
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington , D.C. 20549

FORM 10-Q**

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

For the quarterly period ended March 31, 2017

or

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

For the transition period from _____ to _____

Commission file number 000-49728



JETBLUE AIRWAYS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation)

87-0617894

(I.R.S. Employer Identification No.)

27-01 Queens Plaza North, Long Island City, New York

(Address of principal executive offices)

11101

(Zip Code)

(718) 286-7900

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year,
if changed since last report)

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

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

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

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

(Do not check if a smaller reporting company)

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of March 31, 2017, there were 333,673,598 shares outstanding of the registrant's common stock, par value \$.01.

JETBLUE AIRWAYS CORPORATION
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PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

JETBLUE AIRWAYS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in millions, except per share data)

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 438	\$ 433
Investment securities	608	538
Receivables, less allowance (2017-\$3; 2016-\$5)	169	172
Prepaid expenses and other	254	260
Total current assets	1,469	1,403
PROPERTY AND EQUIPMENT		
Flight equipment	8,115	7,868
Predelivery deposits for flight equipment	236	223
Total flight equipment and predelivery deposits, gross	8,351	8,091
Less accumulated depreciation	1,896	1,823
Total flight equipment and predelivery deposits, net	6,455	6,268
Other property and equipment	992	972
Less accumulated depreciation	360	345
Total other property and equipment, net	632	627
Assets constructed for others	561	561
Less accumulated depreciation	190	185
Total assets constructed for others, net	371	376
Total property and equipment	7,458	7,271
OTHER ASSETS		
Investment securities	—	90
Restricted cash	61	62
Other	485	497
Total other assets	546	649
TOTAL ASSETS	\$ 9,473	\$ 9,323

See accompanying notes to condensed consolidated financial statements.

JETBLUE AIRWAYS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in millions, except per share data)

	March 31, 2017	December 31, 2016
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 270	\$ 242
Air traffic liability	1,335	1,120
Accrued salaries, wages and benefits	256	342
Other accrued liabilities	364	321
Current maturities of long-term debt and capital leases	197	189
Total current liabilities	2,422	2,214
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	1,140	1,195
CONSTRUCTION OBLIGATION	453	457
DEFERRED TAXES AND OTHER LIABILITIES		
Deferred income taxes	1,379	1,354
Other	87	90
Total deferred taxes and other liabilities	1,466	1,444
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.01 par value; 25 shares authorized, none issued	—	—
Common stock, \$0.01 par value; 900 shares authorized, 416 and 414 shares issued and 334 and 337 shares outstanding at March 31, 2017 and December 31, 2016, respectively	4	4
Treasury stock, at cost; 82 and 77 shares at March 31, 2017 and December 31, 2016, respectively	(590)	(500)
Additional paid-in capital	2,041	2,050
Retained earnings	2,532	2,446
Accumulated other comprehensive income	5	13
Total stockholders' equity	3,992	4,013
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 9,473	\$ 9,323

See accompanying notes to condensed consolidated financial statements.

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in millions, except per share amounts)

	Three Months Ended March 31,	
	2017	2016
OPERATING REVENUES		
Passenger	\$ 1,451	\$ 1,478
Other	153	138
Total operating revenues	1,604	1,616
OPERATING EXPENSES		
Aircraft fuel and related taxes	323	215
Salaries, wages and benefits	466	435
Landing fees and other rents	95	85
Depreciation and amortization	105	91
Aircraft rent	26	28
Sales and marketing	60	64
Maintenance materials and repairs	152	135
Other operating expenses	230	214
Total operating expenses	1,457	1,267
OPERATING INCOME	147	349
OTHER INCOME (EXPENSE)		
Interest expense	(25)	(29)
Capitalized interest	2	2
Interest income and other	2	1
Total other income (expense)	(21)	(26)
INCOME BEFORE TAXES	126	323
Income tax expense	41	116
NET INCOME	\$ 85	\$ 207
EARNINGS PER COMMON SHARE:		
Basic	\$ 0.25	\$ 0.64
Diluted	\$ 0.25	\$ 0.61

See accompanying notes to condensed consolidated financial statements.

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in millions)

	Three Months Ended March 31,	
	2017	2016
NET INCOME	\$ 85	\$ 207
Changes in fair value of derivative instruments, net of reclassifications into earnings (net of \$(5) and \$0 of taxes in 2017 and 2016, respectively)	(8)	—
Total other comprehensive loss	(8)	—
COMPREHENSIVE INCOME	\$ 77	\$ 207

See accompanying notes to condensed consolidated financial statements.

JETBLUE AIRWAYS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in millions)

	Three Months Ended March 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 85	\$ 207
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	30	57
Depreciation	90	79
Amortization	15	12
Stock-based compensation	9	7
Changes in certain operating assets and liabilities	202	222
Other, net	1	1
Net cash provided by operating activities	432	585
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(245)	(143)
Predelivery deposits for flight equipment	(40)	(23)
Purchase of held-to-maturity investments	(63)	—
Proceeds from the maturities of held-to-maturity investments	43	144
Purchase of available-for-sale securities	(105)	(118)
Proceeds from the sale of available-for-sale securities	145	50
Other, net	(2)	—
Net cash used in investing activities	(267)	(90)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	2	2
Repayment of long-term debt and capital lease obligations	(49)	(51)
Acquisition of Treasury Stock	(109)	(13)
Other, net	(4)	6
Net cash used in financing activities	(160)	(56)
INCREASE IN CASH AND CASH EQUIVALENTS	5	439
Cash and cash equivalents at beginning of period	433	318
Cash and cash equivalents at end of period	\$ 438	\$ 757

See accompanying notes to condensed consolidated financial statements.

JETBLUE AIRWAYS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1—Summary of Significant Accounting Policies

Basis of Presentation

JetBlue Airways Corporation, or JetBlue, provides air transportation services across the United States, the Caribbean and Latin America. Our condensed consolidated financial statements include the accounts of JetBlue and our subsidiaries which are collectively referred to as “we” or the “Company.” All majority-owned subsidiaries are consolidated on a line by line basis, with all intercompany transactions and balances being eliminated. These condensed consolidated financial statements and related notes should be read in conjunction with our 2016 audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016.

These condensed consolidated financial statements are unaudited and have been prepared by us following the rules and regulations of the Securities and Exchange Commission, or the SEC. In our opinion they reflect all adjustments, including normal recurring items, that are necessary to present fairly the results for interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the U.S., or GAAP, have been condensed or omitted as permitted by such rules and regulations; however, we believe that the disclosures are adequate to make the information presented not misleading. Operating results for the periods presented herein are not necessarily indicative of the results that may be expected for other interim periods or the entire fiscal year.

Investment securities

Investment securities consist of available-for-sale investment securities and held-to-maturity investment securities. We use a specific identification method to determine the cost of the securities when they are sold.

Held-to-maturity investment securities. The contractual maturities of the corporate bonds we held as of March 31, 2017 were not greater than 24 months. We did not record any significant gains or losses on these securities during the three months ended March 31, 2017 or 2016. The estimated fair value of these investments approximated their carrying value as of March 31, 2017 and December 31, 2016, respectively.

The carrying values of investment securities consisted of the following at March 31, 2017 and December 31, 2016 (in millions):

	March 31, 2017	December 31, 2016
Available-for-sale securities		
Time deposits	\$ 160	\$ 160
Commercial paper	95	60
Treasury bills	40	115
Total available-for-sale securities	295	335
Held-to-maturity securities		
Treasury notes	\$ 241	\$ 283
Corporate bonds	72	10
Total held-to-maturity securities	313	293
Total investment securities	\$ 608	\$ 628

Recent Accounting Pronouncements

During the first quarter of 2017, we adopted Accounting Standards Update, or ASU, 2015-17, *Income Taxes, Balance Sheet Classification of Deferred Taxes* topic of the FASB Codification, or Codification. This standard requires all deferred tax assets and liabilities to be classified as non-current on the balance sheet instead of separating deferred taxes into current and non-current amounts. In addition, valuation allowance allocations between current and non-current deferred tax assets are no longer required because those allowances also will be classified as non-current. Our condensed consolidated balance sheet as of December 31, 2016 reflects retrospective application. As a result of the adoption, \$9 million of deferred tax liabilities previously included within other accrued liabilities and \$164 million of deferred tax assets previously included within current assets have been moved to long-term liabilities on our December 31, 2016 balance sheet.

JETBLUE AIRWAYS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, a lessee will recognize liabilities for lease payments and right-of-use assets representing its right to use the underlying asset for the lease term. While we are still evaluating the full impact of adopting the amendments on our consolidated financial statements and disclosures, we have determined that it will impact our accounting for aircraft and other leases. The amendments are effective for fiscal years beginning after December 15, 2018 and includes interim periods within those fiscal years. Early adoption is permitted, and companies are required to use a modified retrospective approach at the earliest period presented.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. The amendments clarified how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The amendments are effective for fiscal years beginning after December 15, 2017 and includes interim periods within those years. Early adoption is permitted.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. The amendments apply to several aspects of accounting for stock-based compensation including the recognition of excess tax benefits and deficiencies and their related presentation in the statement of cash flows as well as accounting for forfeitures. We early adopted, as permitted, this standard during the fourth quarter of 2016. The adoption of this standard resulted in the recognition of \$8 million of previously unrecognized excess tax benefits in deferred tax assets and an increase to retained earnings on our consolidated balance sheet as of the beginning of 2016, and the recognition of \$8 million of excess tax benefits to the income tax provision for the year ended December 31, 2016. Excess tax benefits for share-based payments are now included in net operating cash flows rather than net financing cash flows.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* topic of the Codification, which supersedes existing revenue recognition guidance. Under the new standard, a company will recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled to in exchange for those goods or services. The standard allows for either full retrospective or modified retrospective adoption. In July 2015, the FASB voted to defer the effective date of ASU 2014-09 by one year to interim and annual reporting periods beginning after December 15, 2017 and permitted early adoption of the standard, but not prior to December 15, 2016.

While we are evaluating the full impact of the new standard on our consolidated financial statements, we have determined that it will impact our loyalty program accounting. JetBlue will no longer be allowed to use the incremental cost method when recording the financial impact of TrueBlue® points earned on qualifying JetBlue purchases. We will be required to re-value our liability with a relative fair value approach, which is anticipated to significantly increase the related liability. In addition the standard will likely result in a change in the timing and classification of our revenue recognition for certain ancillary fees directly related to passenger revenue tickets, as these services are no longer likely to be considered distinct performance obligations. Fees associated with these services are likely to be recognized as of the date of travel, not when assessed to the customer, and classified as passenger revenue.

JetBlue currently anticipates adopting the new standard effective January 1, 2018 using the full retrospective method, however, this decision is not final and is subject to the completion of our analysis of the standard. We will continue our evaluation of ASU 2014-09 through the date of adoption.

Note 2—Long Term Debt, Short Term Borrowings, and Capital Lease Obligations

During the three months ended March 31, 2017, we made scheduled principal payments of \$49 million on our outstanding long-term debt and capital lease obligations.

We have pledged aircraft, engines, other equipment and facilities with a net book value of \$3.6 billion at March 31, 2017 as security under various loan agreements. As of March 31, 2017, we owned, free of encumbrance, 73 Airbus A320 aircraft, 30 Airbus A321 aircraft and 32 spare engines. At March 31, 2017, scheduled maturities of all of our long-term debt and capital lease obligations were \$138 million for the remainder of 2017, \$193 million in 2018, \$215 million in 2019, \$179 million in 2020, \$164 million in 2021 and \$448 million thereafter.

JETBLUE AIRWAYS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The carrying amounts and estimated fair values of our long-term debt (excluding capital lease obligation) at March 31, 2017 and December 31, 2016 were as follows (in millions):

	March 31, 2017		December 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Public Debt				
Fixed rate special facility bonds, due through 2036	43	45	43	45
Non-Public Debt				
Fixed rate enhanced equipment notes, due through 2023	\$ 182	\$ 188	\$ 189	\$ 197
Floating rate equipment notes, due through 2025	168	172	173	179
Fixed rate equipment notes, due through 2026	820	877	850	915
Total ⁽¹⁾	\$ 1,213	\$ 1,282	\$ 1,255	\$ 1,336

(1) Total excludes capital lease obligations of \$134 million for March 31, 2017 and \$140 million for December 31, 2016, and deferred financing costs of \$10 million for March 31, 2017 and \$11 million for December 31, 2016.

The estimated fair values of our publicly held long-term debt are classified as Level 2 in the fair value hierarchy. The fair values of our special facility bonds were based on quoted market prices in markets with low trading volumes. The fair value of our non-public debt was estimated using a discounted cash flow analysis based on our borrowing rates for instruments with similar terms and therefore classified as Level 3 in the fair value hierarchy. The fair values of our other financial instruments approximate their carrying values. Refer to Note 7 for an explanation of the fair value hierarchy structure.

We have financed certain aircraft with Enhanced Equipment Trust Certificates (EETCs) as one of the benefits of this structure is being able to finance several aircraft at one time, rather than individually. The structure of EETC financing is that we create pass-through trusts in order to issue pass-through certificates. The proceeds from the issuance of these certificates are then used to purchase equipment notes which are issued by us and are secured by our aircraft. These trusts meet the definition of a variable interest entity, or VIE, as defined in the *Consolidations* topic of the Codification, and must be considered for consolidation in our condensed consolidated financial statements. Our assessment of our EETCs considers both quantitative and qualitative factors including the purpose for which these trusts were established and the nature of the risks in each. The main purpose of the trust structure is to enhance the credit worthiness of our debt obligation through certain bankruptcy protection provisions, liquidity facilities and lower our total borrowing cost. We concluded that we are not the primary beneficiary in these trusts because our involvement in them is limited to principal and interest payments on the related notes, the trusts were not set up to pass along variability created by credit risk to us and the likelihood of our defaulting on the notes. Therefore, we have not consolidated these trusts in our condensed consolidated financial statements.

Short-term Borrowings

Citibank Line of Credit

As of March 31, 2017 we had a revolving Credit and Guaranty Agreement with Citibank, N.A. as the administrative agent for up to approximately \$400 million. The term of the facility ran through April 2018. Borrowings under the Credit and Guaranty Agreement bear interest at a variable rate equal to LIBOR, plus a margin. The Credit and Guaranty Agreement is secured by Slots at JFK, LaGuardia and Reagan National Airport as well as certain other assets. The Credit and Guaranty Agreement includes covenants that require us to maintain certain minimum balances in unrestricted cash, cash equivalents, and unused commitments available under all revolving credit facilities. In addition, the covenants restrict our ability to incur additional indebtedness, issue preferred stock or pay dividends. As of and for the periods ended March 31, 2017 and December 31, 2016, we did not have a balance outstanding or borrowings under this line of credit.

During April 2017, we amended our Credit and Guaranty Agreement with Citibank, N.A. and among other things we increased our borrowing capacity by \$25 million to \$425 million, and extended the maturity date to April 2021.

JETBLUE AIRWAYS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 3—Earnings Per Share

The following table shows how we computed basic and diluted earnings per common share (in millions):

	Three Months Ended March 31,	
	2017	2016
Numerator:		
Net Income ⁽¹⁾	\$ 85	\$ 207
Effect of dilutive securities:		
Interest on convertible debt, net of income taxes and profit sharing	—	1
Net income applicable to common stockholders after assumed conversions for diluted earnings per share	<u>\$ 85</u>	<u>\$ 208</u>
Denominator:		
Weighted average shares outstanding	336.3	321.6
Effect of dilutive securities:		
Employee stock options, restricted stock units and stock purchase plan ⁽¹⁾	1.9	2.5
Convertible debt	—	17.6
Adjusted weighted average shares outstanding and assumed conversions for diluted earnings per share	<u>338.2</u>	<u>341.7</u>

(1) As discussed in Note 1, we early adopted ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting* during the fourth quarter of 2016. The adoption of this standard resulted in the recognition of \$8 million of excess tax benefits to the income tax provision for the year ended December 31, 2016. Net income and shares outstanding data for the three months ended March 31, 2016 are presented as if the ASU was adopted at the beginning of 2016.

We have no convertible debt outstanding as of March 31, 2017. During the three months ended March 31, 2016 there were no shares excluded from earnings per share upon assumed conversion of our convertible debt.

On March 6, 2017, JetBlue entered into an accelerated share repurchase, or ASR, agreement with Barclays Bank PLC, paying \$100 million for an initial delivery of approximately 4.1 million shares. The term of the ASR concluded on April 24, 2017 with Barclays Bank PLC delivering approximately 0.8 million million additional shares to JetBlue on April 27, 2017. A total of 4.9 million million shares, at an average price of \$20.23 per share, were repurchased under the agreement. The total number of shares repurchased by JetBlue was based on the volume weighted average price of JetBlue's common stock during the term of the ASR agreement.

On April 27, 2017, JetBlue entered into an ASR agreement with Goldman, Sachs & Co. ("GS&Co."), paying \$150 million for an initial delivery of approximately 5.4 million shares. The term of the ASR is expected to be completed by the end of third quarter 2017. The total number of shares to ultimately be repurchased by JetBlue will be based on the volume weighted average price of JetBlue's common stock during the term of the ASR agreement, less a discount.

Note 4—Crewmember Retirement Plan and Profit Sharing

We sponsor a retirement savings 401(k) defined contribution plan, or the Plan, covering all of our employees, who we refer to as Crewmembers, where we match 100% of our Crewmembers' contributions up to 5% of their eligible wages. The contributions vest over five years and are measured from a Crewmember's hire date. Crewmembers are immediately vested in their voluntary contributions.

Another component of the Plan is a Company discretionary contribution of 5% of eligible non-management Crewmember compensation, which we refer to as *Retirement Plus*. *Retirement Plus* contributions vest over three years and are measured from a Crewmember's hire date.

JETBLUE AIRWAYS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

For years of service prior to 2017, our non-management Crewmembers were also eligible to receive profit sharing, calculated as 15% of adjusted pre-tax income before profit sharing and special items with the result reduced by *Retirement Plus* contributions. Eligible non-management Crewmembers may elect to have their profit sharing contributed directly to the Plan. Beginning with 2017, non-management Crewmembers are eligible to receive profit sharing, calculated as 10% of adjusted pre-tax income before profit sharing and special items up to a pre-tax margin of 18% with the result reduced by *Retirement Plus* contributions. If JetBlue's resulting pre-tax margin exceeds 18%, non-management Crewmembers will receive 20% profit sharing above an 18% pre-tax margin.

Certain Federal Aviation Administration, or FAA-licensed Crewmembers, receive an additional contribution of 3% of eligible compensation, which we refer to as *Retirement Advantage*. Total 401(k) company match, *Retirement Plus*, profit sharing and *Retirement Advantage* expensed for the three months ended March 31, 2017 and 2016 was \$42 million and \$81 million, respectively.

Note 5—Commitments and Contingencies

Flight Equipment Commitments

As of March 31, 2017, our firm aircraft orders consisted of 23 Airbus A321 aircraft, 25 Airbus A320 new engine option (A320neo) aircraft, 60 Airbus A321neo aircraft, 24 Embraer E190 aircraft and 10 spare engines scheduled for delivery through 2023. Committed expenditures for these aircraft and related flight equipment, including estimated amounts for contractual price escalations and predelivery deposits, will be approximately \$894 million for the remainder of 2017, \$839 million in 2018, \$1.2 billion in 2019, \$1.6 billion in 2020, \$1.4 billion in 2021 and \$2.0 billion thereafter. We amended our purchase agreement with Airbus during April 2017 which changed the timing of our Airbus A321 and Airbus A321neo deliveries. These committed expenditures are as of March 31, 2017 and do not reflect aircraft deferrals executed after quarter end. We are scheduled to receive 12 new Airbus A321 aircraft during the remainder of 2017.

Other Commitments

As part of the 2014 sale of LiveTV, LLC, or LiveTV, formerly a wholly owned subsidiary of JetBlue, a \$3 million liability relating to Airfone, a former subsidiary of LiveTV, was assigned to JetBlue under the purchase agreement. Separately, prior to the sale of LiveTV, JetBlue had an agreement with ViaSat Inc. through 2020 relating to in-flight broadband connectivity technology on our aircraft. That agreement stipulated a \$20 million minimum commitment for the connectivity service and a \$25 million minimum commitment for the related hardware and software purchases. As part of the sale of LiveTV, these commitments to ViaSat Inc. were assigned to LiveTV and JetBlue entered into two new service agreements with LiveTV pursuant to which LiveTV will provide in-flight entertainment and connectivity services to JetBlue for a minimum of seven years.

As of March 31, 2017, we had approximately \$29 million in assets serving as collateral for letters of credit relating to a certain number of our leases. These are included in restricted cash and expire at the end of the related lease terms. Additionally, we had approximately \$27 million pledged related to our workers compensation insurance policies and other business partner agreements which will expire according to the terms of the related policies or agreements.

Legal Matters

Occasionally we are involved in various claims, lawsuits, regulatory examinations, investigations and other legal matters arising, for the most part, in the ordinary course of business. The outcome of litigation and other legal matters is always uncertain. The Company believes it has valid defenses to the legal matters currently pending against it, is defending itself vigorously and has recorded accruals determined in accordance with GAAP, where appropriate. In making a determination regarding accruals, using available information, we evaluate the likelihood of an unfavorable outcome in legal or regulatory proceedings to which we are a party and record a loss contingency when it is probable a liability has been incurred and the amount of the loss can be reasonably estimated. These subjective determinations are based on the status of such legal or regulatory proceedings, the merits of our defenses and consultation with legal counsel. Actual outcomes of these legal and regulatory proceedings may materially differ from our current estimates. It is possible that resolution of one or more of the legal matters currently pending or threatened could result in losses material to our consolidated results of operations, liquidity or financial condition.

To date, none of these types of litigation matters, most of which are typically covered by insurance, has had a material impact on our operations or financial condition. We have insured and continue to insure against most of these types of claims. A judgment on any claim not covered by, or in excess of, our insurance coverage could materially adversely affect our financial condition or results of operations.

JETBLUE AIRWAYS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 6—Financial Derivative Instruments and Risk Management

As part of our risk management techniques, we periodically purchase over the counter energy derivative instruments and enter into fixed forward price agreements, or FFPs, to manage our exposure to the effect of changes in the price of aircraft fuel. Prices for the underlying commodities have historically been highly correlated to aircraft fuel, making derivatives of them effective at providing short-term protection against sharp increases in average fuel prices. We also periodically enter into jet fuel basis swaps for the differential between heating oil and jet fuel, to further limit the variability in fuel prices at various locations.

In the past, we have periodically entered into interest rate swaps to manage the variability of the cash flows associated with our variable rate debt. We do not hold or issue any derivative financial instruments for trading purposes.

Aircraft fuel derivatives

We attempt to obtain cash flow hedge accounting treatment for each aircraft fuel derivative that we enter into. This treatment is provided for under the *Derivatives and Hedging* topic of the Codification which allows for gains and losses on the effective portion of qualifying hedges to be deferred until the underlying planned jet fuel consumption occurs, rather than recognizing the gains and losses on these instruments into earnings during each period they are outstanding. The effective portion of realized aircraft fuel hedging derivative gains and losses is recognized in aircraft fuel expense in the period during which the underlying fuel is consumed.

Ineffectiveness occurs, in certain circumstances, when the change in the total fair value of the derivative instrument differs from the change in the value of our expected future cash outlays for the purchase of aircraft fuel. Ineffectiveness is recognized immediately in interest income and other. If a hedge does not qualify for hedge accounting, the periodic changes in its fair value are also recognized in interest income and other. When aircraft fuel is consumed and the related derivative contract settles, any gain or loss previously recorded in other comprehensive income is recognized in aircraft fuel expense. All cash flows related to our fuel hedging derivatives are classified as operating cash flows.

Our current approach to fuel hedging is to enter into hedges on a discretionary basis without a specific target of hedge percentage needs. We view our hedge portfolio as a form of insurance to help mitigate the impact of price volatility and protect us against severe spikes in oil prices, when possible.

The following table illustrates the approximate hedged percentages of our projected fuel usage by quarter as of March 31, 2017 related to our outstanding fuel hedging contracts that were designated as cash flow hedges for accounting purposes.

