Letter of Comment No: 5470 File Reference: 1102-100

June 29, 2004

Director of Major Projects
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 1102-100

We appreciate the opportunity to provide comments on the proposed Statement of Financial Accounting Standards, *Share-Based Payment-an amendment of FASB Statements No. 123 and 95*, issued on March 31, 2004.

Although we concur with the fundamental conclusion that it is appropriate to recognize compensation expense for the services received from employees in exchange for equity instruments, we have several concerns regarding certain of the proposals which we will address below. Before we address our specific concerns, we would like to provide more specifics about our company's compensation practices as it provides the basis for the context of our comments.

JetBlue Airways Corporation was incorporated in August 1998 and launched flying operations in February 2000. We became a publicly-held company in April 2002. As of March 31, 2004 we operated 57 aircraft and employed almost 6,000 employees, who we refer to as crewmembers. We have remained profitable since 2001 during a time of significant industry turmoil. We attribute that to our emphasis on low operating costs and the dedication of our crewmembers. Part of our philosophy is to share the company's successes with our crewmembers and align personal successes with those of JetBlue. We believe we accomplish this through competitive pay and benefits, including a stock purchase plan and annual profit sharing which are available to all crewmembers upon hire. Stock options are provided to a significant number of our crewmembers, including FAAlicensed employees (pilots, maintenance technicians and dispatchers) and leadership (managers, directors and officers). As of March 31, 2004, we had 71 percent participation in our crewmember stock purchase plan and 25 percent of our crewmembers have received stock options. The distribution of our stock options granted is as follows:

	% of Total
Board of directors	2
Named executive officers	5
Other officers	14
Managers and directors	23
FAA licensed crew	56

Based on the above distribution, you can see that our share-based compensation is widely held which is the basis for most of our comments. Although we do not plan to change our approach regarding share-based compensation, one of our concerns is the complexity of implementation that is required by the proposed statement and what it will require us to do to continue to administer these broadbased plans at a reasonable cost.

Attribution of Compensation Cost - Issue 9

The Board has concluded that a single method of accruing compensation cost for awards with a graded vesting schedule should be required. We concur with the Board's approach to reduce alternatives, but disagree with the alternative selected in paragraph 11. We support the recognition of the compensation cost on a straight-line basis as long as the amount of compensation cost recognized at any date at least equaled the fair value of the vested portion of the award at that date as described in paragraph C89 that was previously allowed under Statement 123. Accounting for awards with graded vesting as separate awards results in recognizing more compensation cost in the earlier vesting periods of an award. We believe that assumption contradicts the fundamental principle of the proposed statement to recognize compensation expense as the services are received from employees. This method of attribution implies that the services received in the early years are more valuable than the services provided later in the award's vesting period. We disagree with that result and believe that an employee's service is equally valuable each day they provide service for the company and that the financial statements should reflect the consistent service we expect from our crewmembers. In addition, the complexities required by graded vesting will impose significantly more cost to companies such as ours that have broad-based share-based award plans. Lastly, straight-line attribution better matches the employee's understanding of their award based on our experience.

Attribution of Compensation Cost – Issue 7

We have a long standing practice of regular stock option grants and our policy since becoming a publicly-held company is to grant stock options to our eligible crewmembers every two months. Currently that results in option grants to approximately 90 crewmembers at each grant date. We expect this amount to double in 2005 as we begin hiring for our new aircraft, the Embraer E190. Although a crewmember's vesting currently begins on their date of hire, we are concerned about the administrative burden caused by the proposed requisite service period. This would require each award to have a separate fair value based on each individual's unique hire date. In addition, companies are required to estimate the fair value upon date of hire until the actual fair value is determined. We find that requirement in paragraph B55 almost impractible to implement as during a two month period, we would have to separately estimate the fair value of over 90 awards only to re-value them upon actual grant date. In 2006, this requirement could potentially impact 1,000 grants.

