thousands):

	2002	2001	2000
Income tax expense (benefit) at statutory rate	\$ 33,258	\$ 14,251	\$ (7,333)
Increase (reduction) resulting from:			
Increase (decrease) in valuation allowance	—	(14,659)	8,431
State income tax (benefit), net of federal benefit	5,791	3,297	(1,492)
Other, net	1,067	489	155
Total income tax expense (benefit)	\$ 40,116	\$ 3,378	\$ (239)

Cash payments for income taxes were \$573,000, \$55,000 and \$239,000 in 2002, 2001 and 2000, respectively.

For financial reporting purposes, a valuation allowance had been recorded at December 31, 2000 and 1999 to reduce the net deferred tax assets to zero. During 2001, we recognized the benefit from the future use of operating loss carryforwards and other deferred tax assets because our evaluation of all the available evidence indicated that it was more likely than not that such deferred tax assets would be realized as the Company is in a net deferred tax liability position.

The net deferred taxes listed below include a current net deferred tax asset of \$2.8 million and a long-term net deferred tax liability of \$38.5 million at December 31, 2002. The components of our deferred tax assets and liabilities as of December 31 are as follows (in thousands):

	<u>2002</u>	<u>2001</u>
Deferred tax assets:		
Net operating loss carryforwards	\$ 29,111	\$ 22,467
Stock options	6,619	—
Organization and start-up costs	4,719	5,841
Employee benefits	1,402	1,144
Gains from sale and leaseback of aircraft	1,302	301
Other	1,838	452
	<u>44,991</u>	<u>30,205</u>
Deferred tax liabilities:		
Accelerated depreciation	(80,690)	(33,578)
	<u>(80,690)</u>	<u>(33,578)</u>
Net deferred tax liability	\$ (35,699)	\$ (3,373)
	<u>(35,699)</u>	<u>(3,373)</u>

At December 31, 2002, the Company had regular tax net operating loss carryforwards of \$71.7 million available for carryforward to reduce the tax liabilities of future years. These carryforwards begin to expire in 2020 for federal purposes and between 2010 and 2020 for state purposes.

Note 9—Employee Retirement Plan

The Company has a retirement savings 401(k) defined contribution plan, or the Plan, covering all its employees. We match 100 percent of our employee contributions up to three percent of their compensation in cash, which then vests over five years. Participants are immediately vested in their voluntary contributions. During 2001, we established a profit sharing retirement plan as a separate component of the Plan for all of our employees under which an award pool consisting of 15% of the Company's pre-tax earnings, subject to Board of Director approval, is distributed on a pro rata basis based on employee compensation. These contributions vest immediately. Company contributions expensed in 2002, 2001 and 2000 were \$19.3 million, \$8.6 million and \$442,000, respectively for the Plan.

Note 10—Commitments

Our firm aircraft orders, after assuming the exercise in February 2003 of options for two aircraft, consist of 49 Airbus A320 aircraft scheduled for delivery through 2007. Committed expenditures for these aircraft and related equipment, including estimated amounts for contractual price escalations and predelivery deposits, will be approximately \$540 million in 2003, \$485 million in 2004, \$445 million in 2005, \$200 million in 2006 and \$190 million in 2007. Lease financing has been arranged for five of the 14 2003 deliveries. Although we believe that financing should be available for our remaining 44 firm aircraft deliveries, we cannot make assurances that we will be able to obtain such financing, which may require us to modify our aircraft acquisition plans.

We also have options to purchase 26 A320 aircraft and related equipment scheduled for delivery from 2004 through 2009 and have purchase rights to acquire 19 additional aircraft, which allow us to purchase these additional aircraft under the same terms as the aircraft on order.

Our commitments also include those of LiveTV which has several long-term purchase agreements with its suppliers, including the sole supplier of its antenna, to provide equipment to be installed on its customers' aircraft including JetBlue's aircraft. Committed expenditures to these suppliers are approximately \$20 million in 2003, \$9 million in 2004 and \$6 million per year in 2005 through 2007.

We enter into individual employment agreements with each of our FAA-licensed employees, which include pilots, dispatchers and technicians. Each employment agreement is for a term of five years and automatically renews for an additional five-year term unless either the employee or we elect not to renew it by giving at least 90 days' notice before the end of the initial term. Pursuant to these agreements, these employees can only be terminated for cause. In the event of a downturn in our business, we are obligated to pay these employees a guaranteed level of employment income and to continue their benefits if they do not obtain other aviation employment.

Note 11—Contingencies

The Company is party to legal proceedings and claims that arise during the ordinary course of business. It is the opinion of management that the ultimate outcome of these matters will not have a material adverse effect upon the Company's financial position, results of operations or cash flows. None of our employees are covered by collective bargaining agreements with us.

As of December 31, 2002, we had approval from the Federal Aviation Administration and the Department of Transportation to operate up to 40 aircraft. We have submitted an application for

authorization to increase the size of our fleet beyond 40 aircraft. Although we expect our request to be approved, we cannot make assurances that such authorization will be granted.

The Company is a party to many routine contracts under which it indemnifies third parties for various risks. We have not accrued a liability for any of these indemnities, as the likelihood of payment in each case is considered remote. These indemnities consist of the following:

All of the Company's bank loans, including its aircraft and engine mortgages, contain standard provisions present in loans of this type which obligate the Company to reimburse the bank for any increased costs associated with continuing to hold the loan on its books which arise as a result of broadly defined regulatory changes, including changes in reserve requirements and bank capital requirements. These indemnities would have the practical effect of increasing the interest rate on our debt if they were to be triggered. In all cases, the Company has the right to repay the loan and avoid the increased costs. The term of these indemnities matches the length of the loan up to 12 years. The maximum potential payment under these indemnities cannot be determined.

Under both aircraft leases with foreign lessors and aircraft and engine mortgages with foreign lenders, the Company has agreed to customary indemnities concerning withholding tax law changes under which the Company is responsible, should withholding taxes be imposed, for paying such amount of additional rent or interest as is necessary to ensure that the lessor or lender still receives, after taxes, the rent stipulated in the lease or the interest stipulated under the loan. Terms for these indemnities range from two to 18 years. The maximum potential payment under these indemnities cannot be determined.

The Company has various leases with respect to real property, and various agreements among airlines relating to fuel consortia or fuel farms at airports, under which the Company has agreed to standard language indemnifying the lessor against environmental liabilities associated with the real property covered under the agreement, even if the Company is not the party responsible for the environmental damage. In the case of fuel consortia at airports, these indemnities are generally joint and several among the airlines. The Company cannot quantify the maximum potential exposure under these indemnities, and the Company does not presently have liability insurance which protects the Company against environmental damages.

Under certain contracts with third parties, we indemnify the third party against legal liability arising out of an action by the third party. The terms of these contracts vary and the potential exposure under these indemnities cannot be determined. Generally, the Company has liability insurance protecting the Company for its obligations it has undertaken under these indemnities.

The Company's wholly owned subsidiary LiveTV provides product warranties to a third party airline to which it sells its products and services. The Company does not accrue a liability for product warranties upon sale of the hardware since revenue is recognized over the term of the related service agreement. Expenses for warranty repairs are recognized as they occur. In addition, LiveTV has provided indemnities against any claims which may be brought against its customers related to allegations of patent, trademark, copyright or license infringement as a result of the use of the LiveTV system. The term of the indemnity is indeterminate and as a result, we cannot quantify the maximum potential exposure under this indemnity.

Note 12—Financial Instruments and Risk Management

We maintain cash and cash equivalents with various high-quality financial institutions or in short-term duration high-quality debt securities. Investments in highly-liquid debt securities are stated at fair value, which approximates cost. The majority of our receivables result from the sale of tickets to individuals, mostly through the use of major credit cards. These receivables are short-term, generally being settled shortly after the sale. As of December 31, 2002, the fair value of our long-term debt, which approximated its carrying value, was estimated using discounted cash flow analysis based on our current incremental borrowing rates for instruments with similar terms. The carrying values of all other financial instruments approximated their fair values.

The Company is exposed to the effect of changes in the price and availability of aircraft fuel. To manage this risk, we periodically purchase crude oil options contracts. Prices for crude oil are highly correlated to jet fuel, making crude oil derivatives effective at offsetting jet fuel prices to provide some short-term protection against a sharp increase in average fuel prices. In 2002, contracts for 1.3 million barrels, representing 52% of our jet fuel consumption for the year, were settled resulting in a net gain of \$1.2 million. These derivative instruments were not designated as hedges for financial accounting purposes. Contracts for 2.1 million barrels were held at December 31, 2002, which hedged approximately 45% of our projected annual fuel requirements for 2003 and approximately 18% of our projected fuel requirements through the first quarter of 2004. We have agreements whereby cash deposits are required if market risk exposure exceeds a specified threshold amount.

In December 2002, we designated our outstanding contracts as cash flow hedges for accounting purposes. The contracts continue to be recorded at fair value on the balance sheet, with changes in the effective portion of their fair value from the designation date now reflected in other comprehensive income until the underlying hedged fuel is consumed, at which time the effective portion of the realized gain is offset against fuel expense. We determine the ineffective portion, for which an immaterial amount was recorded in other income in 2002, as the excess of the fair value of the hedge contracts over the change in expected cash outflows for the underlying hedged jet fuel. Subsequent to the designation date, we adjusted the fair value of these instruments by deferring \$312,000 of gains, \$187,000 net of tax, in other comprehensive income. Unrealized gains of \$724,000 are reflected in other income, which primarily represent the gains on these instruments from the date of the contract origination through the date of designation as cash flow hedges.

Any outstanding financial derivative instruments expose us to credit loss in the event of nonperformance by the counterparties to the agreements, but we do not expect any of the counterparties to fail to meet their obligations. The amount of such credit exposure is generally the unrealized gains, if any, in such contracts. To manage credit risks, we select counterparties based on credit assessments, limit overall exposure to any single counterparty and monitor the market position with each counterparty. We do not use derivative instruments for trading purposes.

Note 13—Airline Stabilization Act Compensation

On September 22, 2001, the President signed into law the Air Transportation Safety and System Stabilization Act, or the Airline Stabilization Act, which provided, among other things, for compensation to U.S. passenger and cargo airlines for direct and increment losses incurred from September 11, 2001 to December 31, 2001 as a result of the September 11th terrorist attacks. We received compensation of \$3.2 million and \$15.9 million during 2002 and 2001, respectively, and

recognized \$0.4 million and \$18.7 million of compensation in other income (expense) during the same periods.

Note 14—Quarterly Financial Data (Unaudited)

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

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter(1)</u>	<u>Fourth Quarter(1)</u>
2002				
Operating revenues	\$ 133,369	\$ 149,303	\$ 165,261	\$ 187,258
Operating income	23,378	27,707	22,461	31,441
Net income	13,004	14,586	12,155	15,163
Basic earnings per share	\$ 1.90	\$ 0.27	\$ 0.20	\$ 0.24
Diluted earnings per share	\$ 0.23	\$ 0.22	\$ 0.18	\$ 0.22
2001				
Operating revenues	\$ 63,850	\$ 78,398	\$ 82,608	\$ 95,558
Operating income	7,538	11,038	4,216	4,015
Net income	6,749	10,661	10,072	11,055
Basic earnings per share	\$ 0.96	\$ 2.24	\$ 1.92	\$ 1.52
Diluted earnings per share	\$ 0.14	\$ 0.22	\$ 0.20	\$ 0.20

(1) Airline Stabilization Act compensation recorded in other income (expense) was \$407 in third quarter 2002, and \$6,696 and \$12,009 in the third and fourth quarters of 2001, respectively.

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

Report of Independent Auditors

The Board of Directors and Stockholders
JetBlue Airways Corporation

We have audited the accompanying consolidated balance sheets of JetBlue Airways Corporation as of December 31, 2002 and 2001, and the related consolidated statements of operations, convertible redeemable preferred stock and stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of JetBlue Airways Corporation at December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

New York, New York
January 27, 2003

Independent Auditors' Report

The Board of Directors and Stockholders
JetBlue Airways Corporation:

We have audited the accompanying statements of operations, convertible redeemable preferred stock and stockholders' equity (deficit) and cash flows of JetBlue Airways Corporation for the year ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all materials respects, the results of operations and cash flows of JetBlue Airways Corporation for the year ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Stamford, CT
June 27, 2001

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On December 7, 2001, we dismissed KPMG LLP as our independent accountants. The report of KPMG LLP on our financial statements for 2000 contained no adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles. There have been no disagreements with KPMG LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of KPMG LLP would have caused them to make reference thereto in their report on the financial statements for such years. The decision to change firms was approved by the audit committee of our board of directors. We engaged Ernst & Young LLP as our new independent accountants as of December 7, 2001. We have provided KPMG LLP with a copy of the disclosure contained in this report.

A copy of the letter, dated February 12, 2002, addressed to the commission stating whether or not KPMG LLP agreed with the above statements, was filed as Exhibit 16.1 to our registration statement on Form S-1, as amended (Registration No. 333-82576) filed on February 12, 2002.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated by reference from our definitive proxy statement for the 2003 Annual Meeting of Stockholders to be held May 21, 2003 to be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the last fiscal year. See "Executive Officers of the Registrant" in Part I of this Report following Item 4 for information relating to executive officers.

Joy Covey was recently appointed to our Board of Directors and the audit committee of the Board of Directors effective February 10, 2003. Ms. Covey was the Chief Financial Officer and Vice President of Finance and Administration for Amazon.com from December 1996 to September 1999 and occupied other senior management positions at Amazon.com from September 1999 until April 2000. Prior to joining Amazon.com, Ms. Covey occupied various senior management positions with Avid Technology, Inc. from 1995 to 1996 and was Chief Financial Officer of Digidesign from 1991 to 1995. Prior to Digidesign, Ms. Covey worked in mergers and acquisitions with Wasserstein, Perella & Co. and as a certified public accountant with Arthur Young (now Ernst & Young). Ms. Covey earned her Juris Doctorate degree, magna cum laude, from Harvard Law School and holds a Masters of Business Administration degree from Harvard Business School, where she was a Baker Scholar. Ms. Covey received her Bachelor of Science degree in business administration from California State University, Fresno. Ms. Covey is currently a member of the Santa Fe Institute Board of Trustees.

Jim Hnat was appointed as our General Counsel in February 2003, replacing Tom Kelly who will remain as our Executive Vice President and Secretary.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from our definitive proxy statement for the 2003 Annual Meeting of Stockholders to be held May 21, 2003.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**Equity Compensation Plan Information**

The table below provides information relating to our equity compensation plans (including individual compensation arrangements) under which our common stock is authorized for issuance as of December 31, 2002:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders	9,965,862	\$ 12.26	1,028,699
Equity compensation plans not approved by security holders	—	—	—
Total	9,965,862	\$ 12.26	1,028,699

The number of shares reserved for issuance under our Crewmember Stock Purchase Plan and 2002 Stock Incentive Plan automatically increases on January 1 each year by three and four percent, respectively, of the total number of shares of our common stock outstanding on the last trading day in December of the prior calendar year. See Note 6 to our consolidated financial statements for further information regarding the material features of the above plans.

The other information required by this Item is incorporated by reference from our definitive proxy statement for the 2003 Annual Meeting of Stockholders to be held May 21, 2003.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference from our definitive proxy statement for the 2003 Annual Meeting of Stockholders to be held May 21, 2003.

PART IV

ITEM 14. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, of the effectiveness of our disclosure controls and procedures within 90 days prior to the date of the filing of this report. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported as specified in the SEC's rules and forms. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to their evaluation.

Pursuant to Section 906 of The Sarbanes–Oxley Act of 2002, the Chief Executive Officer and Chief Financial Officer of the Company have provided certain certifications to the Securities and Exchange Commission. These certifications accompanied this report when filed with the Commission, but are not set forth herein.

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8–K

(a)

1. Financial statements:

Consolidated Balance Sheets—December 31, 2002 and December 31, 2001

Consolidated Statements of Operations—For the years ended December 31, 2002, 2001 and 2000

Consolidated Statements of Cash Flows—For the years ended December 31, 2002, 2001 and 2000

Consolidated Statements of Convertible Redeemable Preferred Stock and Stockholders' Equity (Deficit)—For the years ended December 31, 2002, 2001 and 2000

Notes to Consolidated Financial Statements

Reports of Independent Auditors

2.

Financial Statement Schedule:

Reports of Independent Auditors on Financial Statement Schedule	S–1
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Schedule II—Valuation of Qualifying Accounts and Reserves	S–3
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All other schedules have been omitted because they are inapplicable, not required, or the information is included elsewhere in the consolidated financial statements or notes thereto.

3.

Exhibits:

The following is an index of the exhibits included in this report or incorporated herein by reference.

- 2.1 Membership Interest Purchase Agreement among Harris Corporation and Thales Avionics In–Flight Systems, LLC and In–Flight Liquidating, LLC and Glenn S. Latta and Jeffrey A. Frisco and Andreas de Greef and JetBlue Airways Corporation, dated as of September 9, 2002 relating to the interests in LiveTV, LLC—incorporated by reference to Exhibit 2.1 to the Current Report on Form 8–K dated September 27, 2002.

- 3.1 Amended and Restated Certificate of Incorporation of JetBlue Airways Corporation—incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1, as amended (File No. 333-82576)
- 3.2 Amended and Restated Bylaws of JetBlue Airways Corporation—incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1, as amended (File No. 333-82576)
- 4.1 Specimen Stock Certificate—incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1, as amended (File No. 333-82576)
- 4.2 Amended and Restated Registration Rights Agreement, dated as of August 10, 2000, by and among JetBlue Airways Corporation and the Stockholders named therein—incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1, as amended (File No. 333-82576)
- 4.3 Stockholder Rights Agreement
- 4.4 Summary of Rights to Purchase Series A Participating Preferred Stock—incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-1, as amended (File No. 333-82576)
- 10.1** Airbus A320 Purchase Agreement, dated as of April 20, 1999, between AVSA, S.A.R.L. and JetBlue Airways Corporation, including Amendments No. 1 through No. 11 and Letter Agreements No. 1 through No. 10—incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.2** Amendment No. 12 to Airbus A320 Purchase Agreement between AVSA, S.A.R.L. and JetBlue Airways Corporation, dated April 19, 2002—incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for quarterly period ended June 30, 2002.
- 10.3+ Amendment No. 13 to Airbus A320 Purchase Agreement between AVSA, S.A.R.L. and JetBlue Airways Corporation, dated November 22, 2002.
- 10.4+ Amendment No. 14 to Airbus A320 Purchase Agreement between AVSA, S.A.R.L. and JetBlue Airways Corporation, dated December 18, 2002.
- 10.5+ Amendment No. 15 to Airbus A320 Purchase Agreement between AVSA, S.A.R.L. and JetBlue Airways Corporation, dated February 10, 2003.
- 10.6** V2500 General Terms of Sale between IAE International Aero Engines AG and NewAir Corporation, including Side Letters No. 1 through No. 3 and No. 5 through No. 9—incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.7** Side Letter No. 10 to V2500 General Terms of Sale between IAE International Aero Engines AG and NewAir Corporation, dated April 25, 2002—incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for quarterly period ended June 30, 2002.
- 10.8+ Side Letter No. 11 to V2500 General Terms of Sale between IAE International Aero Engines AG and NewAir Corporation, dated February 10, 2003.
- 10.9** Open Skies Reservation Services Agreement, dated as of July 15, 1999, between Open Skies, Inc. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.10** Amendment and Restated Agreement between JetBlue Airways Corporation and LiveTV, LLC, dated as of December 17, 2001, including Amendments No. 1, No. 2 and 3—incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-1, as amended (File No. 333-82576).