	Jet fuel swap agreements	Jet fuel collar agreements	Heating oil collar agreements	Total
Second Quarter 2017	10%	—%	—%	10%
Third Quarter 2017	10%	—%	—%	10%
Fourth Quarter 2017	10%	—%	—%	10%

JETBLUE AIRWAYS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The table below reflects quantitative information related to our derivative instruments and where these amounts are recorded in our financial statements (dollar amounts in millions):

	March 31, 2017	December 31, 2016
Fuel derivatives		
Asset fair value recorded in prepaid expense and other ⁽¹⁾	\$ 9	\$ 22
Longest remaining term (months)	9	12
Hedged volume (barrels, in thousands)	1,440	1,920
Estimated amount of existing (gains) expected to be reclassified into earnings in the next 12 months	(8)	(22)
	Three Months Ended March 31,	
	2017	2016
Fuel derivatives		
Hedge effectiveness (gains) recognized in aircraft fuel expense	\$ (3)	\$ —
(Gains) losses on derivatives not qualifying for hedge accounting recognized in other expense	—	—
Hedge losses on derivatives recognized in comprehensive income	10	—
Percentage of actual consumption economically hedged	11%	—%

(1) Gross asset of each contract prior to consideration of offsetting positions with each counterparty and prior to the impact of collateral paid.

Any outstanding derivative instrument exposes us to credit loss in connection with our fuel contracts in the event of nonperformance by the counterparties to our agreements, but we do not expect that any of our counterparties will fail to meet their obligations. The amount of such credit exposure is generally the fair value of our outstanding contracts for which we are in a receivable position. To manage credit risks we select counterparties based on credit assessments, limit our overall exposure to any single counterparty and monitor the market position with each counterparty. Some of our agreements require cash deposits from either JetBlue or our counterparty if market risk exposure exceeds a specified threshold amount.

We have master netting arrangements with our counterparties allowing us the right of offset to mitigate credit risk in derivative transactions. The financial derivative instrument agreements we have with our counterparties may require us to fund all, or a portion of, outstanding loss positions related to these contracts prior to their scheduled maturities. The amount of collateral posted, if any, is periodically adjusted based on the fair value of the hedge contracts. Our policy is to offset the liabilities represented by these contracts with any cash collateral paid to the counterparties.

The impact of offsetting derivative instruments is depicted below (in millions):

	Gross Amount of Recognized		Gross Amount of Cash Collateral	Net Amount Presented on Balance Sheet	
	Assets	Liabilities	Offset	Assets	Liabilities
Fuel derivatives					
As of March 31, 2017	\$ 9	\$ —	\$ —	\$ 9	\$ —
As of December 31, 2016	\$ 22	\$ —	\$ —	\$ 22	\$ —

JETBLUE AIRWAYS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 7—Fair Value

Under the *Fair Value Measurements and Disclosures* topic of the Codification, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1 quoted prices in active markets for identical assets or liabilities;

Level 2 quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or

Level 3 unobservable inputs for the asset or liability, such as discounted cash flow models or valuations.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a listing of our assets and liabilities required to be measured at fair value on a recurring basis and where they are classified within the fair value hierarchy as of March 31, 2017 and December 31, 2016 (in millions):

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 292	\$ —	\$ —	\$ 292
Available-for-sale investment securities	40	255	—	295
Aircraft fuel derivatives	—	9	—	9

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 313	\$ —	\$ —	\$ 313
Available-for-sale investment securities	115	220	—	335
Aircraft fuel derivatives	—	22	—	22

Refer to Note 2 for fair value information related to our outstanding debt obligations as of March 31, 2017 and December 31, 2016 .

Cash equivalents

Our cash equivalents include money market securities and commercial paper which are readily convertible into cash, have maturities of 90 days or less when purchased and are considered to be highly liquid and easily tradable. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

Available-for-sale investment securities

Included in our available-for-sale investment securities are U.S. treasury bills, time deposits and commercial paper with maturities greater than 90 days but less than one year. The U.S. treasury bills are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy. The fair values of our time deposits and commercial paper instruments are based on observable inputs in non-active markets and are therefore classified as Level 2 in the hierarchy. We did not record any significant gains or losses on these securities during the three months ended March 31, 2017 and 2016 .

Aircraft fuel derivatives

Our aircraft fuel derivatives include swaps, collars, and basis swaps which are not traded on public exchanges. Heating oil and jet fuel are the products underlying these hedge contracts as they are highly correlated with the price of jet fuel. Their fair values are determined using a market approach based on inputs that are readily available from public markets for commodities and energy trading activities. Therefore, they are classified as Level 2 in the hierarchy. The data inputs are combined into quantitative models and processes to generate forward curves and volatilities related to the specific terms of the underlying hedge contracts.

JETBLUE AIRWAYS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 8—Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) includes changes in fair value of our aircraft fuel derivatives and interest rate swap agreements, which qualify for hedge accounting. A rollforward of the amounts included in the accumulated other comprehensive income (loss), net of taxes for the three months ended March 31, 2017 and March 31, 2016 are as follows (in millions):

	Aircraft Fuel Derivatives (1)	Interest Rate Swaps (2)	Total
Balance of accumulated income at December 31, 2016	\$ 13	\$ —	\$ 13
Reclassifications into earnings (net of \$(1) of taxes)	(2)	—	(2)
Change in fair value (net of \$(4) of taxes)	(6)	—	(6)
Balance of accumulated income at March 31, 2017	\$ 5	\$ —	\$ 5
Balance of accumulated (losses) income at December 31, 2015	\$ (4)	\$ 1	\$ (3)
Reclassifications into earnings (net of \$0 of taxes)	—	—	—
Change in fair value (net of \$0 of taxes)	—	—	—
Balance of accumulated (losses) income at March 31, 2016	\$ (4)	\$ 1	\$ (3)

(1) Reclassified to aircraft fuel expense

(2) Reclassified to interest expense

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

First Quarter 2017 Results

- We had a \$12 million decrease in revenue compared to the first quarter of 2016 due primarily to a 7.8% decrease in average fare, partially offset by a 4.2% increase in capacity.
- We generated \$432 million in cash from operations for the three months ended March 31, 2017 .
- Our operating margin decreased by 12.4 points to 9.2% , due in part to higher fuel prices.
- Our earnings per diluted share were \$0.25 .
- Operating expense per available seat mile increased by 10.3% to 10.73 cents, primarily due to a significant increase in aircraft fuel expenses. Operating expenses excluding fuel and related taxes, and operating expenses related to other non-airline expenses, or "operating expenses excluding fuel," our cost per available seat mile ⁽¹⁾ increased 3.3% .
- Operating income of \$147 million decreased \$202 million from the comparable period in 2016. This decrease was principally driven by an increase in aircraft fuel expenses and lower passenger revenue.

Balance Sheet

We ended the first quarter of 2017 with unrestricted cash, cash equivalents and short-term investments of \$1.0 billion and undrawn lines of credit of approximately \$600 million. During April 2017, we amended our Credit and Guaranty Agreement with Citibank, N.A. and among other things we increased our borrowing capacity by \$25 million to \$425 million, and extended the maturity date to April 2021.

Our unrestricted cash, cash equivalents and short-term investments is approximately 16% of trailing twelve months revenue. We increased the number of unencumbered aircraft by six during the quarter by using cash on hand to pay for our three deliveries, executing lease buyouts on two aircraft and through scheduled payments of principal balances on one aircraft. We have 103 unencumbered aircraft and 32 unencumbered spare engines as of March 31, 2017 .

Network

During the first quarter of 2017, we launched service to Atlanta, our 101st BlueCity, and it is our 63rd nonstop destination from our Boston Focus City where we are the largest carrier. The addition of nonstop Atlanta service, which was the most requested destination by Boston travelers, is part of our plan to reach 200 daily flights at Boston in the coming years. Customers in both cities will benefit from convenient, five times daily service between Boston and Atlanta.

With the success of our existing Mint™ routes, we announced additional Boston Mint™ service to San Francisco, beginning in the third quarter of 2017, to San Diego, beginning in the fourth quarter of 2017, and seasonal Mint™ service to St. Maarten, beginning in the fourth quarter of 2017. We also plan to provide year-round Mint™ service from New York to Las Vegas, starting in the fourth quarter of 2017, and San Diego, starting in the third quarter of 2017. During the first quarter of 2017, we launched our Mint™ service between Fort Lauderdale and Los Angeles, and we expect to start Mint™ service between Fort Lauderdale and San Francisco during the second quarter of 2017.

We plan to continue to invest in our Fort Lauderdale Focus City by expanding to new markets and through Mint™ service.

As part of our ongoing network initiatives and route optimization efforts, we continued to make schedule and frequency adjustments throughout the first quarter of 2017.

Outlook for 2017

For the second quarter of 2017, cost per available seat mile, excluding fuel ⁽¹⁾ is expected to increase between 4.5% and 6.5% over the comparable 2016 period. In addition, we expect revenue per available seat mile to increase between 3.0% and 6.0% on an operating capacity increase between 4.0% and 6.0% over the comparable 2016 period.

For the full year 2017, we expect our operating capacity to increase between 5.5% and 7.5% over full year 2016 with the addition of 12 Airbus A321 aircraft to our operating fleet during the remainder of the year. We expect our cost per available seat mile, excluding fuel ⁽¹⁾, for the full year 2017 to increase between 1.5% and 3.5% over full year 2016.

⁽¹⁾ Refer to our "Regulation G Reconciliation" note below for more information on this non-GAAP measure.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2017 vs. 2016

Overview

We reported net income of \$85 million, an operating income of \$147 million and an operating margin of 9.2% for the three months ended March 31, 2017. This compares to net income of \$207 million, an operating income of \$349 million and an operating margin of 21.6% for the three months ended March 31, 2016. Diluted earnings per share were \$0.25 for the first quarter of 2017 compared to \$0.61 for the same period in 2016.

Approximately 75% of our operations reside in the heavily populated northeast corridor of the U.S., which includes the New York and Boston metropolitan areas. During the first three months of 2017, a series of winter storms impacted this area, including winter storms Niko and Orson.

On-time performance, as defined by the Department of Transportation, or DOT, is arrival within 14 minutes of scheduled arrival. In the first quarter of 2017, our systemwide on-time performance was 75.0% compared to 73.3% for the same period in 2016. Our on-time performance remains challenged by our concentration of operations in the northeast of the U.S., one of the world's most congested airspaces. Our completion factor was 96.5% in the first quarter of 2017 and 97.9% in the same period in 2016.

Operating Revenues

(Revenues in millions; percent changes based on unrounded numbers)	Three Months Ended March 31,		Year-over-Year Change	
	2017	2016	\$	%
Passenger revenue	\$ 1,451	\$ 1,478	\$ (27)	(1.8)
Other revenue	153	138	15	10.4
Total operating revenues	\$ 1,604	\$ 1,616	\$ (12)	(0.8)
Average Fare	\$ 149.41	\$ 162.06	\$ (12.65)	(7.8)
Yield per passenger mile (cents)	12.73	13.46	(0.73)	(5.5)
Passenger revenue per ASM (cents)	10.68	11.35	(0.67)	(5.8)
Operating revenue per ASM (cents)	11.81	12.41	(0.60)	(4.8)
Average stage length (miles)	1,079	1,109	(30)	(2.7)
Revenue passengers (thousands)	9,711	9,119	592	6.5
Revenue passenger miles (millions)	11,399	10,976	423	3.9
Available Seat Miles (ASMs) (millions)	13,580	13,029	551	4.2
Load Factor	83.9%	84.2%		(0.3) pts.

Passenger revenue is our primary source of revenue, which includes seat revenue as well as revenue from our ancillary product offerings such as EvenMore™ Space. The decrease in passenger revenue of \$27 million, or 1.8%, for the three months ended March 31, 2017, compared to the same period in 2016, was primarily attributable to a 7.8% decrease in average fare, partially offset by a 6.5% increase in revenue passengers. Our passenger revenue was also negatively impacted by the timing of Easter as the holiday occurs in the second quarter of 2017 as compared to the first quarter of 2016. The increase in other revenue of \$15 million, or 10.4%, for the three months ended March 31, 2017, compared to the same period in 2016, was primarily attributable to an increase in our loyalty revenue for our co-brand credit card agreement with Barclay's which originally launched during the first quarter of 2016. We are continuously looking to expand our other ancillary revenue opportunities, improve our TrueBlue® loyalty program and deepen our portfolio of commercial partnerships.

Operating Expenses

In detail, our operating costs per available seat mile, or ASM, were as follows:

(in millions; per ASM data in cents; percent changes based on unrounded numbers)	Three Months Ended March 31,		Year-over-Year Change		Cents per ASM		
	2017	2016	\$	%	2017	2016	% Change
Aircraft fuel and related taxes	\$ 323	\$ 215	\$ 108	50.2 %	2.38	1.65	44.1 %
Salaries, wages and benefits	466	435	31	7.1	3.43	3.35	2.7
Landing fees and other rents	95	85	10	12.1	0.70	0.66	7.6
Depreciation and amortization	105	91	14	14.4	0.77	0.70	9.8
Aircraft rent	26	28	(2)	(8.0)	0.19	0.21	(11.8)
Sales and marketing	60	64	(4)	(7.1)	0.44	0.49	(10.9)
Maintenance materials and repairs	152	135	17	13.3	1.12	1.03	8.7
Other operating expenses	230	214	16	7.7	1.70	1.64	3.3
Total operating expenses	\$ 1,457	\$ 1,267	\$ 190	15.0 %	10.73	9.73	10.3 %

Aircraft Fuel and Related Taxes

Aircraft fuel and related taxes increased by \$108 million, or 50.2%, for the three months ended March 31, 2017 compared to the same period in 2016. The average fuel price for the first quarter 2017 increased by 44.1% to \$1.69 per gallon. Our fuel consumption increased by 4.2%, or 8 million gallons, due to an increase of the average number of aircraft operating during the first quarter 2017 as compared to the same period in 2016.

Salaries, Wages and Benefits

Salaries, wages and benefits increased by \$31 million, or 7.1%, for the three months ended March 31, 2017 compared to the same period in 2016. It was our largest expense for the quarter, representing approximately 32% of our total operating expenses. During 2016, we announced that effective January 1, 2017, profit sharing eligible Crewmembers would receive an 8% raise and a modified profit sharing plan. We believe this recognition and change to our compensation structure reflects industry trends and ensures that our Crewmember compensation and rewards are fair and competitive.

Depreciation and Amortization

Depreciation and amortization increased by \$14 million, or 14.4%, for the three months ended March 31, 2017 compared to the same period in 2016, primarily driven by a 6.3% increase in the average number of aircraft operating during first quarter of 2017 as compared to the same period in 2016, and depreciation on the 11 lease buyouts since the end of the first quarter of 2016.

Maintenance Materials and Repairs

Maintenance materials and repairs increased by \$17 million, or 13.3%, for the three months ended March 31, 2017 compared to the same period in 2016, primarily driven by increased flight hours on our engine flight-hour based maintenance agreements and by the number of airframe heavy maintenance checks.

Other Operating Expenses

Other operating expenses increased by \$16 million, or 7.7%, for the three months ended March 31, 2017 compared to the same period in 2016, primarily due to an increase in airport and technology services and passenger on-board supplies resulting from an increased number of passengers flown.

⁽¹⁾ Refer to our "Regulation G Reconciliation" note below for more information on this non-GAAP measure.

The following table sets forth our operating statistics for the three months ended March 31, 2017 and 2016 :

	Three Months Ended March 31,		Year-over-Year Change
	2017	2016	%
<i>(percent changes based on unrounded numbers)</i>			
Operational Statistics			
Revenue passengers (thousands)	9,711	9,119	6.5
Revenue passenger miles (RPMs) (millions)	11,399	10,976	3.9
Available seat miles (ASMs) (millions)	13,580	13,029	4.2
Load factor	83.9%	84.2%	(0.3) pts
Aircraft utilization (hours per day)	11.9	12.1	(1.7)
Average fare	\$ 149.41	\$ 162.06	(7.8)
Yield per passenger mile (cents)	12.73	13.46	(5.5)
Passenger revenue per ASM (cents)	10.68	11.35	(5.8)
Operating revenue per ASM (cents)	11.81	12.41	(4.8)
Operating expense per ASM (cents)	10.73	9.73	10.3
Operating expense per ASM, excluding fuel ⁽¹⁾	8.35	8.08	3.3
Departures	85,724	81,239	5.5
Average stage length (miles)	1,079	1,109	(2.7)
Average number of operating aircraft during period	228.9	215.4	6.3
Average fuel cost per gallon, including fuel taxes	\$ 1.69	\$ 1.17	44.1
Fuel gallons consumed (millions)	191	183	4.2
Average number of full-time equivalent employees	16,722	15,204	10.0

(1) Refer to our “Regulation G Reconciliation” note below for more information on this non-GAAP measure.

Historical revenue trends may not continue. Except for the uncertainty related to the direction of fuel prices, we expect our expenses to continue to increase as we acquire additional aircraft, as our fleet ages and as we expand the frequency of flights in existing markets as well as enter into new markets. In addition, we expect our operating results to significantly fluctuate from quarter-to-quarter in the future as a result of various factors, many of which are outside of our control. Consequently, we believe quarter-to-quarter comparisons of our operating results may not necessarily be meaningful; you should not rely on our results for any one quarter as an indication of our future performance.

LIQUIDITY AND CAPITAL RESOURCES

The airline business is capital intensive. Our ability to successfully execute our growth plans is largely dependent on the continued availability of capital on attractive terms. In addition, our ability to successfully operate our business depends on maintaining sufficient liquidity. We believe we have adequate resources from a combination of cash and cash equivalents, investment securities on hand and two available lines of credit. Additionally, as of March 31, 2017, we had 103 unencumbered aircraft and 32 unencumbered spare engines which we believe could be an additional source of liquidity, if necessary.

We believe a healthy liquidity position is crucial to our ability to weather any part of the economic cycle while continuing to execute on our plans for profitable growth and increased returns. Our goal is to continue to be diligent with our liquidity, maintaining financial flexibility and allowing for prudent capital spending.

At March 31, 2017, we had unrestricted cash and cash equivalents of \$438 million and short-term investments of \$608 million. We believe our current level of unrestricted cash, cash equivalents and short-term investments of approximately 16% of trailing twelve months revenue, combined with our available lines of credit and portfolio of unencumbered assets provides us with a strong liquidity position and the potential for higher returns on cash deployment.

Analysis of Cash Flows

Operating Activities

We rely primarily on operating cash flows to provide working capital for current and future operations. Cash flows from operating activities were \$432 million and \$585 million for the three months ended March 31, 2017 and 2016, respectively. Lower earnings, principally driven by an increase in aircraft fuel expenses, contributed to our lower operating cash flows compared to the same period of 2016.

Investing Activities

During the three months ended March 31, 2017, capital expenditures related to our purchase of flight equipment included \$170 million related to the purchase of three Airbus A321 aircraft and two Airbus A320 lease buyouts, \$45 million in work-in-progress relating to flight equipment, \$40 million for flight equipment deposits, and \$10 million for spare part purchases. Other property and equipment capital expenditures also included ground equipment purchases and facilities improvements for \$20 million. Investing activities also included the net proceeds of \$20 million from investment securities.

During the three months ended March 31, 2016, capital expenditures related to our purchase of flight equipment included \$84 million related to the purchase of two Airbus A321 aircraft, \$25 million in work-in-progress relating to flight equipment, \$23 million for flight equipment deposits, and \$3 million for spare part purchases. Other property and equipment capital expenditures also included ground equipment purchases and facilities improvements for \$31 million. Investing activities also included the net proceeds of \$76 million from investment securities.

Financing Activities

Financing activities for the three months ended March 31, 2017 primarily consisted of the acquisition of treasury shares totaling \$109 of which \$100 million related to our accelerated share repurchase, or ASR, in March 2017 and the scheduled maturities of \$49 million relating to debt and capital lease obligations.

Financing activities for the three months ended March 31, 2016 consisted of the scheduled repayment of \$51 million relating to debt and capital lease obligations.

On April 27, 2017, JetBlue entered into an ASR agreement with Goldman, Sachs & Co. ("GS&Co."), paying \$150 million for an initial delivery of approximately 5.4 million shares. The term of the ASR is expected to be completed by the end of third quarter 2017. The total number of shares to ultimately be repurchased by JetBlue will be based on the volume weighted average price of JetBlue's common stock during the term of the ASR agreement, less a discount.

Working Capital

We had a working capital deficit of \$953 million and \$811 million at March 31, 2017 and December 31, 2016, respectively. Working capital deficits can be customary in the airline industry because air traffic liability is classified as a current liability. Our working capital deficit increased by \$142 million due to several factors, primarily due to an overall increase in our air traffic liability, partially offset by an increase in our investment securities classified as current assets.

We expect to meet our obligations as they become due through available cash, investment securities and internally generated funds, supplemented as necessary by financing activities, as they may be available to us. We expect to generate positive working capital through our operations. However, we cannot predict what the effect on our business might be from the extremely competitive environment we operate in or from events beyond our control, such as volatile fuel prices, economic conditions, weather-related disruptions, airport infrastructure challenges, the spread of infectious diseases, restructurings or consolidations, U.S. military actions or acts of terrorism. We believe the working capital available to us will be sufficient to meet our cash requirements for at least the next 12 months.

As part of our efforts to effectively manage our balance sheet and improve Return on Invested Capital, or ROIC, we expect to continue to actively manage our debt balances. Our approach to debt management includes managing the mix of fixed and floating rate debt, annual maturities of debt and the weighted average cost of debt. We intend to continue to opportunistically pre-pay outstanding debt when market conditions and terms are favorable as well as when excess liquidity is available. Additionally, our unencumbered assets allow some flexibility in managing our cost of debt and capital requirements.

Contractual Obligations

Our noncancelable contractual obligations at March 31, 2017, include the following (in millions):

	Payments due in						
	Total	2017	2018	2019	2020	2021	Thereafter
Debt and capital lease obligations ⁽¹⁾	\$ 1,574	\$ 180	\$ 243	\$ 254	\$ 209	\$ 187	\$ 501
Lease commitments	1,285	126	164	145	125	112	613
Flight equipment purchase obligations ⁽²⁾	7,897	894	839	1,207	1,568	1,397	1,992
Other obligations ⁽³⁾	3,663	717	624	624	546	205	947
Total	\$ 14,419	\$ 1,917	\$ 1,870	\$ 2,230	\$ 2,448	\$ 1,901	\$ 4,053

(1) Includes actual interest and estimated interest for floating-rate debt based on March 31, 2017 rates

(2) Amounts are as of March 31, 2017 and do not reflect aircraft deferrals executed after quarter end.

(3) Amounts include noncancelable commitments for the purchase of goods and services

As of March 31, 2017, we believe we are in compliance with the covenants of our debt and lease agreements. We have approximately \$29 million of restricted cash pledged under standby letters of credit related to certain leases that will expire at the end of the related lease terms.

As of March 31, 2017, we operated a fleet of 40 Airbus A321 aircraft, 130 Airbus A320 aircraft and 60 Embraer E190 aircraft. Of our fleet, 179 are owned by us, of which 103 are unencumbered, 45 are leased under operating leases and six are leased under capital leases. As of March 31, 2017, the average age of our operating fleet was 9.0 years and our firm aircraft order was as follows:

Year	Airbus A320neo	Airbus A321	Airbus A321neo	Embraer E190	Total
2017	—	12	—	—	12
2018	—	8	3	—	11
2019	—	3	18	—	21
2020	6	—	12	10	28
2021	16	—	4	7	27
2022	3	—	17	7	27
2023	—	—	6	—	6
Total	25	23	60	24	132

We amended our purchase agreement with Airbus during April 2017 which changed the timing of our Airbus A321 and Airbus A321neo deliveries as follows:

Year	Airbus A320neo	Airbus A321	Airbus A321neo	Embraer E190	Total
2017	—	—	—	—	—
2018	—	3	(3)	—	—
2019	—	(3)	(5)	—	(8)
2020	—	—	(5)	—	(5)
2021	—	—	—	—	—
2022	—	—	—	—	—
2023	—	—	8	—	8
2024	—	—	5	—	5
Total	—	—	—	—	—

Committed expenditures for our firm aircraft and spare engines include estimated amounts for contractual price escalations and predelivery deposits. We expect to meet our predelivery deposit requirements for our aircraft by paying cash or by using short-term borrowing facilities for deposits required six to 24 months prior to delivery. Any predelivery deposits paid by the issuance of notes are fully repaid at the time of delivery of the related aircraft.