We propose that the Board consider that if the service inception date and the grant date are relatively close together (e.g. within three months), that the alternative is available to accrue compensation cost from the grant date when all the key terms of the share-based compensation arrangement are known. The total compensation cost is still reflected in the financial statements over 60 months (in the case of our five year awards) but begins 1-2 months after the crewmember was hired. This would reduce the administrative burden of calculating fair values from 1,000 grants to six grants on an annual basis.

Employee Stock Purchase Plans – Issue 6

We do not disagree with the Board's conclusion that an employee stock purchase plan is compensatory if the employees are entitled to purchase shares on terms that are not available to all holders of the same class of shares. We again oppose the attribution period assuming graded vesting. Although our plan provides for two year offering periods that consist of four six-month purchase periods, both the company and our crewmembers look at these as four separate awards. As stated earlier, a crewmember's service is provided on a consistent basis and is not more valuable during the first six month purchase period versus the last six month purchase period of the two year offering period.

Transition – Issue 13

The only concern we have regarding the modified prospective method for public companies is for companies such as ours, which have not previously adopted Statement 123 and only provided the pro forma disclosures in the footnotes based on straight-line amortization over the vesting period. If the graded vesting attribution model is retained, then during the early years of adoption, we would reflect higher compensation expense than if we were allowed to update our proforma calculations to at least take into account the new graded vesting requirements as it relates to prior years. It would be easy to restate the proforma disclosures. An additional recommendation would be to provide an example of the proposed disclosure provisions for those entities who had only adopted the disclosure provisions of Statement 123.

Income Taxes - Issue 11

Our comments in this area address two specific issues regarding the accounting for income taxes. Restriction of the recognition of realized benefits from the excess deduction to actual realization (in the example of net operating loss carryforwards) as required by footnote 29 of paragraph B67 is a change of practice for only this type of tax deduction. We believe that this warrants further consideration and that current practice under Statement 109 be retained to recognize the excess tax deduction upon exercise of the stock option.

Although a requirement of Statement 109, the tax effects of an employee's disqualifying disposition of stock are currently recognized only when the disqualifying disposition occurs which under the proposed statement will generate significant permanent differences as incentive stock options do not

result in temporary differences. Given the significance of the compensation expense to be recorded under the proposed statement, we would like the Board to reconsider this requirement and allow for temporary differences for incentive stock options if sufficient history exists to predict that incentive stock options will result in disqualifying dispositions, and thus a tax deduction.

Disclosures - Issue 12

We concur with the Board's approach to disclosure objectives but would question the objective to include disclosures of the potential effects of share-based arrangements on shareholders noted in paragraph 46a of Appendix A. Requiring the intrinsic value disclosures in paragraph B191(c)(2) and B191(d) contradicts the fair value model of the proposed statement and are additional disclosures that are not necessarily a true measure of the value transferred from existing shareholders to option holders. We propose elimination of these proposed disclosure requirements.

Fair Value Measurement – Issue 4(b)

Regarding the proposed use of a lattice model to value share-based awards, we understand the Board's rationale that it is a preferable measurement method. We are concerned about having reliable models that reflect the characteristics of employee share-based awards in time for implementation. Additionally, as the inputs for the lattice model are more complex, this makes it more difficult for entities in meeting the accelerated public company reporting deadlines. Although the Board did not require the use of a lattice model, due to the preferability requirements of paragraph B18, companies who continue to utilize a closed-form model may have to defend their choice to users of financial statements. Given the short transition period, it may be better to allow companies either alternative and then require the lattice model at a later date. This approach would also provide for any unanticipated implementation issues to be resolved.

Thank you for the consideration of our comments. If you have any questions regarding our response, please contact me at 203-656-7604 or at holly.nelson@jetblue.com.

Sincerely,

Holly L. Nelson VP – Controller

Cc: John Owen, Executive VP & CFO Joy Covey, Audit Committee Chair