- 10.11** Agreement between JetBlue Airways and EADS Aeroframe Services, LLC, issued October 22, 2001 and revised November 20, 2001—incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.12 GDL Patent License Agreement between Harris Corporation and LiveTV, LLC, dated as of September 2, 2002—incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for quarterly period ended September 30, 2002.
- 10.13* Employment Agreement, dated November 23, 1998, between JetBlue Airways Corporation and David Neeleman—incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.14* Employment Agreement, dated October 14, 1998, between JetBlue Airways Corporation and David Barger—incorporated by reference to Exhibit 10.7 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.15* Employment Agreement, dated November 20, 1998, between JetBlue Airways Corporation and John Owen—incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.16* Employment Offer Letter, dated April 12, 1999, between JetBlue Airways Corporation and Ann Rhoades—incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.17* Restricted Stock Purchase Agreement, dated as of September 18, 1998, by and between JetBlue Airways Corporation and Neeleman Holdings, L.C.—incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.18* Restricted Stock Purchase Agreement, dated as of September 18, 1998, by and between JetBlue Airways Corporation and David Barger—incorporated by reference to Exhibit 10.11 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.19* Restricted Stock Purchase Agreement, dated as of September 18, 1998 by and between JetBlue Airways Corporation and Kelly Holdings L.C.—incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.20* Restricted Stock Purchase Agreement, dated as of November 2, 1998, by and between JetBlue Airways Corporation and Neeleman Holdings, L.C.—incorporated by reference to Exhibit 10.13 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.21* Restricted Stock Purchase Agreement, dated as of November 2, 1998, by and between JetBlue Airways Corporation and John Owen—incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.22* Non-Competition and Non-Solicitation Agreement, dated as of November 19, 1998, by and among JetBlue Airways Corporation and David Neeleman—incorporated by reference to Exhibit 10.15 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.23* 1999 Stock Option/Stock Issuance Plan—incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.24* 2002 Stock Incentive Plan—incorporated by reference to Exhibit 10.17 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.25* 2002 Crewmember Stock Purchase Plan—incorporated by reference to Exhibit 10.18 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.26* JetBlue Airways Corporation 401(k) Retirement Plan—incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
- 10.27* Amendment to JetBlue Airways Corporation 401(k) Retirement Plan, dated September 19, 2002

Holly Nelson

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Director

David Barger

*

Director

David Checketts

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Director

Kim Clark

*

Director

Joy Covey

*

Michael Lazarus Director

*

Neal Moszkowski Director

*

Thomas Patterson Director

*

Joel Peterson Director

*

Ann Rhoades Director

*

Frank Sica Director

*By: /s/ JOHN OWEN

John Owen
Attorney-in-Fact

CERTIFICATIONS

I, David G. Neeleman, certify that:

1. I have reviewed this annual report on Form 10-K of JetBlue Airways Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 18, 2003

By: _____ /s/ DAVID G. NEELEMAN

Chief Executive Officer

I, John D. Owen, certify that:

1. I have reviewed this annual report on Form 10-K of JetBlue Airways Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 18, 2003

By:

/s/ JOHN D. OWEN

*Executive Vice President and
Chief Financial Officer*

Report of Independent Auditors

The Board of Directors and Stockholders
JetBlue Airways Corporation

We have audited the consolidated financial statements of JetBlue Airways Corporation as of December 31, 2002 and 2001 and for each of the two years in the period ended December 31, 2002 and have issued our report thereon dated January 27, 2003, (included elsewhere in this Form 10-K). Our audits also included the information as of December 31, 2002 and 2001, and for each of the two years in the period ended December 31, 2002, included in the financial statement schedule listed in Item 15(a) of this Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

New York, New York
January 27, 2003

Independent Auditors' Report on Supplementary Information

The Board of Directors and Stockholders
JetBlue Airways Corporation:

We have audited and reported separately herein on the financial statements of JetBlue Airways Corporation for the year ended December 31, 2000.

Our audit was made for the purpose of forming an opinion on the basic financial statements of JetBlue Airways Corporation taken as a whole. The supplementary information included in Schedule II—*Valuation of Qualifying Accounts and Reserves* for the year ended December 31, 2000 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP
Stamford, Connecticut
June 27, 2001

JETBLUE AIRWAYS CORPORATION

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions — Describe	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts — Describe		
Year Ended December 31, 2002					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	\$ 801	\$ 5,250	\$ —	\$ 4,403(1)	\$ 1,648
Allowance for obsolete inventory parts	60	101	—	—	161
Year Ended December 31, 2001					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	234	2,760	—	2,193(1)	801
Allowance for obsolete inventory parts	15	45	—	—	60
Year Ended December 31, 2000					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	—	484	—	250(1)	234
Allowance for obsolete inventory parts	—	15	—	—	15

(1) Uncollectible accounts written off, net of recoveries

QuickLinks

FORWARD-LOOKING INFORMATION

PART I

EXECUTIVE OFFICERS OF THE REGISTRANT

PART II

JETBLUE AIRWAYS CORPORATION CONSOLIDATED BALANCE SHEETS (In thousands)

JETBLUE AIRWAYS CORPORATION CONSOLIDATED BALANCE SHEETS (In thousands, except share data)

JETBLUE AIRWAYS CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (In thousands, except per share amounts)

JETBLUE AIRWAYS CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands)

JETBLUE AIRWAYS CORPORATION STATEMENTS OF CONVERTIBLE REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT) (In thousands)

JETBLUE AIRWAYS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2002

Report of Independent Auditors

Independent Auditors' Report

PART III

PART IV

SIGNATURES

CERTIFICATIONS

Report of Independent Auditors

Independent Auditors' Report on Supplementary Information

JETBLUE AIRWAYS CORPORATION SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS (In thousands)

JETBLUE AIRWAYS CORPORATION
AND
EQUISERVE
RIGHTS AGENT
PREFERRED STOCK RIGHTS AGREEMENT
DATED AS OF APRIL 1, 2002

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PREFERRED STOCK RIGHTS AGREEMENT

This Preferred Stock Rights Agreement is dated as of April 1, 2002 between JetBlue Airways Corporation, a Delaware corporation, and Equiserve as Rights Agent.

On February 11, 2002 (the "RIGHTS DIVIDEND DECLARATION DATE"), the Board of Directors of the Company authorized and declared a dividend of one Preferred Share Purchase Right (a "RIGHT") for each Common Share (as hereinafter defined) of the Company outstanding as of the Close of Business (as hereinafter defined) on the date the underwriting agreement for the initial public offering of the Company's Common Shares (as hereinafter defined) is executed (the "RECORD DATE"), each Right representing the right to purchase one one-thousandth (0.001) of a share of Series A Participating Preferred Stock (as such number may be adjusted pursuant to the provisions of this Agreement), having the rights, preferences and privileges set forth in the form of Certificate of Designations of Rights, Preferences and Privileges of Series A Participating Preferred Stock attached here to as EXHIBIT A, upon the terms and subject to the conditions herein set forth, and further authorized and directed the issuance of one Right (as such number may be adjusted pursuant to the provisions of this Agreement) with respect to each Common Share that shall become outstanding between the Record Date and the earlier of the Distribution Date and the Expiration Date (as such terms are hereinafter defined), and in certain circumstances after the Distribution Date.

NOW, THEREFORE, in consideration of the promises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. CERTAIN DEFINITIONS. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "ACQUIRING PERSON" shall mean any Person who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of 15% or more of the Common Shares then outstanding, but shall not include (i) the Company, any Subsidiary of the Company or any employee benefit plan of the Company or of any Subsidiary of the Company, or any entity holding Common Shares for or pursuant to the terms of any such plan or (2) any of Chase New Air Investors, Quantum Industrial Partners LDC or Weston Presidio (each, a "PERMITTED INVESTOR"), or any of its respective Affiliates or Associates (each, collectively with their respective Permitted Investor, an "INVESTOR GROUP"), PROVIDED THAT any such Investor Group's beneficial ownership does not exceed in the aggregate 25% of the Common Shares of the Company then outstanding, or in the case of an investor group made up of Quantum Industrial Partners LDC and its Affiliates or Associates (a "QUANTUM INVESTOR GROUP"), 30% of the Common Shares of the Company then outstanding. Notwithstanding the foregoing, no Person shall be deemed to be an Acquiring Person as the result of an acquisition of Common Shares by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 15% or more of the Common Shares of the Company then outstanding (or in the case of an Investor Group other than a Quantum Investor Group, more than 25% of the Common Shares then outstanding, or in the case of a Quantum Investor Group, more than 30% of the Common

Shares then outstanding); provided, however, that if a Person shall become the Beneficial Owner of 15% or more of the Common Shares of the Company then outstanding (or in the case of an Investor Group other than a Quantum Investor Group, more than 25% of the Common Shares then outstanding, or in the

case of a Quantum Investor Group, more than 30% of the Common Shares then outstanding) by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any additional Common Shares of the Company (other than pursuant to a dividend or distribution paid or made by the Company on the outstanding Common Shares in Common Shares or pursuant to a split or subdivision of the outstanding Common Shares), then such Person shall be deemed to be an Acquiring Person unless upon becoming the Beneficial Owner of such additional Common Shares of the Company such Person does not beneficially own 15% or more of the Common Shares of the Company then outstanding (or in the case of an Investor Group other than a Quantum Investor Group, more than 25% of the Common Shares then outstanding, or in the case of a Quantum Investor Group, more than 30% of the Common Shares then outstanding). Notwithstanding the foregoing, if the Company's Board of Directors determines in good faith that a Person who would otherwise be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently (including, without limitation, because (A) such Person was unaware that it beneficially owned a percentage of the Common Shares that would otherwise cause such Person to be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), or (B) such Person was aware of the extent of the Common Shares it beneficially owned but had no actual knowledge of the consequences of such beneficial ownership under this Agreement) and without any intention of changing or influencing control of the Company, and if such Person divested or divests as promptly as practicable a sufficient number of Common Shares so that such Person would no longer be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be or to have become an "Acquiring Person" for any purposes of this Agreement.

(b) "ADJUSTMENT FRACTION" shall have the meaning set forth in Section 11(a)(i) hereof.

(c) "AFFILIATE" and "ASSOCIATE" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement.

(d) A Person shall be deemed the "BENEFICIAL OWNER" of and shall be deemed to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly, for purposes of Section 13(d) of the Exchange Act and Rule 13d-3 thereunder (or any comparable or successor law or regulation);

(ii) which such Person or any of such Person's Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than the Rights), warrants or options, or otherwise; PROVIDED, HOWEVER, that a Person shall not be deemed pursuant to this Section 1(d)(ii)(A) to be the Beneficial Owner of, or to beneficially own, (1) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered

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securities are accepted for purchase or exchange, or (2) securities which a Person or any of such Person's Affiliates or Associates may be deemed to have the right to acquire pursuant to any merger or other acquisition agreement between the Company and such Person (or one or more of its Affiliates or Associates) if such agreement has been approved by the Board of Directors of the Company prior to there being an Acquiring Person; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this Section 1(d)(ii)(B) if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations of the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding, whether or not in writing (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso to Section 1(d)(ii)(B)) or disposing of any securities of the Company; provided, however, that in no case shall an officer or director of the Company be deemed (x) the Beneficial Owner of any securities beneficially owned by another officer or director of the Company solely by reason of actions undertaken by such persons in their capacity as officers or directors of the Company or (y) the Beneficial Owner of securities held of record by the trustee of any employee benefit plan of the Company or any Subsidiary of the Company for the benefit of any employee of the Company or any Subsidiary of the Company, other than the officer or director, by reason of any influence that such officer or director may have over the voting of the securities held in the plan.

(e) "BUSINESS DAY" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in New York are authorized or obligated by law or executive order to close.

(f) "CLOSE OF BUSINESS" on any given date shall mean 5:00 P. M., New York time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., New York time, on the next succeeding Business Day.

(g) "COMMON SHARES" when used with reference to the Company shall mean the shares of Common Stock of the Company, par value \$0.01 per share. Common Shares when used with reference to any Person other than the Company shall mean the capital stock with the greatest voting power or the equity securities or other equity interest having power to conduct or direct the management, of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person and which has issued any such outstanding capital stock, equity securities or equity interests. "Common Shares" when used with reference to any Person which is not organized in corporate form shall mean units of beneficial interest which (i) shall require the right to participate generally in the profits and losses of such Person (including, without limitation, any flow-through tax benefits resulting from an ownership interest in such Person)

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and which (ii) shall be entitled to exercise the greatest voting power of such Person, or, in the case of a limited partnership, shall have the power to remove the general partner or partners of such Person.

(h) "COMMON STOCK EQUIVALENTS" shall have the meaning set forth in Section 11(a)(iii) hereof.

(i) "COMPANY" shall mean JetBlue Airways Corporation, a Delaware corporation.

(j) "CURRENT PER SHARE MARKET PRICE" of any security (a "Security" for purposes of this definition), for all computations other than those made pursuant to Section 11(a)(iii) hereof, shall mean the average of the daily closing prices per share of such Security for the thirty (30) consecutive Trading Days immediately prior to such date, and for purposes of computations made pursuant to Section 11(a)(iii) hereof, the Current Per Share Market Price of any Security on any date shall be deemed to be the average of the daily closing prices per share of such Security for the ten (10) consecutive Trading Days immediately prior to such date; provided, however, that in the event that the Current Per Share Market Price of the Security is determined during a period following the announcement by the issuer of such Security of (i) a dividend or distribution on such Security payable in shares of such Security or securities convertible into such shares or (ii) any subdivision, combination or reclassification of such Security, and prior to the expiration of the applicable thirty (30) Trading Day or ten (10) Trading Day period, after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the Current Per Share Market Price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the Nasdaq or, if the Security is not listed or admitted to trading on the Nasdaq, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last sale price or, if such last sale price is not reported, the average of the high bid and low asked prices in the over-the-counter market, as reported by the Nasdaq or such other system then in use, or, if on any such date the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company. If on any such date no market maker is making a market in the Security, the fair value of such shares on such date as determined in good faith by the Board of Directors of the Company shall be used. If the Preferred Shares are not publicly traded, the Current Per Share Market Price of the Preferred Shares shall be conclusively deemed to be the product of (x) the Current Per Share Market Price of the Common Shares as determined pursuant to this Section 1(j), as appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof, multiplied by (y) 1000. If the Security is not publicly held or so listed or traded, Current Per Share Market Price shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

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(k) "CURRENT VALUE" shall have the meaning set forth in Section 11(a)(iii) hereof.

(l) "DISTRIBUTION DATE" shall mean the earlier of (i) the Close of Business on the tenth Business Day (or such later date as may be determined by action of the Company's Board of Directors) after the Shares Acquisition Date (or, if the tenth Business Day after the Shares Acquisition Date occurs before the Record Date, the Close of Business on the Record Date) or (ii) the Close of Business on the tenth Business Day (or such later date as may be determined by action of the Company's Board of Directors) after (x) the date that a tender or exchange offer by any Person (other than the Company, any Subsidiary of the Company, any

employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan) is commenced, first published or sent or given within the meaning of Rule 14d-2(a) of the General Rules and Regulations under the Exchange Act, or (y) the date of public announcement of the interest of any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan) to commence (which intention to commence remains in effect the five Business Days after such announcement) or tender or exchange offer, if, assuming the successful consummation thereof, such Person would be an Acquiring Person, in either instance other than pursuant to a Qualified Offer.

(m) "EQUIVALENT SHARES" shall mean Preferred Shares and any other class or series of capital stock of the Company which is entitled to the same rights, privileges and preferences as the Preferred Shares.

(n) "EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended.

(o) "EXCHANGE RATIO" shall have the meaning set forth in Section 24(a) hereof.

(p) "EXERCISE PRICE" shall have the meaning set forth in Section 4(a) hereof.

(q) "EXPIRATION DATE" shall mean the earliest to occur of: (i) the Close of Business on the Final Expiration Date, (ii) the Redemption Date, or (iii) the time at which the Board of Directors orders the exchange of the Rights as provided in Section 24 hereof.

(r) "FINAL EXPIRATION DATE" shall mean April 1, 2012.

(s) "NASDAQ" shall mean the National Association of Securities Dealers, Inc. Automated Quotations System.

(t) "PERSON" shall mean any individual, firm, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

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(u) "POST-EVENT TRANSFEREE" shall have the meaning set forth in Section 7(e) hereof.

(v) "PREFERRED SHARES" shall mean shares of Series A Participating Preferred Stock, par value \$0.01 per share, of the Company and, to the extent there are not a sufficient number of Preferred Shares authorized to permit the full exercise of the then outstanding Rights, Equivalent Shares, or any other series of preferred stock of the Company designated for such purpose by the Board of Directors of the Company containing terms substantially similar to the terms of the Preferred Shares.

(w) "PRE-EVENT TRANSFEREE" shall have the meaning set forth in Section 7(e) hereof.

(x) "PRINCIPAL PARTY" shall have the meaning set forth in Section 13(b) hereof.

(y) "QUALIFIED OFFER" shall have the meaning set forth in Section 11(a) hereof.

(z) "RECORD DATE" shall have the meaning set forth in the recitals at the beginning of this Agreement.

(aa) "REDEMPTION DATE" shall have the meaning set forth in Section 23(a) hereof.

(bb) "REDEMPTION PRICE" shall have the meaning set forth in Section 23(a) hereof.

(cc) "RIGHTS AGENT" shall mean (i) Equiserve, (ii) its successor or replacement as provided in Sections 19 and 21 hereof or (iii) any additional Person appointed pursuant to Section 2 hereof.

(dd) "RIGHTS CERTIFICATE" shall mean a certificate substantially in the form attached hereto as EXHIBIT B.

(ee) "RIGHTS DIVIDEND DECLARATION DATE" shall have the meaning set forth in the recitals at the beginning of this Agreement.

(ff) "SECTION 11(A)(II) TRIGGER DATE" shall have the meaning set forth in Section 11(a)(iii) hereof.

(gg) "SECTION 13 EVENT" shall mean any event described in clause (i), (ii) or (iii) of Section 13(a) hereof.

(hh) "SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

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(ii) "SHARES ACQUISITION DATE" shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) under the Exchange Act) by the Company or an Acquiring Person or the communication from the Acquiring Person to the Company (including, without limitation, to the Company's directors) that an Acquiring Person has become such (other than pursuant to a Qualified Offer); provided that, if such Person is determined not to have become an Acquiring Person pursuant to Section 1(a) hereof, then no Shares Acquisition Date shall be deemed to have occurred.

(jj) "SPREAD" shall have the meaning set forth in Section 11(a)(iii) hereof.

(kk) "SUBSIDIARY" of any Person shall mean any corporation or other entity of which an amount of voting securities sufficient to elect a majority of the directors or Persons having similar authority of such corporation or other entity is beneficially owned, directly or indirectly, by such Person, or any corporation or other entity otherwise controlled by such Person.

(ll) "SUBSTITUTION PERIOD" shall have the meaning set forth in Section 11(a)(iii) hereof.

(mm) "SUMMARY OF RIGHTS" shall mean a summary of this Agreement substantially in the form attached hereto as EXHIBIT C.

(nn) "TOTAL EXERCISE PRICE" shall have the meaning set forth in Section 4(a) hereof.

(oo) "TRADING DAY" shall mean a day on which the principal national securities exchange on which a referenced security is listed or admitted to trading is open for the transaction of business or, if a referenced security is not listed or admitted to trading on any national securities exchange, a Business Day.

(pp) A "TRIGGERING EVENT" shall be deemed to have occurred upon any Person becoming an Acquiring Person.

Section 2. APPOINTMENT OF RIGHTS AGENT. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be the holders of the Common Shares) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable, upon ten (10) days' prior written notice to the Rights Agent. The Rights Agent shall have no duty to supervise, and shall in no event be liable for, the acts or omissions of any co-Rights Agent.

Section 3. ISSUANCE OF RIGHTS CERTIFICATES.

(a) Until the Distribution Date, (i) the Rights will be evidenced (subject to the provisions of Sections 3(b) and 3(c) hereof) by the certificates for Common

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Shares registered in the names of the holders thereof (which certificates shall also be deemed to be Rights Certificates) and not by separate Rights Certificates and (ii) the right to receive Rights Certificates will be transferable only in connection with the transfer of Common Shares. Until the earlier of the Distribution Date or the Expiration Date, the surrender for transfer of certificates for Common Shares shall also constitute the surrender for transfer of the Rights associated with the Common Shares represented thereby. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested, send) by first-class, postage-prepaid mail, to each record holder of Common Shares as of the Close of Business on the Distribution Date, at the address of such holder shown on the records of the Company, a Rights Certificate evidencing one Right for each Common Share so held, subject to adjustment as provided herein. In the event that an adjustment in the number of Rights per Common Share has been made pursuant to Section 11 hereof, then at the time of distribution of the Rights Certificates, the Company shall make the necessary and appropriate rounding adjustments (in accordance with Section 14(a) hereof) so that Rights Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Rights. As of the Distribution Date, the Rights will be evidenced solely by such Rights

Certificates and may be transferred by the transfer of the Rights Certificates as permitted hereby, separately and apart from any transfer of Common Shares, and the holders of such Rights Certificates as listed in the records of the Company or any transfer agent or registrar for the Rights shall be the record holders thereof. On or as promptly as practicable after, the Record Date, the Company will send a copy of the Summary of Rights, by first-class postage-prepaid mail, to each record holder of Common Shares as of the Close of Business on the Record Date, at the address of such holder shown on the records of the Company.

(b) With respect to certificates for Common Shares outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof together with the Summary of Rights.