Dependent on market conditions, we anticipate using a mix of cash and debt financing for aircraft scheduled for delivery in 2017. For deliveries after 2017, although we believe debt and/or lease financing should be available to us, we cannot give any assurance that we will be able to secure financing on attractive terms, 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 regardless of the financing method ultimately chosen. To the extent we cannot secure financing on terms we deem attractive, we may be required to pay in cash, further modify our aircraft acquisition plans or incur higher than anticipated financing costs.

Capital expenditures for non-aircraft such as facility improvements, spare parts and aircraft improvements are expected to be between approximately \$150 million and \$200 million for the full year 2017.

Off-Balance Sheet Arrangements

None of our operating lease obligations are reflected on our balance sheet. Although some of our aircraft lease arrangements are with variable interest entities, as defined by the *Consolidations* topic of the Codification, none of them require consolidation in our financial statements. Our decision to finance these aircraft through operating leases rather than through debt was based on an analysis of the cash flows and tax consequences of each financing alternative and a consideration of liquidity implications. We are responsible for all maintenance, insurance and other costs associated with operating these aircraft; however, we have not made any residual value or other guarantees to our lessors.

We have determined that we hold a variable interest in, but are not the primary beneficiary of, certain pass-through trusts. The beneficiaries of these pass-through trusts are the purchasers of equipment notes issued by us to finance the acquisition of aircraft. They maintain liquidity facilities whereby a third party agrees to make payments sufficient to pay up to 18 months of interest on the applicable certificates if a payment default occurs.

We have also made certain guarantees and indemnities to other unrelated parties that are not reflected on our balance sheet, which we believe will not have a significant impact on our results of operations, financial condition or cash flows. We have no other off-balance sheet arrangements.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates included in our 2016 Form 10-K.

Forward-Looking Information

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which represent our management's beliefs and assumptions concerning future events. When used in this document and in documents incorporated herein by reference, the words "expects," "plans," "anticipates," "indicates," "believes," "forecast," "guidance," "outlook," "may," "will," "should," "seeks," "targets" and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks, uncertainties and assumptions, and are based on information currently available to us. Actual results may differ materially from those expressed in the forward-looking statements due to many factors, including, without limitation, our extremely competitive industry; volatility in financial and credit markets which could affect our ability to obtain debt and/or lease financing or to raise funds through debt or equity issuances; volatility in fuel prices, maintenance costs and interest rates; our ability to implement our growth strategy; our significant fixed obligations and substantial indebtedness; our ability to attract and retain qualified personnel and maintain our culture as we grow; our reliance on high daily aircraft utilization; our dependence on the New York and Boston metropolitan markets and the effect of increased congestion in these markets; our reliance on automated systems and technology; our being subject to potential unionization, work stoppages, slowdowns or increased labor costs; our reliance on a limited number of suppliers; our presence in some international emerging markets that may experience political or economic instability or may subject us to legal risk; reputational and business risk from information security breaches or cyber-attacks; changes in or additional government regulation; changes in our industry due to other airlines' financial condition; acts of war or terrorism; global economic conditions or an economic downturn leading to a continuing or accelerated decrease in demand for domestic and business air travel; the spread of infectious diseases; adverse weather conditions or natural disasters; and external geopolitical events and conditions. It is routine for our internal projections and expectations to change as the year or each quarter in the year progresses, and therefore it should be clearly understood that the internal projections, beliefs and assumptions upon which we base our expectations may change prior to the end of each quarter or year.

Given the risks and uncertainties surrounding forward-looking statements, you should not place undue reliance on these statements. You should understand that many important factors, in addition to those discussed or incorporated by reference in this Report, could cause our results to differ materially from those expressed in the forward-looking statements. Potential factors that could affect our results include, in addition to others not described in this Report, those described in Item 1A of our 2016 Form 10-K under "Risks Related to JetBlue" and "Risks Associated with the Airline Industry" and Part II of this Report. In light of these risks and uncertainties, the forward-looking events discussed in this Report might not occur.

Where You Can Find Other Information

Our website is www.jetblue.com. Information contained on our website is not incorporated into this Report. Information we furnish or file with the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to or exhibits included in these reports are available for download, free of charge, on our website soon after such reports are filed with or furnished to the SEC. Our SEC filings, including exhibits filed therewith, are also available at the SEC's website at www.sec.gov. You may obtain and copy any document we furnish or file with the SEC at the SEC's public reference room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the SEC's public reference facilities by calling the SEC at 1-800-SEC-0330. You may request copies of these documents, upon payment of a duplicating fee, by writing to the SEC at its principal office at 100 F Street, NE, Room 1580, Washington, D.C. 20549.

REGULATION G RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

We sometimes use non-GAAP measures that are derived from the consolidated financial statements, but that are not presented in accordance with generally accepted accounting principles in the U.S., or GAAP. We believe these non-GAAP measures provide a meaningful comparison of our results to others in the airline industry and our prior year results. Investors should consider these non-GAAP financial measures in addition to, and not as a substitute for, our financial performance measures prepared in accordance with GAAP. Further, our non-GAAP information may be different from the non-GAAP information provided by other companies.

Operating Expenses per Available Seat Mile, excluding fuel

Operating expenses per available seat mile, or CASM, is a common metric used in the airline industry. Our CASM for the periods are summarized in the table below. We exclude aircraft fuel and related taxes, and operating expenses related to other non-airline expenses, such as JetBlue Technology Ventures, from operating expenses to determine CASM ex-fuel. We believe that CASM ex-fuel provides investors the ability to measure financial performance excluding items beyond our control, such as fuel costs which are subject to many economic and political factors beyond our control, or not related to the generation of an available seat mile, such as operating expense related to other non-airline expenses. We believe this non-GAAP measure is more indicative of our ability to manage airline costs and is more comparable to measures reported by other major airlines.

	Reconciliation of Operating Expense per ASM, excluding fuel			
	Three Months Ended March 31,			
	2017		2016	
	\$	per ASM	\$	per ASM
<i>(in millions; per ASM data in cents; percentages based on unrounded numbers)</i>				
Total operating expenses	\$ 1,457	10.73	\$ 1,267	9.73
Less:				
Aircraft fuel and related taxes	323	2.38	215	1.65
Other non-airline expenses	1	—	—	—
Operating expenses, excluding fuel	\$ 1,133	8.35	1,052	8.08

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risks from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk included in our 2016 Form 10-K, except as follows:

Aircraft Fuel

Our results of operations are affected by changes in the price and availability of aircraft fuel. Market risk is estimated as a hypothetical 10% increase in the March 31, 2017 cost per gallon of fuel. Based on projected fuel consumption for the next 12 months, including the impact of our hedging position, such an increase would result in an increase to aircraft fuel expense of approximately \$138 million. As of March 31, 2017 we had hedged approximately 10% of our projected 2017 fuel requirements. All hedge contracts existing at March 31, 2017 settle by December 31, 2017. The financial derivative instrument agreements we have with our counterparties may require us to fund all, or a portion of, outstanding loss positions related to these contracts prior to their scheduled maturities. The amount of collateral posted, if any, is periodically adjusted based on the fair value of the hedge contracts. Refer to Note 6 in our unaudited condensed consolidated financial statements, included in Part I, Item 1 of this Report, for additional information.

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. The interest rate is fixed for \$1.1 billion of our debt and capital lease obligations, with the remaining \$0.2 billion having floating interest rates. As of March 31, 2017, if interest rates were on average 100 basis points higher in 2017, our annual interest expense would increase by approximately \$2 million. This is determined by considering the impact of the hypothetical change in interest rates on our variable rate debt and capital leases.

If interest rates were to average 10% lower in 2017 than they did during 2016, our interest income from cash and investment balances would remain relatively constant. These amounts are determined by considering the impact of the hypothetical interest rates on our cash equivalents and investment securities balances at March 31, 2017 and December 31, 2016.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer, or CEO, and our Chief Financial Officer, or CFO, to allow timely decisions regarding required disclosure. Management, with the participation of our CEO and CFO, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2017. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2017.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our controls performed during the fiscal quarter ended March 31, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. 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. Refer to Note 5 in our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report for additional information.

Item 1A. RISK FACTORS

Item 1A Risk Factors contained in our 2016 Form 10-K, includes a discussion of our risk factors which are incorporated herein. There were no material changes from the risk factors associated with our business previously disclosed in Part I, Item 1A "Risk Factors" of our 2016 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In September 2015, the Board of Directors authorized a three-year repurchase program starting in 2016, of up to \$250 million worth of shares. This authorization replaced the 2012 authorization. On December 7, 2016, the Board approved changes to our share repurchase program to increase the aggregate authorization to \$500 million worth of shares, and extend the term of the program through December 31, 2019. The current program includes authorization for repurchases in open market transactions or privately-negotiated transactions, including accelerated share repurchase transactions. We may adjust or change our share repurchase practices based on market conditions and other alternatives. During the three months ended March 31, 2017, the following shares were repurchased under the program (in millions, except for per share data):

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plan or Program
March 2017	4.1	(1)	4.1	\$ 280
Total	4.1		4.1	

(1) On March 6, 2017, JetBlue entered into an accelerated share repurchase, or ASR, agreement with Barclays Bank PLC paying \$100 million for an initial delivery of approximately 4.1 million shares. The term of the ASR concluded on April 24, 2017 with Barclays Bank PLC delivering approximately 0.8 million additional shares to JetBlue. A total of approximately 4.9 million shares were repurchased under the agreement at an average price per share of \$20.23. The total shares purchased by JetBlue were based on the volume weighted average prices of JetBlue's common stock during the term of the ASR.

On April 27, 2017, JetBlue entered into an ASR agreement with Goldman, Sachs & Co. ("GS&Co."), paying \$150 million for an initial delivery of approximately 5.4 million shares. The term of the ASR is expected to be completed by the end of third quarter 2017. The total number of shares to ultimately be repurchased by JetBlue will be based on the volume weighted average price of JetBlue's common stock during the term of the ASR agreement, less a discount.

ITEM 6. EXHIBITS

Exhibits: See accompanying Exhibit Index included after the signature page of this Report for a list of the exhibits filed or furnished with this Report.

SIGNATURE

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

JETBLUE AIRWAYS CORPORATION

(Registrant)

Date: April 28, 2017

By: /s/ Alexander Chatkewitz
Vice President, Controller, and Chief Accounting Officer (Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit
10.1*	Amended and Restated JetBlue Airways Corporation 2011 Incentive Compensation Plan
10.1(a)*	Amended and Restated Form of Performance Share Unit Award Agreement
10.2*	Agreement and General Release, dated as of February 23, 2017, between JetBlue Airways Corporation and James F. Leddy
10.3*	Amendment No. 1 to the Employment Agreement between JetBlue Airways Corporation and Robin Hayes, dated February 16, 2017 — incorporated by reference to Exhibit 10.41(a) to our Current Report on Form 8-K, dated February 22, 2017
12.1	Computation of Ratio of Earnings to Fixed Charges
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer
32	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
	* Compensatory plans in which the directors and executive officers of JetBlue participate

**AMENDED AND RESTATED
JETBLUE AIRWAYS CORPORATION
2011 INCENTIVE COMPENSATION PLAN**

1. Establishment; Effective Date; Purposes; and Duration.

(a) Establishment of the Plan; Effective Date. JetBlue Airways Corporation, a Delaware corporation (the “Company”), hereby establishes this incentive compensation plan to be known as the “JetBlue Airways Corporation 2011 Incentive Compensation Plan,” as set forth in this document (the “Plan”). The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Other Stock-Based Awards, Dividend Equivalents and Cash-Based Awards. The Plan shall become effective upon the date on which the Plan is approved by the affirmative vote of the holders of a majority of the Shares which are present or represented and entitled to vote and voted at a meeting (the “Effective Date”), which approval must occur within the period ending twelve (12) months before or after the date the Plan is adopted by the Board. The Plan shall remain in effect as provided in Section 1(c).

(b) Purposes of the Plan. The purposes of the Plan are: (i) to enhance the Company’s and the Affiliates’ ability to attract highly qualified personnel; (ii) to strengthen their retention capabilities; (iii) to enhance the long-term performance and competitiveness of the Company and the Affiliates; and (iv) to align the interests of Plan participants with those of the Company’s shareholders. To accomplish such purposes, the Plan provides that the Company may grant Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Other Stock-Based Awards, Dividend Equivalents and Cash-Based Awards.

(c) Duration of the Plan. The Plan shall commence on the Effective Date and shall remain in effect, subject to the right of the Board of Directors to amend or terminate the Plan at any time pursuant to Section 16, until all Shares subject to it shall have been delivered, and any restrictions on such Shares have lapsed, pursuant to the Plan’s provisions. However, in no event may an Award be granted under the Plan on or after ten years from the Effective Date.

2. Definitions.

Certain terms used herein have the definitions given to them in the first instance in which they are used. In addition, for purposes of the Plan, the following terms are defined as set forth below:

(a) “Affiliate” means (i) any Subsidiary; (ii) any Person that directly or indirectly controls, is controlled by or is under common control with the Company; and/or (iii) to the extent provided by the Committee, any Person in which the Company has a significant interest. The term “control” (including, with correlative meaning, the terms “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting or other securities, by contract or otherwise.

(b) “Applicable Exchange” means the Nasdaq Stock Exchange or such other securities exchange or inter-dealer quotation system as may at the applicable time be the principal market for the Common Stock.

(c) “Award” means, individually or collectively, a grant under the Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Other Stock-Based Awards, Dividend Equivalents and Cash-Based Awards.

(d) “Award Agreement” means either: (a) a written agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under the Plan, or (b) a written or electronic statement issued by the Company to a Participant describing the terms and provisions of such Award, including any amendment or modification thereof. The Committee may provide for the use of electronic, internet or other non-paper Award Agreements, and the use of electronic, internet or other non-paper means for the acceptance thereof and actions thereunder by a Participant.

(e) “Board” or “Board of Directors” means the Board of Directors of the Company.

(f) “Cash-Based Award” means an Award, whose value is determined by the Committee, granted to a Participant, as described in Section 11.

(g) “Cause” means a Participant’s (i) conviction of, or plea of no contest to, a felony or other crime involving moral turpitude or dishonesty; (ii) participation in a fraud or willful act of dishonesty against the Company or an Affiliate that adversely affects the Company or such Affiliate in a material way; (iii) willful breach of the Company’s or an Affiliate’s policies that affects the Company or such Affiliate in a material way; (iv) causing intentional damage to the Company’s or an Affiliate’s property or business; (v) habitual conduct that constitutes gross insubordination; or (vi) habitual neglect of his or her duties with the Company or an Affiliate.

(h) “Change in Control” means the occurrence of any of the following:

(i) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a “Person”) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (A) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that, for purposes of this Section 2(h), the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, or (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate;

(ii) Any time at which individuals who, as of the Effective Date, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the

Effective Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(iii) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any Affiliate, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any Affiliate (each, a "Business Combination"), in each case unless, following such Business Combination, all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be; or

(iv) The consummation of a plan of complete liquidation or dissolution of the Company.

(v) For avoidance of doubt, Change in Control payments under this plan shall be made only where the definition of Change in Control (in this section 2(h) is met) and when there is a loss of employment or substantial change in job duties as a result of the Change in Control.

(i) "Change in Control Price" means the price per share offered in respect of the Common Stock in conjunction with any transaction resulting in a Change in Control on a fully-diluted basis (as determined by the Board or the Committee as constituted before the Change in Control, if any part of the offered price is payable other than in cash) or, in the case of a Change in Control occurring solely by reason of a change in the composition of the Board, the highest Fair Market Value of a Share on any of the 30 trading days immediately preceding the date on which a Change in Control occurs, provided that if the use of such highest Fair Market Value in respect of a particular Award would cause an additional tax to be due and payable by the Participant under Section 409A of the Code, the Board or Committee shall determine the Change in Control Price in respect of such Award in a manner that does not have such result.

- (j) “Code” means the Internal Revenue Code of 1986, as it may be amended from time to time, including rules and regulations promulgated thereunder and successor provisions and rules and regulations thereto.
- (k) “Committee” means the Compensation Committee of the Board of Directors or a subcommittee thereof, or such other committee designated by the Board to administer the Plan.
- (l) “Common Stock” means common stock, par value \$0.01 per share, of the Company. In the event of any adjustment pursuant to Section 4(d), the stock or security resulting from such adjustment shall be deemed to be Common Stock within the meaning of the Plan.
- (m) “Consultant” means a consultant, advisor or other independent contractor who is a natural person and performs services for the Company or an Affiliate in a capacity other than as an Employee or Director.
- (n) “Director” means any individual who is a member of the Board of Directors of the Company.
- (o) “Disaffiliation” means an Affiliate’s ceasing to be an Affiliate for any reason (including as a result of a public offering, or a spin-off or sale by the Company, of the stock of the Affiliate) or a sale of a division of the Company or an Affiliate.
- (p) “Dividend Equivalent” means a right to receive the equivalent value (in cash or Shares) of dividends that would otherwise be paid on the Shares subject to an Award but that have not been issued or delivered, awarded under Section 10.
- (q) “Effective Date” shall have the meaning ascribed to such term in Section 1(a).
- (r) “Eligible Individual” means any Employee, Non-Employee Director or Consultant, and any prospective Employee and Consultant who has accepted an offer of employment or consultancy from the Company or any Affiliate.
- (s) “Employee” means any person designated as an employee of the Company and/or an Affiliate on the payroll records thereof. An Employee shall not include any individual during any period he or she is classified or treated by the Company or an Affiliate as an independent contractor, a consultant, or any employee of an employment, consulting, or temporary agency or any other entity other than the Company and/or an Affiliate without regard to whether such individual is subsequently determined to have been, or is subsequently retroactively reclassified as a common-law employee of the Company and/or an Affiliate during such period. For the avoidance of doubt, a Director who would otherwise be an “Employee” within the meaning of this Section 2(s) shall be considered an Employee for purposes of the Plan.
- (t) “Exchange Act” means the Securities Exchange Act of 1934, as it may be amended from time to time, including the rules and regulations promulgated thereunder and successor provisions and rules and regulations thereto.

(u) “Fair Market Value” means, if the Common Stock is listed on a national securities exchange, as of any given date, the closing price for the Common Stock on such date on the Applicable Exchange, or if Shares were not traded on the Applicable Exchange on such measurement date, then on the next preceding date on which Shares are traded, all as reported by such source as the Committee may select. If the Common Stock is not listed on a national securities exchange, Fair Market Value shall be determined by the Committee in its good faith discretion.

(v) “Fiscal Year” means the calendar year, or such other consecutive twelve-month period as the Committee may select.

(w) “Freestanding SAR” means an SAR that is granted independently of any Options, as described in Section 7.

(x) “Good Reason” means the termination of employment by a Participant because of any of the following events: (i) a 10% reduction by the Company or an Affiliate (other than in connection with a Company or Affiliate-wide across the board reduction), in (x) his or her annual base pay or bonus opportunity as in effect immediately prior to the date of a Change in Control or (y) his or her bonus opportunity or 12 times his or her average monthly Salary, or as same may be increased from time to time thereafter; (ii) a material reduction in the duties or responsibilities of the Participant from those in effect prior to the date of a Change in Control; or (iii) the Company or an Affiliate requiring the Participant to relocate from the office of the Company or such Affiliate where the Participant is principally employed immediately prior to the date of a Change in Control to a location that is more than 50 miles from such office of the Company or such Affiliate (except for required travel on the Company’s or Affiliate’s business to an extent substantially consistent with such Participant’s customary business travel obligations in the ordinary course of business prior to the date of such Change in Control.

(y) “Grant Date” means the later of: (a) the date on which the Committee (or its designee) by resolution, written consent or other appropriate action selects an Eligible Individual to receive a grant of an Award, determines the number of Shares or other amount to be subject to such Award and, if applicable, determines the Option Price or Grant Price of such Award, provided that as soon reasonably practical thereafter the Committee (or its designee) both notifies the Eligible Individual of the Award and enters into an Award Agreement with the Eligible Individual, or (b) the date designated as the “grant date” in an Award Agreement.

(z) “Grant Price” means the price established as of the Grant Date of an SAR pursuant to Section 7 used to determine whether there is any payment due upon exercise of the SAR.

(aa) “Incentive Stock Option” or “ISO” means a right to purchase Shares under the Plan in accordance with the terms and conditions set forth in Section 6 and which is designated as an Incentive Stock Option and which is intended to meet the requirements of Section 422 of the Code.

(bb) “Individual Agreement” means an employment, change of control, consulting or similar agreement between a Participant and the Company or an Affiliate that is in effect as of the Grant Date of an Award hereunder.

(cc) “Insider” means an individual who is, on the relevant date, an officer, director or ten percent (10%) beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of any class of the Company’s equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Committee in accordance with Section 16 of the Exchange Act.

(dd) “New Employer” means, after a Change in Control, a Participant’s employer, or any direct or indirect parent or any direct or indirect majority-owned subsidiary of such employer.

(ee) “Non-Employee Director” means a Director who is not an Employee.

(ff) “Nonqualified Stock Option” or “NQSO” means a right to purchase Shares under the Plan in accordance with the terms and conditions set forth in Section 6 and which is not intended to meet the requirements of Section 422 of the Code or otherwise does not meet such requirements.

(gg) “Notice” means notice provided by a Participant to the Company in a manner prescribed by the Committee.

(hh) “Option” or “Stock Option” means an Incentive Stock Option or a Nonqualified Stock Option, as described in Section 6.

(ii) “Option Price” means the price at which a Share may be purchased by a Participant pursuant to an Option.

(jj) “Other Stock-Based Award” means an equity-based or equity-related Award, other than an Option, SAR, Restricted Stock, Restricted Stock Unit or Dividend Equivalent, granted in accordance with the terms and conditions set forth in Section 9.

(kk) “Participant” means any eligible individual as set forth in Section 5 who holds one or more outstanding Awards.

(ll) “Performance Compensation Award” means any Award designated by the Committee as a Performance Compensation Award pursuant to Section 12 of the Plan.

(mm) “Performance Formula” shall mean, for a Performance Period, the one or more objective formulae applied against the relevant Performance Goal to determine, with regard to the Performance Compensation Award of a particular Participant, whether all, some portion but less than all, or none of the Performance Compensation Award has been earned for the Performance Period.

(nn) “Performance Goals” shall mean, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon the relevant Performance Measures.

(oo) “Performance Measure” means any performance criteria or measures as described in Section 12(c) on which the performance goals described in Section 12 for Performance

Compensation Awards are based, and which criteria or measures are approved by the Company's shareholders pursuant to the Plan.

(pp) “Performance Period” means the period of time, as determined in the discretion of the Committee, during which the performance goals must be met in order to determine the degree of payout and/or vesting with respect to, or the amount or entitlement to, an Award.

(qq) “Period of Restriction” means the period of time during which Shares of Restricted Stock or Restricted Stock Units are subject to a substantial risk of forfeiture and/or other restrictions, or, as applicable, the period of time within which performance is measured for purposes of determining whether such an Award has been earned, and, in the case of Restricted Stock, the transfer of Shares of Restricted Stock is limited in some way, in each case in accordance with Section 8.

(rr) “Restricted Stock” means an Award of Shares granted to a Participant, subject to the applicable Period of Restriction, pursuant to Section 8.

(ss) “Restricted Stock Unit” means an unfunded and unsecured promise to deliver Shares, subject to the applicable Period of Restriction, granted pursuant to Section 8.

(tt) “Rule 16b-3” means Rule 16b-3 under the Exchange Act, or any successor rule, as the same may be amended from time to time.