(c) Unless the Board of Directors by resolution adopted at or before the time of the issuance of any Common Shares after the Record Date but prior to the earlier of the Distribution Date or the Expiration Date (or, in certain circumstances provided in Section 22 hereof, after the Distribution Date) specifies to the contrary, Rights shall be issued in respect of all Common Shares that are so issued, and Certificates representing such Common Shares shall also be deemed to be certificates for Rights, and shall bear the following legend:

THIS CERTIFICATE ALSO EVIDENCES AND ENTITLES THE HOLDER HEREOF TO CERTAIN RIGHTS AS SET FORTH IN A RIGHTS AGREEMENT BETWEEN JETBLUE AIRWAYS CORPORATION AND EQUISERVE, AS THE RIGHTS AGENT, DATED AS OF APRIL 1, 2002, (THE "RIGHTS AGREEMENT"), THE TERMS OF WHICH ARE HEREBY INCORPORATED HEREIN BY REFERENCE AND A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF JETBLUE AIRWAYS CORPORATION UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, SUCH RIGHTS WILL BE EVIDENCED BY SEPARATE CERTIFICATES AND WILL NO LONGER BE EVIDENCED BY THIS CERTIFICATE. JETBLUE AIRWAYS

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CORPORATION WILL MAIL TO THE HOLDER OF THIS CERTIFICATE A COPY OF THE RIGHTS AGREEMENT WITHOUT CHARGE AFTER RECEIPT OF A WRITTEN REQUEST THEREFOR. UNDER CERTAIN CIRCUMSTANCES SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS ISSUED TO, OR HELD BY, ANY PERSON WHO IS, WAS OR BECOMES AN ACQUIRING PERSON OR ANY AFFILIATE OR ASSOCIATE THEREOF (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT), WHETHER CURRENTLY HELD BY OR ON BEHALF OF SUCH PERSON OR BY ANY SUBSEQUENT HOLDER, MAY BECOME NULL AND VOID.

With respect to such certificates containing the foregoing legend, until the earlier of the Distribution Date or the Expiration Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone, and the surrender for transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common Shares represented thereby.

(d) In the event that the Company or any of its Subsidiaries purchases or acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares shall be deemed canceled and retired so that the Company or any such Subsidiary shall not be entitled to exercise any Rights associated with the Common Shares which are no longer outstanding.

Section 4. FORM OF RIGHTS CERTIFICATES.

(a) The Rights Certificates (and the forms of election to purchase Common Shares and of assignment to be printed on the reverse thereof) shall be substantially in the form of EXHIBIT B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or a national market system, on which the Rights may from time to time be listed or included, or to conform to usage. Subject to the provisions of Section 11 and Section 22 hereof, the Rights Certificates, whenever distributed, shall be dated as of the Record Date (or in the case of Rights issued with respect to Common Shares issued by the Company after the Record Date, as of the date of issuance of such Common Shares) and on their face shall entitle the holders thereof to purchase such number of one-thousandths of a Preferred Share as shall be set forth therein at the price set forth therein (such exercise price per one one-thousandth of a Preferred Share being hereinafter referred to as the "EXERCISE PRICE" and the aggregate Exercise Price of all Preferred Shares issuable upon exercise of one Right being hereinafter referred to as the "TOTAL EXERCISE PRICE"), but the number and type of securities purchasable upon the exercise of each Right and the Exercise Price shall be subject to adjustment as provided herein.

(b) Any Rights Certificate issued pursuant to Section 3(a) or Section 22 hereof that represents Rights beneficially owned by: (i) an Acquiring Person or any Associate or Affiliate of an Acquiring Person, (ii) a Post-Event Transferee, (iii) a Pre-Event Transferee or (iv) any subsequent transferee receiving transferred Rights from a Post-Event Transferee or a

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Pre-Event Transferee, either directly or through one or more intermediate transferees, and any Rights Certificate issued pursuant to Section 6 or Section 11 hereof upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain (to the extent feasible) the following legend:

THE RIGHTS REPRESENTED BY THIS RIGHTS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS OR BECAME AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT). ACCORDINGLY, THIS RIGHTS CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BECOME NULL AND VOID IN THE CIRCUMSTANCES SPECIFIED IN SECTION 7(e) OF THE RIGHTS AGREEMENT.

Section 5. COUNTERSIGNATURE AND REGISTRATION.

(a) The Rights Certificates shall be executed on behalf of the Company by its Chairman of the Board, its Chief Executive Officer, its Chief Financial Officer, its President or any Vice President, either manually or by facsimile signature, and by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature, and shall have affixed thereto the Company's seal (if any) or a facsimile thereof. The Rights Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Rights Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Rights Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Rights Certificates on behalf of the Company had not ceased to be such officer of the Company; and any Rights Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Rights Certificate, shall be a proper officer of the Company to sign such Rights Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its office designated for such purposes, books for registration and transfer of the Rights Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Rights Certificates, the number of Rights evidenced on its face by each of the Rights Certificates and the date of each of the Rights Certificates.

Section 6. TRANSFER, SPLIT UP, COMBINATION AND EXCHANGE OF RIGHTS CERTIFICATES; MUTILATED, DESTROYED, LOST OR STOLEN RIGHTS CERTIFICATES.

(a) Subject to the provisions of Sections 7(e), 14 and 24 hereof, at any time after the Close of Business on the Distribution Date, and at or prior to the Close of Business on the Expiration Date, any Rights Certificate or Rights Certificates may be transferred, split up, combined or exchanged for another Rights Certificate or Rights Certificates, entitling the registered holder to purchase a like number of one-thousandths of a Preferred Share (or,

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following a Triggering Event, other securities, cash or other assets, as the case may be) as the Rights Certificate or Rights Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Rights Certificate or Rights Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Rights Certificate or Rights Certificates to be transferred, split up, combined or exchanged at the office of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Rights Certificate until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Rights Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request. Thereupon the Rights Agent shall, subject to Sections 7(e), 14 and 24 hereof, countersign and deliver to the person entitled thereto a Rights Certificate or Rights Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Rights Certificates.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Rights Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Rights Certificate if mutilated, the Company will make and deliver a new Rights Certificate of like tenor to the Rights Agent for delivery to the registered holder in lieu of the Rights Certificate so lost, stolen, destroyed or mutilated.

Section 7. EXERCISE OF RIGHTS; EXERCISE PRICE; EXPIRATION DATE OF RIGHTS.

(a) Subject to Sections 7(e), 23(b) and 24(b) hereof, the registered holder of any Rights Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date and prior to the Close of Business on the Expiration Date by surrender of the Rights Certificate, with the form of election to purchase on the reverse side thereof duly executed, to the

Rights Agent at the office of the Rights Agent designated for such purpose, together with payment of the Exercise Price for each one-thousandth of a Preferred Share (or, following a Triggering Event, other securities, cash or other assets as the case may be) as to which the Rights are exercised.

(b) The Exercise Price for each one-thousandth of a Preferred Share issuable pursuant to the exercise of a Right shall initially be \$120.00, shall be subject to adjustment from time to time as provided in Sections 11 and 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

(c) Upon receipt of a Rights Certificate representing exercisable Rights, with the form of election to purchase duly executed, accompanied by payment of the Exercise Price for the number of one-thousandths of a Preferred Share (or, following a Triggering Event, other securities, cash or other assets as the case may be) to be purchased and an amount equal to any applicable transfer tax required to be paid by the holder of such Rights

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Certificate in accordance with Section 9(e) hereof, the Rights Agent shall, subject to Section 20(k) hereof, thereupon promptly (i) (A) requisition from any transfer agent of the Preferred Shares (or make available, if the Rights Agent is the transfer agent for the Preferred Shares) a certificate or certificates for the number of one-thousandths of a Preferred Share (or, following a Triggering Event, other securities, cash or other assets as the case may be) to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests or (B) if the Company shall have elected to deposit the total number of one-thousandths of a Preferred Share (or, following a Triggering Event, other securities, cash or other assets as the case may be) issuable upon exercise of the Rights hereunder with a depository agent, requisition from the depository agent depository receipts representing such number of one-thousandths of a Preferred Share (or, following a Triggering Event, other securities, cash or other assets as the case may be) as are to be purchased (in which case certificates for the Preferred Shares (or, following a Triggering Event, other securities, cash or other assets as the case may be) represented by such receipts shall be deposited by the transfer agent with the depository agent) and the Company hereby directs the depository agent to comply with such request, (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depository receipts, cause the same to be delivered to or upon the order of the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt thereof, deliver such cash to or upon the order of the registered holder of such Rights Certificate. The payment of the Exercise Price (as such amount may be reduced (including to zero) pursuant to Section 11(a)(iii) hereof) and an amount equal to any applicable transfer tax required to be paid by the holder of such Rights Certificate in accordance with Section 9(e) hereof, may be made in cash or by certified bank check, cashier's check or bank draft payable to the order of the Company. In the event that the Company is obligated to issue securities of the Company other than Preferred Shares, pay cash and/or distribute other property pursuant to Section 11(a) hereof, the Company will make all arrangements necessary so that such other securities, cash and/or other property are available for distribution by the Rights Agent, if and when appropriate.

(d) In case the registered holder of any Rights Certificate shall exercise less than all the Rights evidenced thereby, a new Rights Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Rights Certificate or to his or her duly authorized assigns, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Triggering Event, any Rights beneficially owned by (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such (a "POST-EVENT TRANSFEREE"), (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Company's Board of Directors has determined is part of a plan, arrangement

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or understanding which has as a primary purpose or effect the avoidance of this Section 7(e) (a "PRE-EVENT TRANSFEREE") or (iv) any subsequent transferee receiving transferred Rights from a Post-Event Transferee or a Pre-Event Transferee, either directly or through one or more intermediate transferees, shall become null and void without any further action and no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The Company shall use all reasonable efforts to ensure that the provisions of this Section 7(e) and Section 4(b) hereof are complied with, but shall have no liability to any holder of Rights Certificates or to any other Person as a result of its failure to make any determinations with respect to an Acquiring Person or any of such Acquiring Person's Affiliates, Associates or transferees hereunder.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall, in addition to having complied with the requirements of Section 7(a), have (i) completed and signed the certificate contained in

the form of election to purchase set forth on the reverse side of the Rights Certificate surrendered for such exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

Section 8. CANCELLATION AND DESTRUCTION OF RIGHTS CERTIFICATES. All Rights Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered to the Rights Agent, shall be canceled by it, and no Rights Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any Rights Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all canceled Rights Certificates to the Company, or shall, at the written request of the Company, destroy such canceled Rights Certificates, and in such case shall deliver a certificate evidencing the destruction thereof to the Company.

Section 9. RESERVATION AND AVAILABILITY OF CAPITAL STOCK.

(a) The Company covenants and agrees that it will use its best efforts to cause to be reserved and kept available out of its authorized and unissued Preferred Shares not reserved for another purpose (and, following the occurrence of a Triggering Event, out of its authorized and unissued Common Shares and/or other securities), the number of Preferred Shares (and, following the occurrence of the Triggering Event, Common Shares and/or other securities) that will be sufficient to permit the exercise in full of all outstanding Rights.

(b) If the Company shall hereafter list any of its Preferred Shares on a national securities exchange, then so long as the Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares and/or other securities) issuable and deliverable upon exercise of the Rights may be listed on such exchange, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable (but only to the extent that it is

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reasonably likely that the Rights will be exercised), all shares reserved for such issuance to be listed on such exchange upon official notice of issuance upon such exercise.

(c) The Company shall use its best efforts to (i) file, as soon as practicable following the earliest date after the first occurrence of a Triggering Event in which the consideration to be delivered by the Company upon exercise of the Rights is described in Section 11(a)(ii) or Section 11(a)(iii) hereof, or as soon as is required by law following the Distribution Date, as the case may be, a registration statement under the Securities Act with respect to the securities purchasable upon exercise of the Rights on an appropriate form, (ii) cause such registration statement to become effective as soon as practicable after such filing and (iii) cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities and (B) the date of expiration of the Rights. The Company may temporarily suspend, for a period not to exceed ninety (90) days after the date set forth in clause (i) of the first sentence of this Section 9(c), the exercisability of the Rights in order to prepare and file such registration statement and permit it to become effective. Upon any such suspension, the Company shall issue a public announcement stating, and notify the Rights Agent, that the exercisability of the Rights has been temporarily suspended, as well as a public announcement and notification to the Rights Agent at such time as the suspension is no longer in effect. The Company will also take such action as may be appropriate under, or to ensure compliance with, the securities or "blue sky" laws of the various states in connection with the exercisability of the Rights. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction, unless the requisite qualification in such jurisdiction shall have been obtained, or an exemption therefrom shall be available, and until a registration statement has been declared and remains effective.

(d) The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares (or other securities of the Company) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such securities (subject to payment of the Exercise Price), be duly and validly authorized and issued and fully paid and nonassessable.

(e) The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the original issuance or delivery of the Rights Certificates or of any Preferred Shares (or other securities of the Company) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Rights Certificates to a person other than, or the issuance or delivery of certificates or depositary receipts for the Preferred Shares (or other securities of the Company) in a name other than that of, the registered holder of the Rights Certificate evidencing Rights surrendered for exercise or to issue or to deliver any certificates or depositary receipts for Preferred Shares (or other securities of the Company) upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Rights Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

Section 10. RECORD DATE. Each Person in whose name any certificate for a number of one-thousandths of a Preferred Share (or other securities of the Company) is issued upon the

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exercise of Rights shall for all purposes be deemed to have become the holder of record of Preferred Shares (or other securities of the Company) represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered and payment of the Total Exercise Price with respect to which the Rights have been exercised (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Rights Certificate shall not be entitled to any rights of a holder of Preferred Shares (or other securities of the Company) for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. ADJUSTMENT OF EXERCISE PRICE, NUMBER OF SHARES OR NUMBER OF Rights. The Exercise Price, the number and kind of shares or other property covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) Anything in this Agreement to the contrary notwithstanding, in the event that the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares (by reverse stock split or otherwise) into a smaller number of Preferred Shares, or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, in each such event, except as otherwise provided in this Section 11 and Section 7(e) hereof: (1) the Exercise Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification shall be adjusted so that the Exercise Price thereafter shall equal the result obtained by dividing the Exercise Price in effect immediately prior to such time by a fraction (the "ADJUSTMENT FRACTION"), the numerator of which shall be the total number of Preferred Shares (or shares of capital stock issued in such reclassification of the Preferred Shares) outstanding immediately following such time and the denominator of which shall be the total number of Preferred Shares outstanding immediately prior to such time; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of such Right; and (2) the number of one-thousandths of a Preferred Share (or share of such other capital stock) issuable upon the exercise of each Right shall equal the number of one-thousandths of a Preferred Share (or share of such other capital stock) as was issuable upon exercise of a Right immediately prior to the occurrence of the event described in clauses (A)-(D) of this Section 11(a)(i), multiplied by the Adjustment Fraction; provided, however, that, no such adjustment shall be made pursuant to this Section 11(a)(i) to the extent that there shall have simultaneously occurred an event described in clause (A), (B), (C) or (D) of Section 11(n) with a proportionate adjustment being made thereunder. Each Common Share that shall become outstanding after an adjustment has been made pursuant to this Section 11(a)(i) shall have associated with it the number of Rights,

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exercisable at the Exercise Price and for the number of one-thousandths of a Preferred Share (or shares of such other capital stock) as one Common Share has associated with it immediately following the adjustment made pursuant to this Section 11(a)(i).

(ii) Subject to Section 24 of this Agreement, in the event that a Triggering Event shall have occurred (unless the event causing such Triggering Event is an acquisition of Common Shares pursuant to a tender or exchange offer for all outstanding Common Shares at a price and on terms determined by at least a majority of the members of the Board of Directors who are not officers of the Company or of any of its subsidiaries and who are not representatives, nominees, Affiliates or Associates of an Acquiring Person, after receiving advice from one or more investment banking firms, to be (1) at a price which is fair to stockholders (taking into account all factors which such members of the board deem relevant, including, without limitation, a price which could reasonably be achieved if the Company or its assets were to be sold on an orderly basis designed to realize maximum value) and (2) otherwise in the best interests of the Company and its stockholders (a "Qualified Offer")), then promptly following such Triggering Event each holder of a Right, except as provided in Section 7(e) hereof, shall thereafter have the right to receive for each Right, upon exercise thereof in accordance with the terms of this Agreement and payment of the Exercise Price in effect immediately prior to the occurrence of the Triggering Event, in lieu of a number of one-thousandths of a Preferred Share, such number of Common Shares of the Company as shall equal the quotient obtained by dividing (A) the product obtained by multiplying (1) the Exercise Price in effect immediately prior to the occurrence of the Triggering Event by (2) the number of one-thousandths of a Preferred Share for which a Right was exercisable (or would have been exercisable if the Distribution Date had occurred) immediately prior to the first occurrence of a Triggering Event, by (B) 50% of the Current Per Share Market Price for Common Shares on the date of occurrence of the Triggering Event; PROVIDED, HOWEVER, that the Exercise Price and the number of Common Shares of the Company so receivable upon exercise of a Right shall be subject to further adjustment as appropriate in accordance with Section 11(e) hereof to reflect any events occurring in respect of the Common Shares of the Company after the occurrence of the Triggering Event. The Company shall notify the Rights Agent as to any Persons who are deemed by the Company to be Acquiring Persons or Affiliates or Associates thereof and shall identify any rights pertaining thereto.

(iii) In lieu of issuing Common Shares in accordance with Section 11(a)(ii) hereof, the Company may, if the Company's Board of Directors determines that such action is necessary or appropriate and not contrary to the

interest of holders of Rights and, in the event that the number of Common Shares which are authorized by the Company's Certificate of Incorporation but not outstanding or reserved for issuance for purposes other than upon exercise of the Rights are not sufficient to permit the exercise in full of the Rights, or if any necessary regulatory approval for such issuance has not been obtained by the Company, the Company shall: (A) determine the excess of (1) the value of the Common Shares issuable upon the exercise of a Right (the "CURRENT VALUE") over (2) the Exercise Price (such excess, the "SPREAD") and (B) with respect to each Right, make adequate provision to substitute for such Common Shares, upon exercise of the Rights, (1) cash, (2) a reduction in the Exercise Price, (3) other equity securities of the Company (including, without limitation, shares or units of shares of any series of preferred stock which the Company's Board of Directors has deemed to have the same value as Common Shares (such shares or units of shares of preferred stock are herein called

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"COMMON STOCK EQUIVALENTS")), except to the extent that the Company has not obtained any necessary stockholder or regulatory approval for such issuance, (4) debt securities of the Company, except to the extent that the Company has not obtained any necessary stockholder or regulatory approval for such issuance, (5) other assets or (6) any combination of the foregoing, having an aggregate value equal to the Current Value, where such aggregate value has been determined by the Company's Board of Directors based upon the advice of a nationally recognized investment banking firm selected by the Company's Board of Directors; provided, however, that if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within thirty (30) days following the later of (x) the first occurrence of a Triggering Event and (y) the date on which the Company's right of redemption pursuant to Section 23(a) expires (the later of (x) and (y) being referred to herein as the "SECTION 11(A)(II) TRIGGER DATE"), then the Company shall be obligated to deliver, upon the surrender for exercise of a Right and without requiring payment of the Exercise Price, Common Shares (to the extent available), except to the extent that the Company has not obtained any necessary stockholder or regulatory approval for such issuance, and then, if necessary, cash, which shares and/or cash have an aggregate value equal to the Spread. If the Company's Board of Directors shall determine in good faith that it is likely that sufficient additional Common Shares could be authorized for issuance upon exercise in full of the Rights or that any necessary regulatory approval for such issuance will be obtained, the thirty (30) day period set forth above may be extended to the extent necessary, but not more than ninety (90) days after the Section 11(a)(ii) Trigger Date, in order that the Company may seek stockholder approval for the authorization of such additional shares or take action to obtain such regulatory approval (such period, as it may be extended, the "SUBSTITUTION PERIOD"). To the extent that the Company determines that some action need be taken pursuant to the first and/or second sentences of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 7(e) hereof, that such action shall apply uniformly to all outstanding Rights and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares, to take any action to obtain any required regulatory approval and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of the Common Shares shall be the Current Per Share Market Price of the Common Shares on the Section 11(a)(ii) Trigger Date and the value of any Common Stock Equivalent shall be deemed to have the same value as the Common Shares on such date.

(b) In case the Company shall, at any time after the date of this Agreement, fix a record date for the issuance of rights, options or warrants to all holders of Preferred Shares entitling such holders (for a period expiring within forty-five (45) calendar days after such record date) to subscribe for or purchase Preferred Shares or Equivalent Shares or securities convertible into Preferred Shares or Equivalent Shares at a price per share (or having a conversion price per share, if a security convertible into Preferred Shares or Equivalent Shares) less than the then Current Per Share Market Price of the Preferred Shares or Equivalent Shares on such record date, then, in each such case, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares and Equivalent Shares (if any) outstanding on such record date, plus the number of Preferred Shares

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or Equivalent Shares, as the case may be, which the aggregate offering price of the total number of Preferred Shares or Equivalent Shares, as the case may be, to be offered or issued (and/or the aggregate initial conversion price of the convertible securities to be offered or issued) would purchase at such current market price, and the denominator of which shall be the number of Preferred Shares and Equivalent Shares (if any) outstanding on such record date, plus the number of additional Preferred Shares or Equivalent Shares, as the case may be, to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); PROVIDED, HOWEVER, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Company's Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights. Preferred Shares and Equivalent Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights, options or warrants are not so issued, the Exercise Price shall be adjusted to be the Exercise Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall, at any time after the date of this Agreement, fix a record date for the making of a distribution to all holders of the Preferred Shares or of any class or series of Equivalent Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend, if any, or a dividend payable in Preferred Shares) or subscription rights, options or warrants (excluding those referred to in Section 11(b)), then, in each such case, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the Current Per Share Market Price of a Preferred Share or an Equivalent Share on such record date, less the fair market value per Preferred Share or Equivalent Share (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the cash, assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to a Preferred Share or Equivalent Share, as the case may be, and the denominator of which shall be such Current Per Share Market Price of a Preferred Share or Equivalent Share on such record date; PROVIDED, HOWEVER, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such distribution is not so made, the Exercise Price shall be adjusted to be the Exercise Price which would have been in effect if such record date had not been fixed.

(d) Anything herein to the contrary notwithstanding, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one percent (1.0%) of the Exercise Price; provided, however, that any adjustments which by reason of this Section 11(d) are not required to be made shall be carried forward and

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taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a Common Share or other share or one hundred-thousandth of a Preferred Share, as the case may be. Notwithstanding the first sentence of this Section 11(d), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three (3) years from the date of the transaction which requires such adjustment or (ii) the Expiration Date.

(e) If as a result of an adjustment made pursuant to Section 11(a) or Section 13(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock other than Preferred Shares, thereafter the number of such other shares so receivable upon exercise of any Right and, if required, the Exercise Price thereof, shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in Sections 11(a), 11(b), 11(c), 11(d), 11(g), 11(h), 11(i), 11(j), 11(k) and 11(l), and the provisions of Sections 7, 9, 10, 13 and 14 with respect to the Preferred Shares shall apply on like terms to any such other shares.

(f) All Rights originally issued by the Company subsequent to any adjustment made to the Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of one-thousandths of a Preferred Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(g) Unless the Company shall have exercised its election as provided in Section 11(h), upon each adjustment of the Exercise Price as a result of the calculations made in Section 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of Preferred Shares (calculated to the nearest one hundred-thousandth of a share) obtained by (i) multiplying (x) the number of Preferred Shares covered by a Right immediately prior to this adjustment, by (y) the Exercise Price in effect immediately prior to such adjustment of the Exercise Price, and (ii) dividing the product so obtained by the Exercise Price in effect immediately after such adjustment of the Exercise Price.

(h) The Company may elect on or after the date of any adjustment of the Exercise Price as a result of the calculations made in Section 11(b) or (c) to adjust the number of Rights, in substitution for any adjustment in the number of Preferred Shares purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one hundred-thousandth) obtained by dividing the Exercise Price in effect immediately prior to adjustment of the Exercise Price by the Exercise Price in effect immediately after adjustment of the Exercise Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Exercise Price is adjusted or any day thereafter, but, if any Rights Certificates have been issued, shall be at least ten (10) days later than the date of the public

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announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(h), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date Rights Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at

the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Exercise Price) and shall be registered in the names of the holders of record of Rights Certificates on the record date specified in the public announcement.

(i) Irrespective of any adjustment or change in the Exercise Price or the number of Preferred Shares issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Exercise Price per one one-thousandth of a Preferred Share and the number of one-thousandths of a Preferred Share which were expressed in the initial Rights Certificates issued hereunder.

(j) Before taking any action that would cause an adjustment reducing the Exercise Price below the par or stated value, if any, of the number of one-thousandths of a Preferred Share issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue as fully paid and nonassessable shares such number of one-thousandths of a Preferred Share at such adjusted Exercise Price.

(k) In any case in which this Section 11 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the number of one-thousandths of a Preferred Share and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the number of one-thousandths of a Preferred Share and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) upon the occurrence of the event requiring such adjustment.

(l) Anything in this Section 11 to the contrary notwithstanding, prior to the Distribution Date, the Company shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any (i) consolidation or subdivision of the Preferred or Common Shares, (ii) issuance wholly for cash of any Preferred or Common Shares at less than the current market price, (iii) issuance wholly for cash of Preferred or Common Shares or securities which by their terms are convertible into or exchangeable for Preferred or Common Shares, (iv) stock dividends or (v) issuance of rights, options or warrants referred to in this Section 11, hereafter made by the Company to holders of its Preferred or Common Shares shall not be taxable to such stockholders.

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(m) The Company covenants and agrees that, after the Distribution Date, it will not, except as permitted by Sections 23, 24 or 27 hereof, take (or permit to be taken) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

(n) In the event that the Company shall at any time after the date of this Agreement (A) declare a dividend on the Common Shares payable in Common Shares, (B) subdivide the outstanding Common Shares, (C) combine the outstanding Common Shares (by reverse stock split or otherwise) into a smaller number of Common Shares, or (D) issue any shares of its capital stock in a reclassification of the Common Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, in each such event, except as otherwise provided in this Section 11(a) and Section 7(e) hereof: (1) each Common Share (or shares of capital stock issued in such reclassification of the Common Shares) outstanding immediately following such time shall have associated with it the number of Rights as were associated with one Common Share immediately prior to the occurrence of the event described in clauses (A)-(D) above; (2) the Exercise Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification shall be adjusted so that the Exercise Price thereafter shall equal the result obtained by multiplying the Exercise Price in effect immediately prior to such time by a fraction, the numerator of which shall be the total number of Common Shares outstanding immediately prior to the event described in clauses (A)-(D) above, and the denominator of which shall be the total number of Common Shares outstanding immediately after such event; PROVIDED, HOWEVER, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of such Right; and (3) the number of one-thousandths of a Preferred Share (or shares of such other capital stock) issuable upon the exercise of each Right outstanding after such event shall equal the number of one-thousandths of a Preferred Share (or shares of such other capital stock) as were issuable with respect to one Right immediately prior to such event. Each Common Share that shall become outstanding after an adjustment has been made pursuant to this Section 11(n) shall have associated with it the number of Rights, exercisable at the Exercise Price and for the number of one-thousandths of a Preferred Share (or share of such other capital stock) as one Common Share has associated with it immediately following the adjustment made pursuant to this Section 11(n). If an event occurs which would require an adjustment under both this Section 11(n) and Section 11(a)(ii) hereof, the adjustment provided for in this Section 11(n) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii) hereof.

Section 12. CERTIFICATE OF ADJUSTED EXERCISE PRICE OR NUMBER OF SHARES. Whenever an adjustment is made as provided in Sections 11 and 13 hereof, the Company shall promptly (a) prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) file with the Rights

Agent and with each transfer agent for the Preferred Shares a copy of such certificate and (c) mail a brief summary thereof to each holder of a Rights Certificate in accordance with Section 26 hereof. Notwithstanding the foregoing sentence, the failure of the Company to make such certification or give such notice shall not affect the validity of such adjustment or the force or effect of the requirement for such adjustment. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment contained

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therein and shall not be deemed to have knowledge of such adjustment unless and until it shall have received such certificate.

Section 13. CONSOLIDATION, MERGER OR SALE OR TRANSFER OF ASSETS OR EARNING POWER.

(a) In the event that, following a Triggering Event, directly or indirectly:

(i) the Company shall consolidate with, or merge with and into, any other Person (other than a wholly-owned Subsidiary of the Company in a transaction the principal purpose of which is to change the state of incorporation of the Company and which complies with Section 11(m) hereof);

(ii) any Person (other than a wholly owned Subsidiary of the Company, any employee benefit plan of the Company or any entity holding capital stock of the Company for, or pursuant to the terms of, such plan) shall consolidate with the Company, or merge with and into the Company and the Company shall be the continuing or surviving corporation of such consolidation or merger and, in connection with such merger, all or part of the Common Shares shall be changed into or exchanged for stock or other securities of any other person (or the Company); or

(iii) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company or one or more of its wholly owned Subsidiaries in one or more transactions, each of which individually (and together) complies with Section 11(m) hereof),

then, concurrent with and in each such case,

(A) each holder of a Right (except as provided in Section 7(e) hereof) shall thereafter have the right to receive, upon the exercise thereof at a price equal to the Total Exercise Price applicable immediately prior to the occurrence of the Section 13 Event in accordance with the terms of this Agreement, such number of validly authorized and issued, fully paid, nonassessable and freely tradeable Common Shares of the Principal Party (as hereinafter defined), free of any liens, encumbrances, rights of first refusal or other adverse claims, as shall be equal to the result obtained by (1) multiplying the then-current Total Exercise Price by the number of one one-thousandth of a preferred share for which a right is then exercisable and (2) dividing such product by an amount equal to fifty percent (50%) of the Current Per Share Market Price of the Common Shares of such Principal Party on the date of consummation of such Section 13 Event, provided, however, that the Exercise Price and the number of Common Shares of such Principal Party so receivable upon exercise of a Right shall be subject to further adjustment as appropriate in accordance with Section 11(e) hereof;

(B) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such Section 13 Event, all the obligations and duties of the Company pursuant to this Agreement;

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(C) the term "Company" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply only to such Principal Party following the first occurrence of a Section 13 Event;

(D) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares) in connection with the consummation of any such transaction as may be necessary to ensure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to its Common Shares thereafter deliverable upon the exercise of the Rights; and

(E) upon the subsequent occurrence of any consolidation, merger, sale or transfer of assets or other extraordinary transaction in respect of such Principal Party, each holder of a Right shall thereupon be entitled to receive, upon exercise of a Right and payment of the Total Exercise Price as provided in this Section 13(a), such cash, shares, rights, warrants and other property which such holder would have been entitled to receive had such holder, at the time of such transaction, owned the Common Shares of the Principal Party receivable upon the exercise of such Right pursuant to this Section 13(a), and such Principal Party shall take such steps (including, but not limited to, reservation of shares of stock) as may be necessary to permit the subsequent exercise of the Rights in accordance with the terms hereof for such cash, shares, rights, warrants and other property.

(F) For purposes hereof, the "earning power" of the Company and its Subsidiaries shall be determined in good faith by the Company's Board of Directors on the basis of the operating income of each business operated by the Company and its Subsidiaries during the three fiscal years preceding the date of such determination (or,

in the case of any business not operated by the Company or any Subsidiary during three full fiscal years preceding such date, during the period such business was operated by the Company or any Subsidiary).

(b) For purposes of this Agreement, the term "PRINCIPAL PARTY" shall mean:

(i) in the case of any transaction described in clause (i) or (ii) of Section 13(a) hereof: (A) the Person that is the issuer of the securities into which the Common Shares are converted in such merger or consolidation, or, if there is more than one such issuer, the issuer the Common Shares of which have the greatest aggregate market value of shares outstanding, or (B) if no securities are so issued, (x) the Person that is the other party to the merger, if such Person survives said merger, or, if there is more than one such Person, the Person the Common Shares of which have the greatest aggregate market value of shares outstanding or (y) if the Person that is the other party to the merger does not survive the merger, the Person that does survive the merger (including the Company if it survives) or (z) the Person resulting from the consolidation; and

(ii) in the case of any transaction described in clause (iii) of Section 13(a) hereof, the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions, or, if more than one

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Person that is a party to such transaction or transactions receives the same portion of the assets or earning power so transferred and each such portion would, were it not for the other equal portions, constitute the greatest portion of the assets or earning power so transferred, or if the Person receiving the greatest portion of the assets or earning power cannot be determined, whichever of such Persons is the issuer of Common Shares having the greatest aggregate market value of shares outstanding; provided, however, that in any such case described in the foregoing clause (b)(i) or (b)(ii), if the Common Shares of such Person are not at such time or have not been continuously over the preceding 12-month period registered under Section 12 of the Exchange Act, then (1) if such Person is a direct or indirect Subsidiary of another Person the Common Shares of which are and have been so registered, the term "Principal Party" shall refer to such other Person, or (2) if such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Shares of which are and have been so registered, the term "Principal Party" shall refer to whichever of such Persons is the issuer of Common Shares having the greatest aggregate market value of shares outstanding, or (3) if such Person is owned, directly or indirectly, by a joint venture formed by two or more Persons that are not owned, directly or indirectly by the same Person, the rules set forth in clauses (1) and (2) above shall apply to each of the owners having an interest in the venture as if the Person owned by the joint venture was a Subsidiary of both or all of such joint venturers, and the Principal Party in each such case shall bear the obligations set forth in this Section 13 in the same ratio as its interest in such Person bears to the total of such interests.

(c) The Company shall not consummate any Section 13 Event unless the Principal Party shall have a sufficient number of authorized Common Shares that have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Company and such issuer shall have executed and delivered to the Rights Agent a supplemental agreement confirming that such Principal Party shall, upon consummation of such Section 13 Event, assume this Agreement in accordance with Sections 13(a) and 13(b) hereof, that all rights of first refusal or preemptive rights in respect of the issuance of Common Shares of such Principal Party upon exercise of outstanding Rights have been waived, that there are no rights, warrants, instruments or securities outstanding or any agreements or arrangements which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights and that such transaction shall not result in a default by such Principal Party under this Agreement, and further providing that, as soon as practicable after the date of such Section 13 Event, such Principal Party will:

(i) prepare and file a registration statement under the Securities Act with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, use its best efforts to cause such registration statement to become effective as soon as practicable after such filing and use its best efforts to cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the Expiration Date, and similarly comply with applicable state securities laws;

(ii) use its best efforts to list (or continue the listing of) the Rights and the securities purchasable upon exercise of the Rights on a national securities

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exchange or to meet the eligibility requirements for quotation on Nasdaq and list (or continue the listing of) the Rights and the securities purchasable upon exercise of the Rights on Nasdaq; and

(iii) deliver to holders of the Rights historical financial statements for such Principal Party which comply in all respects with the requirements for registration on Form 10 (or any successor form) under the Exchange Act.

In the event that at any time after the occurrence of a Triggering Event some or all of the Rights shall not have been exercised at the time of a transaction described in this Section 13, the Rights which have not

theretofore been exercised shall thereafter be exercisable in the manner described in Section 13(a) (without taking into account any prior adjustment required by Section 11(a)(ii)).

(d) In case the "Principal Party" for purposes of Section 13(b) hereof has provision in any of its authorized securities or in its certificate of incorporation or by-laws or other instrument governing its corporate affairs, which provision would have the effect of (i) causing such Principal Party to issue (other than to holders of Rights pursuant to Section 13 hereof), in connection with, or as a consequence of, the consummation of a Section 13 Event, Common Shares or Equivalent Shares of such Principal Party at less than the then Current Per Share Market Price thereof or securities exercisable for, or convertible into, Common Shares or Equivalent Shares of such Principal Party at less than such then Current Per Share Market Price, or (ii) providing for any special payment, tax or similar provision in connection with the issuance of the Common Shares of such Principal Party pursuant to the provisions of Section 13 hereof, then, in such event, the Comp any hereby agrees with each holder of Rights that it shall not consummate any such transaction unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing that the provision in question of such Principal Party shall have been canceled, waived or amended, or that the authorized securities shall be redeemed, so that the applicable provision will have no effect in connection with or as a consequence of, the consummation of the proposed transaction.

(e) The Company covenants and agrees that it shall not, at any time after the Distribution Date, effect or permit to occur any Section 13 Event, if (i) at the time or immediately after such Section 13 Event there are any rights, warrants or other instruments or securities outstanding or agreements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights, (ii) prior to, simultaneously with or immediately after such Section 13 Event, the stockholders of the Person who constitutes, or would constitute, the "Principal Party" for purposes of Section 13(b) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates or Associates or (iii) the form or nature of organization of the Principal Party would preclude or limit the exercisability of the Rights.

(f) The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers.

(g) Notwithstanding anything in this Agreement to the contract, Section 13 shall not be applicable to a transaction described in subparagraphs (i) and (ii) of Section 13(a) if (i) such transaction is consummated with a Person or Persons who acquired

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Common Shares pursuant to a tender or exchange offer for all outstanding Common Shares which is a Qualified Offer as such term is defined in Section 11(a)(ii) hereof (or a wholly owned subsidiary of any such Person or Persons), (ii) the price per share of the Common Shares offered in such transaction is not less than the price per share of the Common Shares paid to all holders of Common Shares whose shares were purchased pursuant to such tender or exchange offer and (iii) the form of consideration being offered to the remaining holders of common Shares pursuant to such transaction is the same as the form of consideration paid pursuant to such tender or exchange offer. Upon consummation of any such transaction contemplated by this Section 13(g), all Rights hereunder shall expire.

Section 14. FRACTIONAL RIGHTS AND FRACTIONAL SHARES.

(a) The Company shall not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Rights Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable, as determined pursuant to the second sentence of Section 1(j) hereof.

(b) The Company shall not be required to issue fractions of Preferred Shares (other than fractions that are integral multiples of one one-thousandth of a Preferred Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares (other than fractions that are integral multiples of one one-thousandth of a Preferred Share). Interests in fractions of Preferred Shares in integral multiples of one one-thousandth of a Preferred Share may, at the election of the Company, be evidenced by depository receipts, pursuant to an appropriate agreement between the Company and a depository selected by it; provided, that such agreement shall provide that the holders of such depository receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depository receipts. In lieu of fractional Preferred Shares that are not integral multiples of one one-thousandth of a Preferred Share, the Company shall pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of a Preferred Share. For purposes of this Section 14(b), the current market value of a Preferred Share shall be the product equal to (x) one thousandth multiplied by (y) the closing price of a Common Share (as determined pursuant to the second sentence of Section 1(j) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) The Company shall not be required to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares upon the exercise or exchange of Rights. In lieu of such fractional Common Shares, the Company shall pay to the registered holders of Rights Certificates at the time such

Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of a Common Share. For purposes of this Section 14(c), the current market value of a Common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 1(j) hereof) for the Trading Day immediately prior to the date of such exercise.

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(d) The holder of a Right by the acceptance of the Right expressly waives his or her right to receive any fractional Rights or any fractional shares (other than fractions that are integral multiples of one one-thousandth of a Preferred Share) upon exercise of a Right.

Section 15. RIGHTS OF ACTION. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent pursuant to Section 18 hereof, are vested in the respective registered holders of the Rights Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Rights Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Rights Certificate (or, prior to the Distribution Date, of the Common Shares), may, in his or her own behalf and for his or her own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his or her right to exercise the Rights evidenced by such Rights Certificate in the manner provided in such Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of, the obligations of any Person subject to this Agreement.

Section 16. AGREEMENT OF RIGHTS HOLDERS. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Rights Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office or offices of the Rights Agent designated for such purposes, duly endorsed or accompanied by a proper instrument of transfer and with the appropriate forms and certificates fully executed; and

(c) subject to Sections 6(a) and 7(f) hereof, the Company and the Rights Agent may deem and treat the person in whose name the Rights Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Rights Certificates or the associated Common Shares certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary.

Section 17. RIGHTS CERTIFICATE HOLDER NOT DEEMED A STOCKHOLDER. No holder, as such, of any Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose to be the holder of the Preferred Shares or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights Certificate, as such, any of the rights of a stockholder of the Company or any right to vote

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for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as specifically provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Rights Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. CONCERNING THE RIGHTS AGENT.

(a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability or expense, incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability in the premises. In no event will the Rights Agent be liable for special, indirect, incidental or consequential loss or damage of any kind whatsoever, even if the Rights Agent has been advised of the possibility of such loss or damage.

(b) The Rights Agent shall be protected and shall incur no liability for, or in respect of any action taken, suffered or omitted by it in connection with, its administration of this Agreement in reliance upon any

Rights Certificate or certificate for the Preferred Shares or Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement or other paper or document reasonably believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons, or otherwise upon the advice of counsel as set forth in Section 20 hereof.

Section 19. MERGER OR CONSOLIDATION OR CHANGE OF NAME OF RIGHTS AGENT.