(uu) “Salary” means the higher of a Participant's annual base salary or hourly wages on an annualized basis based on a normal basic work schedule immediately prior to (or 12 times a Participant's average monthly salary during the six (6) month period, excluding any month(s) during which he or she worked less than a normal schedule, immediately prior to) (i) the date of such Participant's Termination of Service, or (ii) the date of a Change in Control.

(vv) “SEC” means the Securities and Exchange Commission.

(ww) “Securities Act” means the Securities Act of 1933, as it may be amended from time to time, including the rules and regulations promulgated thereunder and successor provisions and rules and regulations thereto.

(xx) “Share” means a share of Common Stock.

(yy) “Stock Appreciation Right” or “SAR” means an Award, granted alone (a “Freestanding SAR”) or in connection with a related Option (a “Tandem SAR”), designated as an SAR, pursuant to the terms of Section 7.

(zz) “Subsidiary” means any present or future corporation which is or would be a “subsidiary corporation” of the Company as the term is defined in Section 424(f) of the Code.

([[) “Substitute Awards” means Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, options or other awards previously granted, or the right or obligation to grant future options or other awards, by a company acquired by the Company and/or an Affiliate or with which the Company and/or an Affiliate combines, or otherwise in

connection with any merger, consolidation, acquisition of property or stock, or reorganization involving the Company or an Affiliate, including a transaction described in Code Section 424(a).

(aaa) “Termination of Service” means the termination of the applicable Participant’s employment with, or performance of services for, the Company or any Affiliate under any circumstances. Unless otherwise determined by the Committee (and subject to the limitations applicable to ISOs under the Code), a Termination of Service shall not be considered to have occurred in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Committee, provided that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to an applicable Company or Affiliate policy adopted from time to time; (iv) changes in status from Director to advisory director or emeritus status; or (v) transfers between locations of the Company or between or among the Company and/or an Affiliate or Affiliates. Changes in status between service as an Employee, Director, and a Consultant will not constitute a Termination of Service if the individual continues to perform bona fide services for the Company or an Affiliate (subject to the limitations applicable to ISOs under the Code). A Participant employed by, or performing services for, an Affiliate or a division of the Company or of an Affiliate shall be deemed to incur a Termination of Service if, as a result of a Disaffiliation, such Affiliate or division ceases to be an Affiliate or such a division, as the case may be, and the Participant does not immediately thereafter become an employee of, or service provider for, the Company or another Affiliate. The Committee shall have the discretion to determine whether and to what extent the vesting of any Awards shall be tolled during any paid or unpaid leave of absence; provided, however, that, in the absence of such determination, vesting for all Awards shall be tolled during any such unpaid leave (but not for a paid leave).

3. Administration.

(a) General. The Committee shall have exclusive authority to operate, manage and administer the Plan in accordance with its terms and conditions. Notwithstanding the foregoing, in its absolute discretion, the Board may at any time and from time to time exercise any and all rights, duties and responsibilities of the Committee under the Plan, including establishing procedures to be followed by the Committee, but excluding matters which under any applicable law, regulation or rule, including any exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3), are required to be determined in the sole discretion of the Committee. If and to the extent that the Committee does not exist or cannot function, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee, subject to the limitations set forth in the immediately preceding sentence.

(b) Committee. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board of Directors. The Committee shall consist of not less than two (2) non-employee members of the Board, each of whom satisfies such criteria of independence as the Board may establish and such additional regulatory or listing requirements as the Board may determine to be applicable or appropriate. Appointment of Committee members shall be effective upon their acceptance of such appointment. Committee members may be removed by the Board at any time either with or without cause, and such members may resign at any time

by delivering notice thereof to the Board. Any vacancy on the Committee, whether due to action of the Board or any other reason, shall be filled by the Board. The Committee shall keep minutes of its meetings. A majority of the Committee shall constitute a quorum and a majority of a quorum may authorize any action. Any decision reduced to writing and signed by a majority of the members of the Committee shall be fully effective as if it has been made at a meeting duly held.

(c) Authority of the Committee. The Committee shall have full discretionary authority to grant, pursuant to the terms of the Plan, Awards to those individuals who are eligible to receive Awards under the Plan. Except as limited by law or by the Certificate of Incorporation or By-Laws of the Company, and subject to the provisions herein, the Committee shall have full power, in accordance with the other terms and provisions of the Plan, to:

- (i) select Eligible Individuals who may receive Awards under the Plan and become Participants;
- (ii) determine eligibility for participation in the Plan and decide all questions concerning eligibility for, and the amount of, Awards under the Plan;
- (iii) determine the sizes and types of Awards;
- (iv) determine the terms and conditions of Awards, including the Option Prices of Options and the Grant Prices of SARs;
- (v) grant Awards as an alternative to, or as the form of payment for grants or rights earned or payable under, other bonus or compensation plans, arrangements or policies of the Company or an Affiliate;
- (vi) grant Substitute Awards on such terms and conditions as the Committee may prescribe, subject to compliance with the ISO rules under Code Section 422 and the nonqualified deferred compensation rules under Code Section 409A, where applicable;
- (vii) make all determinations under the Plan concerning Termination of Service of any Participant's employment or service with the Company or an Affiliate, including whether such Termination of Service occurs by reason of Cause, Good Reason, disability, retirement or in connection with a Change in Control, and whether a leave constitutes a Termination of Service;
- (viii) determine whether a Change in Control shall have occurred;
- (ix) construe and interpret the Plan and any agreement or instrument entered into under the Plan, including any Award Agreement;
- (x) establish and administer any terms, conditions, restrictions, limitations, forfeiture, vesting or exercise schedule, and other provisions of or relating to any Award;
- (xi) establish and administer any performance goals in connection with any Awards, including related Performance Goals and Performance Measures or other

performance criteria and applicable Performance Periods, determine the extent to which any performance goals and/or other terms and conditions of an Award are attained or are not attained, and certify whether, and to what extent, any such performance goals and other material terms applicable to any Award intended to qualify as a Performance Compensation Award were in fact satisfied;

(xii) construe any ambiguous provisions, correct any defects, supply any omissions and reconcile any inconsistencies in the Plan and/or any Award Agreement or any other instrument relating to any Awards;

(xiii) establish, adopt, amend, waive and/or rescind rules, regulations, procedures, guidelines, forms and/or instruments for the Plan's operation or administration;

(xiv) make all valuation determinations relating to Awards and the payment or settlement thereof;

(xv) grant waivers of terms, conditions, restrictions and limitations under the Plan or applicable to any Award, or accelerate the vesting or exercisability of any Award;

(xvi) amend or adjust the terms and conditions of any outstanding Award and/or adjust the number and/or class of shares of stock subject to any outstanding Award;

(xvii) at any time and from time to time after the granting of an Award, specify such additional terms, conditions and restrictions with respect to such Award as may be deemed necessary or appropriate to ensure compliance with any and all applicable laws or rules, including terms, restrictions and conditions for compliance with applicable securities laws or listing rules, methods of withholding or providing for the payment of required taxes and restrictions regarding a Participant's ability to exercise Options through a cashless (broker-assisted) exercise;

(xviii) establish any "blackout" period that the Committee in its sole discretion deems necessary or advisable (without derogating from any authority of the Board or any Company official to establish any blackout period); and

(xix) exercise all such other authorities, take all such other actions and make all such other determinations as it deems necessary or advisable for the proper operation and/or administration of the Plan.

(d) Award Agreements. The Committee shall, subject to applicable laws and rules, determine the date an Award is granted. Each Award shall be evidenced by an Award Agreement; however, two or more Awards granted to a single Participant may be combined in a single Award Agreement. An Award Agreement shall not be a precondition to the granting of an Award; provided, however, that (i) the Committee may, but need not, require as a condition to any Award Agreement's effectiveness, that such Award Agreement be executed on behalf of the Company and/or by the Participant to whom the Award evidenced thereby shall have been granted (including by electronic signature or other electronic indication of acceptance), and such executed Award Agreement be

delivered to the Company, and (ii) no person shall have any rights under any Award unless and until the Participant to whom such Award shall have been granted has complied with the applicable terms and conditions of the Award. The Committee shall prescribe the form of all Award Agreements, and, subject to the terms and conditions of the Plan, shall determine the content of all Award Agreements. Subject to the other provisions of the Plan, any Award Agreement may be supplemented or amended in writing from time to time as approved by the Committee; provided that the terms and conditions of any such Award Agreement as supplemented or amended are not inconsistent with the provisions of the Plan. In the event of any dispute or discrepancy concerning the terms of an Award, the records of the Committee or its designee shall be determinative.

(e) Discretionary Authority; Decisions Binding. The Committee shall have full discretionary authority in all matters related to the discharge of its responsibilities and the exercise of its authority under the Plan. All determinations, decisions, actions and interpretations by the Committee with respect to the Plan and any Award Agreement, and all related orders and resolutions of the Committee shall be final, conclusive and binding on all Participants, the Company and its stockholders, any Affiliate and all persons having or claiming to have any right or interest in or under the Plan and/or any Award Agreement. The Committee shall consider such factors as it deems relevant to making or taking such decisions, determinations, actions and interpretations, including the recommendations or advice of any Director or officer or employee of the Company, any director, officer or employee of an Affiliate and such attorneys, consultants and accountants as the Committee may select. A Participant or other holder of an Award may contest a decision or action by the Committee with respect to such person or Award only on the grounds that such decision or action was arbitrary or capricious or was unlawful, and any review of such decision or action shall be limited to determining whether the Committee's decision or action was arbitrary or capricious or was unlawful.

(f) Attorneys; Consultants. The Committee may consult with counsel who may be counsel to the Company. The Committee may, with the approval of the Board, employ such other attorneys and/or consultants, accountants, appraisers, brokers, agents and other persons, any of whom may be an Eligible Individual, as the Committee deems necessary or appropriate. The Committee, the Company and its officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. The Committee shall not incur any liability for any action taken in good faith in reliance upon the advice of such counsel or other persons.

(g) Delegation of Administration. Except to the extent prohibited by applicable law, including any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3) and the rules of Code Section 162(m) applicable to any Performance Compensation Award, or the applicable rules of a stock exchange, the Committee may, in its discretion, allocate all or any portion of its responsibilities and powers under this Section 3 to any one or more of its members and/or delegate all or any part of its responsibilities and powers under this Section 3 to any person or persons selected by it; provided, however, that the Committee may not (i) delegate to any executive officer of the Company or an Affiliate, or a committee that includes any such executive officer, the Committee's authority to grant Awards, or the Committee's authority otherwise concerning Awards, awarded to executive officers of the Company or an Affiliate; (ii) delegate the Committee's authority to grant Awards to consultants unless any such Award is subject to approval by the Committee; or

(iii) delegate its authority to correct defects, omissions or inconsistencies in the Plan. Any such authority delegated or allocated by the Committee under this Section 3(g) shall be exercised in accordance with the terms and conditions of the Plan and any rules, regulations or administrative guidelines that may from time to time be established by the Committee, and any such allocation or delegation may be revoked by the Committee at any time.

4. Shares Subject To The Plan.

(a) Number of Shares Available for Grants. The shares of stock subject to Awards granted under the Plan shall be Shares. Such Shares subject to the Plan may be authorized and unissued shares (which will not be subject to preemptive rights), Shares held in treasury by the Company, Shares purchased on the open market or by private purchase or any combination of the foregoing. Subject to adjustment as provided in Section 4(d), the total number of Shares that may be issued pursuant to Awards under the Plan shall be 22,500,000 Shares. From and after the Effective Date, no further grants or awards shall be made under the Company's Amended and Restated 2002 Stock Incentive Plan (the "Prior Plan"); however, grants or awards made under the Prior Plan before the Effective Date shall continue in effect in accordance with their terms.

(b) Rules for Calculating Shares Issued.

(i) Shares underlying Awards that are forfeited (including any Shares subject to an Award that are repurchased by the Company due to failure to meet any applicable condition), cancelled, expire unexercised or are settled for cash shall be available for issuance pursuant to future Awards.

(ii) Any Shares used to pay the Option Price of an Option or other purchase price of an Award, or withholding tax obligations with respect to an Award, shall not be available for issuance pursuant to future Awards.

(iii) If any Shares subject to an Award are not delivered to a Participant because (A) such Shares are withheld to pay the Option Price or other purchase price of such Award, or withholding tax obligations with respect to such Award, or (B) a payment upon exercise of a Stock Appreciation Right is made in Shares, the number of Shares subject to the exercised or purchased portion of any such Award that are not delivered to the Participant shall not be available for issuance pursuant to future Awards.

(iv) Any Shares delivered under the Plan upon exercise or satisfaction of Substitute Awards shall not reduce the Shares available for issuance under the Plan; provided, however, that the total number of Shares that may be issued pursuant to Incentive Stock Options granted under the Plan shall be 22,500,000, as adjusted pursuant to this Section 4(b), but without application of the foregoing provisions of this sentence.

(c) Award Limits. The following limits shall apply to grants of the following Awards under the Plan (subject to adjustment as provided in Section 4(d)):

(i) Options: The maximum aggregate number of Shares that may be subject to Options granted in any Fiscal Year to any one Participant shall be 2,500,000 Shares.

(ii) SARs: The maximum aggregate number of Shares that may be subject to Stock Appreciation Rights granted in any Fiscal Year to any one Participant shall be 2,500,000 Shares. Any Shares covered by Options which include Tandem SARs granted to one Participant in any Fiscal Year shall reduce this limit on the number of Shares subject to SARs that can be granted to such Participant in such Fiscal Year.

(iii) Performance Compensation Awards: No more than 2,000,000 Shares may be earned in respect of Performance Compensation Awards granted to any one Participant for a single Fiscal Year during a Performance Period (or, in the event such Performance Compensation Award is settled in cash, other securities, other Awards or other property, no more than the Fair Market Value of such number of Shares, calculated as of the last day of the Performance Period to which such Award relates). If a Performance Compensation Award is not denominated in Shares, the maximum amount that can be paid to any one Participant in any one Fiscal Year in respect of such Award shall be \$4,000,000.

To the extent required by Section 162(m) of the Code, Shares subject to Options or SARs which are canceled shall continue to be counted against the limits set forth in paragraphs (i) and (ii) immediately preceding.

(d) Adjustment Provisions. In the event of (i) any dividend (excluding any ordinary dividend) or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, split-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to acquire Shares or other securities of the Company, or other similar corporate transaction or event (including a Change in Control) that affects the shares of Common Stock, or (ii) any unusual or nonrecurring events (including a Change in Control) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, such that in either case an adjustment is determined by the Committee in its sole discretion to be necessary or appropriate, then the Committee shall make any such adjustments in such manner as it may deem equitable, including any or all of the following:

(i) adjusting any or all of (A) the number of Shares or other securities of the Company (or number and kind of other securities or other property) that may be delivered in respect of Awards or with respect to which Awards may be granted under the Plan (including adjusting any or all of the limits under Section 4(c)) and (B) the terms of any outstanding Award, including (1) the number of Shares or other securities of the Company (or number and kind of other securities or other property) subject to outstanding Awards or to which outstanding Awards relate, (2) the Option Price or Grant Price with respect to any Award or (3) any applicable performance measures (including Performance Measures and Performance Goals);

(ii) providing for a substitution or assumption of Awards, accelerating the exercisability of, lapse of restrictions (including any Period of Restriction) on, or termination of, Awards or providing for a period of time for exercise prior to the occurrence of such event; and

(iii) cancelling any one or more outstanding Awards and causing to be paid to the holders thereof, in cash, Shares, other securities or other property, or any combination thereof, the value of such Awards, if any, as determined by the Committee (which, if applicable, may be based upon the price per Share received or to be received by other stockholders of the Company in such event), including, in the case of an outstanding Option or SAR, a cash payment in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or SAR over the aggregate Option Price or Grant Price of such Option or SAR, respectively (it being understood that, in such event, any Option or SAR having a per share Option Price or Grant Price equal to, or in excess of, the Fair Market Value of a Share may be canceled and terminated without any payment or consideration therefor);

provided, however, that in the case of any “equity restructuring” (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation— Stock Compensation (or any successor pronouncement)), the Committee shall make an equitable or proportionate adjustment to outstanding Awards to reflect such equity restructuring. The Committee shall determine any adjustment pursuant to this Section 4(d): (i) after taking into account, among other things, to the extent applicable, the provisions of the Code applicable to Incentive Stock Options and Performance Compensation Awards and (ii) subject to Section 17(g)(v). Any adjustments under this Section 4(d) shall be made in a manner that does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act, to the extent applicable. All determinations of the Committee as to adjustments, if any, under this Section 4(d) shall be conclusive and binding for all purposes.

(e) No Limitation on Corporate Actions. The existence of the Plan and any Awards granted hereunder shall not affect in any way the right or power of the Company or any Affiliate to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or business structure, any merger or consolidation, any issuance of debt, preferred or prior preference stock ahead of or affecting the Shares, additional shares of capital stock or other securities or subscription rights thereto, any dissolution or liquidation, any sale or transfer of all or part of its assets or business or any other corporate act or proceeding.

5. Eligibility and Participation.

(a) Eligibility. Eligible Individuals shall be eligible to become Participants and receive Awards in accordance with the terms and conditions of the Plan, subject to the limitations on the granting of ISOs set forth in Section 6(i)(i).

(b) Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select Participants from all Eligible Individuals and shall determine the nature and amount of each Award.

6. Stock Options.

(a) Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number (subject to Section 4), and upon such terms, and at any time and from time to time as shall be determined by the Committee. The Committee may grant an Option or provide for the grant of an Option, either from time to time in the discretion of the Committee or automatically upon the occurrence of specified events, including the achievement of performance goals, the satisfaction of an event or condition within the control of the recipient of the Option or within the control of others.

(b) Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the maximum duration of the Option, the number of Shares to which the Option pertains, the conditions upon which the Option shall become exercisable and such other provisions as the Committee shall determine, which are not inconsistent with the terms of the Plan. The Award Agreement also shall specify whether the Option is intended to be an ISO or an NQSO. To the extent that any Option does not qualify as an ISO (whether because of its provisions or the time or manner of its exercise or otherwise), such Option, or the portion thereof which does not so qualify, shall constitute a separate NQSO.

(c) Option Price. The Option Price for each Option shall be determined by the Committee and set forth in the Award Agreement; provided that, subject to Section 6(i)(iii), the Option Price of an Option shall be not less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date of such Option; provided further, that Substitute Awards or Awards granted in connection with an adjustment provided for in Section 4(d), in the form of stock options, shall have an Option Price per Share that is intended to maintain the economic value of the Award that was replaced or adjusted, as determined by the Committee.

(d) Duration of Options. Each Option granted to a Participant shall expire at such time as the Committee shall determine as of the Grant Date and set forth in the Award Agreement; provided, however, that no Incentive Stock Option shall be exercisable later than the tenth (10th) anniversary of its Grant Date. The period of time over which a Nonqualified Stock Option may be exercised shall be automatically extended if on the scheduled expiration date of such Option the Participant's exercise of such Option would violate an applicable law; provided, however, that during such extended exercise period the Option may only be exercised to the extent the Option was exercisable in accordance with its terms immediately prior to such scheduled expiration date; provided further, however, that such extended exercise period shall end not later than thirty (30) days after the exercise of such Option first would no longer violate such law.

(e) Exercise of Options. Options shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance determine and set forth in the Award Agreement, which need not be the same for each grant or for each Option or Participant. The Committee, in its discretion, may allow a Participant to exercise an Option that has not otherwise become exercisable pursuant to the applicable Award Agreement, in which case the Shares then issued shall be Shares of Restricted Stock having a Period of Restriction analogous to the exercisability provisions of the Option. Provided, however, Options shall be granted with at least

a three year ratable vesting cycle; exceptions may be made for option grants to new hires, retirees and in the event of Death or Disability.

(f) Payment. Options shall be exercised by the delivery of a written notice of exercise to the Company, in a form specified or accepted by the Committee, or by complying with any alternative exercise procedures that may be authorized by the Committee, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for such Shares, which shall include applicable taxes, if any, in accordance with Section 17. The Option Price upon exercise of any Option shall be payable to the Company in full by cash, check or such cash equivalent as the Committee may accept. If approved by the Committee, and subject to any such terms, conditions and limitations as the Committee may prescribe and to the extent permitted by applicable law, payment of the Option Price, in full or in part, may also be made as follows:

(i) Payment may be made in the form of unrestricted and unencumbered Shares (by actual delivery of such Shares or by attestation) already owned by the Participant exercising such Option, or by such Participant and his or her spouse jointly (based on the Fair Market Value of the Common Stock on the date the Option is exercised); provided, however, that, in the case of an Incentive Stock Option, the right to make a payment in the form of such already owned Shares may be authorized only as of the Grant Date of such Incentive Stock Option and provided further that such already owned Shares must have been either previously acquired by the Participant on the open market or held by the Participant for at least six (6) months at the time of exercise (or meet any such other requirements as the Committee may determine are necessary in order to avoid an accounting earnings charge on account of the use of such Shares to pay the Option Price).

(ii) Payment may be made by means of a broker-assisted “cashless exercise” pursuant to which a Participant may elect to deliver a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of Share sale or loan proceeds necessary to pay the Option Price, and, if requested, the amount of any federal, state, local or non-United States withholding taxes.

(iii) Payment may be made by instructing the Company to withhold a number of Shares otherwise deliverable to the Participant pursuant to the Option having an aggregate Fair Market Value on the date of exercise equal to the product of: (1) Option Price multiplied by (2) the number of Shares in respect of which the Option shall have been exercised.

(iv) Payment may be made by any other method approved or accepted by the Committee in its discretion.

Subject to any governing rules or regulations, as soon as practicable after receipt of a written notification of exercise and full payment in accordance with the preceding provisions of this Section 6(f) and satisfaction of tax obligations in accordance with Section 17, the Company shall deliver to the Participant exercising an Option, in the Participant’s name, evidence of book entry Shares, or, upon the Participant’s request, Share certificates, in an appropriate amount based upon the number of Shares purchased under the Option, subject to Section 22(g). Unless otherwise determined by

the Committee, all payments under all of the methods described above shall be paid in United States dollars.

(g) Rights as a Stockholder. No Participant or other person shall become the beneficial owner of any Shares subject to an Option, nor have any rights to dividends or other rights of a stockholder with respect to any such Shares, until the Participant has actually received such Shares following exercise of his or her Option in accordance with the provisions of the Plan and the applicable Award Agreement.

(h) Termination of Service. The Committee may establish and set forth in the applicable Award Agreement the terms and conditions on which an Option shall remain exercisable, if at all, upon a Participant's Termination of Service. To the extent that a Participant is not entitled to exercise an Option at the date of his or her Termination of Service, or if the Participant (or other person entitled to exercise the Option) does not exercise the Option to the extent so entitled within the time period specified in the Award Agreement or below (as applicable), effective as of the date of such Termination of Service or expiration of such time period (as applicable), the Option shall terminate and cease to be exercisable. Notwithstanding the foregoing provisions of this Section 6(h) to the contrary, the Committee may determine in its discretion that an Option may be exercised following any such Termination of Service, whether or not exercisable at the time of such Termination of Service. If there is an SEC blackout period (or a Committee-imposed blackout period) that prohibits the buying or selling of Shares during any part of the ten day period before termination of any Option based on the Termination of Service of a Participant, the period for exercising such Option shall be automatically extended until ten days beyond when such blackout period ends. Notwithstanding any provision of the Plan or an Award Agreement, in no event may an Option be exercised after the expiration date of the original term of such Option set forth in the applicable Award Agreement, except as provided in the last sentence of Section 6(d). Subject to the last sentence of this Section 6(h), a Participant's Option shall be forfeited upon his or her Termination of Service, except as set forth below:

(i) Not for Cause. Upon a Participant's Termination of Service for any reason other than for Cause, any Option held by such Participant that was exercisable immediately before such Termination of Service may be exercised at any time until the earlier of (A) the ninetieth (90th) day following such Termination of Service and (B) the expiration date of the original term of such Option set forth in the applicable Award Agreement. The Committee may, in its discretion, extend the period of time over which a Nonqualified Stock Option may be exercised beyond the period specified in the immediately preceding sentence, but not beyond the earlier to occur of (I) one (1) year following the time specified in clause (A) of such sentence and (II) the expiration date of the original term of such Option set forth in the applicable Award Agreement.