(a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the corporate trust business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, however, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Rights Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

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(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

Section 20. DUTIES OF RIGHTS AGENT. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of any Acquiring Person and the determination of Current Per Share Market Price) be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder to the Company and any other Person only for its own gross negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Rights Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Rights Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor shall it be responsible for any change in the exercisability of the Rights or any adjustment in the terms of the Rights (including the manner, method or amount thereof) provided for in Sections 3, 11, 13, 23 or 24, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Rights Certificates after receipt by the Rights Agent of a certificate furnished pursuant to Section 12 describing such

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change or adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares to be issued pursuant to this Agreement or any Rights Certificate or as to whether any Preferred Shares will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Secretary or any Assistant Secretary of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions. Any application by the Rights Agent for written instructions from the Company may, at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent under this Rights Agreement and the date on and/or after which such action shall be taken or such omission shall be effective. The Rights Agent shall not be liable for any action taken by, or omission of, the Rights Agent in accordance with a proposal included in any such application on or after the date specified in such application (which date shall not be less than five (5) Business Days after the date on which any officer of the Company actually receives such application, unless any such officer shall have consented in writing to an earlier date) unless, prior to taking any such action (or the effective date in the case of an omission), the Rights Agent shall have received written instructions in response to such application specifying the action to be taken or omitted.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become peculiarly interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

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(k) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 and/or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

Section 21. CHANGE OF RIGHTS AGENT. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon thirty (30) days' notice in writing mailed to the Company and to each transfer agent of the Preferred Shares and the Common Shares by registered or certified mail, and to the holders of the Rights Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon thirty (30) days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Preferred Shares and the Common Shares by registered or certified mail, and to the holders of the Rights Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of thirty (30) days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Rights Certificate (who shall, with such notice, submit his or her Rights Certificate for inspection by the Company), then the registered holder of any Rights Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation organized and doing business under the laws of the United States or of any state of the United States, in good standing, which is authorized under such laws to exercise corporate trust or stockholder services powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$100 million. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Preferred Shares and the Common Shares, and mail a notice thereof in writing to the registered holders of the Rights Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. ISSUANCE OF NEW RIGHTS CERTIFICATES. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Rights Certificates evidencing

Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Exercise Price and the number or kind or class of shares or other securities or property purchasable under the Rights Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of Common Shares following the Distribution Date and prior to the redemption or

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expiration of the Rights, the Company (a) shall, with respect to Common Shares so issued or sold pursuant to the exercise of stock options or under any employee plan or arrangement or upon the exercise, conversion or exchange of other securities of the Company outstanding at the date hereof or upon the exercise, conversion or exchange of securities hereinafter issued by the Company and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Rights Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that (i) no such Rights Certificate shall be issued and this sentence shall be null and void ab initio if, and to the extent that, such issuance or this sentence would create a significant risk of or result in material adverse tax consequences to the Company or the Person to whom such Rights Certificate would be issued or would create a significant risk of or result in such options' or employee plans' or arrangements' failing to qualify for otherwise available special tax treatment and (ii) no such Rights Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

Section 23. REDEMPTION.

(a) The Company may, at its option and with the approval of the Board of Directors, at any time prior to the Close of Business on the earlier of (i) the tenth Business Day following the Shares Acquisition Date (or such later date as may be determined by action of the Company's Board of Directors and publicly announced by the Company) and (ii) the Final Expiration Date, redeem all but not less than all the then outstanding Rights at a redemption price of \$0.01 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being herein referred to as the "Redemption Price") and the Company may, at its option, pay the Redemption Price either in Common Shares (based on the Current Per Share Market Price thereof at the time of redemption) or cash. Such redemption of the Rights by the Company may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. The date on which the Board of Directors elects to make the redemption effective shall be referred to as the "Redemption Date."

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights, evidence of which shall have been filed with the Rights Agent, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. The Company shall promptly give public notice of any such redemption; provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption. Within ten (10) days after the action of the Board of Directors ordering the redemption of the Rights, the Company shall give notice of such redemption to the Rights Agent and the holders of the then outstanding Rights by mailing such notice to all such holders at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner

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other than that specifically set forth in this Section 23 or in Section 24 hereof, and other than in connection with the purchase of Common Shares prior to the Distribution Date.

Section 24. EXCHANGE.

(a) Subject to applicable laws, rules and regulations, and subject to subsection 24(c) below, the Company may, at its option, by action of the Board of Directors, at any time after the occurrence of a Triggering Event, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 7(e) hereof) for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any such Subsidiary, or any entity holding Common Shares for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Shares then outstanding.

(b) Immediately upon the action of the Board of Directors ordering the exchange of any Rights pursuant to subsection 24(a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall give public notice of any such exchange; provided, however, that the

failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 7(e) hereof) held by each holder of Rights.

(c) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with Section 24(a), the Company shall either take such action as may be necessary to authorize additional Common Shares for issuance upon exchange of the Rights or alternatively, at the option of a majority of the Board of Directors, with respect to each Right (i) pay cash in an amount equal to the Current Value (as hereinafter defined), in lieu of issuing Common Shares in exchange therefor, or (ii) issue debt or equity securities or a combination thereof, having a value equal to the Current Value, in lieu of issuing Common Shares in exchange for each such Right, where the value of such securities shall be determined by a nationally recognized investment banking firm selected by majority vote of the Board of Directors, or (iii) deliver any combination of cash, property, Common Shares and/or other securities having a value equal to the Current Value in exchange for each Right. For purposes of

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this Section 24(c) only, the Current Value shall mean the product of the Current Per Share Market Price of Common Shares on the date of the occurrence of the event described above in subparagraph (a), multiplied by the number of Common Shares for which the Right otherwise would be exchangeable if there were sufficient shares available. To the extent that the Company determines that some action need be taken pursuant to clauses (i), (ii) or (iii) of this Section 24(c), the Board of Directors may temporarily suspend the exercisability of the Rights for a period of up to sixty (60) days following the date on which the event described in Section 24(a) shall have occurred, in order to seek any authorization of additional Common Shares and/or to decide the appropriate form of distribution to be made pursuant to the above provision and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended.

(d) The Company shall not be required to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of such fractional Common Shares, there shall be paid to the registered holders of the Rights Certificates with regard to which such fractional Common Shares would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Common Share (as determined pursuant to the second sentence of Section 1(j) hereof).

(e) The Company may, at its option, by majority vote of the Board of Directors, at any time before any Person has become an Acquiring Person, exchange all or part of the then outstanding Rights for rights of substantially equivalent value, as determined reasonably and with good faith by the Board of Directors based upon the advice of one or more nationally recognized investment banking firms.

(f) Immediately upon the action of the Board of Directors ordering the exchange of any Rights pursuant to subsection 24(e) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of rights in exchange therefor as has been determined by the Board of Directors in accordance with subsection 24(e) above. The Company shall give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the transfer agent for the Common Shares of the Company. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Rights will be effected.

Section 25. NOTICE OF CERTAIN EVENTS.

(a) In case the Company shall propose to effect or permit to occur any Triggering Event or Section 13 Event, the Company shall give notice thereof to each holder of Rights in accordance with Section 26 hereof at least twenty (20) days prior to occurrence of such Triggering Event or such Section 13 Event.

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(b) In case any Triggering Event or Section 13 Event shall occur, then, in any such case, the Company shall as soon as practicable thereafter give to each holder of a Rights Certificate, in accordance with Section 26 hereof, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Sections 11(a)(ii) and 13 hereof.

Section 26. NOTICES. Notices or demands authorized by this Agreement to be made by the Rights Agent or by the holder of any Rights Certificate to or on the Company sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until address is filed in writing with the Rights Agent) as follows:

80-02 Kew Gardens Road
Kew Gardens, New York 11415
Attention: General Counsel

with a copy to:

Brobeck, Phleger & Harrison LLP
1633 Broadway, 47th Floor
New York, New York 10019
Attention: Curtis L. Mo, Esq.

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Rights Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

Equiserve Trust Company, N.A.
Mail Stop 45-02-62
150 Royall Street
Canton, Massachusetts 02021
Attention: Paul Gill
Telephone: (781) 575-2661
Facsimile: (781) 575-2149

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Rights Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. SUPPLEMENTS AND AMENDMENTS. Prior to the occurrence of a Distribution Date, the Company may supplement or amend this Agreement in any respect without the approval of any holders of Rights and the Rights Agent shall, if the Company so directs, execute such supplement or amendment. From and after the occurrence of a Distribution Date, the Company and the Rights Agent may from time to time supplement or amend this Agreement without the approval of any holders of Rights in order to (i) cure any ambiguity, (ii) correct or supplement any provision contained herein which may be defective or inconsistent with any

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other provisions herein, (iii) shorten or lengthen any time period hereunder or (iv) to change or supplement the provisions hereunder in any manner that the Company may deem necessary or desirable and that shall not adversely affect the interests of the holders of Rights (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person); provided, this Agreement may not be supplemented or amended to lengthen, pursuant to clause (iii) of this sentence, (A) a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable or (B) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the benefits to, the holders of Rights (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person). Upon the delivery of a certificate from an appropriate officer of the Company that states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent shall execute such supplement or amendment. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Common Shares.

Section 28. SUCCESSORS. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. DETERMINATIONS AND ACTIONS BY THE BOARD OF DIRECTORS, ETC. For all purposes of this Agreement, any calculation of the number of Common Shares outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding Common Shares of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Exchange Act. The Board of Directors of the Company shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board, or the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power (i) to interpret the provisions of this Agreement and (ii) to make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or not redeem the Rights or to amend the Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board in good faith, shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights Certificates and all other parties and (y) not subject the Board or the Continuing Directors to any liability to the holders of the Rights.

Section 30. BENEFITS OF THIS AGREEMENT. Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, the Common Shares) any legal or equitable right, remedy or claim pursuant to this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, the Common

Shares).

Section 31. SEVERABILITY. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or

invalidated; provided, however, that notwithstanding anything in this Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board of Directors of the Company determines in its good faith judgment that severing the invalid language from this Agreement would adversely affect the purpose or effect of this Agreement, the right of redemption set forth in Section 23 hereof shall be reinstated and shall not expire until the Close of Business on the tenth day following the date of such determination by the Board of Directors.

Section 32. GOVERNING LAW. This Agreement and each Right and each Rights Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

Section 33. COUNTERPARTS. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 34. DESCRIPTIVE HEADINGS. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

"COMPANY" JETBLUE AIRWAYS CORPORATION
By: /s/ Company Officer

Name: Company Officer

Title:

"RIGHTS AGENT" EQUISERVE
By: /s/ Company Officer

Name: Company Officer

Title:

EXHIBIT A
CERTIFICATE OF DESIGNATION OF RIGHTS, PREFERENCES
AND PRIVILEGES OF
SERIES A PARTICIPATING PREFERRED STOCK
OF JETBLUE AIRWAYS CORPORATION

The undersigned, David Neeleman and John Owen do hereby certify:

- 1. That they are the duly elected and acting Chief Executive Officer and Chief Financial Officer, respectively, of JetBlue Airways Corporation, a Delaware corporation (the "CORPORATION").

2. That pursuant to the authority conferred upon the Board of Directors by the Restated Certificate of Incorporation of the said Corporation, the said Board of Directors on February __, 2002, adopted the following resolution creating a series of 500,000 shares of Preferred Stock designated as Series A Participating Preferred Stock:

"RESOLVED, that pursuant to the authority vested in the Board of Directors of the corporation by the Restated Certificate of Incorporation, the Board of Directors does hereby provide for the issue of a series of Preferred Stock of the Corporation and does hereby fix and herein state and express the designations, powers, preferences and relative and other special rights and the qualifications, limitations and restrictions of such series of Preferred Stock as follows:

Section 1. DESIGNATION AND AMOUNT. The shares of such series shall be designated as "SERIES A PARTICIPATING PREFERRED STOCK." The Series A Participating Preferred Stock shall have a par value of \$0.01 per share, and the number of shares constituting such series shall be 500,000.

Section 2. PROPORTIONAL ADJUSTMENT. In the event that the Corporation shall at any time after the issuance of any share or shares of Series A Participating Preferred Stock (i) declare any dividend on Common Stock of the Corporation ("COMMON STOCK") payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Corporation shall simultaneously effect a proportional adjustment to the number of outstanding shares of Series A Participating Preferred Stock.

Section 3. DIVIDENDS AND DISTRIBUTIONS.

(a) Subject to the prior and superior right of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Participating Preferred Stock with respect to dividends, the holders of shares of Series A Participating Preferred Stock shall be entitled to receive when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of February, May, August and November in each year (each such date being referred to herein as a "QUARTERLY DIVIDEND PAYMENT DATE"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Participating Preferred

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Stock, in an amount per share (rounded to the nearest cent) equal to 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Participating Preferred Stock.

(b) The Corporation shall declare a dividend or distribution on the Series A Participating Preferred Stock as provided in paragraph (a) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(c) Dividends shall begin to accrue on outstanding shares of Series A Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 4. VOTING RIGHTS. The holders of shares of Series A Participating Preferred Stock shall have the following voting rights:

(a) Each share of Series A Participating Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation.

(b) Except as otherwise provided herein or by law, the holders of shares of Series A Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) Except as required by law, the holders of Series A Participating Preferred Stock shall have no special

voting rights and their consent shall not be required (except to the extent that they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

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Section 5. CERTAIN RESTRICTIONS.

(a) The Corporation shall not declare any dividend on, make any distribution on, or redeem or purchase or otherwise acquire for consideration any shares of Common Stock after the first issuance of a share or fraction of a share of Series A Participating Preferred Stock unless concurrently therewith it shall declare a dividend on the Series A Participating Preferred Stock as required by Section 3 hereof.

(b) Whenever quarterly dividends or other dividends or distributions payable on the Series A Participating Preferred Stock as provided in Section 3 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Participating Preferred Stock;

(ii) declare or pay dividends on, or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Participating Preferred Stock, except dividends paid ratably on the Series A Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Participating Preferred Stock;

(iv) purchase or otherwise acquire for consideration any shares of Series A Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(c) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 5, purchase or otherwise acquire such shares at such time and in such manner.

Section 6. REACQUIRED SHARES. Any shares of Series A Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be

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retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein and in the Restated Certificate of Incorporation, as then amended.

Section 7. LIQUIDATION, DISSOLUTION OR WINDING UP. Upon any liquidation, dissolution or winding up of the Corporation, the holders of shares of Series A Participating Preferred Stock shall be entitled to receive an aggregate amount per share equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock plus an amount equal to any accrued and unpaid dividends on such shares of Series A Participating Preferred Stock.

Section 8. CONSOLIDATION, MERGER, ETC. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged.

Section 9. NO REDEMPTION. The shares of Series A Participating Preferred Stock shall not be redeemable.

Section 10. RANKING. The Series A Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 11. AMENDMENT. The Restated Certificate of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preference or special rights of the Series A Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority of the outstanding shares of Series A Participating Preferred Stock, voting separately as a series.

Section 12. FRACTIONAL SHARES. Series A Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Participating Preferred Stock.

RESOLVED FURTHER, that the President or any Vice President and the Secretary or any Assistant Secretary of this corporation be, and they hereby are, authorized and directed to prepare and file a Certificate of Designation of Rights, Preferences and Privileges in accordance with the foregoing resolution and the provisions of Delaware law and to take such actions as they may deem necessary or appropriate to carry out the intent of the foregoing resolution."

We further declare under penalty of perjury that the matters set forth in the foregoing Certificate of Designation are true and correct of our own knowledge.

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Executed at Kew Gardens, New York on February __, 2002.

Chief Executive Officer

Chief Financial Officer

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EXHIBIT B

FORM OF RIGHTS CERTIFICATE

Certificate No. R- Rights _____ Rights

NOT EXERCISABLE AFTER THE EARLIER OF (i) _____, 2012, (ii) THE DATE TERMINATED BY THE COMPANY OR (iii) THE DATE THE COMPANY EXCHANGES THE RIGHTS PURSUANT TO THE RIGHTS AGREEMENT. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT \$0.01 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES, RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) AND ANY SUBSEQUENT HOLDER OF SUCH RIGHTS MAY BECOME NULL AND VOID. [THE RIGHTS REPRESENTED BY THIS RIGHTS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS OR BECAME AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT). ACCORDINGLY, THIS RIGHTS CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BECOME NULL AND VOID IN THE CIRCUMSTANCES SPECIFIED IN SECTION 7(e) OF SUCH RIGHTS AGREEMENT.]*

RIGHTS CERTIFICATE

JETBLUE AIRWAYS CORPORATION

This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement dated as of _____, 2002 (the "RIGHTS AGREEMENT"), between JetBlue Airways Corporation, a Delaware corporation (the "COMPANY"), and Equiserve (the "RIGHTS AGENT"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 P.M., New York time, on _____, 2012 at the office of the Rights Agent designated for such purpose, or at the office of its successor as Rights Agent, one one-thousandth (1/1,000) of a fully paid and non-assessable share of Series A Participating Preferred Stock, par value \$0.01 per share (the "PREFERRED SHARES"), of the Company, at an Exercise Price of \$_____ per one-thousandth of a Preferred Share (the "EXERCISE PRICE"), upon presentation and surrender of this Rights Certificate with the Form of Election to Purchase and related Certificate duly executed. The number of Rights evidenced by this Rights Certificate (and the number of one-thousandths of a Preferred Share which may be purchased upon exercise hereof) set forth above are the number and Exercise Price as of _____, 2002 based on the

Preferred Shares as constituted at such date. As provided in the Rights Agreement, the Exercise

* The portion of the legend in bracket shall be inserted only if applicable and shall replace the preceding sentence.

Price and the number and kind of Preferred Shares or other securities which may be purchased upon the exercise of the Rights evidenced by this Rights Certificate are subject to modification and adjustment upon the happening of certain events.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Rights Certificates, which limitations of rights include the temporary suspension of the exercisability of such Rights under the specific circumstances set forth in the Rights Agreement. Copies of the Rights Agreement are on file at the principal executive offices of the Company and the above-mentioned office of the Rights Agent.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Rights Certificate (i) may be redeemed by the Company, at its option, at a redemption price of \$0.01 per Right or (ii) may be exchanged by the Company in whole or in part for Common Shares, substantially equivalent rights or other consideration as determined by the Company.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the office of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate amount of securities as the Rights evidenced by the Rights Certificate or Rights Certificates surrendered shall have entitled such holder to purchase. If this Rights Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

No fractional portion of less than one one-thousandth of a Preferred Share will be issued upon the exercise of any Right or Rights evidenced hereby but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal. Dated as of _____, ____.

ATTEST:

JETBLUE AIRWAYS CORPORATION

By: _____

Its: _____

Countersigned: _____

EQUISERVE
as Rights Agent

By: _____

Its: _____

FORM OF REVERSE SIDE OF RIGHTS CERTIFICATE

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto

(Please print name and address of transferee)

this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Rights Certificate on the books of the within-named Company, with full power of substitution.

Dated: _____, ____

Signature

Signature Medallion Guaranteed:

Signatures must be medallion guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States or by an eligible guarantor institution bank (bank, stockbroker, savings and loan association or credit union with membership in an approved signature medallion program), pursuant to Rule 17Ad-15 promulgated under the Securities Exchange Act of 1934, as amended.

CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

(1) this Rights Certificate [] is [] is not being sold, assigned and transferred by or on behalf of a Person who is or was an Acquiring Person, or an Affiliate or Associate of any such Person (as such terms are defined in the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it [] did [] did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate of any such Person.

Dated: _____, ____

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

(To be executed if holder desires to exercise the Rights Certificate)

To: _____

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Rights Certificate to purchase the number of one-thousandths of a Preferred Share issuable upon the exercise of such Rights and requests that certificates for such shares be issued in the name of:

Please insert social security or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number

(Please print name and address)

Dated: _____, ____

Signature

(Signature must conform in all respects to name of holder as specified on the face of this Rights Certificate)

Signature Guaranteed:

Signature must be guaranteed by an "Eligible Guarantor Institution" (with membership in an approved signature guarantee medallion program) pursuant to Rule 17Ad-15 of the Securities Exchange Act of 1934.

CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Rights Certificate [] are [] are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Person (as such terms are defined in the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it [] did [] did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate of any such Person.

Dated: _____, ____

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

NOTICE

The signature in the foregoing Forms of Assignment and Election must conform to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

AIRBUS

Amendment No. 13

to the A320 Purchase Agreement
Dated as of April 20, 1999

between

AVSA, S.A.R.L.

and

JetBlue Airways Corporation

This Amendment No. 13 (hereinafter referred to as the "Amendment") is entered into as of November __, 2002, between AVSA, S.A.R.L., a société à responsabilité limitée organized and existing under the laws of the Republic of France, having its registered office located at 2, Rend-Point Maurice Bellonte, 31700 Blagnac, France (hereinafter referred to as the "Seller"), and JetBlue Airways Corporation a corporation organized and existing under the laws of the State of Delaware, United States of America, having its principal corporate offices located 118-29 Queens Boulevard, 5th Floor, Forest Hills, New York 11375 USA (hereinafter referred to as the "Buyer").