(ii) Cause. Upon a Participant's Termination of Service for Cause, any Option held by such Participant shall be forfeited, effective as of such Termination of Service.

Notwithstanding the foregoing provisions of this Section 6(h), the Committee shall have the power, in its discretion, to apply different rules concerning the consequences of a Termination of Service; provided, however, that such rules shall be set forth in the applicable Award Agreement.

(i) Limitations on Incentive Stock Options.

(i) General. No ISO shall be granted to any Eligible Individual who is not an Employee of the Company or a Subsidiary on the Grant Date of such Option. Any ISO granted under the Plan shall contain such terms and conditions, consistent with the Plan, as the Committee may determine to be necessary to qualify such Option as an “incentive stock option” under Section 422 of the Code. Any ISO granted under the Plan may be modified by the Committee to disqualify such Option from treatment as an “incentive stock option” under Section 422 of the Code.

(ii) \$100,000 Per Year Limitation. Notwithstanding any intent to grant ISOs, an Option granted under the Plan will not be considered an ISO to the extent that it, together with any other “incentive stock options” (within the meaning of Section 422 of the Code, but without regard to subsection (d) of such Section) under the Plan and any other “incentive stock option” plans of the Company, any Subsidiary and any “parent corporation” of the Company within the meaning of Section 424(e) of the Code, are exercisable for the first time by any Participant during any calendar year with respect to Shares having an aggregate Fair Market Value in excess of \$100,000 (or such other limit as may be required by the Code) as of the Grant Date of the Option with respect to such Shares. The rule set forth in the preceding sentence shall be applied by taking Options into account in the order in which they were granted.

(iii) Options Granted to Certain Stockholders. No ISO shall be granted to an individual otherwise eligible to participate in the Plan who owns (within the meaning of Section 424(d) of the Code), at the Grant Date of such Option, more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or a Subsidiary or any “parent corporation” of the Company within the meaning of Section 424(e) of the Code. This restriction does not apply if at the Grant Date of such ISO the Option Price of the ISO is at least 110% of the Fair Market Value of a Share on the Grant Date such ISO, and the ISO by its terms is not exercisable after the expiration of five years from such Grant Date.

7. Stock Appreciation Rights.

(a) Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant an SAR (i) in connection with, and at the Grant Date of, a related Option (a “Tandem SAR”), or (ii) independent of, and unrelated to, an Option (a “Freestanding SAR”). The Committee shall have complete discretion in determining the number of Shares to which a SAR pertains (subject to Section 4) and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to any SAR. Provided, however, SARs shall be granted with at least a three year ratable vesting cycle; exceptions may be made for option grants to new hires, retirees and in the event of death or disability.

(b) Grant Price. The Grant Price for each SAR shall be determined by the Committee and set forth in the Award Agreement, subject to the limitations of this Section 7(b). The Grant

Price for each Freestanding SAR shall be not less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date of such Freestanding SAR, except in the case of Substitute Awards or Awards granted in connection with an adjustment provided for in Section 4(d). The Grant Price of a Tandem SAR shall be equal to the Option Price of the related Option.

(c) Exercise of Tandem SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR shall be exercisable only when and to the extent the related Option is exercisable and may be exercised only with respect to the Shares for which the related Option is then exercisable. A Tandem SAR shall entitle a Participant to elect, in the manner set forth in the Plan and the applicable Award Agreement, in lieu of exercising his or her unexercised related Option for all or a portion of the Shares for which such Option is then exercisable pursuant to its terms, to surrender such Option to the Company with respect to any or all of such Shares and to receive from the Company in exchange therefor a payment described in Section 7(g). An Option with respect to which a Participant has elected to exercise a Tandem SAR shall, to the extent of the Shares covered by such exercise, be canceled automatically and surrendered to the Company. Such Option shall thereafter remain exercisable according to its terms only with respect to the number of Shares as to which it would otherwise be exercisable, less the number of Shares with respect to which such Tandem SAR has been so exercised. Notwithstanding any other provision of the Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (i) the Tandem SAR will expire no later than the expiration of the related ISO; (ii) the value of the payment with respect to the Tandem SAR may not exceed the difference between the Fair Market Value of the Shares subject to the related ISO at the time the Tandem SAR is exercised and the Option Price of the related ISO; and (iii) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the Option Price of the ISO.

(d) Exercise of Freestanding SARs. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, in accordance with the Plan, determines and sets forth in the Award Agreement. An Agreement may provide that the period of time over which a Freestanding SAR may be exercised shall be automatically extended if on the scheduled expiration date of such SAR the Participant's exercise of such SAR would violate an applicable law; provided, however, that during such extended exercise period the SAR may only be exercised to the extent the SAR was exercisable in accordance with its terms immediately prior to such scheduled expiration date; provided further, however, that such extended exercise period shall end not later than thirty (30) days after the exercise of such SAR first would no longer violate such law.

(e) Award Agreement. Each SAR grant shall be evidenced by an Award Agreement that shall specify the number of Shares to which the SAR pertains, the Grant Price, the term of the SAR, and such other terms and conditions as the Committee shall determine in accordance with the Plan.

(f) Term of SARs. The term of a SAR granted under the Plan shall be determined by the Committee, in its sole discretion; provided, however, that the term of any Tandem SAR shall be the same as the related Option.

(g) Payment of SAR Amount. An election to exercise SARs shall be deemed to have been made on the date of Notice of such election to the Company. As soon as practicable following such Notice, the Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

- (i) The excess of the Fair Market Value of a Share on the date of exercise over the Grant Price of the SAR; by
- (ii) The number of Shares with respect to which the SAR is exercised.

Notwithstanding the foregoing provisions of this Section 7(g) to the contrary, the Committee may establish and set forth in the applicable Award Agreement a maximum amount per Share that will be payable upon the exercise of a SAR. At the discretion of the Committee, such payment upon exercise of a SAR shall be in cash, in Shares of equivalent Fair Market Value as of the date of such exercise or in some combination thereof.

(h) Rights as a Stockholder. A Participant receiving a SAR shall have the rights of a stockholder only as to Shares, if any, actually issued to such Participant upon satisfaction or achievement of the terms and conditions of the Award, and in accordance with the provisions of the Plan and the applicable Award Agreement, and not with respect to Shares to which such Award relates but which are not actually issued to such Participant.

(i) Termination of Service. The provisions of Section 6(h) above shall apply to any SAR upon and after the Termination of Service of the Participant holding such SAR, except that in the case of any Freestanding SAR, the reference to the last sentence of Section 6(d) therein shall be deemed a reference to Section 7(d).

8. Restricted Stock and Restricted Stock Units.

(a) Awards of Restricted Stock and Restricted Stock Units. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock and/or Restricted Stock Units to Participants in such amounts as the Committee shall determine. Awards of Restricted Stock may be made with or without the requirement of a cash payment from the Participant to whom such Award is made in exchange for, or as a condition precedent to, the completion of such Award and the issuance of Shares of Restricted Stock, and any such required cash payment shall be set forth in the applicable Agreement. Subject to the terms and conditions of this Section 8 and the Award Agreement, upon delivery of Shares of Restricted Stock to a Participant, or creation of a book entry evidencing a Participant's ownership of Shares of Restricted Stock, pursuant to Section 8(f), the Participant shall have all of the rights of a stockholder with respect to such Shares, subject to the terms and restrictions set forth in this Section 8 or the applicable Award Agreement or as determined by the Committee.

(b) Award Agreement. Each Restricted Stock and/or Restricted Stock Unit Award shall be evidenced by an Award Agreement that shall specify the Period of Restriction, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, and such other provisions as the Committee shall determine in accordance with the Plan.

(c) Nontransferability of Restricted Stock. Except as provided in this Section 8, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, encumbered, alienated, hypothecated or otherwise disposed of until the end of the applicable Period of Restriction established by the Committee and specified in the Restricted Stock Award Agreement.

(d) Period of Restriction and Other Restrictions. The Period of Restriction shall lapse with respect to an Award of Restricted Stock or Restricted Stock Units based on a Participant's continuing service or employment with the Company or an Affiliate, the achievement of performance goals, the satisfaction of other conditions or restrictions or upon the occurrence of other events, in each case, as determined by the Committee, at its discretion, and stated in the Award Agreement; provided, however, that, except with respect to Awards of Restricted Stock and/or Restricted Stock Units of up to an aggregate of 1,500,000 Shares granted during the term of the Plan, such Period of Restriction shall lapse: (i) in full with respect to all Shares underlying such Award at the expiration of a period not less than three years from the Grant Date of such Award; (y) proportionally in equal installments of the Shares underlying such Award over a period not less than three years from the Grant Date of such Award; or (z) in the case an Award subject to the achievement of performance goals, a Performance Period of not less than one year with respect to which it is to be determined whether the performance goals applicable to such Award have been achieved, except that the Period of Restriction may lapse earlier in the event of the death or disability of the Participant, on such terms as the Committee shall determine, or in accordance with Section 15 hereof. The Committee shall not have the authority to otherwise accelerate the lapse of the Period of Restriction with respect to an Award of Restricted Stock or Restricted Stock Units.

(e) Delivery of Shares and Settlement of Restricted Stock Units. Upon the expiration of the Period of Restriction with respect to any Shares of Restricted Stock, the restrictions set forth in the applicable Award Agreement shall be of no further force or effect with respect to such Shares, except as set forth in such Award Agreement. If applicable stock certificates are held by the Secretary of the Company or an escrow holder, upon such expiration, the Company shall deliver to the Participant, or his beneficiary, without charge, the stock certificate evidencing the Shares of Restricted Stock that have not then been forfeited and with respect to which the Period of Restriction has expired. Unless otherwise provided by the Committee in an Award Agreement, upon the expiration of the Period of Restriction with respect to any outstanding Restricted Stock Units, the Company shall deliver to the Participant, or his beneficiary, without charge, one Share for each such outstanding Restricted Stock Unit; provided, however, that the Committee may, in its discretion, elect to: (i) pay cash or part cash and part Shares in lieu of delivering only Shares in respect of such Restricted Stock Units or (ii) defer the delivery of Shares beyond the expiration of the Period of Restriction. If a cash payment is made in lieu of delivering Shares, the amount of such payment shall be equal to the Fair Market Value of such Shares as of the date on which the Period of Restriction lapsed with respect to such Restricted Stock Units less applicable tax withholdings in accordance with Section 17.

(f) Forms of Restricted Stock Awards. Each Participant who receives an Award of Shares of Restricted Stock shall be issued a stock certificate or certificates evidencing the Shares covered by such Award registered in the name of such Participant, which certificate or certificates shall bear an appropriate legend, and, if the Committee determines that the Shares of Restricted

Stock shall be held by the Company or in escrow rather than delivered to the Participant pending expiration of the Period of Restriction, the Committee may require the Participant to additionally execute and deliver to the Company: (i) an escrow agreement satisfactory to the Committee, if applicable, and (ii) the appropriate stock power (endorsed in blank) with respect to such Shares of Restricted Stock. If a Participant shall fail to execute an Award Agreement evidencing an Award of Restricted Stock and, if applicable, an escrow agreement and blank stock power within the amount of time specified by the Committee, the Award shall be null and void. The Committee may require a Participant who receives a certificate or certificates evidencing a Restricted Stock Award to immediately deposit such certificate or certificates, together with a stock power or other appropriate instrument of transfer, endorsed in blank by the Participant, with signatures guaranteed in accordance with the Exchange Act if required by the Committee, with the Secretary of the Company or an escrow holder as provided in the immediately following sentence. The Secretary of the Company or such escrow holder as the Committee may appoint shall retain physical custody of each certificate representing a Restricted Stock Award until the Period of Restriction and any other restrictions imposed by the Committee or under the Award Agreement with respect to the Shares evidenced by such certificate expire or shall have been removed. The foregoing to the contrary notwithstanding, the Committee may, in its discretion, provide that a Participant's ownership of Shares of Restricted Stock prior to the lapse of the Period of Restriction or any other applicable restrictions shall, in lieu of such certificates, be evidenced by a "book entry" (i.e., a computerized or manual entry) in the records of the Company or its designated agent in the name of the Participant who has received such Award. Such records of the Company or such agent shall, absent manifest error, be binding on all Participants who receive Restricted Stock Awards evidenced in such manner. The holding of Shares of Restricted Stock by the Company or such an escrow holder, or the use of book entries to evidence the ownership of Shares of Restricted Stock, in accordance with this Section 8(f), shall not affect the rights of Participants as owners of the Shares of Restricted Stock awarded to them, nor affect the restrictions applicable to such shares under the Award Agreement or the Plan, including the Period of Restriction.

(g) Rights as a Stockholder. Unless otherwise determined by the Committee and set forth in a Participant's Award Agreement, to the extent permitted or required by law, as determined by the Committee, Participants holding Shares of Restricted Stock shall have the right to exercise full voting rights with respect to those Shares during the Period of Restriction. A Participant receiving Restricted Stock Units shall have the rights of a stockholder only as to Shares, if any, actually issued to such Participant upon expiration of the Period of Restriction and satisfaction or achievement of the terms and conditions of the Award, and in accordance with the provisions of the Plan and the applicable Award Agreement, and not with respect to Shares to which such Award relates but which are not actually issued to such Participant.

(h) Dividends and Other Distributions. During the Period of Restriction, Participants holding Shares of Restricted Stock shall be credited with any cash dividends paid with respect to such Shares while they are so held, unless determined otherwise by the Committee and set forth in the Award Agreement. The Committee may apply any restrictions to such dividends that the Committee deems appropriate. Except as set forth in the Award Agreement, in the event of (i) any adjustment as provided in Section 4(d), or (ii) any shares or securities are received as a dividend, or an extraordinary dividend is paid in cash, on Shares of Restricted Stock, any new or additional

Shares or securities or any extraordinary dividends paid in cash received by a recipient of Restricted Stock shall be subject to the same terms and conditions, including the Period of Restriction, as relate to the original Shares of Restricted Stock.

(i) Termination of Service; Forfeiture. Except as otherwise provided in this Section 8(i), during the Period of Restriction, any Restricted Stock Units and/or Shares of Restricted Stock held by a Participant shall be forfeited and revert to the Company (or, if Shares of Restricted Stock were sold to the Participant, the Participant shall be required to resell such Shares to the Company at cost) upon the Participant's Termination of Service or the failure to meet or satisfy any applicable performance goals or other terms, conditions and restrictions to the extent set forth in the applicable Award Agreement. To the extent Shares of Restricted Stock are forfeited, any stock certificates issued to the Participant evidencing such Shares shall be returned to the Company, and all rights of the Participant to such Shares and as a stockholder with respect thereto shall terminate without further obligation on the part of the Company. Each applicable Award Agreement shall set forth the extent to which, if any, the Participant shall have the right to retain Restricted Stock Units and/or Shares of Restricted Stock, then subject to the Period of Restriction, following such Participant's Termination of Service. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the applicable Award Agreement, need not be uniform among all such Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for, or circumstances of, such Termination of Service.

9. Other Stock-Based Awards.

(a) Other Stock-Based Awards. The Committee may grant types of equity-based or equity-related Awards not otherwise described by the terms of the Plan (including the grant or offer for sale of unrestricted Shares), in such amounts and subject to such terms and conditions, as the Committee shall determine. Such Other Stock-Based Awards may involve the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares. The terms and conditions of such Awards shall be consistent with the Plan and set forth in the Award Agreement and need not be uniform among all such Awards or all Participants receiving such Awards.

(b) Value of Other Stock-Based Awards. Each Other Stock-Based Award shall be expressed in terms of Shares or units based on Shares, as determined by the Committee. The Committee may establish performance goals in its discretion, and any such performance goals shall be set forth in the applicable Award Agreement. If the Committee exercises its discretion to establish performance goals, the number and/or value of Other Stock-Based Awards that will be paid out to the Participant will depend on the extent to which such performance goals are met.

(c) Payment of Other Stock-Based Awards. Payment, if any, with respect to an Other Stock-Based Award shall be made in accordance with the terms of the Award, as set forth in the Award Agreement, in cash, Shares or a combination of cash and Shares, as the Committee determines.

(d) Rights as a Stockholder. A Participant receiving an Other Stock-Based Award shall have the rights of a stockholder only as to Shares, if any, actually issued to such Participant upon

satisfaction or achievement of the terms and conditions of the Award, and in accordance with the provisions of the Plan and the applicable Award Agreement, and not with respect to Shares to which such Award relates but which are not actually issued to such Participant.

(e) Termination of Service. The Committee shall determine the extent to which the Participant shall have the right to receive Other Stock-Based Awards following the Participant's Termination of Service. Such provisions shall be determined in the sole discretion of the Committee, such provisions may be included in the applicable Award Agreement, but need not be uniform among all Other Stock-Based Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for Termination of Service.

10. Dividend Equivalents. Unless otherwise provided by the Committee, no adjustment shall be made in the Shares issuable or taken into account under Awards on account of cash dividends that may be paid or other rights that may be issued to the holders of Shares prior to issuance of such Shares under such Award. The Committee may grant Dividend Equivalents based on the dividends declared on Shares that are subject to any Award, including any Award the payment or settlement of which is deferred pursuant to Section 22(d). Any Award of Dividend Equivalents may be credited as of the dividend payment dates, during the period between the Grant Date of the Award and the date the Award becomes payable or terminates or expires, as determined by the Committee. Dividend Equivalents may be subject to any limitations and/or restrictions determined by the Committee. Dividend Equivalents shall be converted to cash or additional Shares by such formula and at such time, and shall be paid at such times, as may be determined by the Committee. For the avoidance of doubt, dividends and Dividend Equivalents shall be paid only upon the achievement of any applicable performance targets that an award is subject to.

11. Cash-Based Awards.

(a) Grant of Cash-Based Awards. Subject to the terms of the Plan, Cash-Based Awards may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee, in accordance with the Plan. A Cash-Based Award entitles the Participant who receives such Award to receive a payment in cash upon the attainment of applicable performance goals for the applicable Performance Period, and/or satisfaction of other terms and conditions, in each case determined by the Committee, and which shall be set forth in the Award Agreement. The terms and conditions of such Awards shall be consistent with the Plan and set forth in the Award Agreement and need not be uniform among all such Awards or all Participants receiving such Awards.

(b) Earning and Payment of Cash-Based Awards. Cash-Based Awards shall become earned, in whole or in part, based upon the attainment of performance goals specified by the Committee and/or the occurrence of any event or events and/or satisfaction of such terms and conditions, including a Change in Control, as the Committee shall determine, either at or after the Grant Date. The Committee shall determine the extent to which any applicable performance goals and/or other terms and conditions of a Cash-Based Award are attained or not attained following conclusion of the applicable Performance Period. The Committee may, in its discretion, waive any such performance goals and/or other terms and conditions relating to any such Award, subject to

Section 12, if applicable. Payment of earned Cash-Based Awards shall be as determined by the Committee and set forth in the Award Agreement.

(c) Termination of Service. Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain any Cash-Based Award following such Participant's Termination of Service. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the applicable Award Agreement, need not be uniform among all such Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for Termination of Service.

12. Performance Compensation Awards.

(a) (a) Generally. The Committee shall have authority, at the time of grant of any Award under Sections 8, 9 and 11 of the Plan to designate such Award as a Performance Compensation Award. A Performance Compensation Award is intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code. In the event that the Committee determines, in its discretion, to grant Awards that are not designated as Performance Compensation Awards, the Committee may make such grants without satisfying the requirements of Code Section 162(m) and may, in its discretion, base earning of such Awards on performance measures other than those set forth in Section 12(c).

(b) Discretion of Committee with Respect to Performance Compensation Awards. With regard to a particular Performance Period, the Committee shall have discretion to select the length of such Performance Period, the type or types of Performance Compensation Awards to be issued, the Performance Measure or Performance Measures that will be used to establish the Performance Goal or Performance Goals, the kinds and/or levels of the Performance Goal or Performance Goals that is or are to apply and the Performance Formula. Within the first 90 days of a Performance Period (or, if longer or shorter, within the maximum period allowed under Section 162(m) of the Code), the Committee shall, with regard to the Performance Compensation Awards to be issued for such Performance Period, exercise its discretion with respect to each of the matters enumerated in the immediately preceding sentence and record the same in writing.

(b) Performance Measures. The Performance Measures that shall be used to establish the Performance Goals shall be based on the attainment of specific levels of performance of the Company (and/or one or more Affiliates, divisions or operational units, or any combination of the foregoing) and shall include the following: (i) net earnings or net income (before or after interest, taxes and/or other adjustments); (ii) basic or diluted earnings per share (before or after interest, taxes and/or other adjustments); (iii) book value per share; (iv) net revenue or revenue growth; (v) net interest margin; (vi) operating profit (before or after taxes); (vii) return on assets, equity, capital, revenue or similar measure; (viii) cash flow (including operating cash flow and free cash flow); (ix) share price (including growth measures and total shareholder return); (x) working capital; (xi) expense targets, including fuel; (xii) margins; (xiii) operating efficiency; (xiv) measures of economic value added; (xv) asset quality; (xvi) enterprise value; (xvii) employee retention; (xviii) attainment of strategic or operational initiatives; (xix) asset growth; (xx) dividend yield; (xxi) market share, mergers, acquisitions, or sales of assets; (xxii) cost per available seat mile; (xxiii) revenue per seat mile available; (xxiv) revenue per seat mile; (xxv) percentage of flights completed

on time; (xxvi) percentage of scheduled flights completed; (xxvii) lost passenger baggage; (xxviii) aircraft utilization; (xxix) revenue per employee; (xxx) employee satisfaction/engagement/net promoter score; (xxxi) customer satisfaction / net promoter score; or (xxxii) any combination of the foregoing. Any one or more of the Performance Measures may be used on an absolute or relative basis to measure the performance of the Company and/or one or more Affiliates as a whole or any business unit(s) of the Company and/or one or more Affiliates or any combination thereof, as the Committee may determine in its discretion, or any of the above Performance Measures may be compared to the performance of a selected group of comparison companies, or a published or special index that the Committee, in its discretion, determines, or as compared to various stock market indices. To the extent required under Section 162(m) of the Code, the Committee shall, within the first 90 days of a Performance Period (or, if longer or shorter, within the maximum period allowed under Section 162(m) of the Code), define in an objective fashion the manner of calculating the relevant Performance Measures and Performance Goals it selects to use for such Performance Period and thereafter communicate such Performance Measures and Performance Goals to the Participant.

(d) Modification of Performance Goals. In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Measures without obtaining stockholder approval of such alterations, the Committee shall have discretion to make such alterations without obtaining stockholder approval. The Committee is authorized at any time during the first 90 days of a Performance Period (or, if longer or shorter, within the maximum period allowed under Section 162(m) of the Code), or at any time thereafter to the extent the exercise of such authority at such time would not cause the Performance Compensation Awards granted to any Participant for such Performance Period to fail to qualify as “qualified performance-based compensation” under Section 162(m) of the Code, in its discretion, to adjust or modify the calculation of a Performance Goal for such Performance Period, based on and in order to appropriately reflect the following events: (i) asset write-downs; (ii) litigation or claim judgments or settlements; (iii) the effect of changes in tax laws, accounting principles, or other laws or regulatory rules affecting reported results; (iv) any reorganization and restructuring programs; (v) the cumulative effect of changes in accounting principles; (vi) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 (or any successor pronouncement thereto); (vii) acquisitions, divestitures or discontinued operations; (viii) gains or losses on refinancing or extinguishment of debt; (ix) foreign exchange gains and losses; (x) a change in the Company’s fiscal year; (xi) any other specific unusual events, or objectively determinable category thereof and (xii) any other specific nonrecurring events, or objectively determinable category thereof.