WITNESSETH

WHEREAS, the Buyer and the Seller entered into an A320 Purchase Agreement, dated as of April 20, 1999, relating to the sale by the Seller and the purchase by the Buyer of certain Airbus A320-200 aircraft (the "Aircraft"), including twenty-five option aircraft (the "Option Aircraft"), which, together with all Exhibits, Appendixes and Letter Agreements attached thereto and as amended by Amendment No. 1, dated as of September 30, 1999, Amendment No. 2, dated as of March 13, 2000, Amendment No. 3, dated as of March 29, 2000, Amendment No. 4, dated as of September 29, 2000, Amendment No. 5, dated as of November 7, 2000, Amendment No. 6, dated as of November 20, 2000, Amendment No. 7, dated as of January 29, 2001, Amendment No. 8, dated as of May 3, 2001, Amendment No. 9, dated as of July 18, 2001, Amendment No. 10, dated as of November 15, 2001, Amendment No. 11, dated as of December 31, 2001, Amendment No. 12, dated as of April 15, 2002 is hereinafter called the "Agreement.

WHEREAS the Seller and the Buyer have agreed to amend Clause 9 of the Agreement.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS

1. **DEFINITIONS**

1.1 Capitalized terms used herein and not otherwise defined herein will have the meanings assigned to them in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Amendment.

2. **DELIVERY SCHEDULE**

2.1 The Buyer and the Seller agree to advance the deliver date of Firm Aircraft CaC Id 41219 (MSN [**]) from [**] 2003 to [**] 2002.

2.2 As a consequence of Paragraph 2.1 above, the delivery schedule set forth in Clause 9.1.1 of the Agreement is hereby canceled and replaced by the following quoted provisions:

QUOTE:

<u>CAC Id No.</u>	<u>Rank No.</u>	<u>Aircraft</u>	<u>Delivery</u>	
41199	No. 1	Firm Aircraft	[**]	2000
41200	No. 2	Firm Aircraft	[**]	2000
41203	No. 2	Firm Aircraft	[**]	2000
41201	No. 4	Firm Aircraft	[**]	2000
41202	No. 5	Firm Aircraft	[**]	2000
41204	No. 6	Firm Aircraft	[**]	2000
41205	No. 7	Firm Aircraft	[**]	2001
41206	No. 8	Firm Aircraft	[**]	2001
41210	No. 9	Firm Aircraft	[**]	2001
41207	No. 10	Firm Aircraft	[**]	2001
41208	No. 11	Firm Aircraft	[**]	2001
41209	No. 12	Firm Aircraft	[**]	2001
41228	No. 13	Firmly Ordered Option Aircraft	[**]	2001
41211	No. 14	Firm Aircraft	[**]	2002

41212	No. 15	Firm Aircraft	***	2002
41218	No. 16	Firm Aircraft	***	2002
41224	No. 17	Firmly Ordered Option Aircraft	***	2002
41227	No. 18	Firmly Ordered Option Aircraft	***	2002
41225	No. 19	Firmly Ordered Option Aircraft	***	2002
41213	No. 20	Firm Aircraft	***	2002
41214	No. 21	Firm Aircraft	***	2002
41234	No. 22	Amendment No. 11 Exercised Option	***	2002
41215	No. 23	Firm Aircraft	***	2002
41216	No. 24	Firm Aircraft	***	2002
41217	No. 25	Firm Aircraft	***	2002
124965	No. 26	Amendment No. 12 Exercised Option	***	2002
41235	No. 27	Amendment No. 11 Exercised Option	***	2002
41220	No. 28	Firm Aircraft	***	2002
41219	No. 29	Firm Aircraft	***	2002
41236	No. 30	Amendment No. 11 Exercised Option	***	2003

*** Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

104399	No. 31	New Firm A320 Aircraft	***	2003
41237	No. 32	Amendment No. 11 Exercised Option	***	2003
124966	No. 33	Amendment No. 12 Exercised Option	***	2003
41221	No. 34	Firm Aircraft	***	2003
41238	No. 35	Amendment No. 11 Exercised Option	***	2003
41238	No. 36	Firm Aircraft	***	2003
104400	No. 37	New Firm A320 Aircraft	***	2003
104401	No. 38	New Firm A320 Aircraft	***	2003
41223	No. 39	Firm Aircraft	***	2003
104402	No. 40	New Firm A320 Aircraft	***	2003
104403	No. 41	New Firm A320 Aircraft	***	2003
41226	No. 42	Firmly Ordered Option Aircraft	***	2004
111579	No. 43	Amendment No. 11 Exercised Option	***	2004
41245	No. 44	Firmly Ordered Option Aircraft	***	2004
41246	No. 45	Firmly Ordered Option Aircraft	***	2004
41229	No. 46	Amendment No. 11 Exercised Option	***	2004
41247	No. 47	Firmly Ordered Option Aircraft	***	2004
41248	No. 48	Firmly Ordered Option Aircraft	***	2004
104404	No. 49	New Firm A320 Aircraft	***	2004
104405	No. 50	New Firm A320 Aircraft	***	2004
41230	No. 51	Amendment No. 11 Exercised Option	***	2004
104406	No. 52	New Firm A320 Aircraft	***	2004
104407	No. 53	New Firm A320 Aircraft	***	2004
104408	No. 54	New Firm A320 Aircraft	***	2004
104409	No. 55	New Firm A320 Aircraft	***	2005
41232	No. 56	Amendment No. 11 Exercised Option	***	2005
104410	No. 57	New Firm A320 Aircraft	***	2005
104411	No. 58	New Firm A320 Aircraft	***	2005
41233	No. 59	Amendment No. 11 Exercised Option	***	2005
104412	No. 60	New Firm A320 Aircraft	***	2005
104413	No. 61	New Firm A320 Aircraft	***	2005
104414	No. 62	New Firm A320 Aircraft	***	2005
104415	No. 63	New Firm A320 Aircraft	***	2005
104416	No. 64	New Firm A320 Aircraft	***	2005
104417	No. 65	New Firm A320 Aircraft	***	2005
104418	No. 66	New Firm A320 Aircraft	***	2005
104419	No. 67	New Firm A320 Aircraft	***	2006
104420	No. 68	New Firm A320 Aircraft	***	2006
104421	No. 69	New Firm A320 Aircraft	***	2006
104422	No. 70	New Firm A320 Aircraft	***	2006
104423	No. 71	New Firm A320 Aircraft	***	2006
104424	No. 72	New Firm A320 Aircraft	***	2007
104425	No. 73	New Firm A320 Aircraft	***	2007
104426	No. 74	New Firm A320 Aircraft	***	2007
104427	No. 75	New Firm A320 Aircraft	***	2007
104428	No. 76	New Firm A320 Aircraft	***	2007
41231	No. 77	Option Aircraft	***	2004

*** Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

124967	No. 78	Amendment No. 11 Additional Option	***	2005
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QuickLinks

AIRBUS

WITNESSETH

AIRBUS

Amendment No. 14

to the A320 Purchase Agreement
Dated as of April 20, 1999

between

AVSA, S.A.R.L.

and

JetBlue Airways Corporation

This Amendment No. 14 (hereinafter referred to as the "Amendment") is entered into as of December __, 2002, between AVSA, S.A.R.L., a société à responsabilité limitée organized and existing under the laws of the Republic of France, having its registered office located at 2, Rond-Point Maurice Bellonte, 31700 Blagnac, France (hereinafter referred to as the "Seller"), and JetBlue Airways Corporation, a corporation organized and existing under the laws of the State of Delaware, United States of America, having its principal corporate offices located 118-29 Queens Boulevard, 5th Floor, Forest Hills, New York 11375 USA (hereinafter referred to as the "Buyer").

WITNESSETH

WHEREAS, the Buyer and the Seller entered into an A320 Purchase Agreement, dated as of April 20, 1999, relating to the sale by the Seller and the purchase by the Buyer of certain Airbus A320-200 aircraft (the "Aircraft"), including twenty-five option aircraft (the "Option Aircraft"), which, together with all Exhibits, Appendixes and Letter Agreements attached thereto and as amended by Amendment No. 1, dated as of September 30, 1999, Amendment No. 2, dated as of March 13, 2000, Amendment No. 3, dated as of March 29, 2000, Amendment No. 4, dated as of September 29, 2000, Amendment No. 5, dated as of November 7, 2000, Amendment No. 6, dated as of November 20, 2000, Amendment No. 7, dated as of January 29, 2001, Amendment No. 8, dated as of May 3, 2001, Amendment No. 9, dated as of July 18, 2001, Amendment No. 10, dated as of November 16, 2001, Amendment No. 11, dated as of December 31, 2001, Amendment No. 12, dated as of April 19, 2002 and Amendment No. 13, dated as of November 22, 2002 is hereinafter called the "Agreement.

WHEREAS the Seller and the Buyer have agreed to amend Clause 9 of the Agreement.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS

1. **DEFINITIONS**

1.1 Capitalized terms used herein and not otherwise defined herein will have the meanings assigned to them in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Amendment.

2. **DELIVERY SCHEDULE**

2.1 The Buyer and the Seller agree to advance the delivery date of Firm Aircraft CaC Id 104399 (MSN [***]) from [***] 2003 to [***] 2003.

2.2 As a consequence of Paragraph 2.1 above, the delivery schedule set forth in Clause 9.1.1 of the Agreement is hereby canceled and replaced by the following quoted provisions:

QUOTE:

<u>CAC Id No.</u>	<u>Bank No.</u>	<u>Aircraft</u>	<u>Delivery</u>
41199	No. 1	Firm Aircraft	[***] 2000
41200	No. 2	Firm Aircraft	[***] 2000
41203	No. 2	Firm Aircraft	[***] 2000
41201	No. 4	Firm Aircraft	[***] 2000
41202	No. 5	Firm Aircraft	[***] 2000
41204	No. 6	Firm Aircraft	[***] 2000
41205	No. 7	Firm Aircraft	[***] 2001
41206	No. 8	Firm Aircraft	[***] 2001
41210	No. 9	Firm Aircraft	[***] 2001
41207	No. 10	Firm Aircraft	[***] 2001
41208	No. 11	Firm Aircraft	[***] 2001
41209	No. 12	Firm Aircraft	[***] 2001
41228	No. 13	Firmly Ordered Option Aircraft	[***] 2001
41211	No. 14	Firm Aircraft	[***] 2002

41212	No. 15	Firm Aircraft	***	2002
41218	No. 16	Firm Aircraft	***	2002
41224	No. 17	Firmly Ordered Option Aircraft	***	2002
41227	No. 18	Firmly Ordered Option Aircraft	***	2002
41225	No. 19	Firmly Ordered Option Aircraft	***	2002
41213	No. 20	Firm Aircraft	***	2002
41214	No. 21	Firm Aircraft	***	2002
41234	No. 22	Amendment No. 11 Exercised Option	***	2002
41215	No. 23	Firm Aircraft	***	2002
41216	No. 24	Firm Aircraft	***	2002
41217	No. 25	Firm Aircraft	***	2002
124965	No. 26	Amendment No. 12 Exercised Option	***	2002
41235	No. 27	Amendment No. 11 Exercised Option	***	2002
41220	No. 28	Firm Aircraft	***	2002
41219	No. 29	Firm Aircraft	***	2002

*** Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

41236	No. 30	Amendment No. 11 Exercised Option	***	2003
104399	No. 31	New Firm A320 Aircraft	***	2003
41237	No. 32	Amendment No. 11 Exercised Option	***	2003
124966	No. 33	Amendment No. 12 Exercised Option	***	2003
41221	No. 34	Firm Aircraft	***	2003
41238	No. 35	Amendment No. 11 Exercised Option	***	2003
41223	No. 36	Firm Aircraft	***	2003
104400	No. 37	New Firm A320 Aircraft	***	2003
104401	No. 38	New Firm A320 Aircraft	***	2003
41223	No. 39	Firm Aircraft	***	2003
104402	No. 40	New Firm A320 Aircraft	***	2003
104403	No. 41	New Firm A320 Aircraft	***	2003
41236	No. 42	Firmly Ordered Option Aircraft	***	2004
111579	No. 43	Amendment No. 11 Exercised Option	***	2004
41245	No. 44	Firmly Ordered Option Aircraft	***	2004
41246	No. 45	Firmly Ordered Option Aircraft	***	2004
41229	No. 46	Amendment No. 11 Exercised Option	***	2004
41247	No. 47	Firmly Ordered Option Aircraft	***	2004
41248	No. 48	Firmly Ordered Option Aircraft	***	2004
104404	No. 49	New Firm A320 Aircraft	***	2004
104405	No. 50	New Firm A320 Aircraft	***	2004
41230	No. 51	Amendment No. 11 Exercised Option	***	2004
104406	No. 52	New Firm A320 Aircraft	***	2004
104407	No. 53	New Firm A320 Aircraft	***	2004
104408	No. 54	New Firm A320 Aircraft	***	2004
104409	No. 55	New Firm A320 Aircraft	***	2005
41232	No. 56	Amendment No. 11 Exercised Option	***	2005
104410	No. 57	New Firm A320 Aircraft	***	2005
104411	No. 58	New Firm A320 Aircraft	***	2005
41233	No. 59	Amendment No. 11 Exercised Option	***	2005
104412	No. 60	New Firm A320 Aircraft	***	2005
104413	No. 61	New Firm A320 Aircraft	***	2005
104414	No. 62	New Firm A320 Aircraft	***	2005
104415	No. 63	New Firm A320 Aircraft	***	2005
104416	No. 64	New Firm A320 Aircraft	***	2005
104417	No. 65	New Firm A320 Aircraft	***	2005
104418	No. 66	New Firm A320 Aircraft	***	2005
104419	No. 67	New Firm A320 Aircraft	***	2006
104420	No. 68	New Firm A320 Aircraft	***	2006
104421	No. 69	New Firm A320 Aircraft	***	2006
104422	No. 70	New Firm A320 Aircraft	***	2006
104423	No. 71	New Firm A320 Aircraft	***	2006

*** Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

104424	No. 72	New Firm A320 Aircraft	***	2007
104425	No. 73	New Firm A320 Aircraft	***	2007
104426	No. 74	New Firm A320 Aircraft	***	2007
104427	No. 75	New Firm A320 Aircraft	***	2007
104428	No. 76	New Firm A320 Aircraft	***	2007
41231	No. 77	Option Aircraft	***	2004

124967	No. 78	Amendment No. 11 Additional Option	***	2005
124968	No. 79	Amendment No. 11 Additional Option	***	2005
124959	No. 80	Amendment No. 11 Additional Option	***	2006
124960	No. 81	Amendment No. 11 Additional Option	***	2006
124961	No. 82	Amendment No. 11 Additional Option	***	2006
124962	No. 83	Amendment No. 11 Additional Option	***	2006
124963	No. 84	Amendment No. 11 Additional Option	***	2006
41239	No. 85	Option Aircraft	***	2006
41240	No. 86	Option Aircraft	***	2006
41241	No. 87	Option Aircraft	***	2007
41242	No. 88	Option Aircraft	***	2007
41243	No. 89	Option Aircraft	***	2007
41244	No. 90	Option Aircraft	***	2007
69719	No. 91	A320 Additional Option Aircraft	***	2007
69720	No. 92	A320 Additional Option Aircraft	***	2007
69721	No. 93	A320 Additional Option Aircraft	***	2007
69722	No. 94	A320 Additional Option Aircraft	***	2008
69723	No. 95	A320 Additional Option Aircraft	***	2008
69724	No. 96	A320 Additional Option Aircraft	***	2008
69725	No. 97	A320 Additional Option Aircraft	***	2008
96459	No. 98	A320 Additional Option Aircraft	***	2008
104439	No. 99	Incremental A320 Option Aircraft	***	2008
104440	No. 100	Incremental A320 Option Aircraft	***	2008
104441	No. 101	Incremental A320 Option Aircraft	***	2008
104442	No. 102	Incremental A320 Option Aircraft	***	2008
104443	No. 103	Incremental A320 Option Aircraft	***	2008
124964	No. 104	Amendment No. 11 Additional Option	***	2009

UNQUOTE

3.

EFFECT OF THE AMENDMENT

The Agreement will be deemed amended to the extent herein provided, and, except as specifically amended hereby, will continue in full force and effect in accordance with its original terms. This Amendment supersedes any previous understandings, commitments, or representations whatsoever, whether oral or written, related to the subject matter of this Amendment.

Both parties agree that this Amendment will constitute an integral, nonseverable part of the Agreement and be governed by its provisions, except that if the Agreement and this Amendment have specific provisions that are inconsistent, the specific provisions contained in this Amendment will govern.

*** Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

4.

CONFIDENTIALITY

This Amendment is subject to the confidentiality provisions set forth in Clause 22.5 of the Agreement.

5.

ASSIGNMENT

Notwithstanding any other provision of this Amendment or of the Agreement, this Amendment will not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Paragraph 5 will be void and of no force or effect.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers or agents on the dates written below.

AVSA, S.A.R.L.

By: /s/ MICHELE LASCAUX

Michele Lascaux
Its: *Director Contracts*
Date: December 18, 2002

JETBLUE AIRWAYS CORPORATION

By: /s/ THOMAS ANDERSON

Thomas Anderson
Its: *Vice President*
Date: December 18, 2002

QuickLinks

AIRBUS
WITNESSETH

[AIRBUS LOGO]

Amendment No. 15

to the A320 Purchase Agreement
Dated as of April 20, 1999

between

AVSA, S.A.R.L.

and

JetBlue Airways Corporation

This Amendment No. 15 (hereinafter referred to as the "Amendment") is entered into as of February , 2003, between AVSA, S.A.R.L., a société à responsabilité limitée organized and existing under the laws of the Republic of France, having its registered office located at 2, Rond-Point Maurice Bellonte, 31700 Blagnac, France (hereinafter referred to as the "Seller"), and JetBlue Airways Corporation, a corporation organized and existing under the laws of the State of Delaware, United States of America, having its principal corporate offices located 118-29 Queens Boulevard, 5th Floor, Forest Hills, New York 11375 USA (hereinafter referred to as the "Buyer").

WITNESSETH

WHEREAS, the Buyer and the Seller entered into an A320 Purchase Agreement, dated as of April 20, 1999, relating to the sale by the Seller and the purchase by the Buyer of certain Airbus A320-200 aircraft (the "Aircraft"), including twenty-five option aircraft (the "Option Aircraft"), which, together with all Exhibits, Appendixes and Letter Agreements attached thereto and as amended by Amendment No. 1, dated as of September 30, 1999, Amendment No. 2, dated as of March 13, 2000, Amendment No. 3, dated as of March 29, 2000, Amendment No. 4, dated as of September 29, 2000, Amendment No. 5 dated as of November 7, 2000, Amendment No. 6 dated as of November 20, 2000, Amendment No. 7 dated as of January 29, 2001, Amendment No. 8 dated as of May 3, 2001, Amendment No. 9 dated as of July 18, 2001, Amendment No. 10 dated as of November 16, 2001, Amendment No. 11 dated as of December 31, 2001, Amendment No. 12 dated as of April 19, 2002, Amendment No. 13 dated as of November 22, 2002 and Amendment No. 14 dated as of December 18, 2002 is hereinafter called the "Agreement."

WHEREAS the Buyer desires to firmly order and accelerate two (2) option aircraft (the "Amendment No. 15 Exercised Options")

NOW, THEREFORE, IT IS AGREED AS FOLLOWS

1. DEFINITIONS

1.1 Capitalized terms used herein and not otherwise defined herein will have the meanings assigned to them in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Amendment.

2. DELIVERY SCHEDULE

2.1 The Buyer hereby exercises its option under Paragraph 2.1 of Letter Agreement No. 4 to the Agreement to firmly order:

- (i) Incremental A320 Option Aircraft No. 103 (CaC Id 104 443) and to advance its delivery date from [***] to [***] 2003;
- (ii) Amendment No. 11 Additional Option No. 104 (CaC Id 124 964) and to advance its delivery date from [***] to [***] 2003.

[***] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

2.2 As a consequence of the option exercise and the rescheduling of Aircraft, the delivery schedule set forth in Clause 9.1.1 of the Agreement is hereby canceled and replaced by the following quoted provisions:

QUOTE:

CaC Id No.	Rank No.	Aircraft	Delivery
41 199	No. 1	Firm Aircraft	[***] 2000
41 200	No. 2	Firm Aircraft	[***] 2000
41 203	No. 3	Firm Aircraft	[***] 2000
41 201	No. 4	Firm Aircraft	[***] 2000
41 202	No. 5	Firm Aircraft	[***] 2000
41 204	No. 6	Firm Aircraft	[***] 2000
41 205	No. 7	Firm Aircraft	[***] 2001
41 206	No. 8	Firm Aircraft	[***] 2001
41 210	No. 9	Firm Aircraft	[***] 2001
41 207	No. 10	Firm Aircraft	[***] 2001

41 208	No. 11	Firm Aircraft	[***] 2001
41 209	No. 12	Firm Aircraft	[***] 2001
41 228	No. 13	Firmly Ordered Option Aircraft	[***] 2001
41 211	No. 14	Firm Aircraft	[***] 2002
41 212	No. 15	Firm Aircraft	[***] 2002
41 218	No. 16	Firm Aircraft	[***] 2002
41 224	No. 17	Firmly Ordered Option Aircraft	[***] 2002
41 227	No. 18	Firmly Ordered Option Aircraft	[***] 2002
41 225	No. 19	Firmly Ordered Option Aircraft	[***] 2002
41 213	No. 20	Firm Aircraft	[***] 2002
41 214	No. 21	Firm Aircraft	[***] 2002
41 234	No. 22	Amendment No. 11 Exercised Option	[***] 2002
41 215	No. 23	Firm Aircraft	[***] 2002
41 216	No. 24	Firm Aircraft	[***] 2002
41 217	No. 25	Firm Aircraft	[***] 2002
124 965	No. 26	Amendment No. 12 Exercised Option	[***] 2002
41 235	No. 27	Amendment No. 11 Exercised Option	[***] 2002
41 220	No. 28	Firm Aircraft	[***] 2002
41 219	No. 29	Firm Aircraft	[***] 2002
41 236	No. 30	Amendment No. 11 Exercised Option	[***] 2003
104 399	No. 31	New Firm A320 Aircraft	[***] 2003
41 237	No. 32	Amendment No. 11 Exercised Option	[***] 2003
124 966	No. 33	Amendment No. 12 Exercised Option	[***] 2003
41 221	No. 34	Firm Aircraft	[***] 2003
41 238	No. 35	Amendment No. 11 Exercised Option	[***] 2003
41 222	No. 36	Firm Aircraft	[***] 2003
104 400	No. 37	New Firm A320 Aircraft	[***] 2003
104 401	No. 38	New Firm A320 Aircraft	[***] 2003
41 223	No. 39	Firm Aircraft	[***] 2003
104 402	No. 40	New Firm A320 Aircraft	[***] 2003

[***] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

104 443	No. 41	Amendment No. 15 Exercised Option	[***] 2003
104 403	No. 42	New Firm A320 Aircraft	[***] 2003
124 964	No. 43	Amendment No. 15 Exercised Option	[***] 2003
41 226	No. 44	Firmly Ordered Option Aircraft	[***] 2004
111 579	No. 45	Amendment No. 11 Exercised Option	[***] 2004
41 245	No. 46	Firmly Ordered Option Aircraft	[***] 2004
41 246	No. 47	Firmly Ordered Option Aircraft	[***] 2004
41 229	No. 48	Amendment No. 11 Exercised Option	[***] 2004
41 247	No. 49	Firmly Ordered Option Aircraft	[***] 2004
41 248	No. 50	Firmly Ordered Option Aircraft	[***] 2004
104 404	No. 51	New Firm A320 Aircraft	[***] 2004
104 405	No. 52	New Firm A320 Aircraft	[***] 2004
42 230	No. 53	Amendment No. 11 Exercised Option	[***] 2004
104 406	No. 54	New Firm A320 Aircraft	[***] 2004
104 407	No. 55	New Firm A320 Aircraft	[***] 2004
104 408	No. 56	New Firm A320 Aircraft	[***] 2004
104 409	No. 57	New Firm A320 Aircraft	[***] 2005
41 232	No. 58	Amendment No. 11 Exercised Option	[***] 2005
104 410	No. 59	New Firm A320 Aircraft	[***] 2005
104 411	No. 60	New Firm A320 Aircraft	[***] 2005
41 233	No. 61	Amendment No. 11 Exercised Option	[***] 2005
104 412	No. 62	New Firm A320 Aircraft	[***] 2005
104 413	No. 63	New Firm A320 Aircraft	[***] 2005
104 414	No. 64	New Firm A320 Aircraft	[***] 2005
104 415	No. 65	New Firm A320 Aircraft	[***] 2005
104 416	No. 66	New Firm A320 Aircraft	[***] 2005
104 417	No. 67	New Firm A320 Aircraft	[***] 2005
104 418	No. 68	New Firm A320 Aircraft	[***] 2005
104 419	No. 69	New Firm A320 Aircraft	[***] 2006
104 420	No. 70	New Firm A320 Aircraft	[***] 2006
104 421	No. 71	New Firm A320 Aircraft	[***] 2006
104 422	No. 72	New Firm A320 Aircraft	[***] 2006
104 423	No. 73	New Firm A320 Aircraft	[***] 2006
104 424	No. 74	New Firm A320 Aircraft	[***] 2007
104 425	No. 75	New Firm A320 Aircraft	[***] 2007
104 426	No. 76	New Firm A320 Aircraft	[***] 2007
104 427	No. 77	New Firm A320 Aircraft	[***] 2007
104 428	No. 78	New Firm A320 Aircraft	[***] 2007
41 231	No. 79	Option Aircraft	[***] 2004

[***] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

124 967	No. 80	Amendment No. 11 Additional Option	[***] 2005
124 968	No. 81	Amendment No. 11 Additional Option	[***] 2005
124 959	No. 82	Amendment No. 11 Additional Option	[***] 2006
124 960	No. 83	Amendment No. 11 Additional Option	[***] 2006
124 961	No. 84	Amendment No. 11 Additional Option	[***] 2006
124 962	No. 85	Amendment No. 11 Additional Option	[***] 2006
124 963	No. 86	Amendment No. 11 Additional Option	[***] 2006
41 239	No. 87	Option Aircraft	[***] 2006
41 240	No. 88	Option Aircraft	[***] 2006
41 241	No. 89	Option Aircraft	[***] 2007
41 242	No. 90	Option Aircraft	[***] 2007
41 243	No. 91	Option Aircraft	[***] 2007
41 244	No. 92	Option Aircraft	[***] 2007
69 719	No. 93	A320 Additional Option Aircraft	[***] 2007
69 720	No. 94	A320 Additional Option Aircraft	[***] 2007
69 721	No. 95	A320 Additional Option Aircraft	[***] 2007
69 722	No. 96	A320 Additional Option Aircraft	[***] 2008
69 723	No. 97	A320 Additional Option Aircraft	[***] 2008
69 724	No. 98	A320 Additional Option Aircraft	[***] 2008
69 725	No. 99	A320 Additional Option Aircraft	[***] 2008
96 459	No. 100	A320 Additional Option Aircraft	[***] 2008
104 439	No. 101	Incremental A320 Option Aircraft	[***] 2008
104 440	No. 102	Incremental A320 Option Aircraft	[***] 2008
104 441	No. 103	Incremental A320 Option Aircraft	[***] 2008
104 442	No. 104	Incremental A320 Option Aircraft	[***] 2008

UNQUOTE

3. *PREDELIVERY PAYMENTS*

3.1 Upon signature of this Amendment, the Buyer will pay the Seller all Predelivery Payments as provided in the Agreement due as a result of the option exercise and rescheduling set forth in Paragraph 2. Consequently, an amount of [***] by the Buyer to the Seller.

3.2 [***]

4. [***]

[***]

[***] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

5. EFFECT OF THE AMENDMENT

The Agreement will be deemed amended to the extent herein provided, and, except as specifically amended hereby, will continue in full force and effect in accordance with its original terms. This Amendment supersedes any previous understandings, commitments, or representations whatsoever, whether oral or written, related to the subject matter of this Amendment.

Both parties agree that this Amendment will constitute an integral, nonseverable part of the Agreement and be governed by its provisions, except that if the Agreement and this Amendment have specific provisions that are inconsistent, the specific provisions contained in this Amendment will govern.

6. CONFIDENTIALITY

This Amendment is subject to the confidentiality provisions set forth in Clause 22.5 of the Agreement.

7. ASSIGNMENT

Notwithstanding any other provision of this Amendment or of the Agreement, this Amendment will not be assigned or transferred in any manner without prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Paragraph 7 will be void and of no force or effect.

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.8

[Logo of International Aero Engines]

IAE Building
400 Main Street
East Hartford, CT 05108 USA

February 2003

JetBlue Airways Corporation
19 Old Kings Highway South, Suite 23
Darien, Connecticut 06820
Attention: Vice President and Treasurer

Subject: Side letter No. 11 to the V2500 General Terms of Sale Agreement between JetBlue Airways Corporation and IAE International Acro Engines AG dated May 4, 1999

Dear Tom:

We refer to the V2500 General Terms of Sale Agreement between JetBlue Airways Corporation ("JetBlue") and IAE International Aero Engines AG ("IAE") dated May 4, 1999 (the "Agreement"). Capitalized terms used herein which are not otherwise defined shall have the same meaning as those given to them in the Agreement.

This Side Letter No. 11 describes the addition of [***] firm V2527-A5 powered A320 Aircraft to the Aircraft committed to by JetBlue under the Agreement prior to this Side Letter (the "[***] Aircraft") and provides JetBlue with certain scheduling flexibility with regard to existing Aircraft (such [***] Aircraft, together with the existing Aircraft, are hereinafter referred to in this Agreement as the "Aircraft").

1. Fleet Expansion Assistance for the [***] Aircraft

- a. IAE agrees to provide JetBlue a fleet expansion credit for each of the [***] Aircraft, bearing Rank Numbers [***] and [***] in the delivery schedule attached as Exhibit B-1, as set forth in Section 2 of Side Letter No. 9 to the Agreement, dated December 31, 2001. Such credit shall be provided to JetBlue in accordance with the terms and conditions set forth in the said Section of Side Letter No. 9 to the Agreement.
- b. IAE also agrees to provide additional [***] support to JetBlue with respect to [***] Firm First Deal Aircraft, bearing Rank Numbers [***] in the delivery schedule attached as Exhibit A-2 hereto (the "[***] Third Deal Aircraft"). Such additional support shall be in the form of [***], as calculated pursuant to Section 3 of Side Letter No. 9 to the Agreement, except that such [***] shall be [***] of each [***] Third Deal Aircraft.

[***] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

IAE PROPRIETARY INFORMATION

February 2003
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Exhibits A-1, A-2 and B-1 to the Contract are removed in their entirety and replaced by new Exhibits A-1, A-2 and B-1 attached hereto.

Except as expressly amended by this Side Letter No. 11 all provisions of the Contract remain in full force and effect.

Very truly yours,
IAE International Aero Engines AG

Agreed to and Accepted on behalf of:
JetBlue Airways Corporation

/s/ STEVE AGNELLI

/s/ THOMAS ANDERSON

Name

Name

Senior Vice President

Vice President

Title

Title

10 Feb 03

2/10/03

Date

Date

IAE PROPRIETARY INFORMATION

EXHIBIT A-2

FIRM AIRCRAFT ELIGIBLE FOR APPLICATION OF [***]

[***]

As of February 2003

Rank No.	Aircraft	Delivery
No. [***]	Firm Aircraft	[***] 2002
No. [***]	Firm Aircraft	[***] 2003
No. [***]	Firm Aircraft	[***] 2003
No. [***]	Firm Aircraft	[***] 2003
No. [***]	Firm Aircraft	[***] 2003
No. [***]	Firm Aircraft	[***] 2003
No. [***]	Firm Aircraft	[***] 2003
No. [***]	Firm Aircraft	[***] 2003

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IAE PROPRIETARY INFORMATION

February 2003

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EXHIBIT B-1

**AIRCRAFT DELIVERY SCHEDULES
As of February 2003**

Rank No.	Aircraft	Delivery
No. 1	Firm Aircraft	[****] 2000
No. 2	Firm Aircraft	[****] 2000
No. 3	Firm Aircraft	[****] 2000
No. 4	Firm Aircraft	[****] 2000
No. 5	Firm Aircraft	[****] 2000
No. 6	Firm Aircraft	[****] 2000
No. 7	Firm Aircraft	[****] 2001
No. 8	Firm Aircraft	[****] 2001
No. 9	Firm Aircraft	[****] 2001
No. 10	Firm Aircraft	[****] 2001
No. 11	Firm Aircraft	[****] 2001
No. 12	Firm Aircraft	[****] 2001
No. 13	Firm Aircraft	[****] 2001
No. 14	Firm Aircraft	[****] 2002
No. 15	Firm Aircraft	[****] 2002
No. 16	Firm Aircraft	[****] 2002
No. 17	Firm Aircraft	[****] 2002
No. 18	Firm Aircraft*	[****] 2002
No. 19	Firm Aircraft	[****] 2002
No. 20	Firm Aircraft	[****] 2002
No. 21	Firm Aircraft	[****] 2002
No. 22	Firm Aircraft	[****] 2002
No. 23	Firm Aircraft**	[****] 2002
No. 24	Firm Aircraft	[****] 2002
No. 25	Firm Aircraft	[****] 2002
No. 26	Firm Aircraft***	[****] 2002
No. 27	Firm Aircraft	[****] 2002
No. 28	Firm Aircraft**	[****] 2002
No. 29	Firm Aircraft	[****] 2003
No. 30	Firm Aircraft**	[****] 2003
No. 31	Firm Aircraft	[****] 2003
No. 32	Firm Aircraft**	[****] 2003
No. 33	Firm Aircraft***	[****] 2003
No. 34	Firm Aircraft	[****] 2003
No. 35	Firm Aircraft**	[****] 2003
No. 36	Firm Aircraft	[****] 2003
No. 37	Firm Aircraft	[****] 2003
No. 38	Firm Aircraft	[****] 2003
No. 39	Firm Aircraft	[****] 2003

[****] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

IAE PROPRIETARY INFORMATION

Rank No.	Aircraft	Delivery
No. 40	Firm Aircraft	[****] 2003
No. 41	Firm Aircraft***	[****] 2003
No. 42	Firm Aircraft***	[****] 2003
No. 43	Firm Aircraft**	[****] 2003
No. 44	Firm Aircraft	[****] 2004
No. 45	Firm Aircraft**	[****] 2004
No. 46	Firm Aircraft*	[****] 2004
No. 47	Firm Aircraft*	[****] 2004
No. 48	Firm Aircraft**	[****] 2004
No. 49	Firm Aircraft*	[****] 2004
No. 50	Firm Aircraft*	[****] 2004
No. 51	Firm Aircraft*	[****] 2004
No. 52	Firm Aircraft*	[****] 2004
No. 53	Firm Aircraft*	[****] 2004
No. 54	Firm Aircraft*	[****] 2004
No. 55	Firm Aircraft*	[****] 2004
No. 56	Firm Aircraft*	[****] 2004
No. 57	Firm Aircraft*	[****] 2005
No. 58	Firm Aircraft*	[****] 2005
No. 59	Firm Aircraft*	[****] 2005
No. 60	Firm Aircraft*	[****] 2005
No. 61	Firm Aircraft*	[****] 2005
No. 62	Firm Aircraft*	[****] 2005
No. 63	Firm Aircraft*	[****] 2005
No. 64	Firm Aircraft*	[****] 2005
No. 65	Firm Aircraft*	[****] 2005
No. 66	Firm Aircraft*	[****] 2005
No. 67	Firm Aircraft**	[****] 2005
No. 68	Firm Aircraft**	[****] 2005
No. 69	Firm Aircraft*	[****] 2006
No. 70	Firm Aircraft*	[****] 2006
No. 71	Firm Aircraft*	[****] 2006
No. 72	Firm Aircraft*	[****] 2006
No. 73	Firm Aircraft*	[****] 2006
No. 74	Firm Aircraft*	[****] 2007
No. 75	Firm Aircraft*	[****] 2007
No. 76	Firm Aircraft*	[****] 2007
No. 77	Firm Aircraft*	[****] 2007
No. 78	Firm Aircraft*	[****] 2007

* Firm Second Deal Aircraft

** Firm Third Deal Aircraft

*** [****] Third Deal Aircraft

[****] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

IAE PROPRIETARY INFORMATION

February 2003

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Rank No.	Aircraft	Delivery
Option Aircraft		
No. 79	Option Aircraft	[***] 2004
No. 80	Option Aircraft	[***] 2005
No. 81	Option Aircraft	[***] 2005
No. 82	Option Aircraft	[***] 2006
No. 83	Option Aircraft	[***] 2006
No. 84	Option Aircraft	[***] 2006
No. 85	Option Aircraft	[***] 2006
No. 86	Option Aircraft	[***] 2006
No. 87	Option Aircraft	[***] 2006
No. 88	Option Aircraft	[***] 2006
No. 89	Option Aircraft	[***] 2007
No. 90	Option Aircraft	[***] 2007
No. 91	Option Aircraft	[***] 2007
No. 92	Option Aircraft	[***] 2007
No. 93	Option Aircraft	[***] 2007
No. 94	Option Aircraft	[***] 2007
No. 95	Option Aircraft	[***] 2007
No. 96	Option Aircraft	[***] 2008
No. 97	Option Aircraft	[***] 2008
No. 98	Option Aircraft	[***] 2008
No. 99	Option Aircraft	[***] 2008
No. 100	Option Aircraft	[***] 2008
No. 101	Option Aircraft	[***] 2008
No. 102	Option Aircraft	[***] 2008
No. 103	Option Aircraft	[***] 2008
No. 104	Option Aircraft	[***] 2008

Under the terms of its purchase agreement with Airbus for the Aircraft, JetBlue has the right to receive delivery positions for Purchase Right Aircraft (also referred to as Reserve Option Aircraft hereunder) equal to the number of Option Aircraft as to which JetBlue has exercised its option purchase rights. Airbus has granted JetBlue conversion rights for each of the [***] Option Aircraft and Purchase Right Aircraft (also referred to as Reserve Option Aircraft hereunder) from A320 Aircraft to the A321-200 or A319 aircraft type on [***] notice to Airbus. [***] are specified for delivery of these Purchase Right Aircraft (also referred to as Reserve Option Aircraft hereunder). Such delivery dates will be determined at the time options are exercised by JetBlue.

Leased Aircraft

Year	Number	Delivery Period
1999	1	(1) [***]
2000	3	(1) [***], (1) [***], (1) [***]
2001	4	(1) [***], (2) [***], (1) [***]
2003	1	(1) [***]
TOTAL	9	All but the last of the leased aircraft have been delivered

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IAE PROPRIETARY INFORMATION

QuickLinks

[EXHIBIT A-1 FIRM AIRCRAFT ELIGIBLE FOR APPLICATION OF \[***\] \[***\] As of February 2003](#)

[EXHIBIT A-2 FIRM AIRCRAFT ELIGIBLE FOR APPLICATION OF \[***\] \[***\] As of February 2003](#)

[EXHIBIT B-1 AIRCRAFT DELIVERY SCHEDULES As of February 2003](#)

**EGTRRA GOOD FAITH AMENDMENTS TO
JETBLUE AIRWAYS CORPORATION
401(k) RETIREMENT PLAN**

THIS AMENDMENT adopted this 19 day of September, 2002, by JETBLUE AIRWAYS CORPORATION (herein referred to as the "Employer").

W I T N E S S E T H:

WHEREAS, the Employer has heretofore adopted a defined contribution pension benefit plan known as the jetBlue Airways Corporation 401(k) Retirement Plan (herein referred to as the "Plan"); and

WHEREAS, the Employer, pursuant to Section 8.1 of the Plan relating to amendments thereto, hereby desires to amend the Plan for the purpose of implementing certain changes required or permitted by the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub.L. 107-16, by adopting the sample "good faith" amendments set forth in IRS Notice 2001-57.

NOW, THEREFORE, effective as of January 1, 2002, except as otherwise provided herein, the Employer hereby amends the Plan as follows:

PREAMBLE

1. *Adoption and effective date of amendment.* This amendment of the Plan is adopted to elect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This amendment is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, this amendment shall be effective as of the first day of the first plan year beginning after December 31, 2001.

2. *Supersession of inconsistent provisions.* This amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this amendment.

SECTION I. PLAN LOANS FOR OWNER-EMPLOYEES AND SHAREHOLDER EMPLOYEES

Effective for plan loans made after December 31, 2001, Plan provisions prohibiting loans to any owner-employee or shareholder-employee shall cease to apply.