(e) Payment of Performance Compensation Awards. A Participant shall be eligible to receive payment in respect of a Performance Compensation Award only to the extent that the Performance Goals for such Award are achieved and the Performance Formula as applied against such Performance Goals determines that all or some portion of such Participant’s Award has been earned for the Performance Period. After the close of each Performance Period, the Committee shall review and certify in writing whether, and to what extent, the Performance Goals for such Performance Period have been achieved and, if so, determine and certify in writing the amount of the Performance Compensation Award to be paid to the Participant and, in so doing, the Committee may use negative discretion, consistent with Section 162(m), to eliminate or reduce, but not increase, the amount of the Award otherwise payable to the Participant based upon such performance. The

Committee shall not have discretion to (i) waive the achievement of Performance Goals applicable to any Performance Compensation Award, except in the case of the Participant's death, disability or a Change in Control or (ii) increase a Performance Compensation Award above the applicable limits set forth in Section 4(c), except as otherwise provided in the Plan. For the avoidance of doubt, payment in respect of a Performance Compensation Award shall be paid only upon the achievement of performance targets.

13. Transferability Of Awards; Beneficiary Designation.

(a) Transferability of Incentive Stock Options. No ISO or Tandem SAR granted in connection with an ISO may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or in accordance with Section 13(c). Further, all ISOs and Tandem SARs granted in connection with ISOs granted to a Participant shall be exercisable during his or her lifetime only by such Participant.

(b) All Other Awards. Except as otherwise provided in Section 8(e) or Section 13(c) or a Participant's Award Agreement or otherwise determined at any time by the Committee, no Award granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution; provided that the Committee may permit further transferability, on a general or a specific basis, and may impose conditions and limitations on any permitted transferability, subject to Section 13(a) and any applicable Period of Restriction; provided further, however, that no Award may be transferred for value or other consideration without first obtaining approval thereof by the stockholders of the Company. Further, except as otherwise provided in a Participant's Award Agreement or otherwise determined at any time by the Committee, or unless the Committee decides to permit further transferability, subject to Section 13(a) and any applicable Period of Restriction, all Awards granted to a Participant under the Plan, and all rights with respect to such Awards, shall be exercisable or available during his or her lifetime only by or to such Participant. With respect to those Awards, if any, that are permitted to be transferred to another individual, references in the Plan to exercise or payment related to such Awards by or to the Participant shall be deemed to include, as determined by the Committee, the Participant's permitted transferee. In the event any Award is exercised by or otherwise paid to the executors, administrators, heirs or distributees of the estate of a deceased Participant, or such a Participant's beneficiary, or the transferee of an Award, in any such case, pursuant to the terms and conditions of the Plan and the applicable Agreement and in accordance with such terms and conditions as may be specified from time to time by the Committee, the Company shall be under no obligation to issue Shares thereunder unless and until the Company is satisfied, as determined in the discretion of the Committee, that the person or persons exercising such Award, or to receive such payment, are the duly appointed legal representative of the deceased Participant's estate or the proper legatees or distributees thereof or the named beneficiary of such Participant, or the valid transferee of such Award, as applicable. Any purported assignment, transfer or encumbrance of an Award that does not comply with this Section 13(b) shall be void and unenforceable against the Company.

(c) Beneficiary Designation. Each Participant may, from time to time, name any beneficiary or beneficiaries who shall be permitted to exercise his or her Option or SAR or to whom

any benefit under the Plan is to be paid in case of the Participant's death before he or she fully exercises his or her Option or SAR or receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such beneficiary designation, a Participant's unexercised Option or SAR, or amounts due but remaining unpaid to such Participant, at the Participant's death, shall be exercised or paid as designated by the Participant by will or by the laws of descent and distribution.

14. Rights of Participants.

(a) Rights or Claims. No person shall have any rights or claims under the Plan except in accordance with the provisions of the Plan and any applicable Award Agreement. The liability of the Company and any Affiliate under the Plan is limited to the obligations expressly set forth in the Plan, and no term or provision of the Plan may be construed to impose any further or additional duties, obligations, or costs on the Company or any Affiliate thereof or the Board or the Committee not expressly set forth in the Plan. The grant of an Award under the Plan shall not confer any rights upon the Participant holding such Award other than such terms, and subject to such conditions, as are specified in the Plan as being applicable to such type of Award, or to all Awards, or as are expressly set forth in the Award Agreement evidencing such Award. Without limiting the generality of the foregoing, neither the existence of the Plan nor anything contained in the Plan or in any Award Agreement shall be deemed to:

(i) Give any Eligible Individual the right to be retained in the employment or service of the Company and/or an Affiliate, whether in any particular position, at any particular rate of compensation, for any particular period of time or otherwise;

(ii) Restrict in any way the right of the Company and/or an Affiliate to terminate, change or modify any Eligible Individual's employment or service at any time with or without Cause;

(iii) Confer on any Eligible Individual any right of continued relationship with the Company and/or an Affiliate, or alter any relationship between them, including any right of the Company or an Affiliate to terminate, change or modify its relationship with an Eligible Individual;

(iv) Constitute a contract of employment or service between the Company or any Affiliate and any Eligible Individual, nor shall it constitute a right to remain in the employ or service of the Company or any Affiliate;

(v) Give any Eligible Individual the right to receive any bonus, whether payable in cash or in Shares, or in any combination thereof, from the Company and/or an Affiliate, nor be construed as limiting in any way the right of the Company and/or an Affiliate to determine, in its sole discretion, whether or not it shall pay any Eligible Individual bonuses, and, if so paid, the amount thereof and the manner of such payment; or

(vi) Give any Participant any rights whatsoever with respect to an Award except as specifically provided in the Plan and the Award Agreement.

(b) Adoption of the Plan. The adoption of the Plan shall not be deemed to give any Eligible Individual or any other individual any right to be selected as a Participant or to be granted an Award, or, having been so selected, to be selected to receive a future Award.

(c) Vesting. Notwithstanding any other provision of the Plan, a Participant's right or entitlement to exercise or otherwise vest in any Award not exercisable or vested at the Grant Date thereof shall only result from continued services as a Non-Employee Director or Consultant or continued employment, as the case may be, with the Company or any Affiliate, or satisfaction of any other performance goals or other conditions or restrictions applicable, by its terms, to such Award, except, in each such case, as the Committee may, in its discretion, expressly determine otherwise.

(d) No Effects on Benefits; No Damages. Payments and other compensation received by a Participant under an Award are not part of such Participant's normal or expected compensation or salary for any purpose, including calculating termination, indemnity, severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments under any laws, plans, contracts, policies, programs, arrangements or otherwise. A Participant shall, by participating in the Plan, waive any and all rights to compensation or damages in consequence of Termination of Service of such Participant for any reason whatsoever, whether lawfully or otherwise, insofar as those rights arise or may arise from such Participant ceasing to have rights under the Plan as a result of such Termination of Service, or from the loss or diminution in value of such rights or entitlements, including by reason of the operation of the terms of the Plan or the provisions of any statute or law relating to taxation. No claim or entitlement to compensation or damages arises from the termination of the Plan or diminution in value of any Award or Shares purchased or otherwise received under the Plan.

(e) One or More Types of Awards. A particular type of Award may be granted to a Participant either alone or in addition to other Awards under the Plan.

15. Change In Control.

(a) Alternative Awards. The occurrence of a Change in Control will not itself result in the cancellation, acceleration of exercisability or vesting, lapse of any Period of Restriction or settlement or other payment with respect to any outstanding Award to the extent that the Board or the Committee determines in its discretion, prior to such Change in Control, that such outstanding Award shall be honored or assumed, or new rights substituted therefor (such honored, assumed or substituted Award being hereinafter referred to as an "Alternative Award") by the New Employer, provided that any Alternative Award must:

(i) be based on securities that are traded on an established United States securities market, or which will be so traded within sixty (60) days following the Change in Control;

(ii) provide the Participant (or each Participant in a class of Participants) with rights and entitlements substantially equivalent to or better than the rights, terms and conditions applicable under such Award, including an identical or better exercise or vesting schedule and identical or better timing and methods of payment;

(iii) have substantially equivalent economic value to such Award immediately prior to the Change in Control (as determined by the Board or the Committee (as constituted prior to the Change in Control), in its discretion);

(iv) have terms and conditions which provide that if the Participant incurs a Termination of Service by the New Employer under any circumstances other than involuntary Termination of Service for Cause or resignation without Good Reason within eighteen (18) months following the Change in Control, (1) any conditions on a Participant's rights under, or any restrictions on transfer or exercisability applicable to, such Alternative Award shall be waived or shall lapse in full, and such Alternative Award shall become fully vested and exercisable, as the case may be, and (2) to the extent applicable, each such Alternative Award outstanding as of the date of such Termination of Service may thereafter be exercised until the later of (A) the last date on which such Award would have been exercisable in the absence of this Section 15(a), and (B) the earlier of (I) the third anniversary of such Change in Control and (II) expiration of the term of such Award; and

(v) not subject the Participant to the assessment of additional taxes under Section 409A of the Code.

(b) Accelerated Vesting and Payment.

(i) In the event Section 15(a) does not apply, upon a Change in Control, (1) all outstanding Awards shall become fully vested, nonforfeitable and, to the extent applicable, exercisable immediately prior to the Change in Control; (2) the Board or the Committee (as constituted prior the Change in Control) shall provide that in connection with the Change in Control (A) each outstanding Option and Stock Appreciation Right shall be cancelled in exchange for an amount (payable in accordance with Section 15(b)(ii)) equal to the excess, if any, of the Fair Market Value of the Common Stock on the date of the Change in Control over the Option Price or Grant Price applicable to such Option or Stock Appreciation Right, (B) each Share of Restricted Stock, each Restricted Stock Unit and each other Award denominated in Shares shall be cancelled in exchange for an amount (payable in accordance with Section 15(b)(ii)) equal to the Change in Control Price multiplied by the number of Shares covered by such Award, (C) each Award not denominated in Shares shall be cancelled in exchange for the full amount of such Award (payable in accordance with Section 15(b)), and (D) any Award the payment or settlement of which was deferred under Section 22(d) or otherwise shall be cancelled in exchange for the full amount of such deferred Award (payable in accordance with Section 15(b)(ii)); (3) the target performance goals applicable to any outstanding Awards shall be deemed to have been attained in full (unless actual performance exceeds the target, in which case actual performance shall be used) for the entire applicable Performance Period then outstanding; and (4) the Board or the Committee (as constituted prior the Change in Control) may, in

addition to the consequences otherwise set forth in this Section 15(b)(i), make adjustments and / or settlements of outstanding Awards as it deems appropriate and consistent with the Plan's purposes.

(i) Payments. Payment of any amounts in accordance with this Section 15(b) shall be made in cash or, if determined by the Board or the Committee (as constituted prior to the Change in Control), in securities of the New Employer that are traded on an established United States securities market, or which will be so traded within sixty (60) days following the Change in Control, having an aggregate fair market value (as determined by such Board or Committee) equal to such amount or in a combination of such securities and cash. All amounts payable hereunder shall be payable in full, as soon as reasonably practicable, but in no event later than ten (10) business days, following the Change in Control.

(c) Certain Terminations of Service Prior to Change in Control. Any Participant who incurs a Termination of Service under any circumstances other than involuntary Termination of Service for Cause or resignation without Good Reason on or after the date on which the Company entered into an agreement in principle the consummation of which would constitute a Change in Control, but prior to such consummation, and such Change in Control actually occurs, shall be treated, solely for purposes of the Plan (including this Section 15), as continuing in the Company's, or the applicable Affiliate's, employment or service until the occurrence of such Change in Control and to have been Terminated under such circumstances immediately thereafter.

(d) Termination, Amendment, and Modifications of Change in Control Provisions. Notwithstanding any other provision of the Plan or any Award Agreement provision, the provisions of this Section 15 may not be terminated, amended, or modified on or after the date of a Change in Control to materially impair any Participant's Award theretofore granted and then outstanding under the Plan without the prior written consent of such Participant.

(e) No Implied Rights; Other Limitations. No Participant shall have any right to prevent the consummation of any of the acts described in Section 4(d) or this Section 15 affecting the number of Shares available to, or other entitlement of, such Participant under the Plan or such Participant's Award. Any actions or determinations of the Committee under this Section 15 need not be uniform as to all outstanding Awards, nor treat all Participants identically. Notwithstanding the foregoing provisions of this Section 15, the Committee shall determine the adjustments provided in this Section 15: (i) subject to Section 17(g)(vi), and (ii) after taking into account, among other things, to the extent applicable, the provisions of the Code applicable to Incentive Stock Options, and in no event may any ISO be exercised after ten (10) years from the Grant Date thereof.

16. Amendment and Termination.

(a) Amendment and Termination of the Plan. The Board may, at any time and with or without prior notice, amend, alter, suspend or terminate the Plan, retroactively or otherwise, but no such amendment, alteration, suspension or termination of the Plan shall be made which would materially impair the previously accrued rights of any Participant with respect to a previously granted Award without such Participant's consent, except any such amendment made to comply with applicable law, tax rules, stock exchange rules or accounting rules. In addition, no such amendment

shall be made without the approval of the Company's stockholders to the extent such approval is required by any applicable law, tax rules, stock exchange rules or accounting rules (including as necessary to comply with any rules or requirements of any securities exchange or inter-dealer quotation system on which the Shares may be listed or quoted or to prevent the Company from being denied a tax deduction under Section 162(m) of the Code).

(b) Amendment of Awards. Subject to the immediately following sentence, the Committee may unilaterally amend or alter the terms of any Award theretofore granted, including any Award Agreement, retroactively or otherwise, but no such amendment shall cause an Award that is intended to qualify as a Performance Compensation Award not to so qualify or otherwise be inconsistent with the terms and conditions of the Plan or materially impair the previously accrued rights of the Participant to whom such Award was granted with respect to such Award without his or her consent, except such an amendment made to cause the Plan or such Award to comply with applicable law, tax rules, stock exchange rules or accounting rules. Except pursuant to Section 4(d) or as approved by the Company's stockholders, during any period that the Company is subject to the reporting requirements of the Exchange Act, the terms of an outstanding Option or SAR may not be amended to reduce the Option Price or Grant Price thereof, an outstanding Option or SAR may not be cancelled in exchange for cash, the granting of an Option or SAR to the Participant at a lower Option Price or Grant Price, or the granting to the Participant another Award of a different type, and no Option or SAR shall otherwise be subject to any action that is considered a "repricing" for purposes of the stockholder approval rules of the Applicable Exchange.

17. Tax Withholding and Other Tax Matters.

(a) Tax Withholding. The Company and/or any Affiliate are authorized to withhold from any Award granted or payment due under the Plan the amount of all Federal, state, local and non-United States taxes due in respect of such Award or payment and take any such other action as may be necessary or appropriate, as determined by the Committee, to satisfy all obligations for the payment of such taxes. No later than the date as of which an amount first becomes includible in the gross income or wages of a Participant for federal, state, local, or non-U.S. tax purposes with respect to any Award, such Participant shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any federal, state, local or non-U.S. taxes or social security (or similar) contributions of any kind required by law to be withheld with respect to such amount. The obligations of the Company under the Plan shall be conditional on such payment or satisfactory arrangements (as determined by the Committee in its discretion), and the Company and the Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to such Participant, whether or not under the Plan.

(b) Withholding or Tendering Shares. Without limiting the generality of Section 17(a), subject to any applicable laws, a Participant may (unless disallowed by the Committee) elect to satisfy or arrange to satisfy, in whole or in part, the tax obligations incident to an Award by: (i) electing to have the Company withhold Shares or other property otherwise deliverable to such Participant pursuant to his or her Award (provided, however, that the amount of any Shares so withheld shall not exceed the maximum statutory tax rate in the Participant's relevant jurisdiction, based on the applicable rates of the relevant tax authorities (e.g., federal, state, local), including the

participant's share of payroll or similar taxes, and there is an applicable statutory tax withholding requirement) and/or (ii) tendering to the Company Shares already owned by such Participant (or by such Participant and his or her spouse jointly) and either previously acquired by the Participant on the open market or held by the Participant for at least six (6) months at the time of exercise or payment (or which meet any such other requirements as the Committee may determine are necessary in order to avoid an accounting earnings charge on account of the use of such Shares to satisfy such tax obligations), based, in each case, on the Fair Market Value of the Common Stock on the payment date as determined by the Committee. All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for settlement of withholding obligations with Common Stock.

(c) Restrictions. The satisfaction of tax obligations pursuant to this Section 17 shall be subject to such restrictions as the Committee may impose, including any restrictions required by applicable law or the rules and regulations of the SEC, and shall be construed consistent with an intent to comply with any such applicable laws, rule and regulations.

(d) Special ISO Obligations. The Committee may require a Participant to give prompt written notice to the Company concerning any disposition of Shares received upon the exercise of an ISO within: (i) two (2) years from the Grant Date such ISO to such Participant or (ii) one (1) year from the transfer of such Shares to such Participant or (iii) such other period as the Committee may from time to time determine. The Committee may direct that a Participant with respect to an ISO undertake in the applicable Award Agreement to give such written notice described in the preceding sentence, at such time and containing such information as the Committee may prescribe, and/or that the certificates evidencing Shares acquired by exercise of an ISO refer to such requirement to give such notice.

(e) Section 83(b) Election. If a Participant makes an election under Section 83(b) of the Code to be taxed with respect to an Award as of the date of transfer of Shares rather than as of the date or dates upon which the Participant would otherwise be taxable under Section 83(a) of the Code, such Participant shall deliver a copy of such election to the Company upon or prior to the filing such election with the Internal Revenue Service. Neither the Company nor any Affiliate shall have any liability or responsibility relating to or arising out of the filing or not filing of any such election or any defects in its construction.

(f) No Guarantee of Favorable Tax Treatment. Although the Company intends to administer the Plan so that Awards will be exempt from, or will comply with, the requirements of Code Section 409A, the Company does not warrant that any Award under the Plan will qualify for favorable tax treatment under Code Section 409A or any other provision of federal, state, local, or non-United States law. The Company shall not be liable to any Participant for any tax, interest, or penalties the Participant might owe as a result of the grant, holding, vesting, exercise, or payment of any Award under the Plan.

(g) Nonqualified Deferred Compensation.

(i) It is the intention of the Company that no Award shall be deferred compensation subject to Code Section 409A unless and to the extent that the Committee specifically determines otherwise as provided in paragraph (ii) of this Section 17(g), and the Plan and the terms and conditions of all Awards shall be interpreted and administered accordingly.

(ii) The terms and conditions governing any Awards that the Committee determines will be subject to Section 409A of the Code, including any rules for payment or elective or mandatory deferral of the payment or delivery of Shares or cash pursuant thereto, and any rules regarding treatment of such Awards in the event of a Change in Control, shall be set forth in the applicable Award Agreement and shall be intended to comply in all respects with Section 409A of the Code, and the Plan and the terms and conditions of such Awards shall be interpreted and administered accordingly.

(iii) The Committee shall not extend the period to exercise an Option or Stock Appreciation Right to the extent that such extension would cause the Option or Stock Appreciation Right to become subject to Code Section 409A.

(iv) No Dividend Equivalents shall relate to Shares underlying an Option or SAR unless such Dividend Equivalent rights are explicitly set forth as a separate arrangement and do not cause any such Option or SAR to be subject to Code Section 409A.

(v) Notwithstanding the provisions of Section 4(d) to the contrary, (1) any adjustments made pursuant to Section 4(d) to Awards that are considered “deferred compensation” subject to Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (2) any adjustments made pursuant to Section 4(d) to Awards that are not considered “deferred compensation” subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the Awards either (A) continue not to be subject to Section 409A of the Code or (B) comply with the requirements of Section 409A of the Code; and (3) in any event, neither the Committee nor the Board shall have any authority to make any adjustments, substitutions or changes pursuant to Section 4(d) to the extent the existence of such authority would cause an Award that is not intended to be subject to Section 409A of the Code at the Grant Date thereof to be subject to Section 409A of the Code.

(vi) If any Award is subject to Section 409A of the Code, the provisions of Section 15 shall be applicable to such Award only to the extent specifically provided in the Award Agreement and permitted pursuant to paragraph (ii) of this Section 17(g).

18. Limits Of Liability; Indemnification.

(a) Limits of Liability. Any liability of the Company or an Affiliate to any Participant with respect to any Award shall be based solely upon contractual obligations created by the Plan and the Award Agreement.

(i) None of the Company, any Affiliate, any member of the Board or the Committee or any other person participating in any determination of any question under the Plan, or in the interpretation, administration or application of the Plan, shall have any liability, in the absence of bad faith, to any party for any action taken or not taken in connection with the Plan, except as may expressly be provided by statute.

(ii) Each member of the Committee, while serving as such, shall be considered to be acting in his or her capacity as a director of the Company. Members of the Board of Directors and members of the Committee acting under the Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur no liability except for gross negligence or willful misconduct in the performance of their duties.

(iii) The Company shall not be liable to a Participant or any other person as to: (i) the non-issuance of Shares as to which the Company has been unable to obtain from any regulatory body having relevant jurisdiction the authority deemed by the Committee or the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, and (ii) any tax consequence expected, but not realized, by any Participant or other person due to the receipt, exercise or settlement of any Option or other Award.

(b) Indemnification. Subject to the requirements of Delaware law, each individual who is or shall have been a member of the Committee or of the Board, or an officer of the Company to whom authority was delegated in accordance with Section 3, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf, unless such loss, cost, liability, or expense is a result of the individual's own willful misconduct or except as provided by statute. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such individual may be entitled under the Company's Certificate of Incorporation or By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify or hold harmless such individual.

19. Successors. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

20. Termination, Rescission and Recapture of Awards.

(a) Each Award under the Plan is intended to align the Participant's long-term interests with those of the Company. Accordingly, the Company may terminate any outstanding, unexercised, unexpired, unpaid, or deferred Awards (" Termination "), rescind any exercise, payment or delivery

pursuant to the Award (“Rescission”), or recapture any Shares (whether restricted or unrestricted) or proceeds from the Participant’s sale of Shares issued pursuant to the Award (“Recapture”), if the Participant does not comply with the conditions of subsections (b) and (c) of this Section 20 (collectively, the “Conditions”).

(b) A Participant shall not, without the Company’s prior written authorization, disclose to anyone outside the Company, or use in other than the Company’s business, any proprietary or confidential information or material, as those or other similar terms are used in any applicable patent, confidentiality, inventions, secrecy, or other agreement between the Participant and the Company or an Affiliate with regard to any such proprietary or confidential information or material.

(c) If the Company determines, in its sole and absolute discretion, that (i) a Participant has violated any of the Conditions or (ii) during his or her employment or service with the Company or any Affiliate, a Participant (x) has rendered services to or otherwise directly or indirectly engaged in or assisted, any organization or business that, in the judgment of the Company in its sole and absolute discretion, is or is working to become competitive with the Company or an Affiliate; (y) has solicited any non-administrative employee of the Company or any Affiliate to terminate employment with the Company or such Affiliate; or (z) has engaged in activities which are materially prejudicial to or in conflict with the interests of the Company or an Affiliate, including any breaches of fiduciary duty or the duty of loyalty, then the Company may, in its sole and absolute discretion, impose a Termination, Rescission, and/or Recapture with respect to any or all of the Participant’s relevant Awards, Shares, and the proceeds thereof.

(d) Within ten days after receiving notice from the Company of any such activity described in Section 20(c) above, the Participant shall deliver to the Company the Shares acquired pursuant to the Award, or, if Participant has sold the Shares, the gain realized, or payment received as a result of the rescinded exercise, payment, or delivery; provided that if the Participant returns Shares that the Participant purchased pursuant to the exercise of an Option (or the gains realized from the sale of such Common Stock), the Company shall promptly refund the exercise price, without earnings, that the Participant paid for the Shares. Any payment by the Participant to the Company pursuant to this Section shall be made either in cash or by returning to the Company the number of Shares that the Participant received in connection with the rescinded exercise, payment, or delivery. It shall not be a basis for Termination, Rescission or Recapture if after a Participant’s Termination of Service, the Participant purchases, as an investment or otherwise, stock or other securities of an organization or business, so long as (i) such stock or other securities are listed upon a recognized securities exchange or traded over-the-counter, and (ii) such investment does not represent more than a five percent (5%) equity interest in the organization or business.

(e) Notwithstanding the foregoing provisions of this Section, the Company has sole discretion not to require Termination, Rescission and/or Recapture, and its determination not to require Termination, Rescission and/or Recapture with respect to any particular act by a particular Participant or Award shall not in any way reduce or eliminate the Company’s authority to require Termination, Rescission and/or Recapture with respect to any other act or Participant or Award. Nothing in this Section shall be construed to impose obligations on the Participant to refrain from engaging in lawful competition with the Company after the termination of employment that does

not violate subsections (b) or (c) of this Section, other than any obligations that are part of any separate agreement between the Company or an Affiliate and the Participant or that arise under applicable law.

(f) All administrative and discretionary authority given to the Company under this Section shall be exercised by the most senior human resources executive of the Company or such other person or committee (including the Committee) as the Committee may designate from time to time.

(g) If any provision within this Section is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be deemed amended in a manner consistent with its objectives and any limitations required under applicable law. Notwithstanding the foregoing, but subject to any contrary terms set forth in any Award Agreement, this Section shall not be applicable to any Participant from and after his or her Termination of Service after a Change in Control.

21. Recoupment of Awards. To the extent permitted or required by applicable law, and without obtaining the approval or consent of the Company's shareholders or of any Participant, a Participant may be required by the Committee to reimburse the Company for all or any portion of any Awards granted under the Plan (" Reimbursement "), or the Termination, Rescission or Recapture of any Award may be required by the Committee, if and to the extent:

(a) the granting, vesting, or payment of such Award was based on financial results that were subsequently the subject of an accounting restatement due to material noncompliance of the Company with any financial reporting requirement under the securities laws; and

(b) a lower granting, vesting, or payment of such Award would have occurred based on the restated results;

provided that the Company will not seek Reimbursement, Termination, Rescission or Recapture of any such Awards that were granted, paid and vested under the Plan more than three years prior to the date on which the Company is required to prepare the relevant restatement.

22. Miscellaneous.

(a) Drafting Context; Captions. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural. The words "Section," and "paragraph" herein shall refer to provisions of the Plan, unless expressly indicated otherwise. The words "include," "includes," and "including" herein shall be deemed to be followed by "without limitation" whether or not they are in fact followed by such words or words of similar import, unless the context otherwise requires. The headings and captions appearing herein are inserted only as a matter of convenience. They do not define, limit, construe, or describe the scope or intent of the provisions of the Plan.

(b) Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

(c) Exercise and Payment of Awards. An Award shall be deemed exercised or claimed when the Secretary of the Company or any other Company official or other person designated by the Committee for such purpose receives appropriate Notice from a Participant, in form acceptable to the Committee, together with payment of the applicable Option Price, Grant Price or other purchase price, if any, and compliance with Section 17, in accordance with the Plan and such Participant's Award Agreement.

(d) Deferrals. Subject to applicable law, the Committee may from time to time establish procedures pursuant to which a Participant may defer on an elective or mandatory basis receipt of all or a portion of the cash or Shares subject to an Award on such terms and conditions as the Committee shall determine, including those of any deferred compensation plan of the Company or any Affiliate specified by the Committee for such purpose.

(e) No Effect on Other Plans. Neither the adoption of the Plan nor anything contained herein shall affect any other compensation or incentive plans or arrangements of the Company or any Affiliate, or prevent or limit the right of the Company or any Affiliate to establish any other forms of incentives or compensation for their directors, officers, eligible employees or consultants or grant or assume options or other rights otherwise than under the Plan.

(f) Section 16 of Exchange Act and Section 162(m) of the Code. The provisions and operation of the Plan are intended to ensure that no transaction under the Plan is subject to (and not exempt from) the short-swing profit recovery rules of Section 16(b) of the Exchange Act. Unless otherwise stated in the Award Agreement, notwithstanding any other provision of the Plan, any Award granted to an Insider shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16(b) of the Exchange Act (including Rule 16b-3) that are requirements for the application of such exemptive rule, and the Plan and the Award Agreement shall be deemed amended to the extent necessary to conform to such limitations. Furthermore, notwithstanding any other provision of the Plan or an Award Agreement, any Performance Compensation Award shall be subject to any applicable limitations set forth in Code Section 162(m) or any regulations or rulings issued thereunder (including any amendment to the foregoing) that are requirements for qualification as "other performance-based compensation" as described in Code Section 162(m) (4)(C), and the Plan and the Award Agreement shall be deemed amended to the extent necessary to conform to such requirements and no action of the Committee that would cause such Award not to so qualify shall be effective

(g) Requirements of Law; Limitations on Awards.

(i) The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(ii) If at any time the Committee shall determine, in its discretion, that the listing, registration and/or qualification of Shares upon any securities exchange or under any state, Federal or non-United States law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the sale or purchase of Shares hereunder, the Company shall have no obligation to allow the grant, exercise or payment of any Award, or to issue or deliver evidence of title for Shares issued under the Plan, in whole or in part, unless and until such listing, registration, qualification, consent and/or approval shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Committee.

(iii) If at any time counsel to the Company shall be of the opinion that any sale or delivery of Shares pursuant to an Award is or may be in the circumstances unlawful or result in the imposition of excise taxes on the Company or any Affiliate under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act, or otherwise with respect to Shares or Awards and the right to exercise or payment of any Option or Award shall be suspended until, in the opinion of such counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes on the Company or any Affiliate.

(iv) Upon termination of any period of suspension under this Section 22(g), any Award affected by such suspension which shall not then have expired or terminated shall be reinstated as to all Shares available before such suspension and as to the Shares which would otherwise have become available during the period of such suspension, but no suspension shall extend the term of any Award.

(v) The Committee may require each person receiving Shares in connection with any Award under the Plan to represent and agree with the Company in writing that such person is acquiring such Shares for investment without a view to the distribution thereof, and/or provide such other representations and agreements as the Committee may prescribe. The Committee, in its absolute discretion, may impose such restrictions on the ownership and transferability of the Shares purchasable or otherwise receivable by any person under any Award as it deems appropriate. Any such restrictions shall be set forth in the applicable Award Agreement, and the certificates evidencing such shares may include any legend that the Committee deems appropriate to reflect any such restrictions.

(vi) An Award and any Shares received upon the exercise or payment of an Award shall be subject to such other transfer and/or ownership restrictions and/or legending requirements as the Committee may establish in its discretion and may be referred to on the certificates evidencing such Shares, including restrictions under applicable Federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

(h) Participants Deemed to Accept Plan. By accepting any benefit under the Plan, each Participant and each person claiming under or through any such Participant shall be conclusively

deemed to have indicated their acceptance and ratification of, and consent to, all of the terms and conditions of the Plan and any action taken under the Plan by the Board, the Committee or the Company, in any case in accordance with the terms and conditions of the Plan.

(i) Governing Law. The Plan and each Award Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan or an Award Agreement to the substantive law of another jurisdiction.

(j) Plan Unfunded. The Plan shall be an unfunded plan for incentive compensation. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the issuance of Shares or the payment of cash upon exercise or payment of any Award. Proceeds from the sale of Shares pursuant to Options or other Awards granted under the Plan shall constitute general funds of the Company. With respect to any payments not yet made to any person pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give such person any rights that are greater than those of a general creditor of the Company or any Affiliate, and a Participant's rights under the Plan at all times constitute an unsecured claim against the general assets of the Company for the payment any amounts as they come due under the Plan. Neither the Participant nor the Participant's duly-authorized transferee or beneficiaries shall have any claim against or rights in any specific assets, Shares, or other funds of the Company or any Affiliate.

(k) Administration Costs. The Company shall bear all costs and expenses incurred in administering the Plan, including expenses of issuing Shares pursuant to any Options or other Awards granted hereunder.

(l) Uncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may nevertheless be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

(m) No Fractional Shares. An Option or other Award shall not be exercisable with respect to a fractional Share or the lesser of fifty (50) shares or the full number of Shares then subject to the Option or other Award. No fractional Shares shall be issued upon the exercise or payment of an Option or other Award.

(n) Affiliate Eligible Individuals. In the case of a grant of an Award to any Eligible Individual of an Affiliate, the Company may, if the Committee so directs, issue or transfer the Shares, if any, covered by the Award to such Affiliate, for such lawful consideration as the Committee may specify, upon the condition or understanding that such Affiliate will transfer such Shares to such Eligible Individual in accordance with the terms and conditions of such Award and those of the Plan. The Committee may also adopt procedures regarding treatment of any Shares so transferred to an Affiliate that are subsequently forfeited or canceled.

(o) Data Protection. By participating in the Plan, each Participant consents to the collection, processing, transmission and storage by the Company, in any form whatsoever, of any

data of a professional or personal nature which is necessary for the purposes of administering the Plan. The Company may share such information with any Affiliate, any trustee, its registrars, brokers, other third-party administrator or any person who obtains control of the Company or any Affiliate or any division respectively thereof.

(p) Right of Offset. The Company and the Affiliates shall have the right to offset against the obligations to make payment or issue any Shares to any Participant under the Plan, any outstanding amounts (including travel and entertainment advance balances, loans, tax withholding amounts paid by the employer or amounts repayable to the Company or any Affiliate pursuant to tax equalization, housing, automobile or other employee programs) such Participant then owes to the Company or any Affiliate and any amounts the Committee otherwise deems appropriate pursuant to any tax equalization policy or agreement, in each case to the extent permitted by applicable law and not in violation of Code Section 409A.

(q) Participants Based Outside of the United States. The Committee may grant awards to Eligible Individuals who are non-United States nationals, or who reside outside the United States or who are not compensated from a payroll maintained in the United States or who are otherwise subject to (or could cause the Company to be subject to) legal or regulatory provisions of countries or jurisdictions outside the United States (and, in any case, who are not and are not expected to be “covered employees” within the meaning of Code Section 162(m)), on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan and comply with such legal or regulatory provisions, and, in furtherance of such purposes, the Committee may make or establish such modifications, amendments, procedures or subplans as may be necessary or advisable to comply with such legal or regulatory requirements (including to maximize tax efficiency).

**JETBLUE AIRWAYS CORPORATION
2011 INCENTIVE COMPENSATION PLAN**

Notice of Performance Share Unit Grant

Participant:

Company: JetBlue Airways Corporation

Notice: You have been granted the following Performance Share Units in accordance with the terms of this notice, the Performance Share Unit Award Agreement attached hereto as Attachment A (such notice and agreement, collectively, this “Agreement”) and the Plan identified below.

Type of Award: Other Stock-Based Awards, referred to herein as “Performance Share Units”. A Performance Share Unit is an unfunded and unsecured obligation of the Company to deliver one Share or the cash equivalent thereof, as determined in accordance with this Agreement and subject to the terms and conditions of this Agreement and those of the Plan. The Performance Share Units are designated as a Performance Compensation Award. One-half (1/2) of the Performance Share Units are “[•] Performance Share Units” and One-half (1/2) of the Performance Share Units are “[•] Performance Share Units.”

Performance Goals: (a) [•] and (b) [•] (each as defined herein).

Performance Period: Three (3) calendar year period from 2017 to 2019.

Plan: Amended and Restated JetBlue Airways Corporation 2011 Incentive Compensation Plan .

Grant: Grant Date:
Number of Performance Share Units:

**Acknowledgement
and Agreement:**

The undersigned Participant acknowledges receipt of, and understands and agrees to, the terms and conditions of this Agreement and the Plan.

Attachment A

**JETBLUE AIRWAYS CORPORATION
2011 INCENTIVE COMPENSATION PLAN**

Performance Share Unit Award Agreement

This Performance Share Unit Award Agreement , dated as of the Grant Date set forth in the Notice of Performance Share Unit Grant to which this Performance Share Unit Award Agreement is attached (the “Grant Notice”), is made between JetBlue Airways Corporation and the Participant set forth in the Grant Notice. The Grant Notice is included in and made part of this Performance Share Unit Award Agreement .

1. Definitions. Capitalized terms used but not defined herein have the meaning set forth in the Plan. For purposes of this Agreement, the following terms have the following meanings:

(a) “Adjusted Operating Income” means, with respect to a calendar year, (i) the sum of: (A) operating income, (B) interest and other income (in each case, as determined based on the Company’s or the Airline’s, as applicable, audited statement of operations or income statement, as applicable, for such year) and (C) Interest Related to 7 times Aircraft Rent for such year, minus (ii) the product of (A) the Effective Tax Rate for such year, multiplied by (B) the sum described in clause (i) above.

(b) “Airline” means [•] .

a. The following adjustments shall be made to the Industry definition for the [•] goals during the Performance Period:

i. If an Airline is acquired by another company, the acquired Airline will be removed from the Industry group following the effective date of the acquisition or merger. If the acquired Airline is acquired by a non-airline company, the surviving company will not be included in the Industry as of the effective date of the acquisition or merger. If the acquired Airline is acquired by an airline, the resulting company shall be substituted for such company (if not already included) and treated as an Airline for purposes of this Agreement from and after the effective date of such merger or acquisition.

ii. If an Airline sells, spins-off, or disposes of a portion of its business, then such Airline will remain in the Industry group for the Performance Period unless such disposition(s) result in the disposition of more than 50% of such

company's total assets over the Performance Period, in which case such Airline shall be removed from the Industry group;

iii. If an Airline acquires another company, the acquiring Airline will remain in the Industry group for the Performance Period;

iv. If an Airline is delisted on major stock exchanges, such delisted Airline will remain in the Industry group until the effective date of the delisting and removed from the Industry group as of such date.

v. If an Airline files for bankruptcy, liquidation or reorganization during the performance period, that Airline will remain in the Industry group, so long as the Airline continues to operate and file publicly available financial statements.

vi. If any of the adjustments above become applicable, all relevant provisions of this Agreement shall be deemed amended to appropriately reflect such adjustment.

b. In addition, the Committee shall have the authority to make other appropriate adjustments in response to a change in circumstances that results in an Airline no longer satisfying the criteria for which such Airline was originally selected, to the extent the exercise of such authority would not cause the Performance Share Units to fail to qualify as "qualified performance-based compensation" under Section 162(m) of the Code.

(c) "Average Invested Capital" means, with respect to a calendar year, (i) the sum of Year End Invested Capital for such year, plus Year End Invested Capital for the calendar year that immediately precedes such calendar year, divided by (ii) 2.

(d) "Company Average [•]" means (i) the sum of the [•] of the Company for each of calendar year 2017, 2018 and 2019, divided by (ii) 3.

(e) "Company Average [•]" means (i) the sum of the [•] of the Company for each of calendar year 2017, 2018 and 2019, divided by (ii) 3.

(f) "Company Base Period [•]" means the [•] of the Company for calendar year 2016.

(g) "Company Base Period [•]" means the [•] of the Company for calendar year 2016.

(h) "Company [•]" means the (i) the Company Average [•] less (ii) the Company Base Period [•] .

(i) "Company [•]" means the (i) the Company Average [•] less (ii) the Company Base Period [•] .

(j) "Disability" means long-term disability within the meaning of the Company's long-term disability plan in which the Participant then participates, or, if there is no such plan, as determined by the Committee in good faith.

(k) "Earned Performance Share Units" means the total of (i) the Earned [•] Performance Share Units and (ii) the Earned [•] Performance Share Units.

(l) "Earned [•] Percentage" means the percentage determined in accordance with the following table based on [•] , with the Earned [•] Percentage between the levels set forth in such schedule determined by linear interpolation:

[•]	Earned [•] Percentage	
[•]	[•]	Maximum
[•]	[•]	Target
[•]	[•]	Minimum

For the avoidance of doubt, (i) if [•] exceeds the "Maximum" level, the Earned [•] Percentage shall be 200.0%; and (ii) if [•] is less than the "Minimum" level, the Earned [•] Percentage shall be zero.

(m) "Earned [•] Performance Share Units" means the product of (i) the [•] Percentage, multiplied by (ii) the number of [•] Performance Share Units set forth in the Grant Notice.

(n) "Earned [•] Percentage" means the percentage determined in accordance with the following table based on [•] , with the Earned [•] Percentage between the levels set forth in such schedule determined by linear interpolation:

[•]	Earned [•] Percentage	
[•]	[•]	Maximum
[•]	[•]	Target
[•]	[•]	Minimum

For the avoidance of doubt, (i) if [•] exceeds the "Maximum" level, the Earned [•] Percentage shall be 200.0%; and (ii) if [•] is less than the "Minimum" level, the Earned [•] Percentage shall be zero.

(o) “Earned [•] Performance Share Units” means the product of (i) the Earned [•] Percentage, multiplied by (ii) the number of [•] Performance Share Units set forth in the Grant Notice.

(p) “Effective Tax Rate” means, with respect to a calendar year and determined based on the Company’s audited statement of operations for such year, (i) income tax expense divided by (ii) income before income taxes. For the sake of clarity, the Effective Tax Rate (as defined) will apply to each Airline.

(q) “Industry” means the peer set comprised of the Airlines.

(r) “[•]” means (i) the sum of the [•] for each of calendar year 2017, 2018 and 2019, divided by (ii) 3.

(s) “[•]” means (i) the sum of the [•] for each of calendar year 2017, 2018 and 2019, divided by (ii) 3.

(t) “[•]” means, for the applicable calendar year, (x) the sum of the [•] of all of the Airlines for such calendar year, divided by (y) the number of Airlines.

(u) “[•]” means, for the applicable calendar year, (i) the sum of the [•]s of all of the Airlines for such calendar year, divided by (ii) the number of Airlines.

(v) “[•]” means (x) the sum of the [•] of all of the Airlines for calendar year 2016, divided by (y) the number of Airlines.

(w) “[•]” means (x) the sum of the [•] of all of the Airlines for calendar year 2016, divided by (y) the number of Airlines.

(x) “[•]” means (i) the [•] less (ii) the [•] .

(y) “[•]” means (i) [•] less (ii) [•] .

(z) “Interest Related to 7 Times Aircraft Rent” means, with respect to a calendar year, the product of (i) 7 Times Aircraft Rent for such year, multiplied by (ii) 7.5%.

(aa) “Pre-tax Margin” means, with respect to a calendar year, the Company’s or the Airline’s, as applicable, net income adjusted to exclude income tax expense, as a percentage of the Company’s or the Airline’s, as applicable, total gross revenues, all as determined based on the Company’s or the Airline’s, as applicable, audited financial statements for such year.

(ab) “[•]” means (i) [•] minus (ii) [•] .

(ac) “[•]” means (i) [•] minus (ii) [•] .

(ad) “Retirement” means voluntary Termination of Service by the Participant on or after the date on which the sum of the Participant’s age and years of service as an employee of the Company and its affiliated companies is at least sixty-five (65); provided, however, that the Participant has both (i) attained the age of 55, and (ii) completed ten (10) years of service as an employee of the Company and its affiliated companies.

(ae) “[•]” means, with respect to a calendar year, (i) Adjusted Operating Income for such year, divided by (ii) Average Invested Capital for such year.

(af) “7 Times Aircraft Rent” means, with respect to a calendar year and determined based on the Company’s or the Airline’s, as applicable, audited statement of operations or income statement, as applicable, for such year, the product of (i) aircraft rent, multiplied by (ii) 7.

(ag) “Year End Invested Capital” means, with respect to a calendar year, the sum of: (i) Total stockholders’ equity, (ii) long-term debt and capital lease obligations, (iii) short-term borrowings, (iv) current maturities of long-term debt and capital leases (in each case determined based on the Company’s or the Airline’s, as applicable, audited financial statements for such year) and (v) 7 Times Aircraft Rent for such year.

2. Grant of Performance Share Units. Subject to the provisions of this Agreement and the provisions of the Plan, the Company hereby grants to the Participant, pursuant to the Plan, the number of Performance Share Units, comprised of [•] , set forth in the Grant Notice.

3. Earned Performance Share Units.

(a) *Earned [•] Performance Share Units* . The [•] Performance Share Units shall become Earned [•] Performance Share Units in accordance with the provisions, and subject to the conditions, set forth in this Agreement. Following issuance of the Company’s audited financial statements for calendar year 2019, the Committee shall determine and certify in writing the [•] attained, the Earned [•] Percentage and the number of Earned [•] Performance Share Units.

(b) *Earned [•] Performance Share Units* . The [•] Performance Share Units shall become Earned [•] Performance Share Units in accordance with the provisions, and subject to the conditions, set forth in this Agreement. Following issuance of the Company’s audited financial statements for calendar year 2019, the Committee shall determine and certify in writing the [•] attained, the Earned [•] Percentage and the number of Earned [•] Performance Share Units .

(c) *Failure to Become Earned Performance Share Units* . To the extent that the Performance Share Units do not become Earned Performance Share Units pursuant to this Section 3, such Performance Share Units shall be forfeited.

(d) *Modification of Performance Goals*. The Committee shall, to the extent the exercise of such authority at such time would not cause the Performance Share Units to fail to qualify as “qualified performance-based compensation” under Section 162(m) of the Code, adjust or modify the calculation of a Performance Goal based on and in order to appropriately reflect the following events: (i) litigation or claim judgments or settlements; (ii) the effect of changes in tax laws, accounting principles, or other laws or regulatory rules affecting reported results; (iii) any significant domestic aviation-related terrorist incident or other safety event and/or (iv) acquisitions, mergers, divestitures or discontinued operations. Pursuant to Section 12(e) of the Plan, the Committee may use negative discretion, consistent with Section 162(m) of the Code, to eliminate or reduce, but not increase, the amount of Performance Share Units otherwise

distributable or payable to the Participant based on such considerations as the Committee may, in its discretion, determine.

(e) *Termination of Service.* Upon the Participant's Termination of Service under any circumstances, any Performance Share Units that have not been settled in accordance with Section 4 hereof prior to the date of such Termination of Service shall be immediately and unconditionally forfeited, without any action required by the Participant or the Company, except as follows:

(i) *Disability, Death, Retirement.* Upon Termination of Service due to the Participant's (A) Disability, (B) death or (C) Retirement, the Performance Share Units shall be eligible to become Earned Performance Share Units after such death, Disability or Retirement, and any Earned Performance Share Units shall be distributed in Shares or paid in cash, subject to the same terms and conditions had the Participant not incurred such Termination of Service, provided that such distribution or payment shall be pro-rated, as determined by the following formula: (x) the total number of Earned Performance Share Units multiplied by (y) a fraction, the numerator of which is the number of days from the date of the commencement of the Performance Period through the date of such Termination of Service and the denominator of which is [•] (such product of (x) and (y) shall be rounded down to the nearest whole Performance Share Unit). Such distribution referenced in this section (e)(i) shall be made reasonably promptly following the Committee's certification of the performance for the Performance Period pursuant to Section 3.

(ii) *Termination of Service by Participant Other Than Due to Retirement or by Company Without Cause.* Upon Termination of Service (A) by the Participant other than due to Retirement or (B) by the Company for reasons other than Cause (in each case, other than as described in Section 3(e)(i)), the Committee, in its sole discretion, may (but is not obligated to) determine that the Performance Share Units (in whole or in part) shall be eligible to become Earned Performance Share Units, and any Earned Performance Share Units shall be distributed in Shares or paid in cash subject to the same terms and conditions had the Participant not incurred such Termination of Service, provided that such distribution or payment shall be pro-rated, as determined by the following formula: (x) the total number of Earned Performance Share Units multiplied by (y) a fraction, the numerator of which is the number of days from the date of the commencement of the Performance Period through the date of such Termination of Service and the denominator of which is [•] (such product of (x) and (y) shall be rounded down to the nearest whole Performance Share Unit). Such distribution referenced in this section (e)(ii) shall be made reasonably promptly following the Committee's certification of the performance for the Performance Period pursuant to Section 3.

(iii) [•] *Acceleration.* [•].

4. Settlement of Earned Performance Share Units. During calendar year 2020, as soon as reasonably practicable following completion of all determinations and certifications contemplated by Section 3, but in no event later than such date required to comply with the short-term deferral exception under Treasury Regulations Section 1.409A-1(b)(4), or any successor regulation, subject to satisfaction of applicable tax withholding obligations in accordance with Section 6, the Company shall cause to be delivered to the Participant, without charge, one Share for each such Earned Performance Share Unit; provided, however, that the Committee may, in its discretion, elect to cause the payment of cash, or part cash and part Shares, in lieu of delivering only Shares in respect of such Earned Performance Share Units. If a cash payment is made in lieu of delivering Shares, the amount of such payment shall be equal to the Fair Market Value of such Shares as of the trading date immediately prior to the date of such payment, less applicable taxes in accordance with Section 6. Notwithstanding the foregoing provisions of this Section 4 to the contrary, if at the time of the Participant's separation from service, the Participant is a "specified employee" within the meaning of Code Section 409A, any delivery of Shares or payment hereunder that constitutes a "deferral of compensation" under Code Section 409A and that would otherwise become due on account of such separation from service shall be delayed, and such Shares or payment shall be delivered or made in full upon the earlier to occur of (a) a date during the thirty-day period commencing six months and one day following such separation from service and (b) the date of the Participant's death.