SECTION II. LIMITATIONS ON CONTRIBUTIONS

1. *Effective date.* This section shall be effective for limitation years beginning after December 31, 2001.

2. *Maximum annual addition.* Except to the extent permitted under section XII of this amendment and section 414(v) of the Code, the annual addition that may be contributed or allocated to a participant's account under the Plan for any limitation year shall not exceed the lesser of:

(a) \$40,000, as adjusted for increases in the cost-of-living under section 415(d) of the Code, or

(b) 100 percent of the participant's compensation, within the meaning of section 415(c)(3) of the Code, for the limitation year.

The compensation limit referred to in (b) shall not apply to any contribution for medical benefits after separation from service (within the meaning of section 401(h) or section 419A(f)(2) of the Code) which is otherwise treated as an annual addition.

SECTION III. INCREASE IN COMPENSATION LIMIT

The annual compensation of each participant taken into account in determining allocations for any plan year beginning after December 31, 2001, shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. Annual compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

SECTION IV. MODIFICATION OF TOP-HEAVY RULES

1. *Effective date.* This section shall apply for purposes of determining whether the Plan is a top-heavy plan under section 416(g) of the Code for plan years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefits requirements of section 416(c) of the Code for such years. This section amends Article IX of the Plan.

2. *Determination of top-heavy status.*

2.1 *Key employee.* Key employee means any employee or former employee (including any deceased employee) who at any time during the plan year that includes the determination date was an officer of the employer having annual compensation greater than \$130,000 (as adjusted under section 416(i)(1) of the Code for plan years beginning after December 31, 2002), a 5-percent owner of the employer, or a 1-percent owner of the employer having annual compensation of more than \$150,000. For this purpose, annual compensation means compensation within the meaning of section 415(c)(3) of the Code. The determination of who is a key employee will be made in accordance with section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability

issued thereunder.

2.2 *Determination of present values and amounts.* This section 2.2 shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of employees as of the determination date.

2.2.1 *Distributions during year ending on the determination date.* The present values of accrued benefits and the amounts of account balances of an employee as of the determination date shall be increased by the distributions made with respect to the employee under the Plan and any plan aggregated with the Plan under section 416(g)(2) of the code during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."

2.2.2 *Employees not performing services during year ending on the determination date.* The accrued benefits and accounts of any individual who has not performed services for the employer during the 1-year period ending on the determination date shall not be taken into account.

3 *Minimum benefits.* Employer matching contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of section 416(c)(2) of the Code and the Plan. The preceding sentence shall apply with respect to matching contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Employer matching contributions that are used to satisfy the minimum contribution requirements

shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of section 401(m) of the Code.

SECTION V. INTENTIONALLY OMITTED

SECTION VI. DIRECT ROLLOVERS OF PLAN DISTRIBUTIONS

1. *Effective date.* This section shall apply to distributions made after December 31, 2001.

2. *Modification of definition of eligible retirement plan.* For purposes of the direct rollover provisions in section 7.12 of the Plan, an eligible retirement plan shall also mean an annuity contract described in section 403(b) of the code and an eligible plan under section 457(b) of the code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code.

3. *Modification of definition of eligible rollover distribution to exclude hardship distributions.* For purposes of the direct rollover provisions in section 7.12 of the Plan, any amount that is distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan

4. *Modification of definition of eligible rollover distribution to include after-tax employee contributions.* For purposes of the direct rollover provisions in section 7.12 of the Plan, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions, which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

SECTION VII. ROLLOVERS FROM OTHER PLANS

1. The Plan will accept participant rollover contributions and/or direct rollovers of distributions made after December 31, 2001, from the types of plans specified below, beginning on January 1, 2002.

2. *Direct Rollovers.* The Plan will accept a direct rollover of an eligible rollover distribution from:

(a) a qualified plan described in section 401(a) or 403(a) of the Code, excluding after-tax employee contributions.

(b) an annuity contract described in section 403(b) of the Code, excluding after-tax employee contributions,

(c) an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, except to the extent that such distribution consists of amounts attributable to after-tax employee contributions.

3. *Participant Rollover Contributions from Other Plans.* The Plan will accept a participant contribution of an eligible rollover distribution from:

(a) a qualified plan described in section 401(a) or 403(a) of the Code, excluding after-tax employee contributions.

(b) an annuity contract described in section 403(b) of the Code, excluding after-tax employee contributions.

(c) an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, except to the extent that such distribution consists of amounts attributable to after-tax employee contributions.

4. *Participant Rollover Contributions from IRAs.* The Plan will accept a participant rollover contribution of the portion of a distribution from an individual retirement account or annuity described in section 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includible in gross income.

5. *Rollover Contributions of After-Tax Employee Contributions Not Accepted.* Notwithstanding anything to the contrary hereinabove, the Plan will not accept a rollover contribution or any portion of a rollover contribution that consists of amounts attributable to after-tax employee contribution that would otherwise (but for the making of such rollover contribution) be excludible from the gross income of the distributee.

SECTION VIII. ROLLOVERS DISREGARDED IN INVOLUNTARY CASHOUTS

1. This section shall apply with respect to distributions made after January 1, 2002, with respect to participants who incurred a severance from employment after January 1, 2002. This section supersedes section 4.11(d) of the Plan.

2. *Rollovers disregarded in determining value of account balance for involuntary distributions.* For purposes of sections 6.4(a) and 6.5(b) of the Plan, the value of a participant's nonforfeitable account balance shall be determined without regard to that portion of the account balance that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Code. If the value of the participant's nonforfeitable account balance as so determined is \$5,000 or less, the Plan shall immediately distribute the participant's entire nonforfeitable account balance.

SECTION IX. REPEAL OF MULTIPLE USE TEST

The multiple use test described in Treasury Regulation section 1.401(m)-2 and section 4.7(a)(2) of the Plan shall not apply for plan years beginning after December 31, 2001.

SECTION X. ELECTIVE DEFERRALS—CONTRIBUTION LIMITATION

No participant shall be permitted to have elective deferrals made under this Plan, or any other qualified plan maintained by the employer during any taxable year, in excess of the dollar limitation contained in section 402(g) of the Code in effect for such taxable year, except to the extent permitted under section XII of this amendment and section 414(v) of the Code.

SECTION XI. MODIFICATION OF TOP-HEAVY RULES

The top-heavy requirements of section 416 of the Code and section 9.1 of the Plan shall not apply in any year beginning after December 31, 2001, in which the Plan consists solely of a cash or deferred arrangement which meets the requirements of section 401(k)(12) of the Code and matching contributions with respect to which the requirements of section 401(m)(11) of the Code are met.

SECTION XII. CATCH-UP CONTRIBUTIONS

1. All employees who are eligible to make elective deferrals under this Plan and who have attained age 50 before the close of the plan year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, section 414(v) of the Code. Such catch-up

contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of sections 402(g) and 415 of the Code. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions.

2. This provision is effective with respect to contributions after December 31, 2001.

SECTION XIII. SUSPENSION PERIOD FOLLOWING HARDSHIP DISTRIBUTION

1. A participant who receives a distribution of elective deferrals after December 31, 2001, on account of hardship shall be prohibited from making elective deferrals and employee contributions under this and all other plans of the employer for 6 months after receipt of the distribution. A participant who receives a distribution of elective deferrals in calendar year 2001 on account of hardship shall be prohibited from making elective deferrals and employee contributions under this and all other plans of the employer for the period specified in section 2 below

2. *Suspension Period for Hardship Distributions.* A participant who receives a distribution of elective deferrals in calendar year 2001 on account of hardship shall be prohibited from making elective deferrals and employee contributions under this and all other plans of the employer for 6 months after receipt of the distribution or until January 1, 2002, if later.

SECTION XIV. DISTRIBUTION UPON SEVERANCE FROM EMPLOYMENT

1. *Effective date.* This section shall apply for distributions occurring after December 31, 2001, regardless of when the severance from employment occurred.

2. *New distributable event.* A participant's elective deferrals, qualified nonelective contributions, qualified matching contributions, and earnings attributable to these contributions shall be distributed on account of the participant's severance from employment. However, such a distribution shall be subject to the other provisions of the Plan regarding distributions, other than provisions that require a separation from service before such amounts may be distributed.

The Plan, as herein amended, is hereby ratified, approved and confirmed as being in full force and effect as of the date hereof.

IN WITNESS WHEREOF, the undersigned Employer has executed this Amendment as of the day and year first above written.

EMPLOYER:

JETBLUE AIRWAYS CORPORATION

By: /s/ VINCENT STABILE

Name: Vincent Stabile
Title: Vice President, People

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WITNESSETH

**2002 AMENDMENT TO THE
JETBLUE AIRWAYS CORPORATION
401(k) RETIREMENT PLAN**

THIS AMENDMENT adopted this 18th day of December, 2002, by JETBLUE AIRWAYS CORPORATION (herein referred to as the "Employer").

W I T N E S S E T H:

WHEREAS, the Employer has heretofore adopted a defined contribution pension benefit plan, effective as of October 1, 1999, known as the JetBlue Airways Corporation 401(k) Retirement Plan (herein referred to as the "Plan"); and

WHEREAS, the Plan was amended and restated in its entirety pursuant to a plan document adopted on December 31, 2001; and said amended and restated Plan was further amended by the "EGTRRA Good Faith Amendments" adopted on September 19, 2002;

WHEREAS, the Employer, pursuant to Section 8.1 of the Plan relating to amendments thereto, hereby desires to further amend the Plan.

NOW, THEREFORE, effective as of January 1, 2002, except as otherwise provided herein, the Employer hereby amends the Plan as follows:

- I. The first sentence of Section 1.8 of the Plan is amended by deleting said sentence in its entirety and by replacing it with the following:

"Compensation" with respect to any Participant means such Participant's wages as defined in Code Section 3401(a) and all other payments of compensation by the Employer (in the course of the Employer's trade or business) for the taxable year of the Participant ending with or within the Plan Year for which the Employer is required to furnish the Participant a written statement annually under Code Sections 6041(d), 6051(a)(3) and 6052.

- II. Section 1.15 of the Plan is amended by adding, at the end thereof, the following additional paragraph:

Employees who are Leased Employees within the meaning of Code Sections 414(n)(2) and 414(o)(2) shall not be eligible to participate in this Plan.

- III. Effective September 27, 2002, Section 1.16 of the Plan is amended by adding the following additional sentence:

Effective September 27, 2002, any person who is employed by LiveTV, LLC shall be deemed to be an Employee of the Employer.

- IV. Section 1.63 of the Plan is amended by deleting the same in its entirety and replacing it with the following:

1.63 "Year of Service" means the 12-month computation period set forth below during which an Employee is credited with at least 1,000 Hours of Service.

For vesting purposes, the computation period is the fiscal period based upon which a Participant's Compensation for the Plan Year is determined for purposes of Section 1.8.

Notwithstanding the foregoing, for any short Plan Year, the determination of whether an Employee has completed a Year of Service shall be made in accordance with Department of Labor regulation 2530.203-2(c).

Years of Service with any Affiliated Employer shall be recognized.

Years of Service with LiveTV, LLC and its predecessors shall be recognized.

- V. Section 3.2 of the Plan is amended by deleting the first grammatical paragraph thereof in its entirety and by replacing it with the following:

With respect to salary reduction elections pursuant to Section 4.2 and Employer matching contributions pursuant to Section 4.1(b), an Eligible Employee shall become a Participant in the Plan effective as of the later of (a) his date of employment with the Employer and (b) the first day of the payroll period in which his deferral election becomes effective in accordance with the rules established pursuant to Section 4.2(j).

- VI. Section 4.1(b) of the Plan is amended deleting the second grammatical paragraph thereof in its entirety and by replacing it with the following:

On behalf of a Participant who elects to defer Compensation in accordance with Section 4.2 (a) hereof, a matching contribution equal to 100% of such Participant's Deferred Compensation not in excess of 3% of his Compensation for the Plan Year, which amount shall be deemed an Employer Non-Elective Contribution. For purposes of the foregoing, the Employer shall accrue an incremental portion of the matching contribution separately each pay period during the Year, and shall contribute with respect to each pay period only the amount not in excess of 3% of the Participant's Compensation for the period. After the end of the Plan Year, the Employer shall make a "true-up" contribution on behalf of each Participant, equal to the excess of the matching contribution payable for the entire Plan Year, as determined under the first sentence hereof, over the aggregate amount of the periodic contributions previously made for the Year.

- VII. The first sentence of Section 4.2 (a) of the Plan is amended by deleting said sentence in its entirety and by replacing it with the following:

Each Participant may elect to defer, from the Compensation otherwise payable to him during the Plan Year, but for such election, an amount not exceeding the limits set forth in this Plan.

- VIII. Section 4.2(j) of the Plan is amended by deleting the same in its entirety and replacing it with the following:

(j) The Employer and the Administrator shall implement the salary reduction elections provided for herein in accordance with the following:

(1) An Eligible Employee may make an initial salary deferral election within a reasonable time, not to exceed thirty (30) days, after first becoming eligible to participate in the Plan pursuant to Section 3.2. If the Eligible Employee fails to make an initial salary deferral election within such time, then such Eligible Employee may thereafter make an election in accordance with the rules governing modifications. Such election shall constitute a binding salary reduction agreement between such Employee and the Employer and shall be filed with the Administrator. Such election shall initially be effective beginning with the pay period during which or next following the acceptance of the salary reduction agreement by the Administrator, or as otherwise specified in rules established by the Administrator hereunder. The election shall not have retroactive effect, and shall remain in force until modified or revoked.

(2) A Participant may modify a prior election at any time during the Plan Year and concurrently make a new election by filing such new election with the Administrator. A modification shall not have retroactive effect, and shall remain in force until further modified or revoked.

(3) A Participant may elect to prospectively revoke his salary reduction agreement in its entirety at any time during the Plan Year by providing the Administrator with such advance notice as may be acceptable to the Administrator. Such revocation shall become effective in accordance with the rules established by the Administrator hereunder. Furthermore, the termination of the Participant's employment or the cessation of his participation for any other reason shall be deemed to revoke any salary reduction agreement then in effect, effective immediately following the close of the pay period within which such termination or cessation occurs.

(4) The Administrator shall have authority to establish reasonable procedures governing the making of elections hereunder. These procedures shall determine the payroll period with respect to which elections shall become effective, with the aim of giving effect to elections promptly and without undue delay after being made and accepted while at the same time taking into account the reasonable requirements of the Employer's payroll, plan recordkeeping and other information systems.

IX. Section 4.4(b)(3) of the Plan is amended by adding, at the end of the second grammatical paragraph thereof, the following additional sentence:

Notwithstanding the preceding sentence, however, (1) a Participant who is no longer actively employed on the last day of the Plan Year on account of death or Total and Permanent Disability during the Year shall be entitled to share in such contribution for the Year and (2) a Participant who is no longer actively employed on the last day of the Plan Year on account of his retirement during the Year at or after Normal Retirement Age shall be entitled to share in such contribution provided that a period of at least 12 consecutive months shall have elapsed between his initial date of hire and his retirement date.

X. A new Section 6.13 is added, as follows:

6.13 LATEST TIME FOR MAKING DISTRIBUTION TO A TERMINATED PARTICIPANT

Notwithstanding anything to the contrary in Sections 6.5, 6.6 and 6.7, in the event that a terminated Participant's account remains undistributed to him or his Beneficiary, in whole or in part, when the Participant attains (or would have attained, if still living) age 65, the Administrator shall immediately distribute such Participant's entire nonfeitable account balance.

XI. Section 4.10 (a) of the Plan is amended by deleting the same in its entirety and replacing it with the following:

(a) If, as a result of a reasonable error in estimating a Participant's Compensation, a reasonable error in determining the amount of elective deferrals (within the meaning of Code Section 402(g)(3)) that may be made with respect to any Participant under the limits of Section 4.9 or other facts and circumstances to which Regulation 1.415-6(b)(6) shall be applicable, the "annual additions" under this Plan would cause the maximum "annual additions" to be exceeded for any Participant, the "excess amount" will be disposed of in the following manner:

(1) The Participant's share of the Employer's discretionary contributions pursuant to Section 4.1(c) will be reduced to the extent necessary to reduce the "excess amount." The amount so reduced shall be held unallocated in a "Section 415 suspense account" and will thereafter be applied to reduce future Employer contributions in the succeeding "limitation years" as provided in Regulation 1.415-6(b)(6)(i).

(2) If, after the application of subparagraph (1) above, an "excess amount" still exists, any unmatched Deferred Compensation of the Participant will be reduced to the extent necessary to reduce the "excess amount." The Deferred Compensation so reduced (and any gains attributable to such Deferred Compensation) will be distributed to the Participant.

(3) If, after the application of subparagraph (2) above, an "excess amount" still exists, any Deferred Compensation which is matched and the matching contributions which relate to such Deferred Compensation will be reduced proportionately to the extent necessary to reduce the "excess amount." The Deferred Compensation so reduced (and any gains attributable to such Deferred Compensation) will be distributed to the Participant, and the Employer matching contributions so reduced (and any gains attributable to such matching contributions) will be used to reduce the Employer contribution in the next "limitation year."

* * *

The Plan, as herein amended, is hereby ratified, approved and confirmed as being in full force and effect as of the date hereof.

* * *

IN WITNESS WHEREOF, the undersigned Employer has executed this Amendment as of the day and year first above written, to become effective January 1, 2002.

EMPLOYER:

JETBLUE AIRWAYS CORPORATION

By: /s/ VINCENT STABILE

Name: Vincent Stabile

Title: V.P.-People

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[2002 AMENDMENT TO THE JETBLUE AIRWAYS CORPORATION 401\(k\) RETIREMENT PLAN](#)

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Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
JetBlue Airways Corporation:

We consent to the incorporation by reference in the Registration Statement, filed on Form S-8 (No. 333-86444) of JetBlue Airways Corporation pertaining to the JetBlue Airways Corporation 2002 Stock Incentive Plan and JetBlue Airways Corporation Crewmember Stock Purchase Plan of our reports dated June 27, 2001, relating to the statements of operations, convertible redeemable preferred stock and stockholders' equity (deficit) and cash flows and the related schedule for the year ended December 31, 2000, which reports appear in the December 31, 2002 annual report on Form 10-K of JetBlue Airways Corporation.

/s/ KPMG LLP

Stamford, Connecticut
February 18, 2003

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[CONSENT OF INDEPENDENT AUDITORS](#)

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Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-86444) pertaining to the JetBlue Airways Corporation 2002 Stock Incentive Plan and the JetBlue Airways Corporation Crewmember Stock Purchase Plan of our reports dated January 27, 2003, with respect to the consolidated financial statements and schedule of JetBlue Airways Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 2002.

/s/ ERNST & YOUNG LLP

New York, New York
February 17, 2003

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CONSENT OF INDEPENDENT AUDITORS

POWER OF ATTORNEY

**ACTION BY UNANIMOUS WRITTEN CONSENT
OF THE BOARD OF DIRECTORS
OF
JETBLUE AIRWAYS CORPORATION**

Under and in accordance with Section 141(f) of the Delaware General Corporation Law (the "Code"), the undersigned, being all of the members of the Board of Directors of JetBlue Airways Corporation (the "Company"), hereby execute this instrument, or a counterpart thereof, to evidence their consent to the taking of the actions set forth in, and the adoption of, the following resolution without the holding of a meeting of the Board of Directors.

RESOLVED, that the Company's chief executive officer, David Neeleman, and its chief financial officer, John Owen, and each of them separately, are hereby appointed by each undersigned director as such director's attorney-in-fact, with full power and authority to execute for and in the name of such director the signature page to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, and to cause such report, together with any schedules and exhibits thereto, to be filed with the Securities and Exchange Commission and any other appropriate agency.

This Consent may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same written consent.

IN WITNESS WHEREOF, the undersigned, being all of the members of the Board of Jet Blue Airways Corporation have executed this Consent to be effective as of February 18, 2003.

DIRECTORS:

/s/ DAVID BARGER

David Barger

/s/ DAVID CHECKETTS

David Checketts

/s/ KIM CLARK

Kim Clark

/s/ JOY COVEY

Joy Covey

/s/ MICHAEL LAZARUS

Michael Lazarus

/s/ NEAL MOSZKOWSKI

Neal Moszkowski

/s/ DAVID NEELEMAN

David Neeleman

/s/ TOM PATTERSON

Tom Patterson

/s/ JOEL PETERSON

Joel Peterson

/s/ ANN RHOADES

Ann Rhoades

/s/ FRANK SICA

Frank Sica

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POWER OF ATTORNEY

ACTION BY UNANIMOUS WRITTEN CONSENT OF THE BOARD OF DIRECTORS OF JETBLUE AIRWAYS CORPORATION

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