5. Change in Control. The grant awarded under this Award Agreement is subject to the provisions of Section 15 of the Plan; provided, however, that if such Change in Control does not constitute a "change in control event," within the meaning of Treasury Regulations Section 1.409A-3(i)(5), then any amounts otherwise payable under this Section 5 that constitute a "deferral of compensation" under Code Section 409A shall instead be paid at the time specified in Section 4 as if such Change in Control had not occurred.

6. Taxes. Delivery of the Shares underlying the Earned Performance Share Units upon settlement is subject to the Participant satisfying all applicable federal, state, local and foreign taxes (including the Participant's FICA obligation). The Company shall have the power and the right to (i) deduct or withhold from any Shares or amounts of cash otherwise deliverable or payable to the Participant pursuant to the Earned Performance Share Units or otherwise (provided, however, that the amount of any Shares so withheld shall not exceed the maximum statutory tax rate in the Participant's relevant jurisdiction, based on the applicable rates of the relevant tax authorities (e.g., federal, state, local), including the participant's share of payroll or similar taxes, and there is an applicable statutory tax withholding requirement), or (ii) require the Participant to remit to the Company, an amount in cash, in each case, sufficient to satisfy all such applicable taxes, pursuant to any procedures, and subject to any limitations as the Committee may prescribe and subject to applicable law, based on the Fair Market Value of the Shares on the payment date, as applicable. The Company or an Affiliate may, in the discretion of the Committee, provide for alternative arrangements to satisfy applicable tax withholding requirements in accordance with Section 17 of the Plan. Regardless of any action the Company or any Affiliate takes with respect to any or all tax withholding obligations, the Participant acknowledges that the ultimate liability for all such taxes is and remains the Participant's responsibility.

7. No Rights as a Shareholder Prior to Issuance of Shares. Neither the Participant nor any other person shall become the beneficial owner of the Shares underlying the Performance Share Units, nor have any rights to dividends or other rights as a shareholder with respect to any such Shares, until and after such Shares, if any, have been actually issued to the Participant and transferred on the books and records of the Company or its agent in accordance with the terms of the Plan and this Agreement.

8. Transferability. The Performance Share Units shall not be transferable otherwise than by will or the laws of descent and distribution; provided, however, that the Committee may, in its discretion, permit the Performance Share Units to be transferred in accordance with the Plan, subject to such conditions and limitations as the Committee may impose.

9. No Right to Continued Employment. Neither the Performance Share Units nor any terms contained in this Agreement shall confer upon the Participant any rights or claims except in accordance with the express provisions of the Plan and this Agreement, and shall not give the Participant any express or implied right to be retained in the employment or service of the Company or any Affiliate for any period or in any particular position or at any particular rate of compensation, nor restrict in any way the right of the Company or any Affiliate, which right is hereby expressly reserved, to modify or terminate the Participant's employment or service at any time for any reason. The Participant acknowledges and agrees that any right to Earned Performance Share Units shall be earned only

by continuing as an employee of the Company or an Affiliate at the will of the Company or such Affiliate and satisfaction of other applicable terms and conditions contained in the Plan and this Agreement, and not through the act of being hired or being granted the Performance Share Units hereunder.

10. The Plan; Entire Agreement. By accepting any benefit under this Agreement, the Participant and any person claiming under or through the Participant shall be conclusively deemed to have indicated his or her acceptance and ratification of, and consent to, all of the terms and conditions of the Plan and this Agreement and any action taken under the Plan by the Board, the Committee or the Company, in any case in accordance with the terms and conditions of the Plan. This Agreement is subject to all the terms, provisions and conditions of the Plan, which are incorporated herein by reference, and to such rules, policies and regulations as may from time to time be adopted by the Committee. This Agreement and the Plan contain the entire agreement of the parties relating to the matters contained herein and supersede all prior agreements and understandings, oral or written, between the parties with respect to the subject matter hereof. In the event of any conflict between the provisions of the Plan and this Agreement, the provisions of the Plan shall control, and this Agreement shall be deemed to be modified accordingly. The Plan and the prospectus describing the Plan can be found on the Company's HR intranet. A paper copy of the Plan and the prospectus shall be provided to the Participant upon the Participant's written request to the Company at the address set forth in Section 13 hereof.

11. Compliance with Laws and Regulations.

(a) The Performance Share Units and the obligation of the Company to deliver any Shares hereunder shall be subject in all respects to (i) all applicable Federal and state laws, rules and regulations; and (ii) any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body which the Committee shall, in its discretion, determine to be necessary or applicable. Moreover, the Company shall not deliver any certificates or other indication of ownership for Shares to the Participant or any other person pursuant to this Agreement if doing so would be contrary to applicable law. If at any time the Company determines, in its discretion, that the listing, registration or qualification of Shares upon any national securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable, the Company shall not be required to deliver any certificates or other indication of ownership for Shares to the Participant or any other person pursuant to this Agreement unless and until such listing, registration, qualification, consent or approval has been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Company.

(b) It is intended that any Shares hereunder shall have been registered under the Securities Act. If the Participant is an "affiliate" of the Company, as that term is defined in Rule 144 under the Securities Act ("Rule 144"), the Participant may not sell such Shares received except in compliance with Rule 144. Certificates representing Shares issued to an "affiliate" of the Company may bear a legend setting forth such restrictions on the disposition or transfer of the Shares as the Company deems appropriate to comply with federal and state securities laws.

(c) If at any time the Shares are not registered under the Securities Act, and/or there is no current prospectus in effect under the Securities Act with respect to the Shares, the Participant shall execute, prior to the delivery of any Shares to the Participant by the Company pursuant to this Agreement, an agreement (in such form as the Company may specify) in which the Participant represents and warrants that the Participant is acquiring the Shares acquired under this Agreement for the Participant's own account, for investment only and not with a view to the resale or distribution thereof, and represents and agrees that any subsequent offer for sale or distribution of any kind of such Shares shall be made only pursuant to either (i) a registration statement on an appropriate form under the Securities Act, which registration statement has become effective and is current with regard to the Shares being offered or sold; or (ii) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption the Participant shall, prior to any offer for sale of such Shares, obtain a prior favorable written opinion, in form and substance satisfactory to the Company, from counsel for or approved by the Company, as to the applicability of such exemption thereto.

12. Recoupment Policy. The Participant acknowledges that the Performance Share Units covered by this Agreement and the Performance Share Units granted hereunder are subject to Sections 20 and 21 of the Plan, including the Company's recoupment policy, as may be amended or superseded from time to time by the Board or the Committee or otherwise in response to changes in applicable laws, rules or regulations.

13. Notices. All notices by the Participant or the Participant's successors or permitted assigns shall be addressed to JetBlue Airways Corporation, 27-01 Queens Plaza North, Long Island City, New York 11101, Attention: General Counsel, or such other address as the Company may from time to time specify. All notices to the Participant shall be addressed to the Participant at the Participant's address in the Company's records.

14. Other Plans. The Participant acknowledges that any income derived from the Earned Performance Share Units shall not affect the Participant's participation in, or benefits under, any other benefit plan or other contract or arrangement maintained by the Company or any Affiliate.

15. Section 409A. This Agreement and any payment or delivery of Shares under this Agreement are intended to be exempt from or to comply with Section 409A of the Code and shall be administered and construed in accordance with such intent. In furtherance, and not in limitation, of the foregoing: (a) in no event may the Participant designate, directly or indirectly, the calendar year of any payment or delivery of Shares to be made hereunder; and (b) notwithstanding any other provision of this Agreement to the contrary, a Termination of Service hereunder shall mean and be interpreted consistent with a "separation from service" within the meaning of Code Section 409A with respect to any payment or delivery of Shares hereunder that constitutes a "deferral of compensation" under Code Section 409A that becomes due on account of such separation from service.

16. Electronic Delivery and Signatures. The Company may, in its sole discretion, decide to deliver any documents related to the Performance Share Units, this Agreement or to participation in the Plan or to future grants that may be made under the Plan by electronic means or to request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company. If the Company establishes procedures of an electronic signature system for delivery and acceptance of Plan documents (including this Agreement or any Award Agreement like this Agreement), the Participant hereby consents to such procedures and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his manual signature.

[•] indicates redacted confidential commercial information.

AGREEMENT AND GENERAL RELEASE

This Agreement and General Release (hereinafter, the "Agreement") offered to James Leddy (the "Executive") by JetBlue Airways Corporation (the "Company") is dated as of February 23, 2017.

WHEREAS, the Executive desires to resign from his position with the Company as SVP Treasurer on March 1, 2017 (the "Resignation Date").

WHEREAS, the Company desires to retain the Executive as an Advisor on an at will basis from March 1, 2017 until September 1, 2017; and

WHEREAS, this agreement, when executed by the Executive and the Company, shall be effective as of the Resignation Date; and

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth below, and intending to be legally bound thereby, the Company and the Executive covenant and agree as follows:

1. Resignation. The Executive agrees to resign from his position of SVP Treasurer of the Company by executing the letter attached as Appendix A to this Agreement as of the Resignation Date.
 2. Payment and Benefits. In consideration for the Executive's obligations herein, the Company shall provide the following payments and benefits:
 - a. Payments to Executive:
 - (i) The Executive shall receive his Base Salary at the annual rate of Three Hundred Seventy Eight Thousand Five Hundred Dollars (\$378,500), less all applicable withholdings and deductions, from the Resignation Date through the termination of employment as an Advisor (the "Advisory Period").
 - (ii) The Advisory Period shall be intended to continue until September 1, 2017 ("Advisory End Date"), although either the Company or the Executive may terminate employment as an Advisor at will at any time. During the Advisory Period, Executive shall continue to be actively employed by the Company with duties to be determined by the Company.
 - (iii) All reasonable travel and related expenses incurred by Executive in the fulfillment of his duties hereunder will be reimbursed in accordance with the applicable expense reimbursement policies and procedures of the Company as in effect from time to time.
 - (iv) At the end of the Advisory Period, the Executive's employment shall terminate and he shall receive a lump sum payment of Three Hundred Fifty One Thousand Eight Hundred Twelve Dollars (\$351,812) less all applicable withholdings and taxes, in consideration for and subject to the Executive executing the Updated General Release attached as Appendix B to this Agreement (the "Lump Sum Payment"). The Lump Sum Payment shall be made within 15 business days of the Executive's execution and non-revocation of the Updated General Release attached as Appendix B.
 - (v) The Executive shall notify James G. Hnat, Executive Vice President and General Counsel, within 5 days after he obtains full-time employment. Upon his acceptance of such employment, the Executive's employment with the Company shall end and any and all benefits and payments discussed in this Paragraph 2 that are continuing during the Advisory Period shall terminate; provided, however, the Flight Benefits set forth in 2(d) shall continue.
 - b. 401(k). The Company shall continue to make 401(k) matching contributions, if any, on behalf of the Executive during the Advisory Period, subject to the terms of the applicable plan.
 - c. Benefits. The Company agrees to continue the Executive's existing medical and dental benefits during the Advisory Period, subject to the terms and conditions of the plans.
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d. Flight Benefits. It is understood and agreed by the Company that the Executive is entitled to his current JetBlue CrewTravel privileges and standby on OALs subject to the terms of JetBlue's pass travel programs and any future changes to those programs including, but not limited to any changes as may be required by Section 409A of the Internal Revenue Code. At the conclusion of the Advisory Period through December 31, 2017 the Executive will be entitled to only JetBlue CrewTravel privileges.

e. Restricted Stock Units/Performance Share Units. The outstanding Restricted Stock Units and Performance Share Units held by the Executive will be forfeited at the end of employment per the terms and conditions of the applicable plans and agreements.

3. No Other Payments or Benefits. Except for the payments and benefits provided for in Paragraph 2 of this Agreement, and those accrued but unused benefits and obligations to which the Executive is entitled, the Executive hereby acknowledges and agrees that the Executive is not entitled to any other compensation or benefits of any kind from the Company, including, but not limited to, any claims for salary, bonuses, severance, or any other payments or benefits whatsoever under any Company plan or program. The Executive's equity grants shall be governed by the terms of the applicable plans as may be amended from time to time.

4. Release. In consideration of the obligations of the Company herein, specifically some of the payment and benefits described in Paragraph 2 of this Agreement, of which the Executive acknowledges that the Executive is not otherwise entitled, the Executive hereby fully and forever unconditionally releases and discharges the Company and all of its past or present officers, directors, employees, insurers, agents, subsidiaries, successors and assigns (hereinafter referred to collectively as the "Releasees"), from any and all manner of actions and causes of action, suits, debts, dues, accounts, bonds, covenants, contracts, agreements, judgments, charges, claims and demands whatsoever which the Executive, the Executive's heirs, executors, administrators and assigns has, or may hereafter have against the Releasees arising out of or by reason of any cause, matter or thing whatsoever occurring on or before the Effective Date of this Agreement, including, but without limitation to any or all matters relating to the Executive's employment by the Company and the separation thereof, the Executive's benefits, and all matters arising under any international, federal, state, or local statute, rule or regulation or principle of contract law or common law, in law or in equity, including, but not limited to, claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, all as amended, and any other federal, state or local laws regarding employment discrimination, excepting only claims for worker's compensation, unemployment compensation and rights under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). Nothing in this agreement prohibits Executive from reporting possible violations of federal law or regulation to any governmental agency or regulatory authority, including but not limited to the U.S. Securities and Exchange Commission, or from making other disclosures that are protected under the whistleblower provisions of federal law or regulation. The Executive does not waive or release any rights arising after the Effective Date of this Agreement.

5. Restrictive Covenants

a. Non-Compete. The parties agree that during the Advisory Period, if the Executive engages in Competitive Activity, which shall be defined as directly or indirectly owning, managing, operating, joining, controlling or participating in the ownership, management, operation or control of, or be employed by, any air carrier with its base of operations in North Central or South America (the "Competitive Airlines"), the Executive's employment shall terminate, the Company's obligation to make and/or continue future payments and benefits under this Agreement shall terminate, and the Executive shall be required to repay to the Company any payments and benefits previously paid to him under this Agreement within 3 business days of him engaging in the Competitive Activity. The Executive must notify James G. Hnat, Executive Vice President and General Counsel, within 5 business days of engaging in Competitive Activity. Subject to the terms herein, during the Advisory Period, the Executive shall not be precluded from working for any airline consulting firms (provided that the Executive may not be placed at a Competitive Airline or directly or indirectly perform full time duties for a Competitive Airline), freight carriers, airline investment banking firms, regional airlines, manufacturers, air taxi services, fractional jet operators, foreign airlines, and other similar companies.

b. Non-Solicit. Unless the Company agrees and provides written consent to the contrary, the

Executive agrees that for a period of 12 months following the execution of this Agreement, he shall not directly or indirectly (i) interfere with or attempt to interfere with any person who is, or was during the then most recent 12-month period, an employee, officer, representative or agent of the Company or its affiliates, or solicit, induce or attempt to solicit, induce any of them to leave the employ of the Company or its affiliates or violate the terms of their contracts, or any employment arrangements, with the Company or its affiliates; (ii) induce or attempt to induce any employee of the Company or its affiliates to leave the employ of the Company or its affiliates, or interfere in any way with the relationship between the Company or its affiliates and any employee of the Company or its affiliates; or (iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company or its affiliates to cease doing business with the Company or its affiliates, or in any way interfere with the relationship between the Company or its affiliates and any of their respective customers, suppliers, licensees or other business relations. As used herein, the term "indirectly" shall include, without limitation, the Executive's permitting the use of the Executive's name by any competitor of the Company to induce or interfere with any employee or business relationship of the Company.

c. The Parties understand and agree that notwithstanding Executive's duties hereunder, he may engage in teaching, serve on corporate and non-profit boards, and engage in other consulting activities.

6. Company Property. The Executive shall retain use of all Company property in the Executive's possession during the Advisory Period. Thereafter, the Executive shall return all Company property. After giving effect to the return of the property discussed above, the Executive represents and warrants that the Executive has no Company records or copies of records or correspondence or copies of correspondence, other than non-confidential documents relating to the Executive's own employment by the Company.

7. Non-Disparagement. The Executive agrees that the Executive will not publish or communicate to any person or entity Disparaging (as defined herein) remarks, comments or statements concerning the Releasees. The Company and its officers shall not publish or communicate to any person or entity any Disparaging remarks comments or statements concerning the Executive. "Disparaging" remarks, comments, or statements are those that impugn the character, honesty, integrity, morality, or business acumen or abilities in connection with any aspect of the operation of the Company's business or the Executive.

8. Protection of Confidential Information. The Executive hereby acknowledges that Executive remains subject to and agrees to abide by any and all existing duties and obligations respecting confidential and/or proprietary information of the Company.

9. Non-Assignment of Rights. Executive warrants that the Executive has not assigned or transferred any right or claim described in the general release given in Paragraph 4 above.

10. Voluntary and Knowing. The executive represents and warrants that the Executive fully understands the terms of this Agreement and that the Executive knowingly and voluntarily, of the Executive's own free will without any duress, being fully informed, after due deliberation and after consultation with the Executive's own counsel, accepts its terms and signs the same as the Executive's own free act.

11. Revocation Period and Effective Date. Executive acknowledges that the Company has provided the Executive the opportunity to review and consider this Agreement for at least twenty-one (21) days from the date the Company provided the Executive this Agreement. Executive represents that he was advised by the Company to review this Agreement with an attorney before signing. If Executive executes this Agreement prior to the expiration of twenty one (21) days from the date the Company provided the Executive with this Agreement, the Executive voluntarily and knowingly waives any right the Executive may have, prior to signing this Agreement to additional time within which to consider the Agreement. The Executive may revoke this Agreement within seven (7) days after he executes this Agreement by providing written notification of the intended revocation to James G. Hnat, Executive Vice President and General Counsel, at the Company. This Agreement becomes effective on the eighth day after it is executed by both parties, provided that it is not revoked by the Executive prior to that date (the "Effective Date").

12. No Exit Incentive. The payments provided under this Agreement are not offered in connection with any specific exit incentive or other employment termination program.

13. Governing Law. This Agreement shall be governed in all respects, whether as to validity, construction,

capacity, and performance or otherwise by the laws of the State of New York.

14. Entire Agreement. This Agreement constitutes the sole and entire agreement between the Company and the Executive and supersedes any and all understandings and agreements (including, without limitation, the Employment Agreement) made prior hereto, if any.
15. Modification. No provision of this Agreement shall be amended, waived or modified except by an instrument in writing signed by the parties hereto.
16. Counterparts. This Agreement may be executed in counterparts, both of which together shall constitute the original agreement. This Agreement may also be executed by facsimile signature.
17. No Admission of Liability. It is understood and agreed that the execution of this Agreement by the Company is not to be construed as an admission of any liability on its part to Executive other than to comply with the terms of this Agreement.

ACCEPTED AND AGREED:

Date: **February 23, 2017**

JAMES LEDDY

JETBLUE AIRWAYS CORPORATION

/s/ JAMES LEDDY

/s/ Mike Elliot

By: February 27, 2017

Title: Executive Vice President People

APPENDIX A

Robin Hayes
President and Chief Executive Officer
JetBlue Airways Corporation
27-01 Queens Plaza North Long Island City, NY 11101

Dear Robin,
Effective March 1, 2017, I hereby resign my position as SVP Treasurer of JetBlue Airways Corporation.

Sincerely,

/s/ James Leddy

James Leddy

February 23, 2017

APPENDIX B UPDATED RELEASE

This Updated General Release (hereinafter the "Release ") is dated this ____ day of _____, 2017).

WHEREAS, the Executive and the Company entered into an Agreement and General Release in _____, 2017 (the "2017 Agreement") whereby Executive resigned from his position with the Company as SVP Treasurer and became employed as an Advisor through September 1, 2017; and

WHEREAS, the Executive now desires to resign from his position as an Advisor and to terminate his employment with the Company.

1. Release. Therefore, in consideration of the obligations of the Company set forth in Paragraph 2(iv) of the 2017 Agreement, to which the Executive acknowledges that the Executive is not otherwise entitled, the Executive hereby fully and forever unconditionally releases and discharges the Company and all of its past or present officers, directors, employees, insurers, agents, subsidiaries, successors and assigns (hereinafter referred to collectively as the "Releasees"), from any and all manner of actions and causes of action, suits, debts, dues, accounts, bonds, covenants, contracts, agreements, judgments, charges, claims and demands whatsoever which the Executive, the Executive's heirs, executors, administrators and assigns has, or may hereafter have against the Releasees arising out of or by reason of any cause, matter or thing whatsoever occurring on or before the Effective Date of this Release, including, but without limitation to, any or all matters relating to the Executive's employment by the Company and the termination thereof, the Executive's benefits, and all matters arising under any international, federal, state, or local statute, rule or regulation or principle of contract law or common law, in law or in equity, including, but not limited to, claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, all as amended, and any other federal, state or local laws regarding employment discrimination, excepting only claims for worker's compensation, unemployment compensation and rights under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") and the obligations set forth in the 2009 Agreement. The Executive does not waive or release any rights arising after the Effective Date of this Release.

2. Revocation Period and Effective Date. Executive acknowledges that the Company has provided the Executive the opportunity to review and consider this Updated General Release Agreement for at least twenty-one (21) days from the date the Company provided the Executive this Release. Executive represents that he was advised by the Company to review this Release with an attorney before signing. If Executive executes this Release prior to the expiration of twenty-one (21) days from the date the Company provided the Executive with this Release, the Executive voluntarily and knowingly waives any right the Executive may have, prior to signing this Release, to additional time within which to consider the Release. The Executive may revoke this Release within seven (7) days after he executes this Release by providing written notification of the intended revocation to James G. Hnat, Executive Vice President and General Counsel, at the Company. This Release becomes effective on the eighth day after it is executed by both parties, provided that it is not revoked by the Executive prior to that date (the "Effective Date").

ACCEPTED AND AGREED: JETBLUE AIRWAYS

CORPORATION

Date: _____, 2017

JAMES LEDDY

By: _____

Title: _____

ACCEPTED AND AGREED:

JETBLUE AIRWAYS
CORPORATION

Date: _____, 2017

JETBLUE AIRWAYS CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(in millions, except ratios)

	Three Months Ended March 31,	
	2017	2016
Earnings:		
Income before income taxes	\$ 126	\$ 323
Less: Capitalized interest	(2)	(2)
Add:		
Fixed charges	48	53
Amortization of capitalized interest	1	1
Adjusted earnings	\$ 173	\$ 375
Fixed charges:		
Interest expense	\$ 24	\$ 28
Amortization of debt costs	1	1
Rent expense representative of interest	23	25
Total fixed charges	\$ 48	\$ 54
Ratio of earnings to fixed charges ⁽¹⁾	3.59	7.03

(1) All ratios shown in the above table have been calculated using unrounded numbers.

Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer

I, Robin Hayes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of JetBlue Airways Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2017

By: /s/ ROBIN HAYES

Chief Executive Officer

Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer

I, Steve Priest, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of JetBlue Airways Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2017

By: /s/ STEVE PRIEST

Chief Financial Officer

JetBlue Airways Corporation**SECTION 1350 CERTIFICATIONS**

In connection with the Quarterly Report of JetBlue Airways Corporation on Form 10-Q for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on April 28, 2017 (the "Report"), the undersigned, in the capacities and on the dates indicated below, each hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of JetBlue Airways Corporation.

Date: April 28, 2017

By: /s/ ROBIN HAYES

Chief Executive Officer

Date: April 28, 2017

By: /s/ STEVE PRIEST

Chief Financial Officer